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2023 Stock market outlook

Opportunities amid turbulence

In the base case, KBSV expects the VNIndex at year-end 2023 to reach 1,240 points, corresponding to an increase of 8.05% in the average EPS of listed companies on the HSX and a target P/E of 12x.

We assume there are four factors shaping the Vietnamese stock market trend:

- 1) China's production and business activities return to normal in 2Q23, which should benefit Vietnam's economy but not put too much pressure on global inflation.
- 2) The Fed may only have two more 25bps-rate-hikes in 1Q23 and start lowering interest rates in 4Q when the US economy falls into a slight recession.
- 3) M2 money supply growth rate is close to pre-COVID level, and domestic interest rates have cooled down despite staying high.
- 4) There is no widespread disruption in the corporate bond market.

We believe that the market may continue to recover after 1Q23 thanks to two main drivers, which are 1) China's fully opening its economy and 2) no more Fed rate hikes after the March meeting. However, 2Q is the time when concerns about economic recession will weigh on the global stock market as the business activities of enterprises shows more obvious signs of weakening. In addition, the pressure of corporate bond maturity is high, leading to an increase in market risks, and the VNIndex is facing the risk of falling again. In 2H23, the market's attention will focus on the possibility of policy easing of major central banks and the level of recession in the US and EU economies. In the base case, a mild recession would be enough for central banks to change their policies while not causing too much damage to the global economy. Accordingly, Vietnam's stock market may recover given the central banks' easing policy and stable domestic macro condition.

In the negative case, when the above four factors are not favorable, the VNIndex may drop to 880 points by the end of 2023, corresponding to a decrease in EPS of 8% and P/E at 10.x.

For equity outlook, our Equity research department gives a positive assessment for oil & gas and information technology. *(See also at Section VI)*

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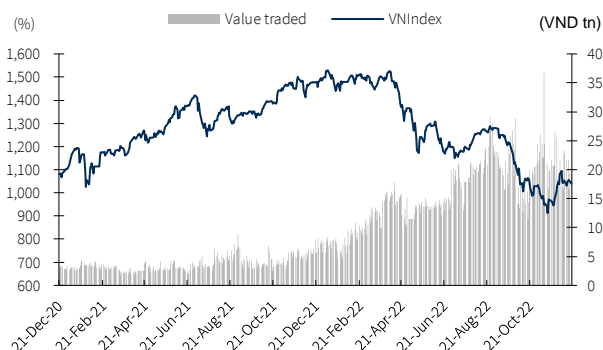
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I. 2023 stock market outlook

Vietnam stock market collapsed in 2022

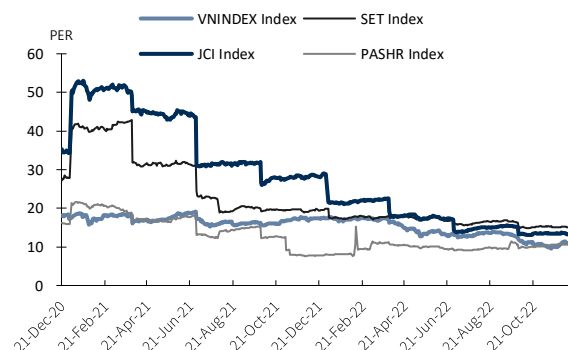
Vietnam stock market experienced a steep correction in 2022 after two years of strong growth, which is caused by negative impacts from both domestic and international markets. Main foreign factors include the Russia-Ukraine conflict, zero-Covid policy of the Chinese Government, central banks' tightening monetary policy to deal with galloping inflation, and recession risks in the US and EU. Main domestic factors are risks from corporate bond market (related to the cases of Tan Hoang Minh and Van Thinh Phat for example), the process of filtering violation on the stock market (FLC Group), exchange rate and inflationary pressure leading to tight liquidity and high interest rates, and slow public disbursement. All of these made Vietnam one of the markets with the most negative movements in the world.

Fig 1. Vietnam – VNIndex movement



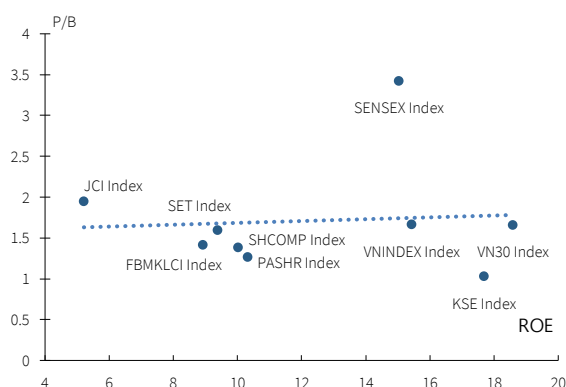
Source: Bloomberg, KB Securities Vietnam

Fig 2. ASEAN4 – P/E (x)



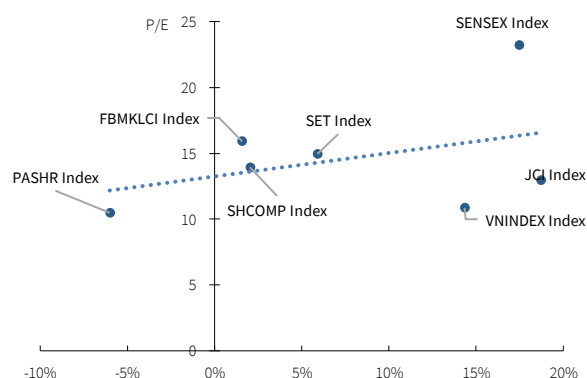
Source: Bloomberg, KB Securities Vietnam

Fig 3. Global markets – The correlation of P/B & ROE



Source: Bloomberg, KB Securities Vietnam

Fig 4. Global markets – The correlation of P/E & EPS



Source: Bloomberg, KB Securities Vietnam

Investment opportunities in market wobbles

We suppose there are four main Vietnam market drivers in 2023 (*See more details in Section III*), including:

China's fully opened economy

Vietnam and China have a close trade and service relationship, so the opening of China's economy will be a driving force for Vietnam economic growth and partly undermine the bad impacts from sagging demand in the US and EU. Accordingly, Vietnam's equity market also benefits, especially for industries that have close trade activities with China such as textiles, fishery, retail, rubber, cement, and rice; industries benefiting from the recovery trend of raw material prices when China's consumption recovers such as steel and oil & gas; industries that cheer the return of Chinese tourists such as airlines, tourism services, and resort real estate. However, the opening of China may increase pressure on global inflation, thereby rising difficulties to the fight against inflation of the US and EU and affecting the decisions of the Fed and the ECB.

Fed monetary policy and the risk of US economic recession

The Fed's monetary tightening move in 2022 caused the global stock market to wobble. The stock markets of emerging countries, including Vietnam, are further affected by a stronger dollar and increasing exchange rate pressure, which made central banks have to tighten monetary policy. However, some signs have shown that US inflation has peaked, while the US economy is gradually weakening. This raised expectations that the Fed will soon end the monetary tightening cycle by the end of 1Q23 and start easing policy from the year-end 2023. The focus point is whether the US inflation tends to fall as quickly as expected (given commodity prices may rebound when China opens up), and how severe the US economic recession is (if it happens).

M2 money supply growth speed

We observe a high correlation between M2 money supply growth and VNIndex's P/E valuation. In fact, the record low M2 increase in 2022 stressed on market liquidity, banking system and the whole economy and pushed interest rates to a high base. This is the main reason for VNIndex's negative movements. It is expected that money supply growth in 2023 will recover from the low base of 2022 while some favorable objective conditions such as the State Bank of Vietnam's (SBV) ability to buy USD or public investment are encouraged.

The risk from corporate bond market

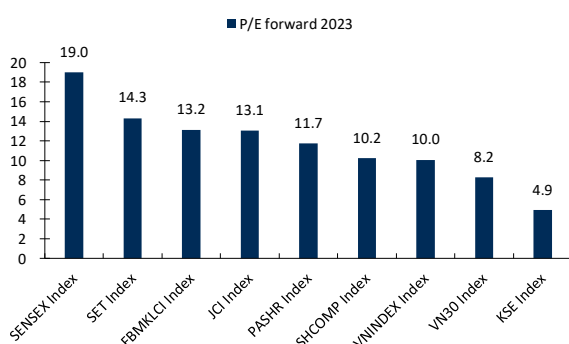
Corporate bond market is likely to face many difficulties in 2023. Bond defaults may occur, but the severity and scale will not be too large as the interest rate level should cool down from the high base by the end of 2022. The real estate market is subdued but does not collapse systematically while more supportive actions from the Government can be expected.

The reasonable range of the VNIndex at the end of the year is 1,240 points

Based on the analysis of the four market drivers (*see also Section III*), we built a scenario with the highest probability of occurrence for each factor: 1) China's production and business activities return to normal in 2Q23, which should benefit Vietnam's economy but not put too much pressure on global inflation. 2) The Fed may only have two more 25bps-rate-hikes in 1Q23 and start lowering interest rates in 4Q when the US economy falls into a slight recession, the USD cools down and increase the flexibility for the SBV policy. 3) M2 money supply growth rate is close to pre-COVID level, which helps to lower interest rate average. 4) There is no widespread disruption on the corporate bond market, although single bond default may happen. Accordingly, the market EPS is forecast to increase by 8.5% (*see also Section II*) and the P/E of the VNIndex is closer to neutral at 12x (according to the correlation model M2, interest rates, and P/E Vnindex), which corresponds to the reasonable range of the VNIndex at 1,240 points at year-end 2023.

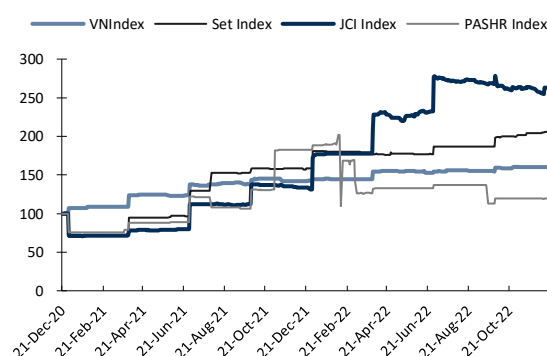
Besides, there is a negative case in which the above factors turn out unfavorable: 1) Global inflationary pressure will increase again when China opens its economy, which boosts consumption and services and triggers an increase in commodity prices, thereby weighing on the operating policies of the Fed and EBC. 2) The Fed has to tighten monetary policy to cope with rising inflationary pressure, pushing the economy into a state of stagflation (strong recession accompanied by high inflation). 3) Inflationary pressure makes the SBV continue its tightening monetary policy, and the interest rate level rises to a new high. 4) There were more defaults on the corporate bond market with frozen real estate and increased bad debt in banks. Correspondingly, the market EPS may drop 8%, and the P/E of the VNIndex should around the bottom 10x. Accordingly, the negative scenario of the VNIndex at the end of 2023 is at 880 points.

Fig 5. Global markets – 2022 forward P/E (x)



Source: Bloomberg, KB Securities Vietnam

Fig 6. ASEAN4 – EPS



Source: Bloomberg, KB Securities Vietnam

II. Business operation

3Q business results slowed due to macro uncertainty

In 3Q22, companies listed on the HSX recorded a total profit growth of 15.2% and revenue growth of 28.8% over the same period mainly due to a low base in 3Q21 when business activities were affected by nationwide social distancing. However, profit decreased by 4.3% and revenue was flat compared to 2Q22 as the demand of major trading partners declined, and the business environment is not really favorable (bleak real estate – construction market, limited credit supply, and sagging VND leading to exchange rate losses in some large enterprises).

9M22 revenue and profit of listed companies gained 19.7% and 8.3% YoY respectively given positive macro growth from the low base of 2021 with negative impacts of the Covid-19. However, the data initially showed some difficulties ahead as the growth trend in 3Q has weakened.

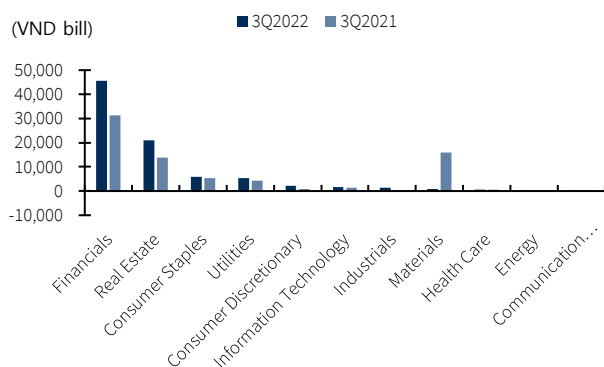
2023F average EPS growth for businesses on the HSX is 8.05% YoY

In 2023 base case, the US and EU will face a slight recession, Vietnam's GDP decelerates but remains at 6–6.5%, some macro indicators such as exchange rate and inflation remain stable. We forecast overall market EPS growth at 8.05% (a sharp drop from over 18% growth in 2022).

- Unfavorable factors include: Economic recession in the US and EU that affects the revenue of export enterprises; the high interest rate base that is likely to remain for at least 1H23 and affect the interest expense of enterprises; and risks from the corporate bond market (with a total maturity value of up to about VND400 trillion in 2023) that negatively affect the real estate industry and increase the risk of increasing bad debt in the banking industry.
- On the other hand, favorable factors that help support the business results of listed companies include: slower but high GDP growth (at 6%–6.5%), underpinned by domestic demand; boosted public investment after a quiet 2022; and China's economic opening that helps bilateral trade to be restored, especially in terms of tourism.

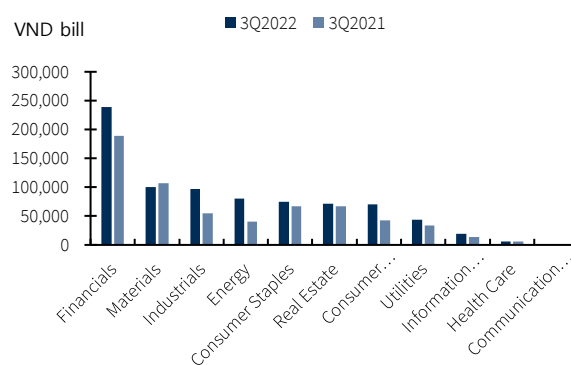
Sectors that are expected to grow strongly next year (Figure 10) include: Power (+179% YoY) vs the low base level in 2022; IT (+20.1% YoY) maintaining double-digit growth momentum; consumer staples (+14.1% YoY) benefiting from the growth in domestic consumption. In contrast, some sectors that may be not as positive include materials (–15.2%) and utilities (–2.4%) due to the decline in favorable factors in 2022 and real estate (+1.6%) that remains gloomy although is expected to recover slightly by the end of the year. The financial sector (+8.5%) also experienced a decline in growth compared to the level achieved in 2022 (+17.5%) due to concerns over the increased risk of bad debt in the banking sector stemming from the real estate corporate bond market.

Fig 7. Vietnam – 3Q22 profit of major sectors (VNDbn)



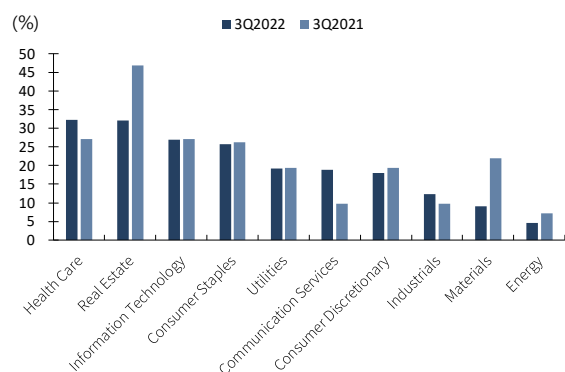
Source: Bloomberg, KB Securities Vietnam

Fig 8. Vietnam – 3Q22 revenue of major sectors (VNDbn)



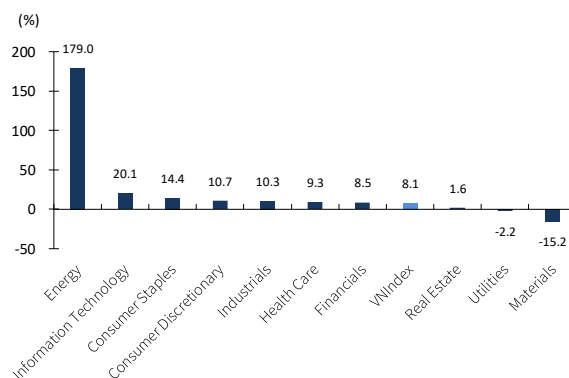
Source: Bloomberg, KB Securities Vietnam

Fig 9. Vietnam – 3Q22 GPM of major sectors (%)



Source: Bloomberg, KB Securities Vietnam

Fig 10. Vietnam – 2023E EPS growth of major sectors (%)



Source: Bloomberg, KB Securities Vietnam

III. 2023 market drivers

1. China's economy reopening

The reopening of Chinese economy and the removal of the zero-COVID policy would have mixed effects on Vietnam economy and stock market. Although positive impacts are dominant, the risks still need to be watched and are mainly related to increasing global inflation pressure that caused major economies to maintain high interest rates.

Positive impacts:

Airlines & aviation services

China's economy reopening would benefit tourism and aviation sectors as Chinese tourists return to Vietnam after nearly three years limited by the pandemic. This will be an important driving force to the economy to maintain a high growth rate in 2023 while export activities may face many difficulties from weak consumption demand. In fact, despite the early opening of tourism, the number of Asian tourists to Vietnam in 11M22 was only one-seventh of the number of visitors in 2019 (Table 1). One of the main reasons is the lack of tourists from China (usually accounting for 30-40% of arrivals from Asian countries).

Table 1. Vietnam – Tourist arrivals from China and other Asian countries to Vietnam

	Tourists from Asian countries	Tourists from China	Weight
2019	14,386.30	5,806.40	40%
2020	2,813.65	959.22	34%
2021	132.84	57.73	43%
2022	2,075.96	107.91	5%

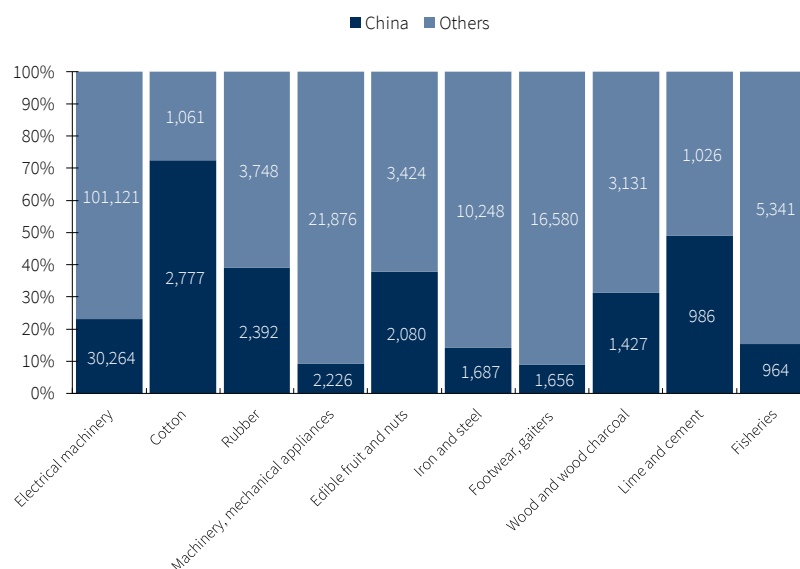
Source: Bloomberg, KB Securities Vietnam

Textile, fishery & foodstuff

Vietnam's 2022 export value to China reached USD56 billion, up 35% compared to the pre-Covid levels and accounting for 16.7% of the total export turnover in 2022. Overall, as the export of goods to China still maintains a positive growth during the Covid-19 pandemic, we assess that the full reopening will not have much impact on export activities but only have a partial impact on a few industry groups. China is the main market for export items such as cotton yarn (72%), stone, cement (49%), rubber (39%), fruit (38%) and wood (31%) (Figure 11). As the economy reopens, China should boost imports of crude oil, raw materials and industrial goods. Besides, the demand for fishery and food such as rice, corn, and cassava, which is hit hard by social distancing (Figure 13), will also increase to meet the needs of people and livestock feed production as output of this commodity in China declined in the 2022-2023 crop year.

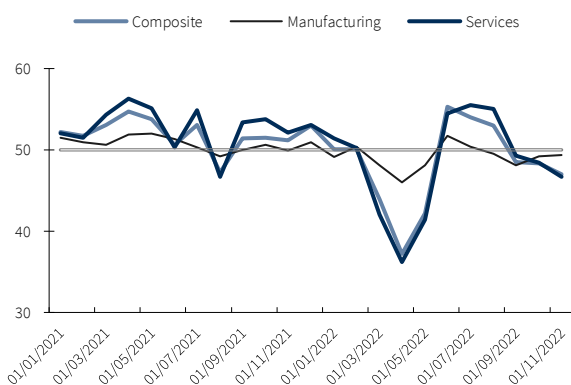
However, for the food group, the current prices of these commodities have cooled down, but most are still high. The supply is forecast to decrease but still meet the demand, so we think the impact on Vietnam food products will be negligible. For the fishery group, although we expect an increase in export volume to China, the current inventories are increasing, and the harvest is high, and the prices of raw fish is on a downward trend. Therefore, so China economic opening is less likely to create a big effect on Vietnam pangasius export. Vietnam's import value from China was USD138 billion (or 41.7% of the total import turnover), of which yarn and fabric materials (~ 78%), mechanical equipment (61%), medical equipment, optics (~60%) have large weights. The disruption of the supply chain will make it easier for Vietnamese enterprises to import goods and input materials from China to serve production activities at lower costs, especially for the textile and garment industry.

Fig 11. Vietnam – Top 10 most exported items (USDmn)



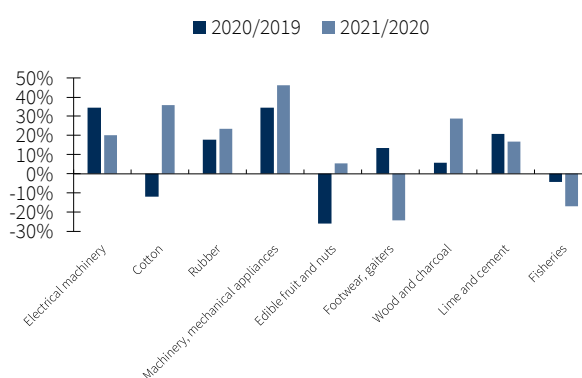
Source: ICT, KB Securities Vietnam

Fig 12. China – PMI



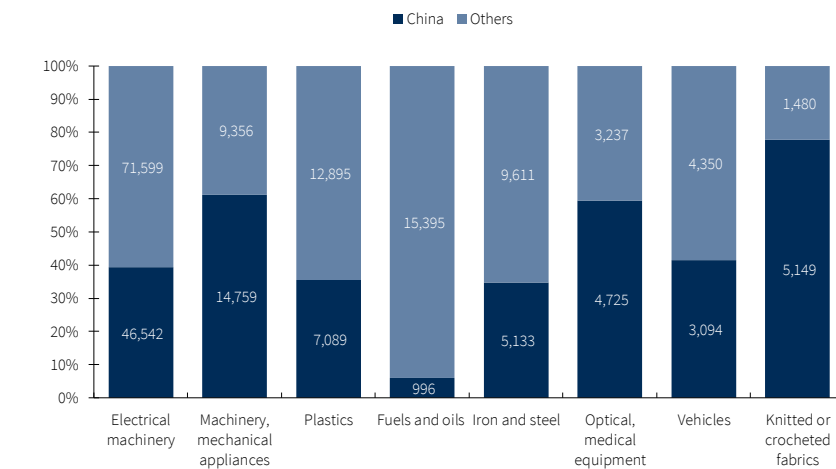
Source: Bloomberg, KB Securities Vietnam

Fig 13. Vietnam – Growth of 9 items exported to China (%)



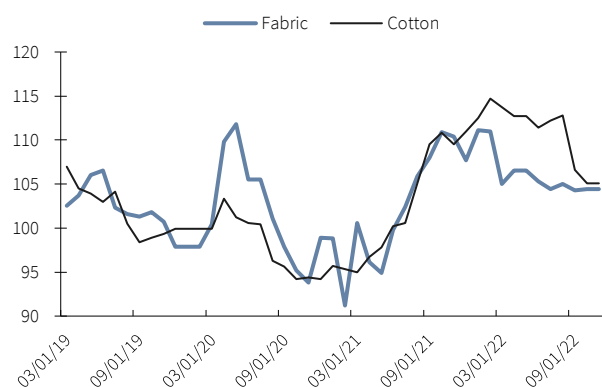
Source: Bloomberg, KB Securities Vietnam

Fig 14. Vietnam – Import turnover of 8 items (USDmn)



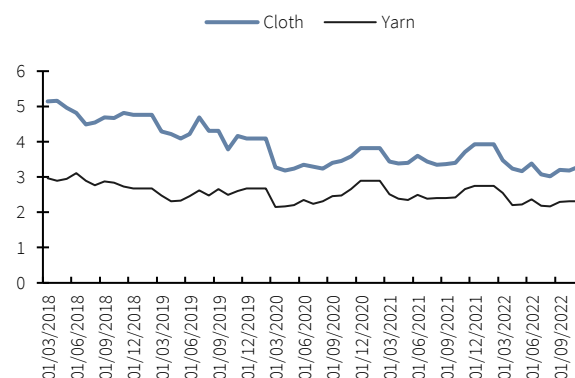
Source: ICT, KB Securities Vietnam

Fig 15. China – The prices of exported fabric & cotton yarn (%)



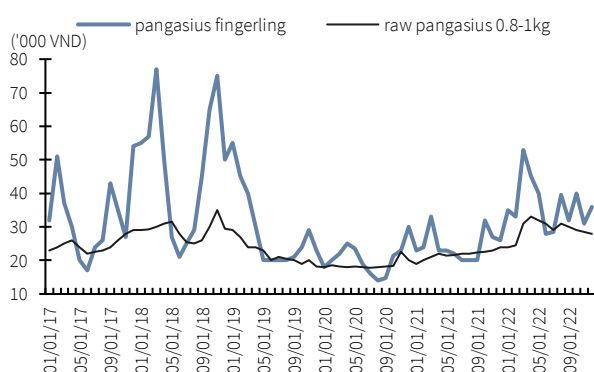
Source: Bloomberg, KB Securities Vietnam

Fig 16. China – Fabric & yarn output (million tons)



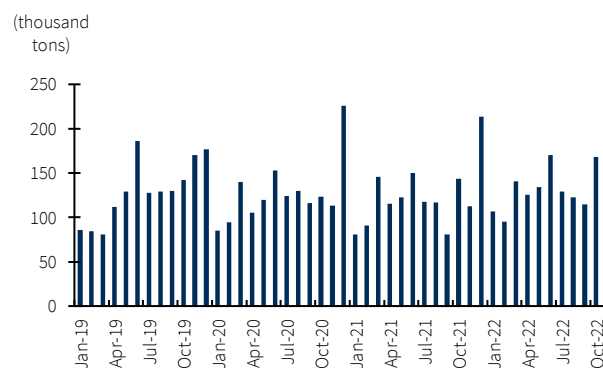
Source: Bloomberg, KB Securities Vietnam

Fig 17. Vietnam – Prices of pangasius fingerling and raw pangasius (VND/kg)



Source: Bloomberg, KB Securities Vietnam

Fig 18. Vietnam – Pangasius harvested in the Mekong Delta (thousand tons)

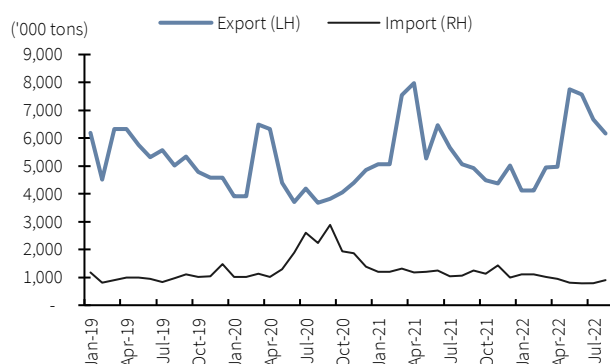


Source: Bloomberg, KB Securities Vietnam

Building materials

More than 50% of the world steel output is originated from China. During the lockdown, China boosted exports and restricted imports to free up inventories. Inventories of steel raw materials are currently at a low level while the expected improvement in demand can help raise the demand for Chinese steel imports and reduce the competitive pressure on exports from China. Although steel and steel raw materials prices have recovered after the reopening, the outlook for further price increases will depend on the recovery of China's real estate and construction markets. Cement should also benefit because Vietnam's cement industry exports most of its output to China amid the domestic oversupply. Low cement output in China will help cement exports from Vietnam to this country be more positive while consumption demand in the Chinese market is expected to grow at 3% in 2023.

Fig 19. China – Exported & imported steel volume (thousand tons)



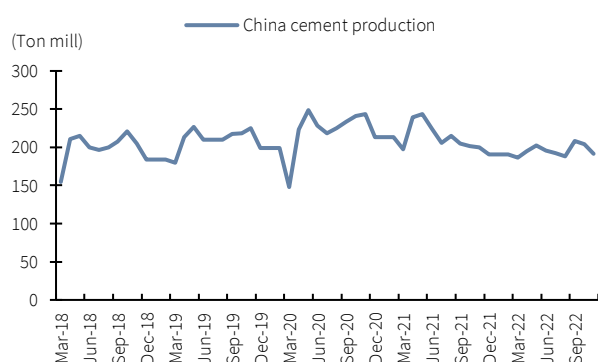
Source: Bloomberg, KB Securities Vietnam

Fig 20. China – HRC & ore inventories (ten thousand tons)



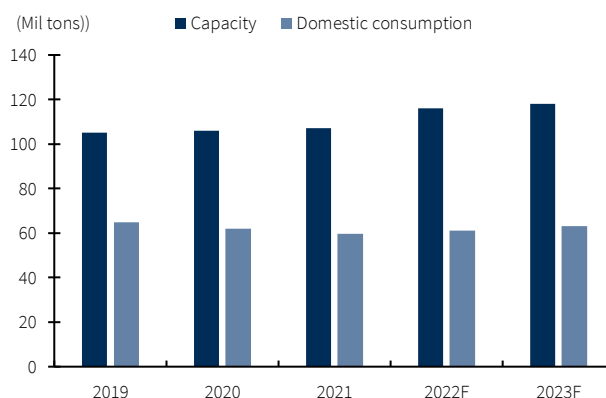
Source: OPEC, KB Securities Vietnam

Fig 21. China – Cement output (million tons)



Source: Bloomberg, KB Securities Vietnam

Fig 22. Vietnam – Cement design capacity & consumption (million tons)



Source: Viet Nam National Cement Association, KB Securities Vietnam

In the short term, rebounding oil prices when China fully opens the economy should exacerbate inflationary pressure

Negative impacts:

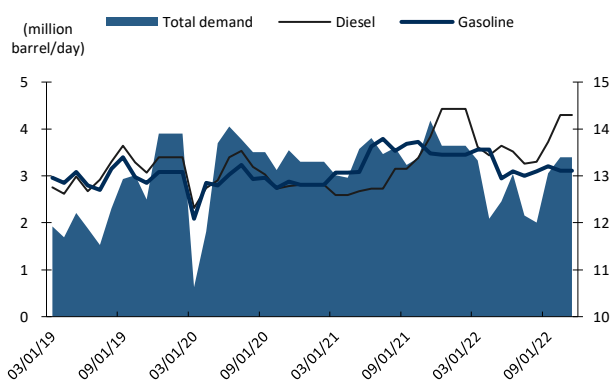
The average oil demand in China in 2019–2021 fluctuated around 13.3 million barrels per day (bpd). The social distancing measures in major cities led to a sharp drop in the total amount of oil consumed in China. The average daily oil demand lost 6.2% and 7.8% respectively in 2Q and 3Q. This is the reason why OPEC+ countries maintain their output cut policy while the world is facing recession risks. Given tightened supply (Figure 24), the full reopening of China will boost the prices of global oil & gas and raw materials, which puts pressure on the prices of other consumer goods and services and causes global inflation to rebound, especially in the US. According to estimates by Bloomberg, if China fully opens its economy by mid-2023, energy prices would be at risk of an increase of 20% and accordingly, the US CPI could rebound to 5.7%. In this scenario, the Fed may keep higher interest rates for a longer time than expected. US government bond yields and the US dollar rise, leading to a decline in the global and Vietnam stock markets. However, according to our observations, China has raised its oil imports from Russia and Saudi Arabia recently amid Western countries' sanctions (Figure 25). This is expected to help meet the increased demand from the reopening, especially when China requires its state-owned energy importers and exporters to stop reselling LNG to foreign customers. Therefore, oil prices should gain in the short term but in the medium term, they still depend on the global demand, recession risks, and geopolitical tensions between Russia and the EU.

Business activities returning to normal is an important growth force of the global stock market

In general, we assess that the positive impacts of China's full reopening on Vietnam's economy (through trade and tourism) outweigh negative impacts (related to inflation) because the impact of China's opening on oil prices (as on other raw materials) depends on global consumption demand, which is expected to weaken when developed countries face recession risks, and OPEC's output policy and the Russia-Ukraine war.

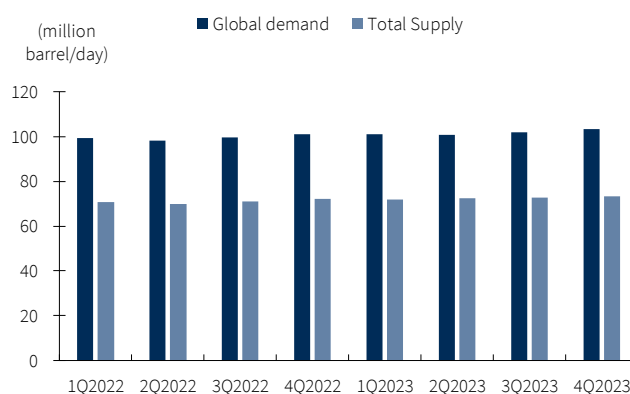
In the base case, China's business activities will return to normal in 2Q23, which will be considered an important driving force for the global and Vietnam stock markets while the Fed should stop raising interest rates.

Fig 23. China – Oil consumption (million bpd)



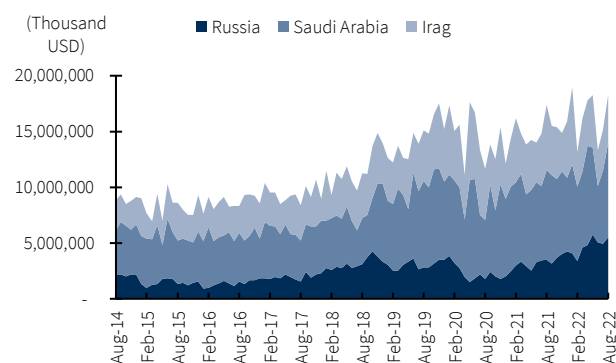
Source: Bloomberg, KB Securities Vietnam

Fig 24. Global – Oil demand & consumption (million bpd)



Source: OPEC, KB Securities Vietnam

Fig 25. China – Crude oil imported from 3 main sources (USD)



Source: Bloomberg, KB Securities Vietnam

2. Fed monetary policy and the risk of US economic recession

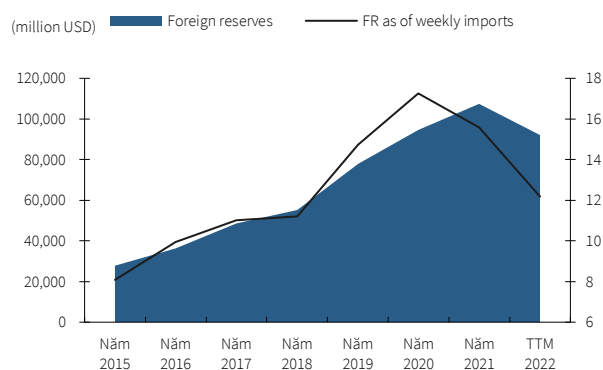
SBV sold USD25 billion, increasing the pressure of cash shortage in the system

Exchange rate and inflationary pressure are the main reasons for the SBV's tightened monetary policy in 2022. It is estimated that SBV sold USD25 billion from its FX reserves, equivalent to VND400 trillion withdrawn from circulation (Figure 26), which increase the liquidity pressure in the system (Figure 27). This made a series of commercial banks such as Vietcapital Bank, Vietbank, and Saigonbank raise 12-month deposit rate to over 9%. The stock market, which is sensitive to interest rates, has also experienced strong corrections with P/E ratio falling to less than 10x at times, reaching 10-year bottoms.

The volatility of Vietnam's stock market is closely correlated with the DXY

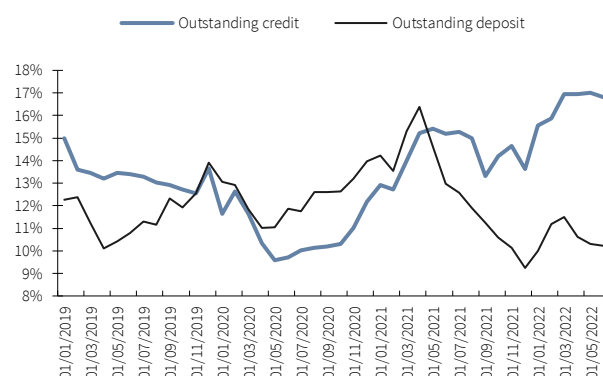
The main reason for the strong increase in exchange rate pressure is the steep appreciation of the USD (Figure 28) when the Fed had to raise interest rates to cope with the galloping inflation (Figure 29). In fact, the movements on Vietnam's stock market or emerging markets have a close correlation with the DXY. Therefore, the prediction of the USD developments (based on the operating policy of the Fed and the risk of US economic recession) plays an important role in forecasting Vietnam exchange rate pressure and the stock market recovery in 2023.

Fig 26. Vietnam – FX reserves (USDmn)



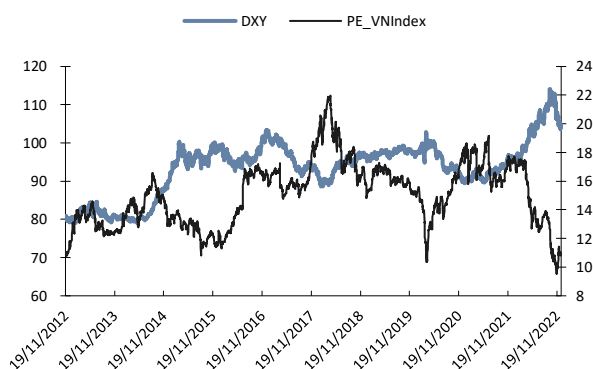
Source: Bloomberg, KB Securities Vietnam

Fig 27. Vietnam – The gap between deposit & credit (%)



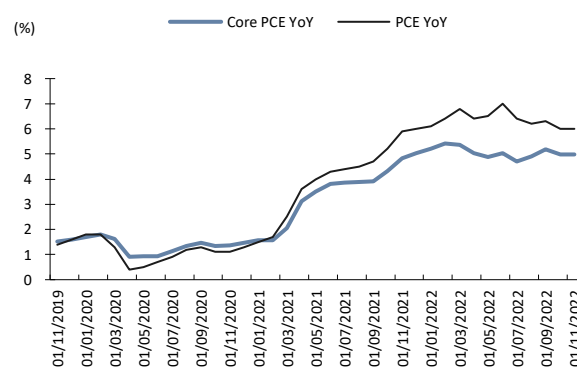
Source: Bloomberg, KB Securities Vietnam

Fig 28. Vietnam – DXY & P/E of the VNIndex



Source: Bloomberg, KB Securities Vietnam

Fig 27. US – Headline & core inflation (%)



Source: Bloomberg, KB Securities Vietnam

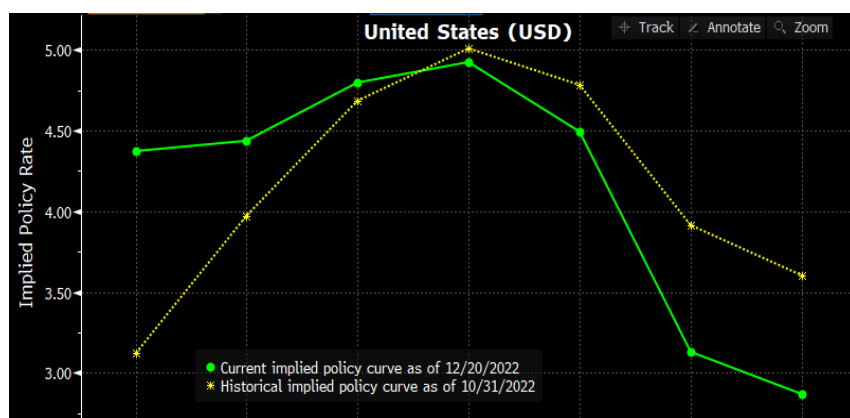
The Fed should maintain its hawkish policy until the end of 2023

In the December FOMC, the Fed decided to continue raising the federal funds rate by 50bps to 4.25–4.5% and maintained the stance on increasing interest rates by 50 points in 1Q23 and keeping interest rates at high levels until the end of the next year. This hawkish view of the Fed is somewhat contrary to the expectations of investors about a reversal in policy stance from June 2023 (Figure 30) and made the US stock market immediately react to the later strong corrections.

The US economy showed good resilience with a tight labor market and positive retail sales growth

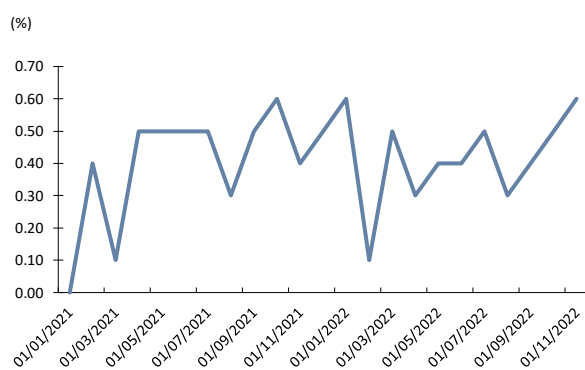
The Fed maintain this view partly because the US labor market is still tight with unemployment rate at 3.7%. The drop in jobless claims shows that businesses are still retaining employees. Positive wage growth (Figure 31) and a boost in consumer borrowing (currently at 8.5%, the highest level in 20 years) (Figure 32) helped 11M22 retail sales of the US positive with nine out of 11 months recording growth despite a slowdown in full-year growth rate.

Fig 30. US – Current implied policy curve



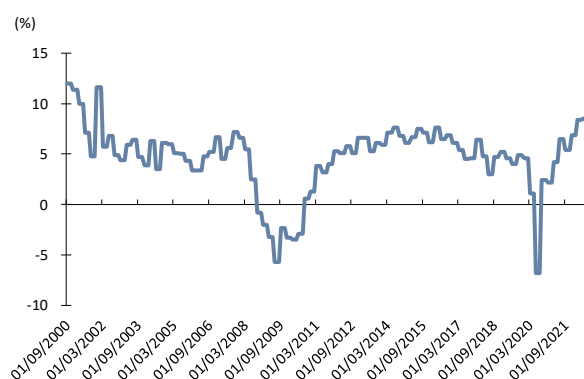
Source: Bloomberg, KB Securities Vietnam

Fig 31. US – Wage growth (%)



Source: Bloomberg, KB Securities Vietnam

Fig 32. US – Consumer credit growth (%)



Source: Bloomberg, KB Securities Vietnam

The consumer sector is forecast to be weaker in 2023

However, we think the consumer sector may soon become weaker and the US labor market will be less tight in the 1H23. The consumption sector may sag as the ratio of personal savings to disposable income of Americans has now dropped to the pre-global financial crisis levels (Figure 34) as they are running out of the Government's Covid-19 support package while inflationary pressure causes the cost of living to increase at a faster rate than wages.

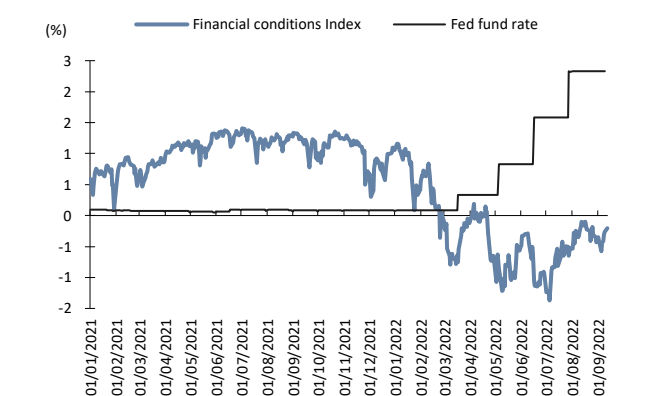
The scale of the biggest balance sheet cut ever will make it difficult for many businesses

In addition, the US labor market will be less tight as the economy become more vulnerable and is highly likely to fall into a slight recession in 2H23, leading to more obstacles to business activities and causing the Fed to apply quantitative tightening. According to Wells Fargo, at the current rate of balance sheet reduction, the Fed is expected to withdraw a net USD522 billion from the economy by the end of 2022 and another USD1.1 trillion by the end of 2023. The impact of this cut is considered to be equal to a 1% rate hike. In the short term, a large amount of cash being withdrawn from the market, which, when combined with rising interest rates, will tighten financial conditions and have the strongest impact on US businesses while corporate debts in this country have surpassed USD10 trillion in value with most of which being borrowed within the past decade when the Fed kept interest rates near zero.

US unemployment rate may rise to 4.3% in 2023

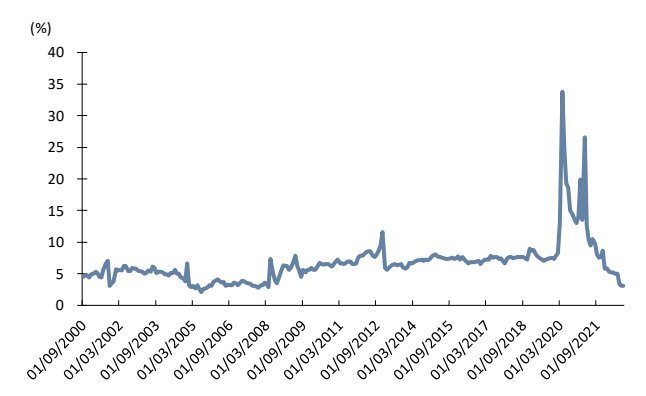
In a recent report, Goldman Sachs expects S&P 500 companies' earnings to be flat in 2023 in the positive case vs 3% increase forecast in the previous assessment. In the negative case, if the US has a severe recession, strategists estimate that the EPS of the S&P 500 index would be at risk of falling by more than 11%. In general, more unfavorable macro environment will hinder businesses' investment expansion and hiring even make them to decrease business scale in some cases (which has been happening in technology, real estate, and car manufacturing companies). Accordingly, we believe that the US unemployment rate tends to gradually rise from the current 3.7% to 4.3% in 2023.

Fig 33. US – Financial conditions index & Fed fund rates (%)



Source: Bloomberg, KB Securities Vietnam

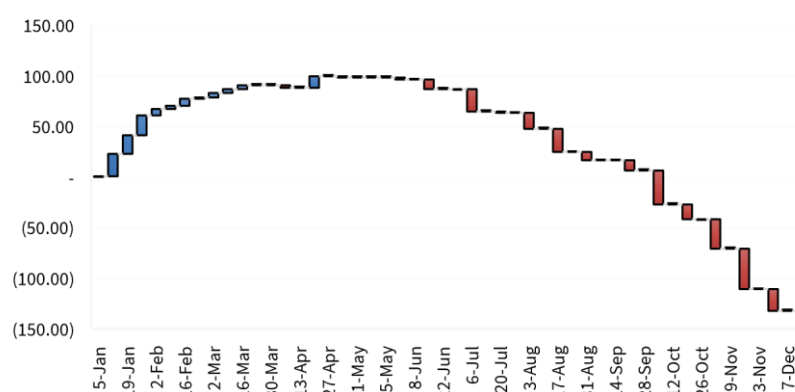
Fig 34. US – Personal savings/disposable income (%)



Source: Bloomberg, KB Securities Vietnam

The Fed started quantitative tightening from June 2022 to cope with high inflationary pressure. The cut is said to be the sharpest in the past 10 years with a limit of USD95 billion per month

Fig 35. US – Fed balance sheet changes in 2022



Source: Bloomberg, KB Securities Vietnam

Cooled down inflation and the US slight recession should make US dollar depreciate and support the stock market

Base case: We believe that US inflation will tend to cool down sustainably when the US consumer sector declines albeit at a slower pace as cost & expenses are unlikely to be improved soon. That, when combined with signs of weakening of the US economy and a slight recession that may happen in 4Q23, may triggered the Fed's two rate hikes of 25bps in February and March next year before maintaining high interest rates and starting to decline at the end of 2023. The USD's major trend is declining given the Fed's dovish policy and the US economy weakening signs (while other major currencies are expected to

appreciate such as CNY when China ends zero-Covid policy and JPY when the Bank of Japan reverses policy). Accordingly, the pressure on the domestic exchange rate should be relieved, and the SBV applies supportive monetary policies (lowering policy rates and buying USD), which helps market liquidity improve. The quantitative model shows that the Dollar Index and the Vietnam stock market have an inverse relationship as every one-point decrease in DXY will help P/E VNIndex gain 0.2 points.

Inflation continues to climb, forcing the Fed to raise interest rates strongly, which negatively affects the global economy in general and Vietnam's stock market in particular

Negative case: The US economy falls into a state of stagflation, a sharp recession accompanied by soaring inflation (as seen in the 1970s) since input commodity prices remain high while economic activities are hit by the Fed's interest rate hikes. In this scenario, the Fed has to raise interest rates strongly to cope with inflationary pressure even at the expense of rising unemployment and falling people's incomes. The USD tends to increase while the recession in the US will spread to the world and affect Vietnam economy. Vietnam stock market will be under the double impacts of both exchange rate pressure and growth slowdown. The VNIndex should plunge further.

3. M2 money supply

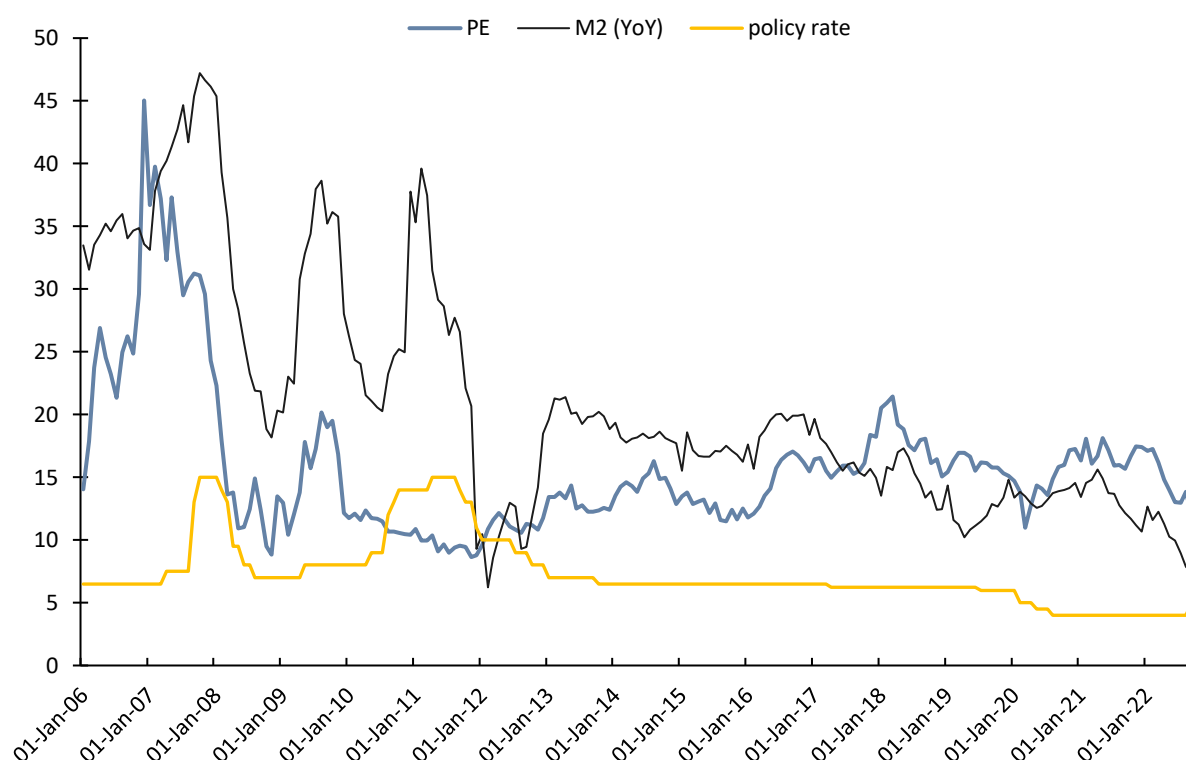
M2 strong growth and low interest rates often create favorable conditions for cash flows into the stock market, thereby supporting VNIndex and vice versa

M2 money supply has a strong influence on stock market movements (Figure 32). Observations show M2 strong growth should be accompanied by low interest rates and abundant cash flow into the stock market, which helps VNIndex gain points and vice versa.

In the periods of 2006 – 2007, 2009, 2016 – 2017, and 2020 – 2021, Vietnam stock market saw a strong growth accompanied by a big rise of M2 money supply (more than 14%) and a combination of many factors such as SBV's expansionary monetary policy, high capital absorption capacity of the economy (including the Government public investment with a disbursement rate of over 90% and loans to expand production and business of domestic enterprises) while foreign capital inflows (through FDI, FII, trade surplus, and remittances) are also abundant.

In contrast, in the period 2011, 2018, and 2022, Vietnam stock market all tended to fall along with low M2 growth (lower than 12.5%) and adverse international and domestic factors.

Fig 36. Vietnam – The relationship between M2 growth, interest rate policy and VNIndex PE (%)



Source: Bloomberg, KB Securities Vietnam

M2 money supply growth reached a record low of 6% -7% in 2022

In 2022 alone, M2 money supply growth reached a record low of 6% -7% (Figure 37), compared to the average of 14% in the period 2012-2021, which is one of the reasons for Vietnam stock market's collapse. There are two causes for the M2 drops:

The first one is the SBV's monetary policy. When the exchange rate and foreign currency market are under pressure from unfavorable balance between foreign currency supply and demand and adverse movements of the international market (The Fed raised interest rates five times to curb inflation, and DXY surged since the beginning of the year) (Figure 38), the pressure on the domestic market increased, so SBV has to sell USD to stabilize the market. The total amount of USD SBV sold was estimated at about USD25 billion (of which USD18 billion was realized and USD7 billion was sold forward in 1Q23), which means SBV withdrew USD400 trillion from the system. This exacerbated the cash shortage in the system (Figure 39).

The second one is low public disbursement. The state treasury's money at SBV and the banking system is estimated at more than VND900 trillion (VND600 trillion in SBV and VND300 trillion in other banks) which has not been put into circulation. According to the Ministry of Finance, the estimated disbursement rate of public investment capital of the whole country in the first 11 months of 2022 only reached 52.43% of the plan.

Fig 37. Vietnam – M2 money supply growth (%)

M2 money supply growth reached record lows in 2022 (6–7%)

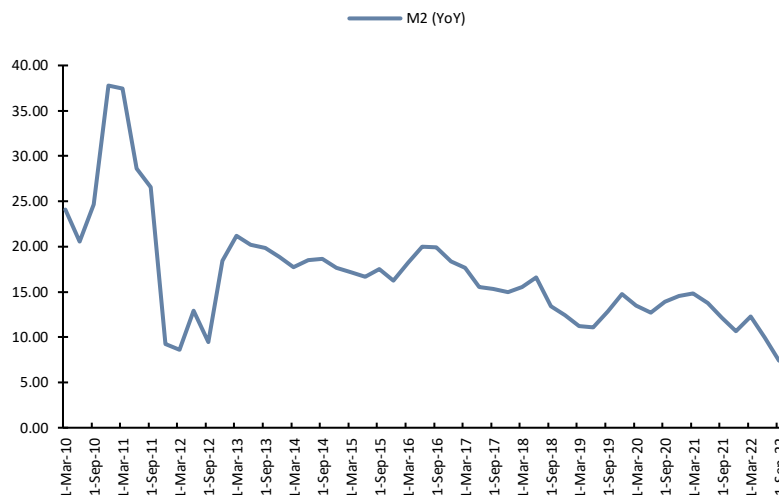


Fig 38. US – DXY & Fed fund rate (point, %)

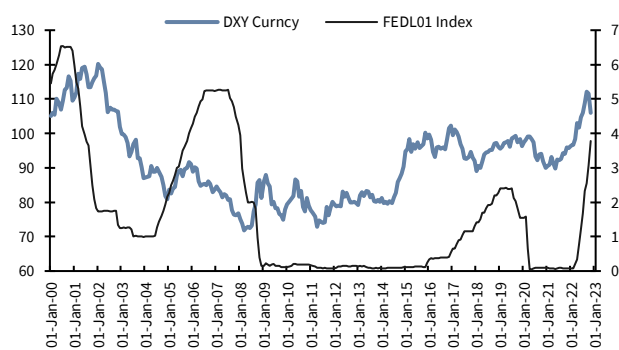


Fig 39. Vietnam – FX reserve (USDbn)

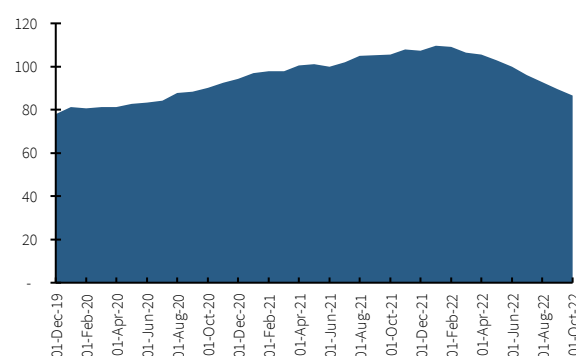


Fig 40. Vietnam – Treasury deposits at banks

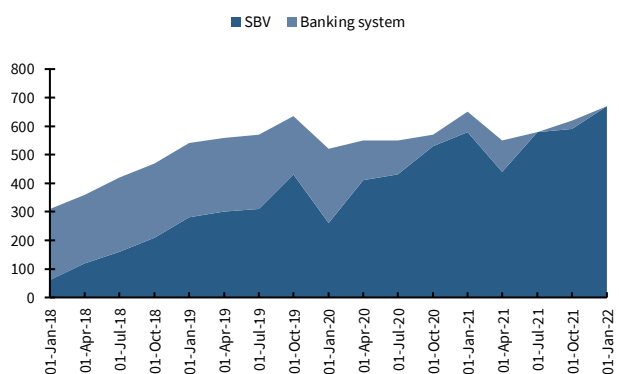
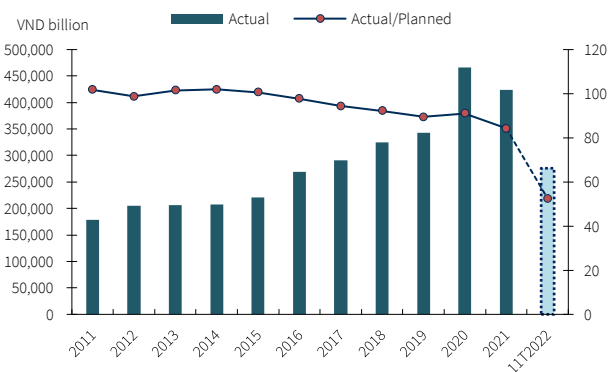


Fig 41. Vietnam – Public disbursement speed (% done/planned)



Money supply growth should be under mixed impacts in 2023

We believe that money supply growth will be under mixed impacts in 2023:

Positive impacts: The SBV is expected to have more room for policy easing in 2023 when exchange rate and inflation pressures are less intense than in 2022, the supply chain disruption is improved, global consumption declines and helps commodity prices cool down, and the Fed stops raising interest rates at the end of 1Q23. Accordingly, the SBV may start to buy USD again given abundant foreign currency supplies from trade surplus, remittances, FDI, and net foreign debt. This would increase foreign exchange reserves and support system liquidity, reducing deposit rates and improving money supply growth rate.

The rate of disbursement of public investment should increase to over 80% of the plan (compared to 75% in 2022), helping to clear the congested capital source in the treasury and supporting the liquidity of the economy. The driving forces to promote public investment for 2023 include lower commodity prices of construction materials, low base in 2022 (as 2022 is the second year of implementing the five-year medium-term public investment plan, so the disbursement rate is usually low), and the sagging of other growth drivers of 2023 (making public investment become a mainstay factor).

Negative impacts: The demand for new loans of businesses and households is forecast to decline due to high interest rates, while business conditions are expected to be less favorable in 2023. System liquidity should be less intense but unlikely return to a stable level soon.

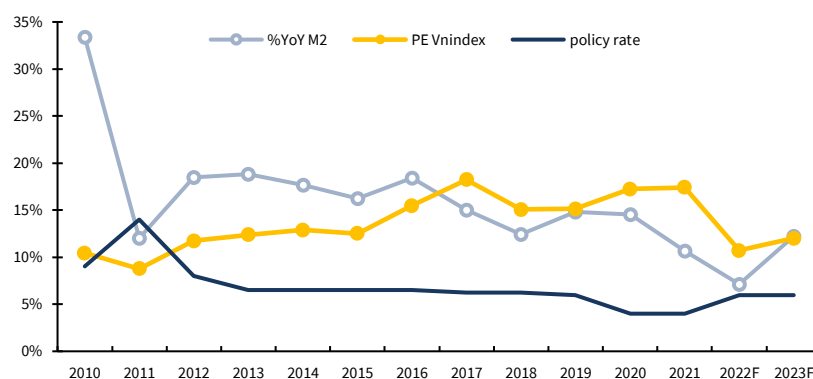
The reopening of China will boost the prices global raw materials, especially oil and gas, which increase the pressure on the prices of many other consumer goods and services and cause global inflation to rise. Therefore, central banks around the world may maintain tight monetary policy for a longer time than expected.

Risks related to the corporate bond market are also noticeable when the pressure from bond maturity in 2023 is large. A significant amount of credit will be used for corporate bond settlement, causing credit supply to shrink. Moreover, in the negative scenario, banks' non-performing loans increase sharply under the influence of the bond market collapse, and lending activities of banks are likely to be limited, causing money supply growth to slow down.

Credit and deposit growth should increase, which partly helps money supply to rebound by 13% YoY

With the above analysis, we expect 2023E credit and deposit growth to reach 13–14 %YoY and 12% YoY respectively, helping money supply to rebound by 13% YoY (partly due to the low base of 2022, Table 37). The system liquidity will be less intense, which helps to lower interest rates vs 4Q22. With the high correlation of M2 and P/E VNIndex as analyzed above, the M2 growth would help the market P/E regain its balance and move towards the neutral point.

Fig 43. Vietnam – M2 growth, policy rate & VNIndex PE (&)



Source: KB Securities Vietnam

4. Corporate bond market

The pressure from bond maturity may increase in 2023–2024

Risks to the real estate corporate bond market will increase in the coming years because the amount of bonds maturing in the period from 2023 to 2024 is very large (about more than VND400 trillion each year) while the real estate market is currently facing many difficulties from high interest rates and the Government's handling violations of real estate business leaders over the past time.

We pay special attention to businesses with high debt proportion and weak annual cash flow that will easily face solvency problems. Many enterprises' ability to restructure debt in 2023 is questioned as a large part of their current financial resources have been used to pay off loans and bond maturity obligations by end of 2022 while the amount of bonds to mature is large.

Mid-2023 is an intense period as the amount of bonds maturing is large

Mid-2023 would be a stressful period for the market when the bond maturity pressure is high (Figure 47). Meanwhile, investor confidence has decreased recently, causing new issuance to drop sharply and unlikely to recover in 2023. Moreover, Vietnam and international interest rates have reached high levels, causing investment cash flow to shift to savings channel.

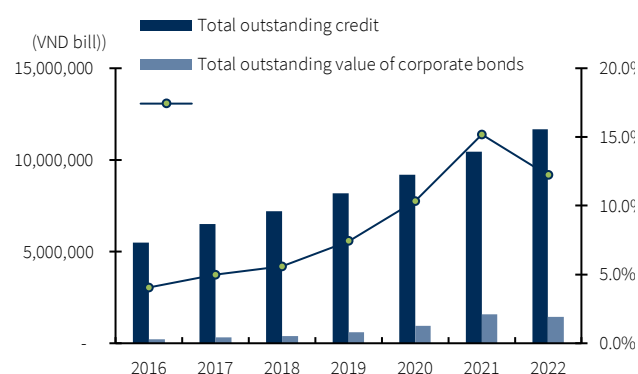
The Government is taking supportive actions for the corporate bond market

The positive point is that the Government is also making more moves to ease the corporate bond market. For example, the draft amendment and supplement to Decree 65 has some important points including the proposal to extend the time of implementing regulations on professional securities investors by one year, postponing the credit rating request for one year and proposal to change the term, swap bonds for up to two years if more than 65% of bondholders agreed. In general, the changes can help relieve some pressure on cash flow to pay due debts and newly issued bonds as this is one of the main issues affecting the economy in 2022 and may continue for the next few years.

In addition, in case inflation and exchange rate pressures ease in 2023, we expect the SBV will apply favorable policies to lower interest rates and extend credit room, thereby freeing cash flow into real estate businesses and reducing capital mobilization costs.

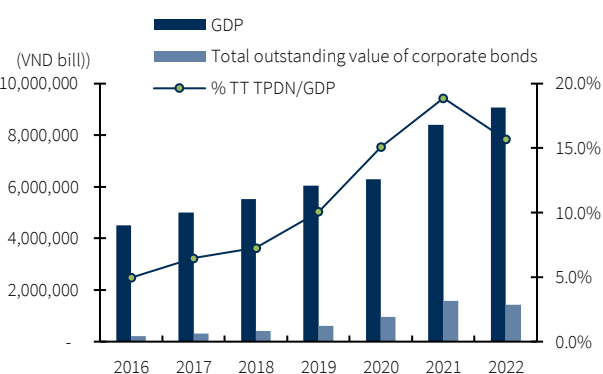
All things considered, we forecast that the corporate bond market will face many difficulties in 2023. Bond defaults may occur, but the severity and scale will not be too large as the interest rate level should cool down from the high base by the end of 2022. The real estate market is subdued but does not collapse systematically while more supportive actions from the Government can be expected.

Fig 44. Vietnam – Corporate bond/total credit (%)



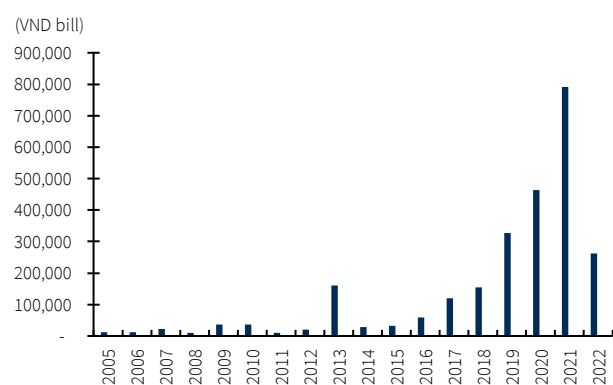
Source: VBMA, Fiiipro, KB Securities Vietnam

Fig 45. Vietnam – Corporate bond/GDP (%)



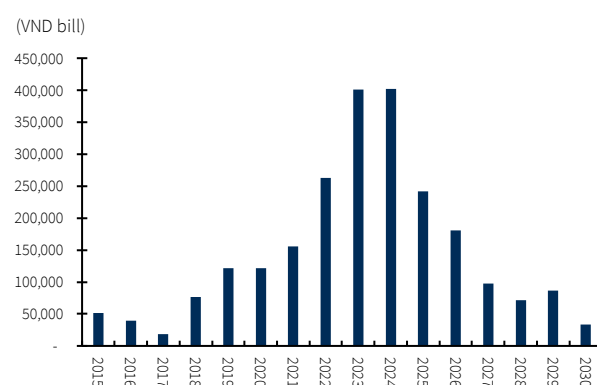
Source: VBMA, Fiiipro, KB Securities Vietnam

Fig 46. Vietnam – Value of bonds issued (VNDbn)



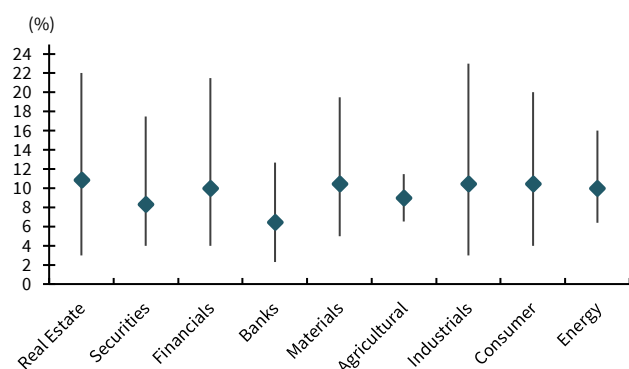
Source: VBMA, Fiiipro, KB Securities Vietnam

Fig 47. Vietnam – Value of bonds matured (VNDbn)



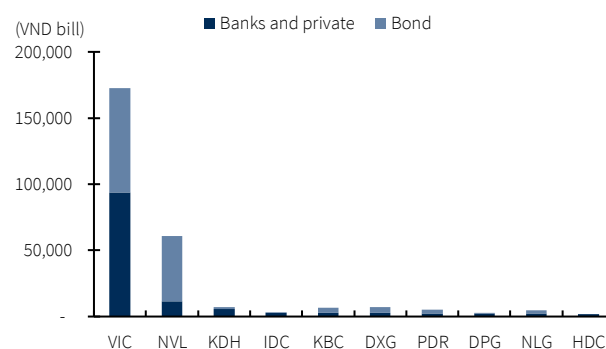
Source: VBMA, Fiiipro, KB Securities Vietnam

Fig 48. Vietnam – Coupon rate (%)



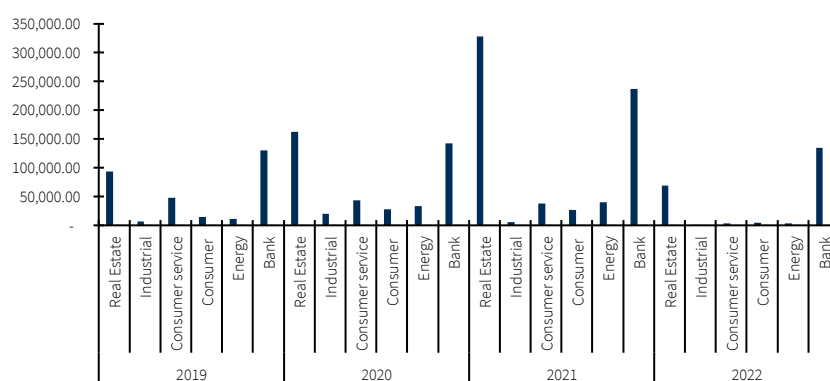
Source: VBMA, Fiinpro, KB Securities Vietnam

Fig 49. Vietnam – Total debt of some listed companies (VNDbn)



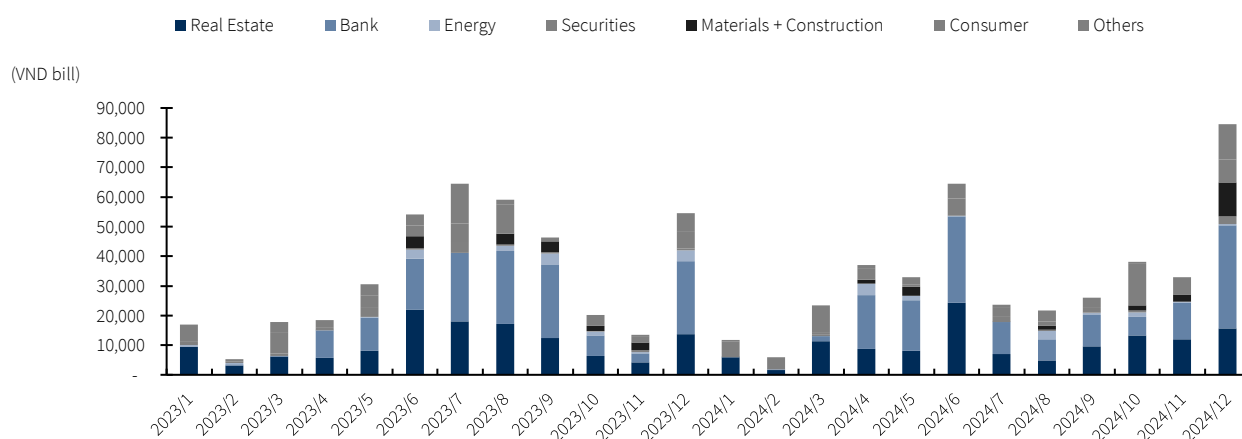
Source: Companies' statements

Fig 50. Vietnam – Value of bonds issued by sector (VNDbn)



Source: VBMA, Fiinpro, KB Securities Vietnam

Fig 51. Vietnam – Value of bonds matured by month (VNDbn)



Source: VBMA, Fiinpro, KB Securities Vietnam

IV. Investment viewpoints and model portfolio

Investment viewpoint	Beneficiary sector	Ticker	Growth driver
China economic reopening	Utilities	GAS	<ul style="list-style-type: none"> - The demand for dry gas from power plant customers should recover in 2023 - GAS has a long-term growth driver which is LNG sale and the Block B - O Mon project. LNG thermal power plant will be prioritized in the future. GAS should benefit from this trend as it is a pioneer investor with nine out of 14 LNG warehouses that will be built and exploited in the coming period. - Oil prices rebound when China opens its economy
	Steel	HPG	<ul style="list-style-type: none"> - HPG has the highest gross profit margin in the industry, maintaining its competitive advantage and increasing its market share in steel consumption - China's reopening is expected to help steel demand improve - Public investment in 2023 is forecast to boost domestic steel consumption - Dung Quat 2 is HPG's long-term growth force
	Airline	HVN	<ul style="list-style-type: none"> - China's reopening its economy may help increase the number of international flights, and HVN business results will benefit
Boosted public investment	Electrical construction	PC1	<ul style="list-style-type: none"> - Public investment and the Master power plan VIII would drive the growth of PC1's construction segment thanks to its position as the leading enterprise in the field of electricity transmission line construction and installation. - The company has potential growth from Nickel mine. With a total mine reserve of about 14 million tons, we forecast the mining cycle of the mine will be 12-13 years and earn VND32.5 trillion in revenue and VND9.76 trillion in NPAT.
	Airline	ACV	<ul style="list-style-type: none"> - China's economy reopening should raise the number of international flights. - The potential expansion of the airport network would become a long-term growth - ACV is the developer of Long Thanh international airport, which is a key public investment project in the period 2022-2025.
	Construction & building materials	DHA	<ul style="list-style-type: none"> - DHA owns a quarry that has a convenient location near major key projects such as Long Thanh airport, North-South highway project and has many mining reserves. - We expect the output and prices of quarries located in Dong Nai and Long Thanh such as Tan Cang and Thien Tan mines to increase from the end of 2022.

Stable growth, good resistance in the period of decline	Information technology	FPT	<ul style="list-style-type: none"> - FPT expects to continue to achieve a two-digit growth. - In the long term, the growth prospect of FPT remains high thanks to large demand.
	Mechanical & Electrical	REE	<ul style="list-style-type: none"> - REE's office leasing segment will maintain stable revenue CAGR of 9.6%/year in 2022-2026. - We believe that REE, as a leading M&E contractor, will win big projects such as Tan Son Nhat T3 Terminal and Long Thanh International Airport, ensuring growth in the medium term with an estimated CAGR of 21.5%/year in 2022-2026.
	Power	NT2	<ul style="list-style-type: none"> - The demand for electricity is expected to stabilize and increase in 2023. The proportion of mobilization from hydroelectricity may drop due to unfavorable water conditions, increasing potential for thermal power plants. - NT2 is a defensive stock with high payout ratios.
Easing policies	Securities	SSI	<ul style="list-style-type: none"> - The two are top companies in terms of brokerage market share, margin loan balance and financial strength. - They would benefit when liquidity is improved, the interest rate environment cools down, and cash flows into the securities channel.
		HCM	<ul style="list-style-type: none"> - There are expectations about the market upgrade. - Sectors with high Beta often lead the trend when the general market recovers.
	Bank	ACB	<ul style="list-style-type: none"> - ACB has safe loan structure. It is free from corporate bonds and has low real estate loan portfolio, only about 1.5% of total outstanding loans (the lowest group in the industry) - ACB should maintain a stable growth of 20-25% in 2023 because (1) the loan portfolio would well absorb the increase in deposit rates; (2) the cost of capital is reasonably controlled, and CASA rate is ranked 4th in the industry (24.1%); and (3) the bank still has room to expand non-interest income through bancassurance and the orientation to promote the exploitation of Upas L/C and credit cards.
		STB	<ul style="list-style-type: none"> - STB is expected to have outstanding profit growth for the period of 2023-2025 because (1) the allocation of accrued interest will help NIM be significantly improved by around 4-4.5%; (2) it accelerates the provision of VAMC in 2022 and gradually makes full settlement in 2023; and (4) valuation should improve thanks to better asset quality. - The bank does not invest in corporate bonds, and the impact from the real estate market on the bank's loan portfolio is negligible.



V. Sectors

Banks: Neutral

Residential real estate:
Negative

Industrial real estate:
Neutral

Oil & gas: Positive

Information technology:
Positive

Logistics: Neutral

Steel: Neutral

Power: Neutral

Retailing: Neutral

Fishery: Neutral

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Banks

Prevailing risks albeit attractive valuation in the long term

Business performance in 2022

The State Bank of Vietnam (SBV) reported total outstanding loans of the whole economy at VND11.7 million billion by the end of November, up 12.14% YTD. The credit growth target for 2022 will rise to 15.5–16% following the SBV's move to loosen credit room. The NPL ratio of the banking sector by the end of 3Q22 was 1.6% (+0.11 ppts, flat YoY) due to the reclassification of restructured loans after the expiration of Circular 14 in 2Q22. The loan loss coverage ratio (LLCR), despite recent downtrend, remained above 140%, ensuring asset quality of the entire system.

3Q22 NIM of banks under our coverage inched up 0.08 percentage points (ppts) QoQ and up 0.36 ppts YoY as the race to hike deposit interest rates in October has not yet impacted NIM. Operating expense (OPEX) advanced 25% YoY while provision expense went down 0.9% YoY. 3Q22 PBT hit VND60,576 billion (–5.2% QoQ and +53.6% YoY).

Liquidity pressure should ease in 2023

The SBV's money supply tightening to curb inflation put enormous pressure on liquidity. For 9M22, the M2 money supply only expanded by 7.4% YoY, the lowest over the past decade and far below 9M22 credit growth of 16.95%. By the end of November, inflation rose by 3.02% YoY, proving the feasibility of the Government's target to keep inflation well below 4%. The SBV actively used OMO activities with a longer-term duration in early December to help clear the short-term liquidity bottleneck and purchased more US dollars to shore up reserves, given recent decreases in the USD/VND exchange rate. In addition, speeding up the disbursement of public investment in 2023 will also help improve the money supply.

NIM would barely improve in a high interest rate environment

Deposit rates are now 0.6–1.46 ppts higher than the pre-pandemic levels, given the SBV raising policy rates and the deposit rate hike race against the backdrop of a liquidity crisis. We expect the deposit rates to cool in the coming time but remain high compared to the pre-Covid period, sitting at 9–10% for the following reasons: (1) Liquidity pressure is expected to ease and (2) the SBV may impose the ceiling of 12-month deposit interest rates at 9.5% against the deposit rate hike race so that banks can lower lending rates. Meanwhile, earning asset yields could hardly keep up with the increase in lending rates as banks would reduce lending rates to boost lending after being given extra room to lend as well as aid customers under the request of the SBV to cut lending rates by 0.5–3%. We, therefore, believe NIM will barely improve in 2023 and may drop by 30–40bps YoY.

December 20, 2022

Neutral monitor

Recommendations

Techcombank (TCB)	BUY
Current price	VND 27,700
Target price	VND 34,200

Vietcombank (VCB)	HOLD
Current price	VND 79,000
Target price	VND 89,400

Vietnam Prosperity Bank (VPB)	BUY
Current price	VND 17,300
Target price	VND 22,600

Asia Commercial Bank (ACB)	BUY
Current price	VND 22,550
Target price	VND 28,000

BIDV (BID)	HOLD
Current price	VND 38,500
Target price	VND 44,800

Military Bank (MBB)	BUY
Current price	VND 17,600
Target price	VND 22,000

Sacombank (SCB)	BUY
Current price	VND 22,450
Target price	VND 28,650

Credit growth is forecast to level off in 2023

We see that the demand for loans is always present regardless of high lending rates. As a result, the significant barrier to credit growth in 2023 should come from liquidity bottleneck and caution of banks due to potential increases of bad debt. As analyzed above, improvements in macroeconomic conditions would help reduce liquidity pressures. However, it would take 3–6 months for the money supply and credit growth to reach an equilibrium, not to mention possible increases in the exchange rate and the return of inflation. Therefore, credit growth may be held back in 1H23 and improved in 2H23. Besides, as the bond issuance activities have been almost frozen, banks will remain enterprises' main capital mobilization channel until the official amendment of Decree 65. Given the high demand for loans and potentially cooling liquidity problems, we forecast 2023F credit growth to drop slightly against previous years to 13–14%.

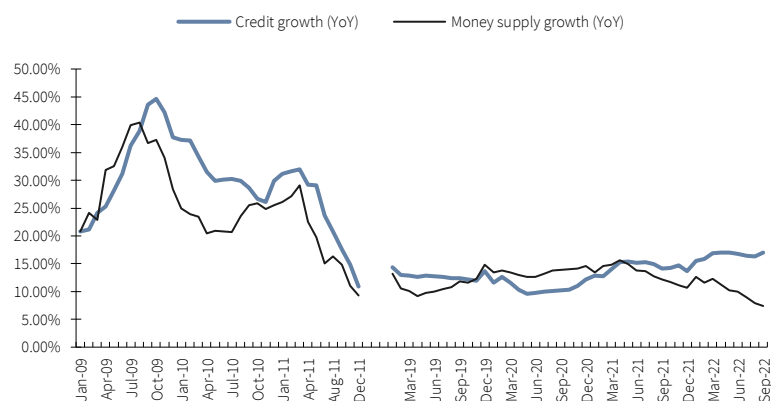
Existential risks arise from corporate bond and real estate

The pressure of the maturity of bonds has eased in the remaining months of 2022 as enterprises bought back bonds before maturity. Nevertheless, we assess that corporate bond-related risks still exist. The value of bonds maturing in 2023 is VND350 trillion, with VND120 trillion worth of bonds from real estate businesses. Hence, tight control over estate credit and the bond market will continue to reduce businesses' solvency and threaten banks' asset quality.

During 2009–2010, the gap between credit and money supply growth sometimes surpassed 13%. High inflation and a hot real estate market prompted the SBV to tighten the money supply to tame inflation and stabilize the exchange rate. The gap is now about 9.5%.

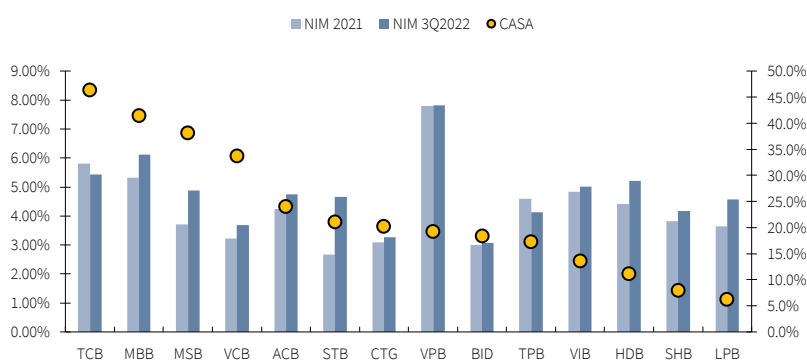
The SBV is taking measures as it previously did, namely imposing the ceiling of deposit rates, requesting banks to cut lending rates, and gradually loosening the money supply. It takes 3–6 months for the credit to decelerate and reach an equilibrium with the money supply. We expect the liquidity problem to be resolved in 2H23.

Fig 1. Vietnam – Credit and money supply growth (%YoY)



Source: State Bank, KB Securities Vietnam

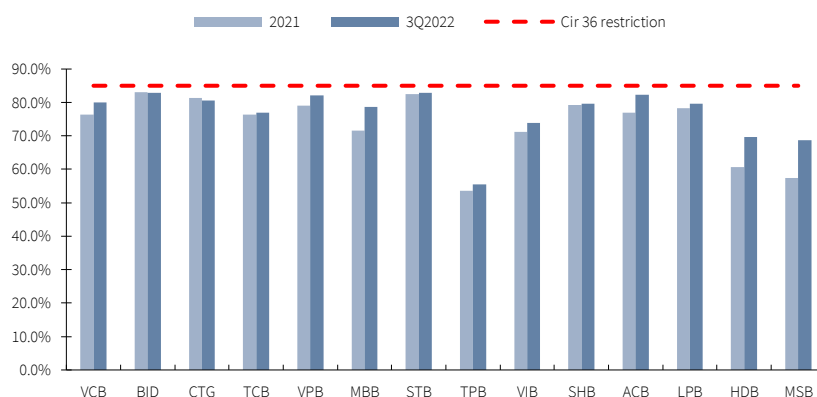
Fig 2. Vietnam – NIM of banks in 2021–3Q22



Source: Vietnamese banks, KB Securities Vietnam

By the end of 3Q22, most banks recorded an increase in LDR (loan-to-deposit ratio) against the end of 2021. Some have this ratio very close to the assigned threshold, including BID (82.8%), VPB (82%), STB (82.8%), and ACB (82.3%).

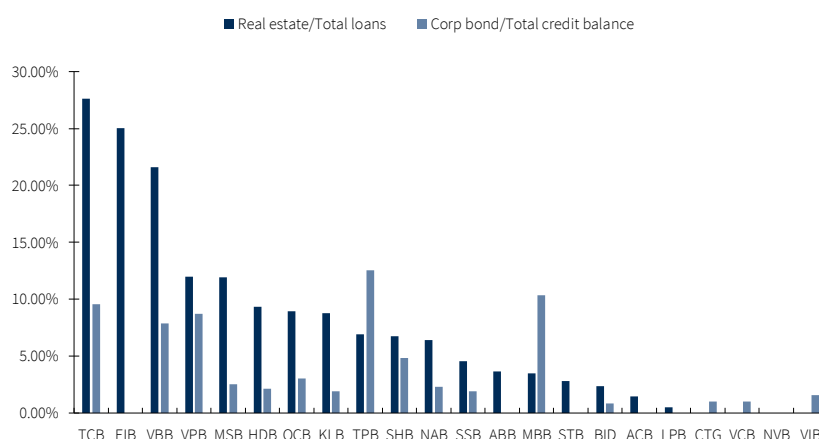
Fig 3. Vietnam – LDR of banks in 2021–3Q22 (%)



Source: Vietnamese banks, KB Securities Vietnam

TCB, EIB, and VBB are the banks with the highest proportion of real estate loans, at 27.6%, 25%, and 21.6%, respectively. TPB, MBB, and TCB are the banks with the highest proportion of corporate bonds on total outstanding loans, at 12.5%, 10.3%, and 9.6%, respectively.

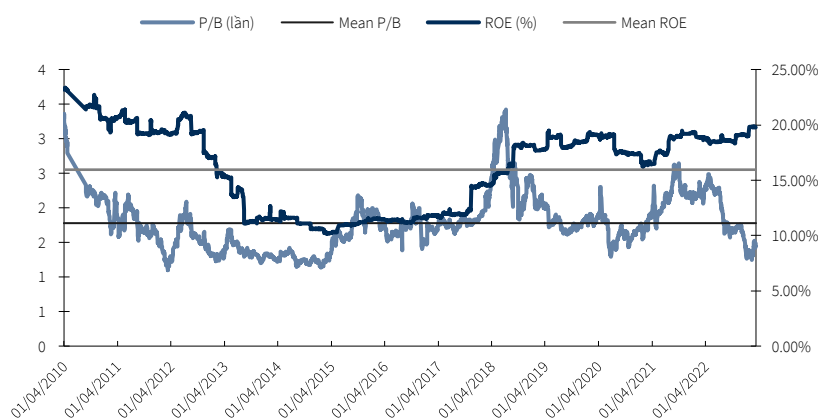
Fig 4. Vietnam – Real estate and bond loans to total outstanding loans (%)



Source: Vietnamese banks, KB Securities Vietnam

P/B of the banking sector once dropped to the Covid-19 bottom and then recovered well over the past time. It is now around 1.49x, equivalent to -1Std. Meanwhile, business results of the entire industry until 3Q22 remained positive, ROE of the whole industry is about 15.97%, above the 12-year average. Business results of banks may level off in 4Q22 and 1Q23, given shrinking NIM and slow credit growth as a result of liquidity pressures. However, the current valuations of banks remain attractive.

Fig 5. Vietnam – P/B and ROE of banks (x, %)



Source: Fiiipro, KB Securities Vietnam

Techcombank (TCB)

Under the pressure from higher interest rates

December 20, 2022

Analyst Nguyen Duc Huy
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3Q22 EBT rose 20.7%YoY to VND6,715 billion

Techcombank (TCB) recorded 3Q net interest income (NII) of VND7,565 billion (-2.9%QoQ and +12.2%YoY), non-interest income (NOII) of VND2,773 billion (-14.1%QoQ and +36.2%YoY). 9M22, EBT reached VND20,821 billion (+21.7%YoY), completing 77% of the year plan.

TCB has lowest NPL ratio in the industry

3Q NPL rose 5bps QoQ to 0.65%. LLCR dropped 6.6% QoQ to 165%. The bank has about 400 billion of restructuring debts that have been put into the right debt group and have not had too much impact on NPL.

Attractive valuation

The stock price has dropped 43% since the beginning of the year as TCB is among the top banks for real estate lending and corporate bonds holding. The current P/B of 0.94x and the forward P/B for 2023 of 0.71x are considered attractive.

Pressure from capital costs will still exist despite the advantage of CASA

TCB's CASA by the end of 3Q was 46.5%, down from the peak in 2021 but still ranked first in the industry. However, TCB had to raise demand deposit rate from 0.05% to 1% in November under liquidity pressure and interest rate racing trend. Other maturities also increased by 2% in 4Q alone. Therefore, TCB's NIM is at risk of shrinking in the near future.

BUY recommendation, target price VND34,200 /share

Using two methods of valuation P/B and DCF, we adjust the target price for TCB for 2022 down to VND34,200/share, 23.4% higher than the price on December 20, 2022. We recommend BUY for TCB stocks.

Buy maintain

Target price	VND34,200
Upside/Downside	23.4%
Current price (Dec 20, 2022)	VND 27,700
Consensus target price	VND 52,500
Market cap (VNDbn)	125,690

Forecast earnings & valuation

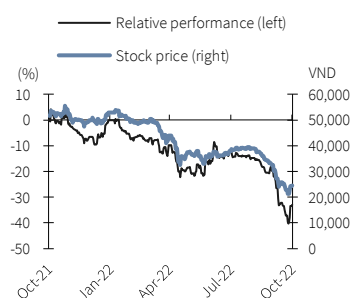
FY-end	2020A	2021A	2022F	2023F
Net interest income (VNDbn)	18,751	26,699	31,251	36,492
Pre-provision operating profit (VNDbn)	18,411	25,903	30,625	36,302
NPAT of the parent bank (VNDbn)	12,325	18,052	22,468	26,314
EPS (VND)	3,515	5,137	6,375	7,452
EPS growth (%)	22.4%	46.1%	24.1%	16.9%
PER (x)	8.95	9.71	5.36	4.59
Book value per share (VND)	20,392	25,476	31,508	39,171
PBR (x)	1.54	1.96	1.08	0.87
ROE (%)	18.4%	22.0%	22.0%	20.7%

Trading data

Free float	77.2%
3M avg trading value (VNDbn)	156.76
Foreign ownership	22.5%
Major shareholder	Masan Group (MSN, 14.96%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-24.5	-35.2	-44.2	-52.4
Relative	-16.5	-23.7	-25.5	-33.2



Source: Bloomberg, KB Securities Vietnam

Vietcombank (VCB)

Maintain good operating results

December 20, 2022

Analyst Le Hanh Quyen
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3Q22 NPAT climbed 32.2% YoY to VND6,069 billion

Vietcombank (VCB) unveiled positive business results for 3Q22 with net interest income (NII) of VND22,569 billion (+27.9% YoY), non-interest income (NOII) of VND3,050 billion (+7.3% YoY), and NPAT of VND6,069 billion (+32.2 YoY). The main driving force came from high credit growth of 21.0% YoY and NIM of 3.4%.

Asset quality ranked top in the system

3Q NPL reached 0.8% (+19 bps QoQ and -37 bps YoY), ranking second in the industry after TCB. LLCR dropped to 402% but is still the highest in the system.

VCB should be given a higher credit growth quota for 2023

We expect VCB will be rewarded with a high credit limit for 2023 thanks to: (1) VCB's good asset quality with outstanding value of corporate bonds accounting for a small proportion (1%); (2) taking over and restructuring a poor-performing bank; and (3) offering interest rate support packages at the request of the Government.

Charter capital raising plan in 2023

VCB will offer 6.5% of charter capital, equivalent to issuing more than 307 million shares to a maximum of 99 investors, raising charter capital to VND50.4 trillion.

HOLD recommendation, target price VND89,400/share

We assess that VCB will face more difficulties in 2023 due to slower credit growth and stronger cost of capital pressure, but it would be among the first to benefit if macroeconomic factors improve. We recommend HOLD for VCB stocks with the target price of VND89,400/share, upside 13.2% vs December 20, 2022.

Hold update

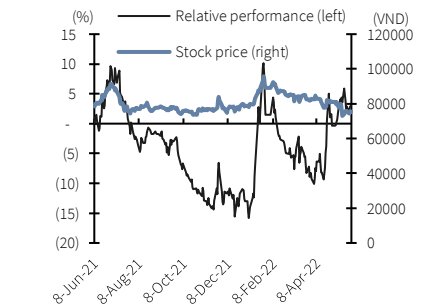
Target price	VND89,400
Upside/Downside	13.2%
Current price (Dec 20, 2022)	VND 79,000
Consensus target price	VND 91,300
Market cap (VNDbn)	378.1/15.4

Trading data	
Free float	25.2%
3M avg trading value (VNDbn/USDmn)	87.4/3.6
Foreign ownership	6.4%
Major shareholder	State Bank (SBV) (74.8%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	11.4	1.8	4.6	2.2
Relative	7.5	18.8	19.2	31.9

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net interest income (VNDbn)	36,285	42,400	50,414	57,197
Pre-provision operating profit (VNDbn)	33,024	39,149	45,749	51,153
NPAT of the parent bank (VNDbn)	18,451	21,919	26,583	31,142
EPS (VND)	4,975	5,116	5,617	6,250
EPS growth (%)	0%	3%	10%	11%
PER (x)	17.1	16.6	15.1	13.6
Book value per share (VND)	25,370	29,421	30,837	36,042
PBR 9x)	3.3	2.9	2.8	2.4
ROE (%)	21.1%	21.6%	20.9%	19.2%
Dividend yield (%)	0.9%	0.9%	0.9%	0.9%



Source: Bloomberg, KB Securities Vietnam

VPBank (VPB)

Focusing on risk management in 4Q22

December 20, 2022

Senior Analyst Nguyen Anh Tung
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VPB's 3Q22 EBT reached VND4,514 billion, up 67.3% YoY

Vietnam Prosperity Bank's (VPB) 3Q22 lending activities grew strongly from low comparative levels in 3Q21 with NII reaching VND10,385 billion (+38.9% YoY, -0.8% QoQ) and EBT hitting VND4,514 billion (+8.1% QoQ, +67.3% YoY). 9M22 EBT rose 69% YoY to VND19,837 billion.

Foreign ownership extension and divestment to foreign institutions

There is currently some news on the Decree amendment related to raising foreign ownership to 49% at banks participating in restructuring weak credit institutions. We think VPB and HDB are two potential candidates. In addition, there is also information related to SMBC's divestment of EIB to invest in VPB.

More capital mobilized from foreign countries

In 2022, VPB successfully mobilized syndicated loans from foreign institutions twice with a value of up to USD1.25 billion. Currently, VPB is only behind TCB in terms of activity level in the foreign capital market. This is a big help amid many difficulties, which reduced the cost of capital for the bank.

Expected to continue to expand the outstanding credit room

VPB is assigned the highest credit room in the industry for 2022 (31%). We expect VPB would still be prioritized in 2023 thanks to (1) industry-leading consolidated CAR ~15%, (2) participating in handling weak credit institutions, and (3) actively supporting the economy.

BUY recommendation with a target price of VND22,600/share

Based on valuation results, business outlook and possible risk factors, we recommend BUY for VPB stocks. The target price is VND22,600/share, 30.6%

Buy maintain

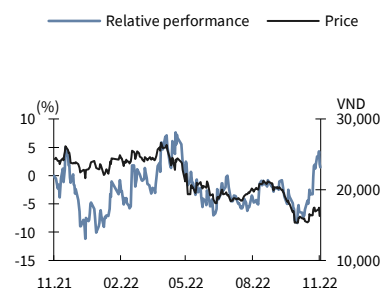
Target price	VND22,600
Upside/Downside	30.6%
Current price (Dec 20, 2022)	VND17,300
Consensus target price	VND29,298
Market cap (VNDbn)	109,425

Trading data	
Free float	88.7
3M avg trading value (VNDbn/USDmn)	332/14.1
Foreign ownership	17.63
Major shareholder	Composite Capital Master Fund LP (5.0%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	2	-22	-19	-33
Relative	11	3	4	1

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net interest income (VNDbn)	32,346	34,349	40,263	45,443
Pre-provision operating profit (VNDbn)	27,641	33,583	44,485	44,207
NPAT of the parent bank (VNDbn)	10,414	11,808	19,309	16,889
EPS (VND)	4,116	2,621	2,863	2,504
EPS growth (%)	26%	-36%	9%	-13%
PER (x)	7.1	11.2	10.3	11.7
Book value per share (VND)	20,867	19,187	16,056	18,827
PBR (x)	1.41	1.53	1.83	1.56
ROE (x)	21.9%	16.7%	20.6%	15.9%



Source: Bloomberg, KB Securities Vietnam

Asia Commercial Bank (ACB)

Bad debt surged but not at worrying level

December 20, 2022

Analyst Nguyen Duc Huy
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3Q22 PBT jumped by 71.1%YoY to VND4,475 billion

Asia Commercial Bank (ACB) gained 3Q22 NII of VND6,032 billion (+7.6% QoQ, +33.4% YoY), NOII of VND1,059 billion (-19.6% QoQ, -9.4% YoY). 3Q22 cost-to-income ratio (CIR) was 35.6%, down 4 pts YoY thanks to positive TOI growth. During the period, provision expenses stayed low at VND90 billion (-133.7% QoQ, -89% YoY). As a result, 3Q22 PBT rose sharply by 71.1% YoY to VND4,475 billion.

NPL ratio increased to 1.01% due to debt restructuring

NPL hit six-year lows at 1% (+0.25 points %QoQ). Higher NPL was attributable to restructuring debt, but the bank has fully made provision for that and should recover in November and December. LLCR decreased to 137.8%.

We appreciate ACB for its resistance

ACB is one of the few banks that is unaffected by bond and real estate risks as its real estate-related loans are mainly home loans. Credit growth is stable at 16% annually in line with the 2022 credit room of 16%. NPL ratio is among the lowest in the industry. EBT is forecasted to grow at an average rate of 20%/year for the period 2022-2026.

NIM still has room to expand next year

ACB's loan portfolio is mainly short-term (~63%) so it has easily absorbed the increase in deposit rates. In addition, with the 4th highest CASA in the industry (24.1%) and a reasonable capital business strategy, ACB controls capital costs well.

BUY recommendation with a target price of VND28,000/share

Based on P/B and residual income methods, we recommend BUY for ACB with a target price of VND28,000, 24.2% higher than the closing price on Dec 20, 2022.

Buy maintain

Target price VND28,000

Upside/Downside	24.2%
Current price (Dec 20, 2022)	VND 22,550
Consensus target price	VND 34,200
Market cap (VNDbn)	77,276

Forecast earnings & valuation

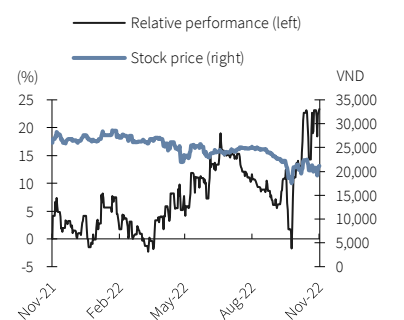
FY-end	2020A	2021A	2022F	2023F
Net interest income (VNDbn)	14,582	18,945	23,105	27,086
Pre-provision operating profit (VNDbn)	10,537	15,334	18,423	21,974
NPAT of parent company (VNDbn)	7,683	9,603	14,016	16,733
EPS (VND)	3,511	3,498	4,150	3,963
EPS growth (%)	-3.3%	-0.4%	18.6%	-4.5%
PER (x)	8.95	9.71	8.44	8.84
Book value per share (VND)	15,906	16,219	19,253	21,225
PBR (x)	1.98	2.09	1.82	1.65
ROE (%)	24.3%	23.9%	25.2%	21.3%
Dividend yield (%)	30%	25%	25%	25%

Trading data

Free float	83.2%
3M avg trading value (VNDbn)	75.76
Foreign ownership	30%
Major shareholder	Dragon Financial Holding (6.92%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-1.2	-15.9	-8.7	-21.0
Relative	8.4	10.5	16.9	18.4



Source: Bloomberg, KB Securities Vietnam

BIDV (BID)

Higher credit growth expected in December

December 20, 2022

Senior Analyst Nguyen Anh Tung
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3Q22 EBT reached VND6,673 billion, up 149.6% YoY

Bank for Investment & Development recorded 3Q NIM of VND14,098 billion (-3.5% QoQ, +15.5% YoY); TOI reached VND17,555 billion (-3.2% QoQ, +15.1% YoY); and EBT hit VND6,673 billion (+2.8% QoQ, +149.6% YoY). 9M22 EBT was VND17,677 billion, up 64.7% YoY.

BID's room for credit growth is increased by 2%

KBSV expects BID can increase credit disbursement in December: (1) BID's credit room was extended by 2%, raising 2022 credit room to 12.7%. (2) The USD/VND exchange rate has cooled down, reducing pressure on deposit and lending interest rates and enabling businesses to access loans at reasonable costs.

It is expected that the amendment of Circular 22 will help remove the liquidity problem for BID

Currently, there is some information regarding the amendment of the calculation of LDR in Circular 22. The mobilized capital should be charged an additional 50% of the treasury deposit. BID is holding up to 135 trillion in treasury deposits, so if we change the calculation of BID's LDR, it will reduce from the current 83% to 78%.

NIM is likely to shrink in 2023

BID's NIM is likely to decrease in 2023 due to (1) full impacts of the increase in deposit rates and (2) lower earnings yield due to potential economic support packages.

We recommend HOLD for BID with a target price of VND44,800/share

We recommend HOLD for BID stocks. The target price for 2023 is VND44,800/share, 14.9% higher than the closing price on December 20, 2022.

Hold update

Target price	VND44,800
Upside/Downside	16.4%
Current price (Dec 20, 2022)	VND38,500
Consensus target price	VND35,768
Market cap (VNDbn)	197,282

Forecast earnings & valuation

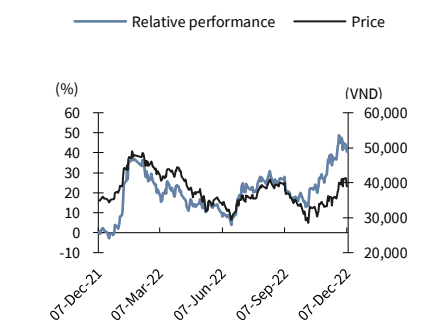
FY-end	2020A	2021F	2022F	2023F
Net interest income (VNDbn)	35,797	46,823	55,138	59,483
Pre-provision operating profit (VNDbn)	32,344	43,028	47,781	52,165
NPAT of the parent bank (VNDbn)	6,997	10,540	17,138	19,603
EPS (VND)	1,740	2,084	3,388	3,875
EPS growth (%)	-16%	20%	63%	14%
PER (x)	22.4	18.7	11.5	10.1
Book value per share (VND)	19,803	17,066	19,654	22,729
PBR (x)	1.97	2.29	1.98	1.72
ROE (%)	9.2%	13.1%	19.0%	18.9%
Dividend yield (%)	2.05%	2.05%	2.05%	2.05%

Trading data

Free float	4.01%
3M avg trading value (VNDbn/USDmn)	57/2.4
Foreign ownership	16.94%
Major shareholder	State Bank (SBV) (80.99%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	8	11	32	13
Relative	-2	25	43	40



Source: Bloomberg, KB Securities Vietnam

Military Bank (MBB)

Driven by outstanding credit room

December 20, 2022

Analyst Nguyen Duc Huy
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3Q22 EBT gained 61.5%YoY to VND6,296 billion

MBB recorded 3Q NIM of VND9,039 billion (+4.5%QoQ and +36.0%YoY), NOII of VND1,946 billion (-13.6%QoQ and -10.9%YoY). The reduction in provision expenses (-45.9%YoY) helped 3Q pre-tax profit surge 61.5%YoY to VND6,296 billion. 9M EBT reached VND18,193 billion (+53.1%YoY).

Digital banking continues to record impressive growth

MBB attracted three million new App & Biz new users in 3Q alone, double that of 3Q21. The number of transactions on digital channels in 3Q reached 812 million transactions, an increase of 3.6 times YoY and accounting for 94% of transactions at MBB. Transaction value reached VND7.8 million billion, +2.7 times YoY.

High CASA minimizes the risk of NIM shrinking when interest rates rise

MBB's CASA fell 6% YTD to 41.6% by the end of 3Q due to the general difficulties of the industry. CASA may expand thanks to the large individual customer proportion in the ecosystem and the promotion of banking digitization, thereby reducing pressure on NIM while the era of low-cost capital is over.

Outstanding credit growth for the coming period

Thanks to its participation in handling weak credit institutions with a CAR ratio of 12% and potential room to increase credit in the context of slow deposits (78% in 3Q), we forecast MBB will record outstanding credit growth for the period 2022/2023/2024, reaching 22.1%/23.1%/28.4% respectively.

We recommend BUY for MBB stocks with a target price of VND22,400

Based on residual income & P/B valuation, we recommend BUY for MBB with a target price of VND22,400, 27.3% higher than the closing price on Dec 20, 2022.

Buy maintain

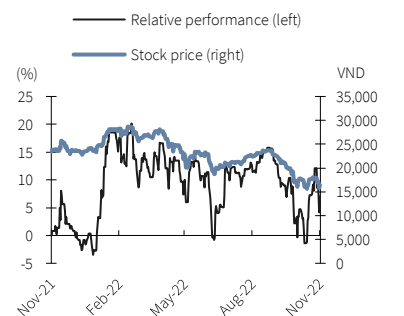
Target price	VND22,400
Upside/Downside	27.3%
Current price (Dec 20, 2022)	VND17,600
Consensus market price	VND32,267
Market cap (VNDbn)	101,070

Trading data	
Free float	58.9%
3M avg trading value	196.50
Foreign ownership	23.24%
Major shareholder	Viettel (18.5%) SCIC (9.42%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	2.5	-26.3	-28.2	-30.9
Relative	7.4	-4.0	-2.7	6.1

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net revenue (VNDbn)	20,278	26,200	35,448	44,489
Pre-provision operating profit (VNDbn)	16,807	24,557	30,206	38,720
NPAT of the parent bank (VNDbn)	8,263	12,697	18,661	24,509
EPS (VND)	2,993	3,362	3,951	4,324
EPS growth (%)	-16.8%	12.3%	17.5%	9.4%
PER (x)	8.95	9.71	5.58	5.10
Book value per share (VND)	17,463	16,150	18,844	18,738
PBR (x)	1.53	2.02	1.17	1.18
ROE (%)	19.1%	23.5%	25.4%	25.7%
Dividend yield (%)	18%	35%	25%	20%



Source: Bloomberg, KB Securities Vietnam

Sacombank (STB)

Bright future following restructuring scheme

December 20, 2022

Analyst Nguyen Duc Huy
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STB is very close to the goal of settling all VAMC bonds

Sacombank (STB) recorded bad debts and outstanding value of VAMC bonds under the restructuring scheme down from VND45 trillion in 2015 to VND17 trillion by the end of 3Q22 and fulfilled its target of handling outstanding accrued interest. STB plans to auction 32.5% of the bank's shares to foreign partners and deal with debts secured by Phong Phu Industrial Park to settle all bad debts at VAMC.

STB would enjoy strong earnings growth in the 2003–2025 period

We believe STB can achieve higher earnings growth during 2023–2025 thanks to: (1) higher NIM after recovering the principal balance; (2) lower provision expense after clearing all bad debts and VAMC bonds; and (3) future provision reversal following its successful auction.

STB's valuation would be higher after bad debt handling

STB and ACB share the same total assets, equity, outstanding loans, and customer base, but there is a big gap in profits between them as STB is still having to handle VAMC bonds. ACB's valuation has improved markedly after bad debt settlement, so we expect the same to STB after settling bad debts under the scheme.

STB can further expand demand deposit thanks to capitalizing on its advantages

STB can further expand CASA in the near term thanks to: (1) Its comprehensive international payment system is becoming import–export enterprises' priority; (2) Co-branded cards and promotional events would stimulate spending and payment.

We initiate BUY for STB stocks with a target price of VND28,650/share

Based on P/B and residual income methods, we initiate BUY recommendation for STB stocks with a target price of VND28,650/share, 27.6% higher than the closing price on December 20, 2022.

Buy initiate

Target price VND28,650

Upside/Downside	27.6%
Current price (Dec 20, 2022)	VND22,450
Consensus target price	VND35,700
Market cap (VNDbn)	41,003

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net interest income (VNDbn)	11,527	11,964	16,713	23,242
Pre-provision operating profit (VNDbn)	6,376	7,954	13,539	16,143
NPAT of the parent bank (VNDbn)	2,682	3,411	4,841	10,581
EPS (VND)	1,248	1,630	2,568	5,613
EPS grpwjt (%)	11.5%	30.6%	57.5%	118.6%
PER (x)	8.95	9.71	11.16	5.11
Book value per share (VND)	13,329	16,223	18,994	24,028
PBR (x)	0.84	0.98	1.51	1.19
ROE (%)	9.6%	10.8%	13.2%	23.7%

Trading data

Shares outstanding	94.4%
3M avg trading value	276.65
Foreign ownership	9.2%
Major shareholder	Dragon Capital (6.09%) Eximbank (4.73%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-21.6	-34.6	-41.7	-39.3
Relative	-13.7	-23.3	-22.5	-15.0



Source: Bloomberg, KB Securities Vietnam

Residential real estate

Many challenges ahead

Real estate is limited by credit restrictions and rising interest rates in 2022

New launch and the volume of sold units in both Hanoi and Ho Chi Minh City (HCMC) began to show signs of decline in 3Q22 after the boom in 2Q22. Specifically, Hanoi saw 3,640 units (-22% QoQ) opened for sale and 3,624 units (-66% QoQ) sold in 3Q22. Those figures in HCMC were 2,851 units (-80% QoQ) and 6,726 units (-40% QoQ), respectively. New supply decreased for: (1) Tight control over real estate credit and bond issuance activities; (2) shrinking demand due to rising home loan interest rates; and (3) slow progress of legal procedures that made the property developers more cautious in their plan to launch projects. Some pushed back their introduction to 2023.

In the third quarter, housing prices kept rising in both Hanoi and HCMC but at a slower pace (up 1% QoQ in Hanoi and up 3.4% QoQ in HCMC). In the face of numerous challenges faced by the real estate market, some developers offered attractive price discounts and flexible payment methods on pre-launched or new-launched projects to attract homebuyers. However, from our observations, apartment prices started their downtrend over the last two months. Low-rise building prices tend to plummet, especially speculative ones such as land plots far away from the city center.

Real estate would encounter numerous challenges in 2023

We believe the real estate market will face countless challenges in 2023 when: (1) Home loan interest rates are expected to increase further as higher deposit rates would lower the demand for home loans; (2) Legal procedures are complicated and often take a long time, thus slowing the process of approving and granting construction permits; and (3) Developers have limited access to capital to finance projects owing to tight control over real estate credit and an unstable bond market. Entering 2023, the value of matured real estate bonds is VND120.4 trillion, putting enormous pressure on property developers in the context of credit constraints and the slow pace of launching projects that may affect liquidity. Real estate stocks have dropped sharply since the start of the year on negative news about this sector. However, investors can consider investing in some enterprises with large land banks and healthy financial stability when there are more supportive policies, namely Vinhomes (VHM), Nam Long Group (NLG), Khang Dien House Trading & Investment (KDH).

December 20, 2022

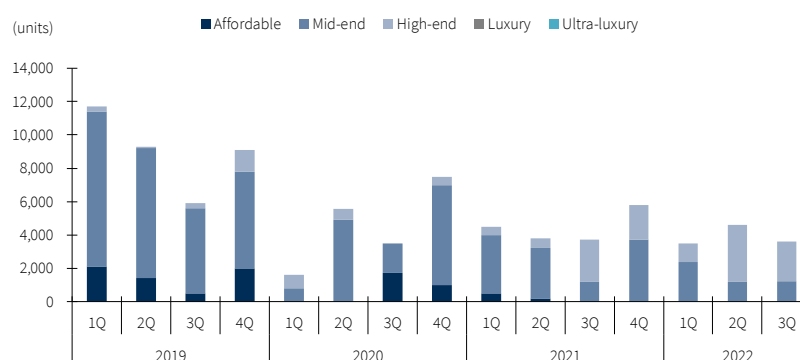
Negative

Recommendations	
Vinhomes (VHM)	
Current price	VND 48,200
Target price	VND 82,800
Nam Long Group (NLG)	
Current price	VND 48,200
Target price	VND 82,800

In Hanoi, new supply increased slightly in 9M22 against 9M21 but was far below the pre-pandemic level.

Rising home loan interest rates, the restriction of capital flows into real estate, and the prolonged process of approving and granting permits caused new launches as well as the volume of sold units to drop by 22% QoQ and 66% QoQ in 3Q22.

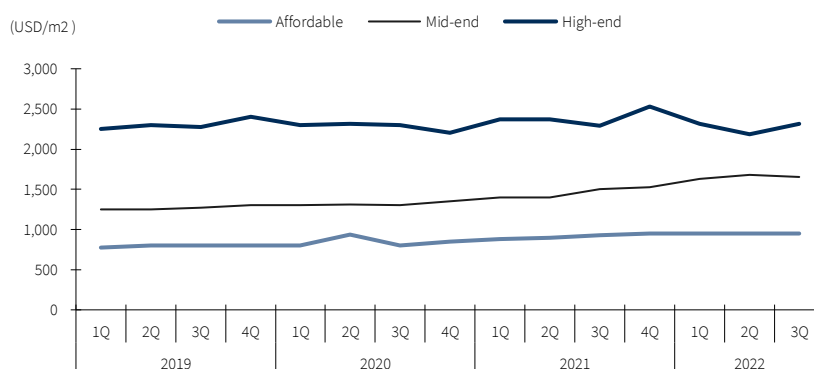
Fig 1. Vietnam – New supply in Hanoi (units)



Source: CBRE

Housing prices reached a new high of 1,896 USD/m² (+23%YoY) in the third quarter. However, the pace showed signs of easing, with the selling price up by only 1% QoQ.

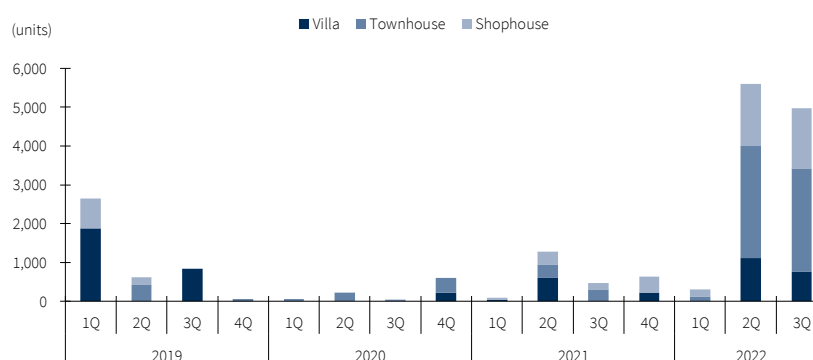
Fig 2. Vietnam – Housing prices in Hanoi (USD/m²)



Source: CBRE

The sudden increase in the new supply of townhouses and villas primarily came from the launch of the Vinhomes Ocean Park 2 – The Empire project, with 12,600 low-rise products.

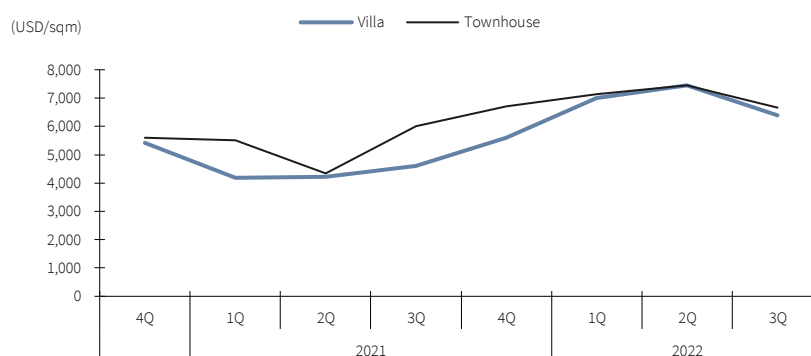
Fig 3. Vietnam – New supply of villas, townhouses, shophouses in Hanoi (units)



Source: CBRE

Prices of townhouses and villas in the third quarter began to decrease (-12% QoQ, $+23\%$ YoY) after constant increases since mid-2021.

Fig 4. Vietnam – Prices of villas, townhouses in Hanoi (USD/m²)



Source: CBRE

New supply in 3Q22 dropped sharply after its boom in 2Q22 thanks to Vinhomes Grand Park (District 9) with 2,851 units (-80% QoQ, $+49\%$ YoY).

In 3Q22, there were 6,726 apartments sold (-40% QoQ and -36% YoY) due to limited new supply, credit-related factors, and rising home loan interest rates.

Some property developers offered price discounts and flexible payment methods to attract homebuyers.

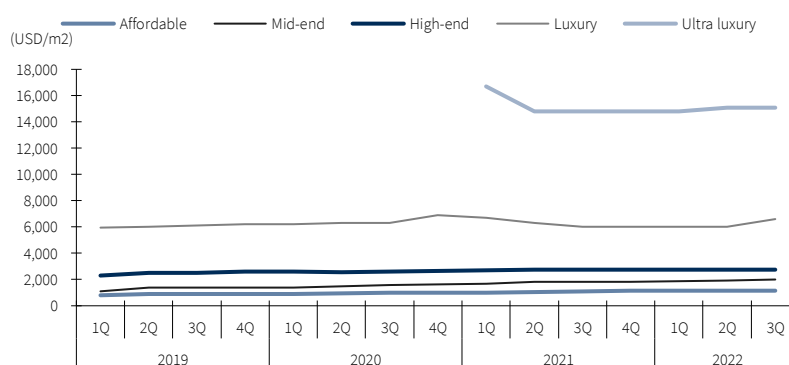
Fig 5. Vietnam – New supply in HCMC (units)



Source: CBRE

The primary price averages USD2,545/m², ($+3.4\%$ QoQ and $+12\%$ YoY).

Fig 6. Vietnam – Housing prices across segments in HCMC (USD/m²)

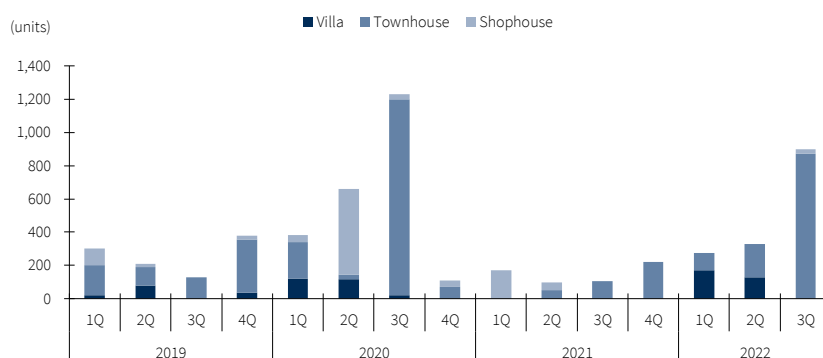


Source: CBRE

In 3Q22, HCMC witnessed 891 townhouses and villas opened for sale (+172%QoQ and 757%YoY), most of which are townhouses in urban areas in Thu Duc City.

The absorption rate reached 96.5% and remained stable against 97.2% in 2Q22 and 97.1% in 3Q21, driven by the launch of new projects in prime locations and by reputable investors.

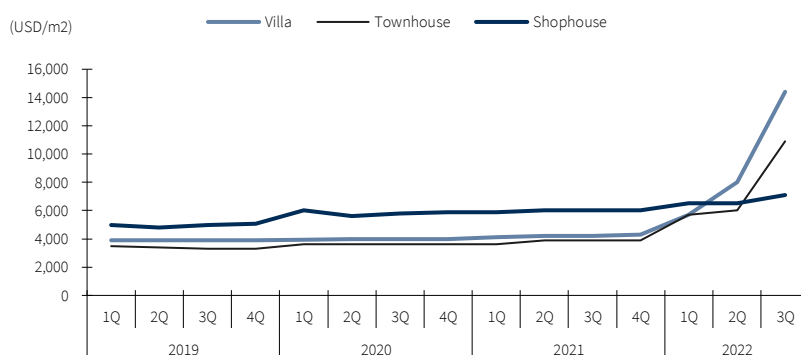
Fig 7. Vietnam – New supply of villas, townhouses, shophouses in HCMC (units)



Source: CBRE

The average primary price soared to USD10,692/m² (+55% QoQ and 129% YoY).

Fig 8. Vietnam – Prices of villas, townhouses, shophouses in HCMC (USD/m²)



Source: CBRE

Vinhomes (VHM)

On track to achieve full-year target

December 20, 2022

Senior Analyst Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

VHM upheld its leading position in the residential real estate market

Vinhomes (VHM) continued to uphold its leading position in the residential real estate segment targeting the mid- to high-end market throughout the 2016-3Q22 period. It owns 27% residential market share in Vietnam, leaving the follower 4% behind. VHM's large landbank covers an area of up to 168 million m², helping to maintain earnings growth and market share in the years to come.

VHM continued its sale at Vinhomes Ocean Park 2 – The Empire and launched Vinhomes Ocean Park 3 – The Crown

VHM sold 15,600 units (+164% YoY) with contracted sales of VND17.7 trillion (+33% YoY) in 3Q, including retail sales of low-rise products at The Empire and bulk sales of high-rise ones at The Empire and The Crown. On October 10, VHM introduced the first 1,000 units at The Crown to the market and recorded 800 deposits just after three days. 2023E sales value of VHM is VND98.6 trillion (-23%YoY), mostly from The Empire, The Crown and Wonder Park projects.

The Empire is under construction as planned and may be handed over within 2022

Construction of The Empire is still on schedule, and about 45% of 12,600 units should be handed over this year. 2022F and 2023F NPAT should be VND30,144 billion (-22% YoY) and VND32,835 billion (+9%YoY), respectively.

We recommend BUY for VHM with a target price of VND82,800/share

Based on valuation results and business outlook, we reiterate our BUY recommendation for VHM stocks with a target price of VND82,800/share, 73% higher than the closing price on December 20, 2022.

Buy maintain

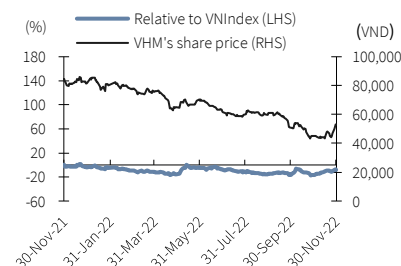
Target price	VND82,800
Upside/Downside	56%
Current price (Dec 20, 2022)	VND47,800
Consensus target price	VND82,600
Market cap (VNDtn/USDtn)	230.8/9.3

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net revenue (VNDbn)	71,547	84,986	82,077	110,233
Operating income (VNDbn)	37,306	47,665	38,702	42,264
NPAT of the parent company (VNDbn)	27,351	38,825	30,144	32,835
EPS (VND)	8,166	8,916	6,923	7,541
EPS growth (%)	26	9	-22	9
P/E (x)	8.36	7.66	7.67	7.04
P/B (x)	2.67	2.38	1.37	1.12
ROE (%)	36	35	18	16
Dividend yield (%)	7	1	6	

Trading data	
Free float	23.7%
3M avg trading value (VNDbn/USDmn)	147.1/6.0
Foreign ownership	26.6%
Major shareholder	Vingroup (VIC) (66.66%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	18	-11	-25	-37
Relative	16	7	-5	-8



Source: Bloomberg, KB Securities Vietnam

Nam Long Invest (NLG)

Focus on the presale of existing projects

December 20, 2022

Senior Analyst Pham Hoang Bao Nga
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3Q sales show signs of slowing down

In 3Q22, Nam Long Investment (NLG) sold 450 apartments with a contract value of VND1,512 billion, of which VND860 billion is from Akari City and VND652 billion from Southgate project. The value is much lower than the plan of VND3,700 billion set by the company.

Accumulated 9M22 sales reached VND9,922 billion, up 95% YoY thanks to the sale of Mizuki Park, Akari City, Izumi City, Southgate and Can Tho projects.

NLG should focus on the presale of existing projects

For 4Q, NLG expects to start presale for existing projects like Mizuki Park, Akari City and Southgate. The launch of Izumi City, Can Tho and Paragon Dai Phuoc projects should be pushed back to 2023. We reduce the estimated total sales by 22% compared to the previous report to VND11,915 billion (+75% YoY), based on the presale plan.

KBSV lowers NLG's 2022F and 2023F NPAT

We lower our forecast for NLG's NPAT in 2022 and 2023 to VND569 billion (-47% YoY) and VND864 billion (+52% YoY) respectively due to lower-than-expected 9M22 business results and concerns about the difficulties of the real estate market.

BUY recommendation with a target price of VND39,300/share

Considering NLG's business outlook and valuation results, we recommend BUY for NLG stocks with a target price of VND39,300/share, 28% higher than the closing price on December 20, 2022.

Buy maintain

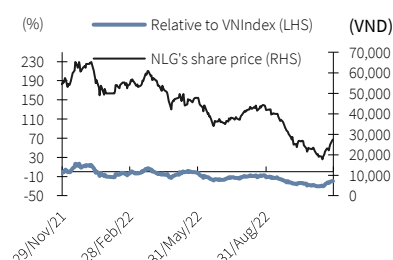
Target price	VND39,300
Upside/Downside	28%
Current price (Dec 20, 2022)	VND30,700
Consensus target price	VND51,200
Market cap (VNDbn/USDmn)	10.5/0.4

Trading data	
Free float	60.6%
3M avg trading value	83.6/3.5
Foreign ownership	6.5%
Major shareholder	Mr Nguyen Xuan Quang (11.83%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	19	-38	-43	-51
Relative	21	-17	-21	-19

Forecast earnings & valuation

Fy-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	2,217	5,206	5,893	6,461
Earnings/Loss (VNDbn)	1,002	1,205	2,213	2,050
NPAT of parent company (VNDbn)	835	1,071	1,247	1,552
EPS (VND)	2,780	2,686	3,256	4,053
EPS growth (%)	-21	-3	21	24
P/E (x)	16.98	17.57	14.76	11.86
P/B (x)	2.40	2.02	1.21	1.11
ROE (%)	13	11	12	13
Dividend yield (%)	2	1	1	



Source: Bloomberg, KB Securities Vietnam

Khang Dien House (KDH)

Accelerating mega projects

December 22, 2022

Senior Analyst Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

KDH has the advantage of large land bank in HCM while the land supply in the inner city is becoming scarce

Khang Dien House Trading & Investment (KDH) is one of the reputable mid- and high-end real estate developers with 20 years in Ho Chi Minh City (HCMC). KDH owns a large land bank of more than 600ha in HCM, concentrated in ideal locations in Thu Duc and the Western area of the city.

Small projects are expected to ensure KDH's sales value and profit in the medium term

For 2023–2024, KDH plans to sell small projects like Clarita, The Privia, and The Solina, which should ensure KDH's sales and profit in the medium term while waiting to unlock large land bank. KBSV estimates that the total sales value, excluding Doan Nguyen project, at VND4,304 billion (+54%YoY) in 2023 and VND7,236 billion in 2024 (+68%YoY).

Large projects should affirm the company's position and ensure long-term profit growth

KDH is currently investing in three large projects including Tan Tao Residential Area (330ha), Le Minh Xuan Industrial Park (110ha), and Phong Phu 2 Residential Area (130ha). These projects should help the company affirm its position on the market and long-term profit growth.

BUY recommendation with a target price of VND35,000 apiece

KBSV estimates that KDH's NPAT would be VND1,254 billion (+4%YoY) and VND 1,337 billion (+7%YoY) respectively for 2022 and 2023. Based on the business outlook and valuation results, we recommend BUY for KDH shares with the target price of VND35,000/share, 36% higher than the closing price on December 20, 2022.

Buy initiate

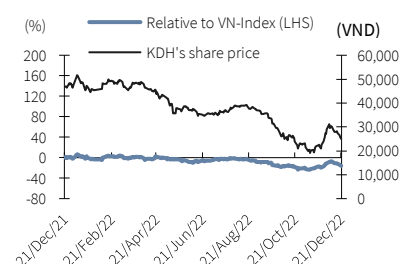
Target price	VND35,000
Upside/Downside	39%
Current price (Dec 20, 2022)	VND25,800
Consensus target price	VND41,500
Market cap (VNDbn/USDmn)	19.2/0.8

Trading data	
Free float	84.9%
3M avg trading value (VNDbn/USDmn)	73.1/3.1
Foreign ownership	12.6%
Major shareholder	Dragon Capital (9%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	12	-20	-28	58
Relative	6	-4	-15	56

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net revenue (VNDbn)	4,532	3,738	2,687	3,681
Operating income (VNDbn)	1,498	1,355	1,244	1,730
NPAT of parent company (VNDbn)	1,153	1,202	1,254	1,337
EPS (VND)	1,992	1,777	1,750	1,865
EPS growth (%)	25	-11	-2	7
P/E (x)	19.63	22.01	14.34	13.46
P/B (x)	2.78	2.47	1.46	1.31
ROE (%)	15	13	10	10
Dividend yield (%)	1	1	0	na



Source: Bloomberg, KB Securities Vietnam

Industrial real estate

Unclear growth momentum

New leasable area and rental rates eyed constant increases in 2022

Total registered FDI in 11M22 reached USD25.1 billion, down 5.0% YoY. Notably, realized FDI hit USD19.7 billion (+15.1%YoY), the highest over the past five years. In 9M22, the total industrial land area was 41,950 ha (+9.5% YoY) in the South and 16,702 ha (+2.7% YoY) in the North. The occupancy rate remained stable in both regions, with rental prices spiking YoY thanks to recovering demand but at a slowing pace. New supply increased substantially in the South, still, the occupancy rate stayed at 85%. The rent was flat QoQ and stood at its peak of USD125/m²/lease term (+10% YoY). Meanwhile, in the North, the occupancy rate was 82%, and the rent was USD110/m²/lease term (+0.1% QoQ and +4% YoY).

The growth momentum is unclear in 2023

The growth momentum of industrial real estate in 2023 is unclear: (1) Disbursed FDI is expected to be flat or narrow down from the high base achieved in 2022 due to investors' cautious sentiment towards the prospects of the global economy. Nevertheless, Vietnam remains an ideal destination for investors, given lower labor costs, reasonable rental prices and investment costs compared to other regional peers; (2) Decree 35/2022/ND-CP regulating the management of industrial zones (IZs) reflected the Government's efforts in simplifying the investment process in industrial parks (IPs), so we expect the approval time for IP investment and development to be shortened; and (3) The rent should remain high amid limited supply.

KBSV believes investors can consider industrial park stocks with strong fundamentals thanks to their huge commercial land bank available for rent and in key satellite provinces surrounding Hanoi and HCMC. Some notable developers are IDICO Corporation (IDC), Kinh Bac City Development (KBC), and Phuoc Hoa Rubber (PHR). We see that the prices of these stocks have rebounded strongly by 50–70% compared to mid-November. Therefore, investors should only take a long position during deep corrections to attractive price zones.

Risks

The biggest risks faced by IPs in the coming time include: (1) Legal risks due to complex procedures, affecting the construction progress; (2) slow compensation and site clearance, slowing down project implementation and resulting in rising costs; (3) risk of world economic recession, lowering the demand for renting IPs in Vietnam.

December 20, 2022

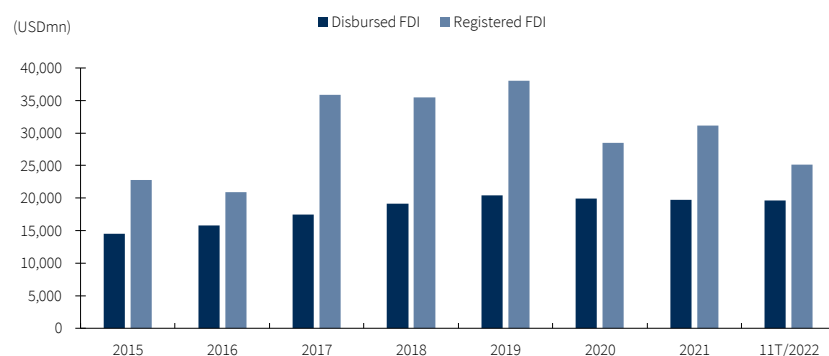
Neutral

Recommendations

IDICO Corporation (IDC)	BUY
Current price	VND 34,500
Target price	VND 50,300

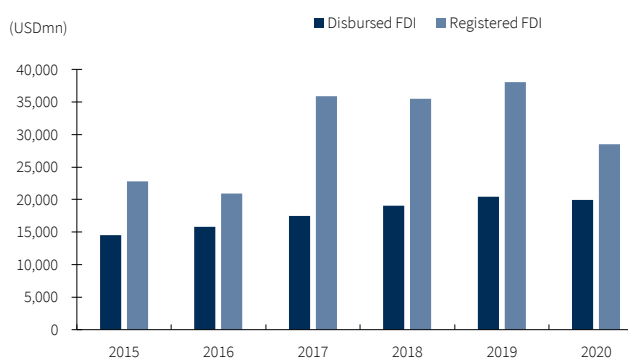
Fig 1. Vietnam – Disbursed & registered FDI (USD mn)

Disbursed FDI in 11M22 is the highest over the past five years.

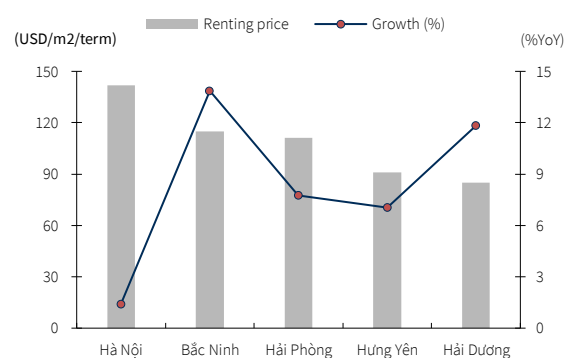


Source: Ministry of Planning and Investment, KB Securities Vietnam

Fig 2. Vietnam – Leasable area & occupancy rate in the North

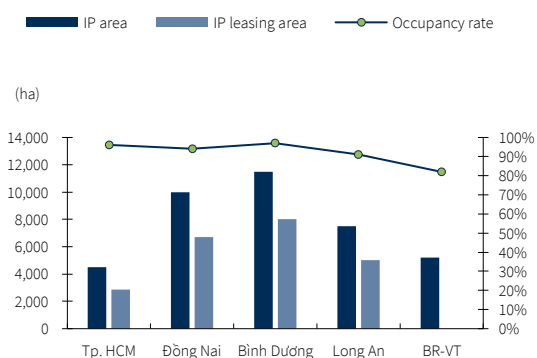


Source: CBRE, JLL, KB Securities Vietnam

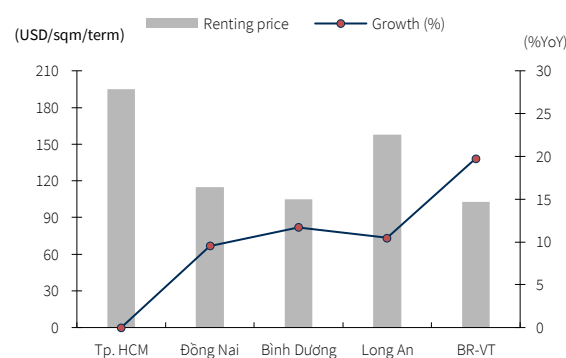
Fig 3. Vietnam – Rental rate in the North (USD/m²/lease term)

Source: CBRE, JLL, KB Securities Vietnam

Fig 4. Vietnam – Leasable area & occupancy rate in the South



Source: CBRE, JLL, KB Securities Vietnam

Fig 5. Vietnam – Rental rate in the South (USD/m²/lease term)

Source: CBRE, JLL, KB Securities Vietnam

IDICO Corporation (IDC)

Expect big changes from business restructuring

September 20, 2022

Senior Analyst Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

3Q22 results grew strongly compared to the same period in 2023

IDICO Corporation (IDC) 3Q net revenue reached VND2,053 billion (+128%YoY), of which (1) revenue from leasing industrial land surged to VND1,032 billion (473%YoY) thanks to the recognition of VND456 billion from unrealized revenue from My Xuan B1 Industrial Park and land rental revenue from Phu My II and Huu Thanh industrial parks. (2) Electricity sales was VND714 billion (+21%YoY). NPAT of the parent company was VND422 billion (+150%YoY). GPM hit 39%, up 19% YoY thanks to a higher contribution of the industrial segment with good rental growth.

Industrial land leasing activities recorded positive results

In 9M22, IDC leased 129.7ha of land. Management is confident that IDC will reach its full-year lease plan of 160ha thanks to positive demand for land. The area for lease of new industrial parks should reach 145ha in 2023 (from the Cau Nghin Expansion, Huu Thanh, Phu My II and Phu My II industrial parks.

NPAT is expected to grow in the period of 2022–2023

We estimate 2022 revenue and NPAT of IDC's parent company at VND8,123 billion (+89%YoY) and VND2,267 billion (+399%), respectively. For 2023, the revenue and NPAT of IDC's parent company in 2023 should be VND8,589 billion (+6%YoY) and VND2,433 billion (+7%) respectively.

BUY recommendation – Target price VND50,300/share

After observing the business outlook and valuation results, we recommend BUY for IDC stocks with a target price of VND50,300 apiece, 46% higher than the closing price on December 20, 2022.

Buy maintain

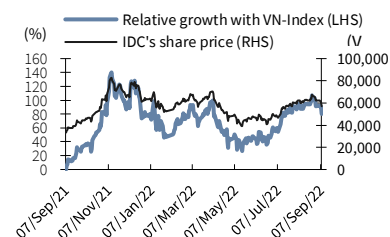
Target price	VND50,300
Upside (%)	46%
Current price (Dec 20, 2022)	VND34,500
Consensus target price	VND51,600
Market cap (VNDbn/USDmn)	11.2/0.5

Trading data	
Free float (%)	63.4%
3M avg trading value (VNDbn/USDmn)	187.9/7.8
Foreign ownership (%)	4.3%
Major shareholder	SSG Group (22.5%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-16	-45	-27	2
Relative	-21	-27	-8	-20

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	5,356	4,301	8,123	8,589
Earnings/loss (VNDbn)	1,179	717	3,119	3,312
Profit attributable to parent (VNDbn)	873	454	2,267	2,433
EPS (VND)	2,900	1,498	6,869	7,373
EPS growth (%)	170	-48	359	7
P/E (x)	22.31	43.18	5.36	4.99
P/B (x)	4.65	4.98	2.71	2.09
ROE (%)	19	9	39	35
Dividend yield (%)	0	5%	4%	4%



Source: Bloomberg, KB Securities Vietnam

Oil & Gas

Bright future on the back of high global prices

Oil prices have spiraled since the war between Russia and Ukraine

The Russia-Ukraine war pushed crude oil to a new high of USD130/barrel in the middle of the year before retreating to USD90/barrel by the end of 3Q22. Oil prices are now about USD82/barrel. Also, natural gas prices dropped 30% from their peak and are lingering around USD6.5/MMBtu. It can be explained by global recession concerns, translating into waning demand for crude oil and energy.

In October 2022, crude oil consumption was 101.5 million barrels per day (bpd) (+9.2% YoY). OPEC expected it to be around 102 million bpd in 4Q22 and 2023. Meanwhile, OPEC-13 crude oil production averaged 29.49 million bpd in October, down 210 bpd MoM. OPEC cut production in November in the context of sanctions against Russia. Therefore, supply shortages will likely persist, pushing prices higher.

Oil prices are forecast stay high in 2023

KBSV expects Brent crude oil to be around USD90/barrel in 2023, backed by: (1) the ongoing Russia-Ukraine war; (2) supply shortages amid Western sanctions on Russian energy and production cut by OPEC+ in early November by 2 million bpd compared to October; and (3) recovering demand following China's reopening.

New investment projects should be the driving force in the near term

Existing large gas fields in Vietnam are depleting, so it is of great importance to develop new ones. The construction of Block B-O Mon gas pipeline with huge investment cost should start in the coming time. In August 2022, the investment plan for O Mon III Thermal Power Plant, a critical downstream project of Block B-O Mon, was approved. It would accelerate the approval of the entire Block B-O Mon project, driving oil and gas enterprises.

Oil and gas stock prices have moved proportionally with oil prices, experiencing sharp corrections from the end of October and starting to recover in November in line with the general market trend. GAS prices of PV Gas, the industry's leading stock, were almost flat thanks to high selling prices linked to global prices and Vietnam's shift to natural gas and imported LNG for electricity generation to meet long-term demand. In general, the outlook for the oil and gas sector is bright in the coming time if oil prices continue to stay high and new project implementation is on schedule.

Risks

The biggest risks facing the oil and gas industry in the time ahead are: (1) unpredictable fluctuations in oil prices and (2) slow approval process and resultant construction progress of large oil and gas projects.

December 20, 2022

Positive

Recommendations

PV Gas (GAS)		BUY
Current price	VND 104,800	
Target price	VND 134,000	

PV Drilling & Well Services (PVD)

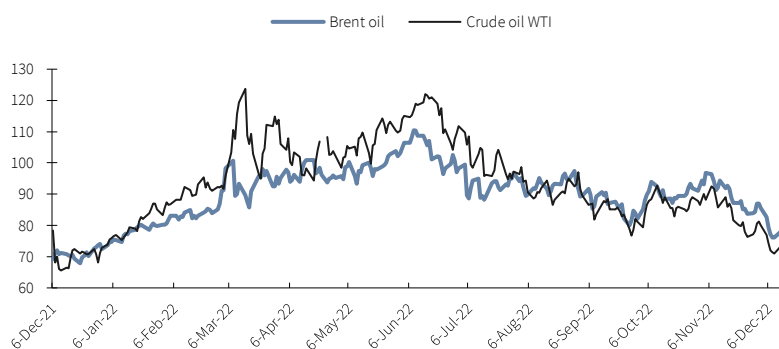
Current price	VND 17,500
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PV Transportation (PVT)

Current price	VND 21,200
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The Russia-Ukraine war pushed oil prices to a new high of USD130/barrel before retreating to USD90/barrel due to global recession concerns. However, we expect oil prices to stay around USD90/barrel in 2023 amid tight supply.

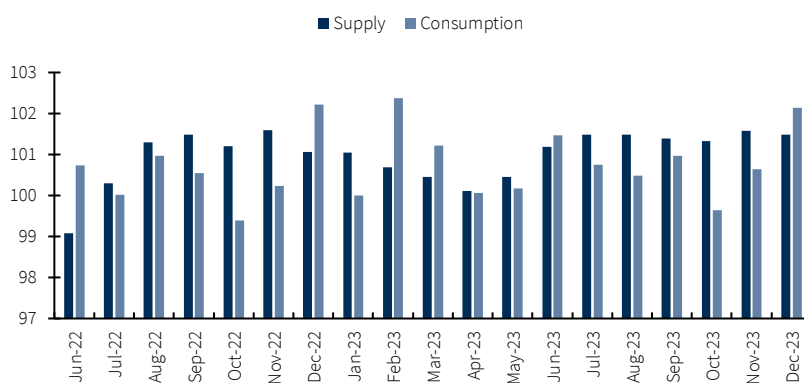
Fig 1. Global – Oil prices (USD/barrel)



Source: Bloomberg, KB Securities Vietnam

The US Energy Information Administration (EIA) forecasts global demand to average 101.04 million bpd for the whole of 2023 (+2% YoY). However, we believe consumption may be lower in 2023, but oversupply will unlikely happen thanks to the moves to regulate supply, especially from OPEC+, causing oil prices to continue to stay high.

Fig 2. Global – Estimated production output & consumption (million bpd)



Source: EIA, KB Securities Vietnam

PV Gas (GAS)

Bright outlook ahead

December 20, 2022

Analyst Nguyen Dinh Thuan
thuannd@kbsec.com.vn

Revenue and NPAT in the third quarter grew positively

PV Gas (GAS) continued to record positive results with NPAT of VND3,029 billion (+25.4% YoY) on revenue of VND24,329 billion (+31.2% YoY). During the period, GAS provided 1.8 billion m³ (+13.6% YoY) of wet gas and 547 thousand tons (+75.5% YoY) of liquefied petroleum gas (LPG) to the market.

Dry gas demand from gas-fired power plants is expected to recover strongly in the year ahead

International meteorological organizations anticipate a 50% chance of the weather entering the neutral pattern between February and April, 2023, which means less water for hydropower generation compared to the 2021–2022 period. Besides, coal-fired power projects are facing difficulties, helping to drive mobilization from gas-fired power plants, GAS's main customers. Therefore, we expect dry gas consumption to recover and reach 8,920 million m³ (+16.1% YoY) in 2023.

The Block B–O Mon gas pipeline project should be GAS's long-term growth driver

LNG power plants will be of high priority for development in the future. GAS will gain from this trend when owning nine out of 14 LNG terminals which will be built and put into operation in the coming period. The first LNG project of GAS, Thi Vai LNG terminal, may be put into trial by the end of this year and start operating in 2023, with a capacity of 1 million tons/year in phase 1 and 3 million tons/year in the 2024–2025 period. Besides, the Block B–O Mon gas pipeline project should be a long-term growth momentum for GAS as it is the largest investor.

We recommend BUY for GAS with a target price of VND134,000/share

Based on valuation results, business outlook and possible risks, we maintain our BUY recommendation for GAS stocks. The target price is VND134,000/share, 27.8% higher than the closing price on December 20, 2022.

Buy maintain

Target price VND134,000

Upside/Downside	27.8%
Current price (Dec 20, 2022)	VND104,800
Consensus target price	VND132,753
Market cap	200.852

Forecast earnings & valuation

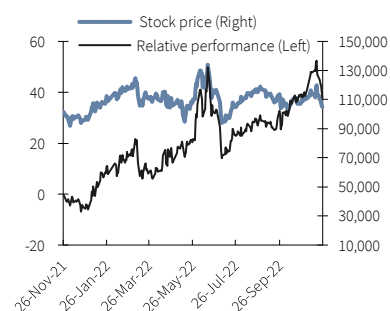
FY-end	2020A	2021A	2022F	2023F
Revenue (VNDbn)	64,135	78,992	101,027	106,124
EBIT (VNDbn)	8,694	10,374	17,530	17,090
NPATMI (VNDbn)	7,855	8,673	14,428	13,898
EPS (VND)	4,028	4,356	7,538	7,261
EPS growth (%)	-34.4	8.1	73.0	-4.0
P/E (x)	10.5	16.6	20.0	20.8
EV/EBITDA (x)	7.1	10.6	14.3	14.7
P/B (x)	1.7	2.7	4.4	3.7
ROE (%)	16.1	17.0	22.6	18.3
Dividend yield (%)	8.4	4.2	2.0	2.0

Trading data

Free float	5%
3M average trading value (VNDbn)	450.68
Foreign ownership	3%
Major shareholder	PetroVietnam (95.8%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-2	-12	-16	3
Relative	-1	11	8	36



Source: Bloomberg, KB Securities Vietnam

Information technology

Underpinned by digital transformation

Business performance in 2022

IT enjoyed robust growth with 1H22 ICT revenue up 17.8% YoY to USD72.5 billion. The number of ICT enterprises reached 67,205 (up 4.2% YTD), driven by software production (+5.5% YoY).

Software exports maintained positive growth with rising newly signed contracts on ever-growing demand for software solutions and digital transformation across the globe. For FPT Corporation (FPT), global IT services revenue jumped by 30.0% YoY, and newly signed contracts picked up 40.5% YoY by the end of November.

In 2022, state-owned and private enterprises were going under strong digital transformation. Per the Ministry of Information & Communications, in 9M22, 43.2% of administrative procedure documents were processed online, up 13% YoY.

Regarding Telecommunications, the Ministry reported 9M22 revenue of VND248.5 trillion, up 7.1% YoY. Fierce competition in both fixed and mobile markets forced businesses to lower service prices, causing revenue growth to slow down.

Domestic digital transformation will continue to make breakthroughs in 2023

Domestic digital transformation would keep going, driven by significant benefits it brings. Vietnam's digital economy is worth USD23 billion (+28% YoY) in 2022, the highest growth in Southeast Asia, and is expected to exceed USD50 billion by 2025, according to the 7th Southeast Asia Digital Economy Report.

There is still a lot of room for software export growth in the long run

There is still a lot of room for software export growth for: (1) The effectiveness of digital transformation and the rise of new platforms and applications can boost worldwide IT spending and (2) Vietnam has a great advantage over others amid the shortage of tech workers in the world, given Vietnam's lower labor costs.

Telecommunications showed divergence due to digital transformation

Digital transformation would support telecommunications revenue growth amid increased competition and saturated traditional telecommunications services. However, businesses with solid financial foundation will be superior to others, given high cost of IT infrastructure, huge investment, and long payback time. We believe IT enterprises will continue to enjoy double-digit growth in 2023. Investors can consider stocks of firms with good software export growth, strong digital transformation, healthy financial position, and reasonable valuation like FPT.

Risks

Global IT spending growth may fall short of expectations due to negative macroeconomic factors and rising inflation.

December 20, 2022

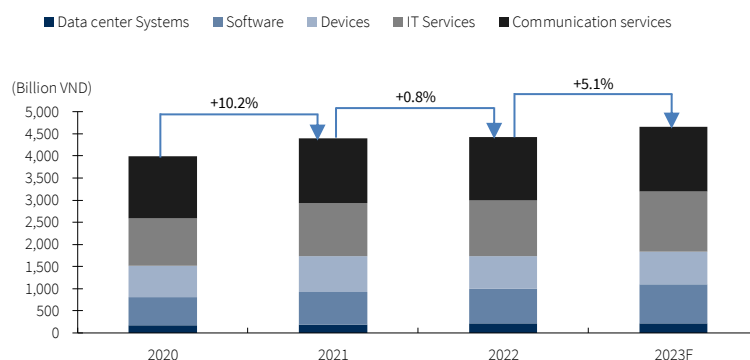
Positive monitor

Recommendations

FPT Corporation (FPT)		BUY
Current price	VND 77,200	
Target price	VND 101,900	

Garner anticipates worldwide IT spending to grow 5.1% YoY in 2023, driven by software spending (+11.3% YoY) and devices spending (+7.9% YoY).

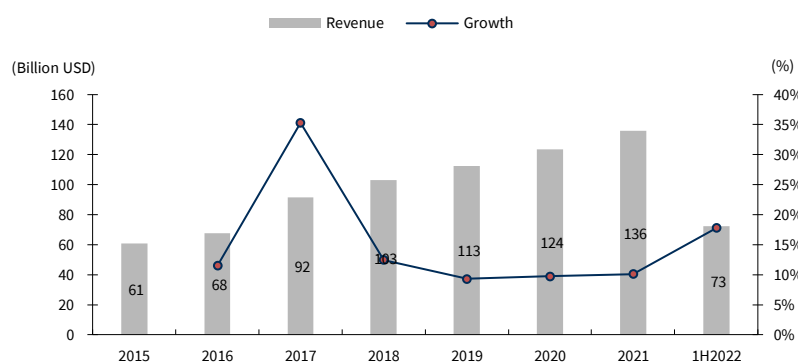
Fig 1. Global – IT spending (VND bn)



Source: Garner

ICT revenue reached a CAGR of 14.4% during 2015–2021. The driving force in recent years has come from the promotion of digital transformation.

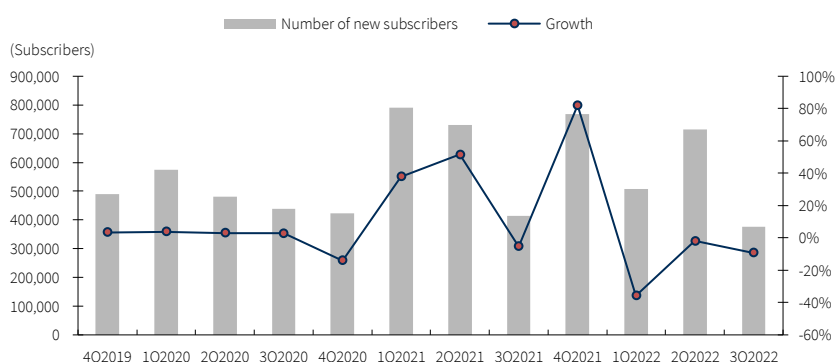
Fig 2. Vietnam – ICT revenue growth (USD bn, %YoY)



Source: MIC, KB Securities Vietnam

FTTH subscribers decreased in 9M22 due to: (1) High base seen in 9M21 as businesses promoted digitalization during the pandemic period and (2) the saturation of the market in metropolises.

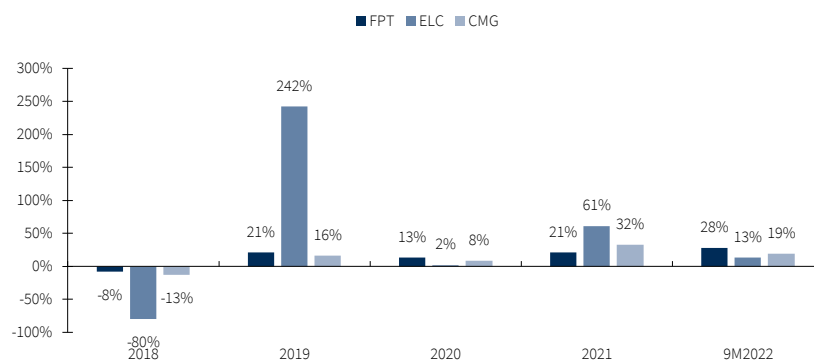
Fig 3. Vietnam – FTTH subscriber growth (subscribers, %YoY)



Source: VNTA, KB Securities Vietnam

IT businesses still maintained positive growth in 9M22. Notably, FPT saw outstanding growth (+28% YoY), higher than previous years thanks to the promotion of software export.

Fig 4. Vietnam – NPAT growth of some IT businesses during 2017–9M22 (%)



Source: FPT Corporation, Elcom Technology Communications Corporation, CMC Corporation, KB Securities Vietnam

FPT Corporation (FPT)

Digital transformation slowed down in 3Q22

December 20, 2022

Senior Analyst Nguyen Anh Tung
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3Q22 NPAT reached VND1,756 billion, up 27.7% YoY

FPT Corporation (FPT) continued to record impressive growth for 3Q22 with NPAT of VND1,756 billion (+27.7% YoY) and revenue of VND11,149 billion (+27.8% YoY), underpinned by revenue growth of Technology (+24.9% YoY), Telecommunications (+20.1% YoY), and Education & Investment (+119.1% YoY).

9M22 newly signed revenue climbed 42.6% YoY, and FPT became a strategic shareholder of LTS Inc

9M22 newly registered revenue of global IT services hit VND16,799 billion (+42.6% YoY). On October 13, 2022, FPT entered into an agreement to become a strategic shareholder of LTS Inc, a Japan-based company specializing in delivering business process management, consulting services, and digital transformation solutions with 20 years of experience.

Digital transformation slowed down in 3Q22

Digital transformation showed signs of leveling off in the third quarter, contributing only VND1,810 billion to total revenue, a decrease of 1.1% YoY against a surge of 64.6% YoY in the first half of the year. It was derived from: (1) the slowdown of the blockchain technology and the application development and (2) high base in 3Q21. FPT expects 2022F digital transformation revenue to jump by 35%-40% YoY, equivalent to 37% YoY growth in 4Q22.

We recommend BUY for FPT with a target price of VND101,900/share

Based on valuation results, business outlook and possible risks, we recommend BUY for FPT stocks. The target price is VND101,900/share, 33% higher than the closing price on December 20, 2022.

Buy maintain

Target price	VND101,900
Upside/Downside	33.0%
Current price (Dec 20, 2022)	VND 76,600
Consensus target price	VND 109,683
Market cap (VNDbn)	84,690

Forecast earnings & valuation

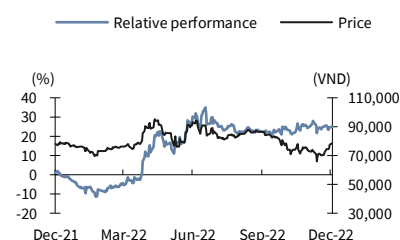
FY-end	2020	2021	2022F	2023F
Net revenue (VNDbn)	29,830	35,657	43,252	51,531
Net revenue growth (%)	7.6%	19.5%	21.3%	19.1%
Gross profit (VNDbn)	11,814	13,632	16,868	20,097
Gross profit margin (%)	39.6%	38.2%	39.0%	39.0%
Net profit (VNDbn)	3,538	4,337	5,524	6,555
Net profit growth (%)	12.8%	22.6%	27.4%	18.7%
EPS (VND)	4,513	4,779	5,035	5,975
EPS growth (%)	-2.4%	5.9%	5.4%	18.7%
P/E (x)	17.4	16.4	15.6	13.1

Trading data

Free float	87.1%
3M avg trading value (VNDbn/USDmn)	126.5/5.2
Foreign ownership	49%
Major shareholder	Truong Gia Binh (7.05%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	7	-6	-12	-1
Relative	-5	6	-3	25



Source: Bloomberg, KB Securities

Logistics

Slowing growth alongside shrinking export-import

Container port throughput maintains good growth in 2022

Cargo throughput via seaports across the country exceeded 670 million tons (+4% YoY) for 11M22, with the volume of exports and imports down 3% YoY to 163.379 million tons and 191.191 million tons, respectively. Nationwide container goods grew by 13% to 314,036 million tons. Despite slowing exports-imports, the volume of container cargo still went up 5% YoY to 23 million TEUs in 11M22 against the 2% YoY growth rate in 8M22, given the low base in 3Q21.

Cargo throughput via Hai Phong port reached 149,053 thousand tons (+12.78% YoY) for 11M22, with total revenue estimated at VND6,048 billion (+13.9% YoY). Positive growth is thanks to the 2021 low of Lach Huyen port. Containerized cargo throughput via Ba Ria-Vung Tau port for 9M22 reached 26.3 million tons, up 2% YoY. Slow growth was due to the fact that most ports in the Cai Mep-Thi Vai area were operating beyond their designed capacity and the subdued outlook for the global economy. The key driver should be Gemalink phase 1, expected to receive 1.5 million TEUs throughput in 2022.

Slowing growth is expected in 2023 due to gloomy macroeconomic outlook

Import-export turnover is leveling off, given a sharp fall in consumer demand in the US and EU, inflationary pressures, China's Zero-Covid policy, and the ongoing Russia-Ukraine war. However, the growth momentum in 2023 should come from: (1) The supply chain is shifting from China to neighboring markets, including Vietnam; (2) the seaport infrastructure fee for imported and exported goods entering and leaving Hai Phong seaport by watercraft will narrow by 50% compared to the current one from January 1, 2023; (3) the project to upgrade the capacity of the navigation channel leading ships into the Cai Mep-Thi Vai port cluster in 2023 would accommodate large container ships; and (4) China will fully reopen its economy in 2023. Furthermore, the proposal to increase port charges, if approved, will be a supporting factor in 2023. For the time being, stevedoring service fees are just half of those of ASEAN countries.

Risks

In our view, the risk elements for logistics in the coming time should be: (1) The gloomy macroeconomic outlook in 2023 may cast a shadow over Vietnam's trade and lower import-export turnover as well as cargo throughput; (2) Oversupply in Hai Phong port and fierce competition following the operation of the ongoing projects Nam Dinh Vu 2 and Lach Huyen 3,4,5,6 in the coming years would negatively affect stevedoring service fees.

December 20, 2022

Neutral

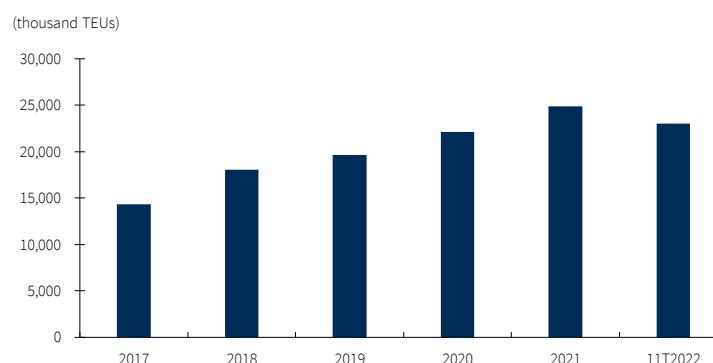
Recommendations

Gemadep (GMD)	BUY
Current price (Dec 20, 2022)	VND 44,700
Target price	VND 71,500

Vietnam Container Shipping (VSC)	BUY
Current price (Dec 20, 2022)	VND 30,800
Target price	VND 48,500

Container port throughput via seaports across Vietnam achieved an average growth rate of nearly 12% in the 2017–2021 period. In 2022, it tends to slow down due to the gloomy macroeconomic outlook in the world.

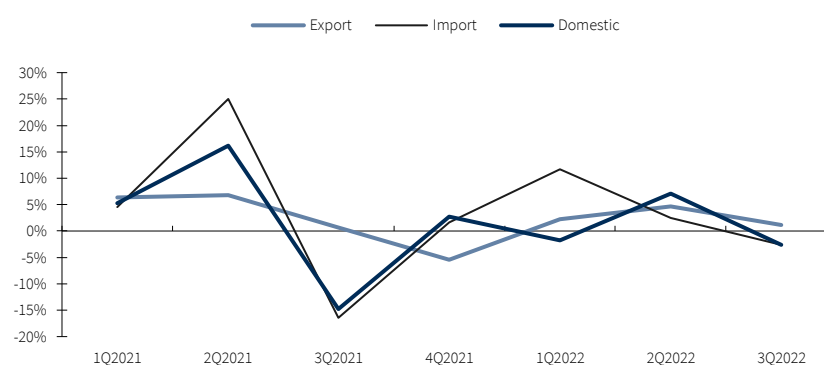
Fig 1. Vietnam – Container port throughput (thousand TEUs)



Source: Vinamarine, KB Securities Vietnam

The volume of export, import, and domestic containers through Vietnamese seaports tends to slow towards the end of the year. 3Q22 saw the lowest growth over the last two years if the negative growth in 3Q21 due to social distancing is not taken into account.

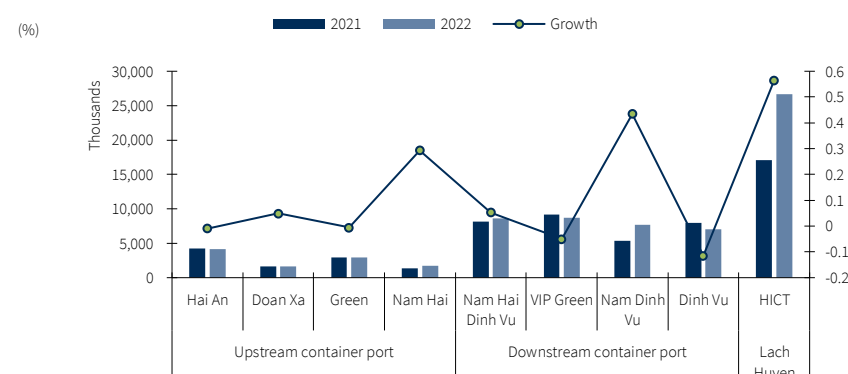
Fig 2. Vietnam – Container port throughput growth (%)



Source: Vinamarine, KB Securities Vietnam

Most ports in Hai Phong port cluster saw flat or slight increase/decrease in tonnage growth against 2021. Except for Nam Hai port from upstream which enjoyed good growth thanks to connecting with Nam Dinh Vu at the downstream, Hai Phong International Container Terminal (HICT)'s output also increased significantly on the back of: (1) improved alluvial deposits in the Lach Huyen area and (2) two new routes (Vietnam–China–India east coast and intra-Asia route connecting Vietnam–China–Thailand–Singapore).

Fig 3. Vietnam – Tonnage growth in Hai Phong port cluster



Source: Marine Administration of Hai Phong, KB Securities Vietnam

Gemadept (GMD)

Maintain sustainable growth

December 20, 2022

Analyst Nguyen Thi Ngoc Anh
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GMD's profit & revenue rose 87% and 30% respectively

Gemadept (GMD) recorded revenue and NPAT at VND992 billion (+30% YoY) and VND287 billion (+87%YoY) in 3Q22, mainly supported by port operation segment with a GPM of 40.5%.

Hai Phong port cluster has a capacity of 560,000 TEUs

Hai Phong Port is still a major source of revenue for GMD, with 9M22 port throughput reaching 831,242 TEUs. Nam Dinh Vu phase 2, which is expected to come into operation from the beginning of 2023, will become a growth driver for the Northern port clusters in the medium term.

Gemalink is GMD's growth force in the medium and long term

9M22 Gemalink has a capacity of more than 1 million Teus. With the current rapid growth of Cai Mep port area and other ports' already operating at full capacity, Gemalink should reach more than 90% capacity this year and operate beyond capacity in 2023. Gemalink 2 is expected to come into force from 1Q25 and become the main growth driver for GMD in the long term.

2022 NPAT is estimated at VND959 billion (+33% YoY)

We expect that GMD's business results will slow down in 2023, mainly influenced by the gloomy macroeconomic situation next year.

BUY recommendation with a target price of VND71,500/share

Using the SOTP, we recommend BUY for GMD stocks with a target price of VND71,500/share, equivalent to a return of 59.9% compared to the closing price on December 20, 2022.

Buy maintain

Target price	VND71,500
Upside (%)	59.9%
Current price (Dec 20, 2022)	VND44,700
Consensus target price	VND71,500
Market cap (VNDbn)	13,472

Forecast earnings & valuation

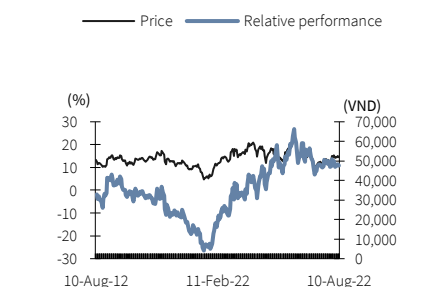
FY-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	2,606	3,206	3,680	4,323
Earnings/loss (VNDbn)	950	1,142	1,328	1,564
NPAT (VNDbn)	440	721	959	1,111
EPS (VND)	6,207	1,602	2,760	2,404
EPS growth (%)	207%	-74%	72%	-13%
P/E (x)	8.4	32.5	18.9	21.6
P/B (x)	2.4	2.2	1.7	2.1
ROE (%)	6.7%	10.2%	10.2%	11.4%

Trading data

Free float (%)	74
3M avg trading value (VNDbn/USDmn)	133,569
Foreign ownership (%)	43.6
Major shareholder	SSJ Consulting (9.9%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	5	3	2	3
Relative	-1	0	18	11



Source: Bloomberg, KB Securities Vietnam

Viconship (VSC)

2Q22 business performance

September 15, 2022

Analyst Nguyen Ngoc Anh
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VSC's 3Q revenue is VND507 billion (+7% YoY), 6M revenue completed 51% of the full-year plan

3Q22, Vietnam Container Shipping (VSC) recorded VND507 billion (+7% YoY) in revenue, GPM rose to 35% vs 35% in 3Q21. GPM reached 33%, down from 35% in the same period last year. 9M22 revenue hit VND1,488 billion (+7% YoY) with EBT of VND388 billion (+9% YoY), completing 78% of both targets set out for 2022.

VIP Green expects to recover, return to growth momentum

VIP Green is expected to return to the growth momentum following the general trend of the Hai Phong port cluster, especially when Hai Phong is promoting investment in the construction of seaport infrastructure. In addition, the advantage of location and the ownership of an integrated warehouse and logistics system also help strengthen the competitive advantage of VSC in the region.

VIMC Dinh Vu should be operated from the end of 3Q and generate profit from 2023

In September 2021, VSC completed the acquisition of 36% shares of VIMC Dinh Vu (Vinalines owns 51% of the shares), which should be put into operation by the end of 3Q22. With the ability to handle ships of up to 40,000 DWT and the connection to the Hanoi – Hai Phong – Lao Cai – China highway, VIMC Dinh Vu port should start earning profit for VSC from 2023.

VSC acquired ICD Quang Binh from April 2022, raising the total area of VSC's container yards to 68 ha

ICD Quang Binh – Dinh Vu was acquired by VSC in April 2022. As one of the largest inland ports in the North, Quang Binh IC will help to improve the efficiency of ports at VSC.

BUY recommendation with a target price VND48,500/share

Using the DCF method, we recommend BUY for VSC stocks with a target price of VND48,500/share, 57.4% higher than the closing price on December 20, 2022.

Buy

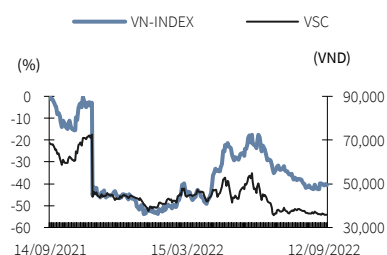
Target price	VND48,500
Upside (%)	57.4%
Current price (Dec 20, 2022)	30,800
Market cap (VNDbn)	3,735

Trading data	
Free float (%)	65
3M avg trading value (VNDbn)	49.61
Foreign ownership (%)	4.89
Major shareholder	Thanh Duc Holding (5.18%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-5	-22	-18	-48
Relative	-3	-24	-4	-41

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	1,689	1,892	2,016	2,156
Earnings/loss (VNDbn)	331	488	579	691
NPAT (VNDbn)	296	414	487	582
EPS (VND)	5,733	3,333	2,993	3,163
EPS growth (%)	47	-42	-10	6
P/E (x)	11.1	6.3	10.8	12.0
P/B (x)	1.4	1.6	1.2	1.2
ROE (%)	13.7	13.8	13.9	12.2



Source: Bloomberg, KB Securities Vietnam

Steel

Bracing for sluggish demand

Steel industry experiences depressed demand on volatile input prices in 2022

According to the Vietnam Steel Association (VSA), steel consumption for 10M22 was 23,159 million tons (-6% YoY). Of that, exports hit 5,316 million tons (-16.6% YoY). Real estate credit tightening dampened domestic steel demand. Moreover, concerns over unchecked inflation and economic recession also hurt export activities. Finished steel production between January and October reached 25.31 million tons (-8.7% YoY). Domestic steel producers had to reduce capacity and close furnaces to cut inventories and costs, considering poor consumption. Rising input costs coupled with falling selling prices of steel products delivered a blow to steel companies. In detail, coking coal prices have increased rapidly since Russian invasion of Ukraine, peaking in 2Q22 before cooling in 3Q22. FOB Australia coke price on December 12, 2022 was around USD259.33/ton vs. the pre-pandemic level of USD100/ton. Iron ore 62% Fe price also surged before retreating to USD90-100/ton. Domestically, construction steel price peaked in April and then witnessed continuous decreases before moving sideways around VND14,500,000/ton, which is still 30% higher than that in 2019. Most steel firms suffered losses in 3Q22 on falling selling prices and high-priced inventories.

Boosted public spending and stable input prices are expected in 2023

Supporting factors for the steel industry in the coming time are: (1) the promotion of public spending. Disbursement of traffic projects accounts for about 46.6% of mid-term investment capital from the national budget. Therefore, enterprises supplying construction materials to these projects will benefit if the disbursement is on schedule and (2) stable input prices, helping to reduce production costs and push the gross profit margin higher.

However, steel consumption may deteriorate in 2023 on: (1) a depressed housing market and (2) recession fears amid surging inflation, dampening export outlook. KBSV takes a NEUTRAL stance on the steel sector, given bleak demand outlook. Per VSA, the industry may continue to face stumbling blocks until end-2Q23. Steel shares have gone through sharp corrections since the end of September due to worries about dismal performance arising from soaring input costs, plunging steel prices, and weak consumption. However, steel stocks recovered well after falling to their historical lows in November 2022. Investors should stay watchful in the context of the subdued outlook of the steel sector.

Risks

Risks include: (1) The property market continues to slump, causing domestic steel demand to decline; (2) Inflation and recession fears world affect steel export activities; and (3) Disbursement of public spending is slower than expected.

December 20, 2022

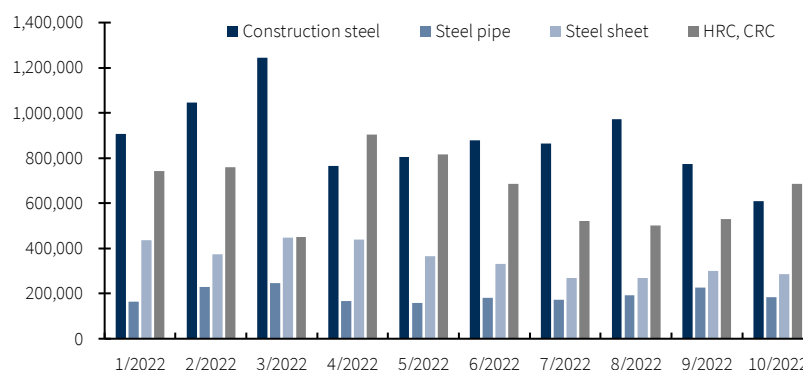
Neutral

Recommendations

Hoa Phat Group (HPG)	HOLD
Current price	VND 19,000
Target price	VND 17,700

Consumption of finished steel has progressively decreased since 1Q22 due to tight credit control over real estate and shrinking exports due to high inflation and recession fears among various countries. The consumption demand outlook in 2023 may be adversely affected by the cyclical factor of the real estate market as well as the economy.

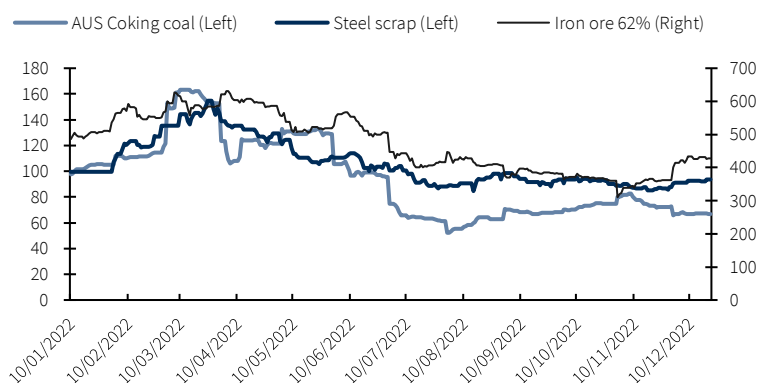
Fig 1. Vietnam – 10M22 steel consumption (thousand tons)



Source: Vietnam Steel Association, KB Securities Vietnam

Iron ore and coking coal prices increased sharply at the beginning of 2022 due to the Russia-Ukraine war and peaked at the end of 2Q22. However, input prices then cooled down and were more stable in the year-end period. Steelmakers can see their gross profit margin improved if raw material prices stabilize and fall to pre-pandemic levels.

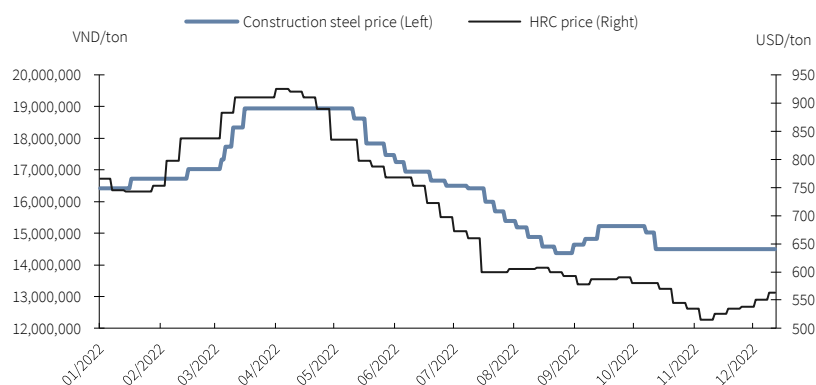
Fig 2. Global – Input prices (USD/ton)



Source: Bloomberg, KB Securities Vietnam

Construction steel prices have moved sideways after consistent decreases since the start of 2022. Meanwhile, HRC prices also went down significantly. China's economic reopening and public investment disbursement promotion would support the recovery of construction steel and HRC prices in the region.

Fig 3. Vietnam – Construction steel and HRC prices (VND/ton, USD/ton)



Source: Bloomberg, KB Securities Vietnam

Hoa Phat Group (HPG)

Coping with bleak demand outlook pressures

December 20, 2022

Analyst Nguyen Dinh Thuan
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3Q22 net revenue dropped 11.8% YoY and NPAT recorded a loss of VND1,785 billion

Hoa Phat Group (HPG) recorded a loss of VND1,785 billion (-117% YoY) in NPAT on net revenue of VND34,440 billion (-11.8% YoY) for 3Q22 due to falling selling prices and high-priced raw material inventory. Rising USD/VND exchange rate also dampened HPG's 3Q22 business results. On the bright side, construction steel consumption hit 1,076,000 tons (+12% YoY) during the period. Notably, steel pipe consumption climbed 62% YoY to 200,000 tons. Meanwhile, hot rolled coil (HRC) consumption only increased slightly, and galvanized steel consumption fell.

HPG cut inventory and production output in response to weak consumption

Given decreasing selling prices and high-priced raw material inventory, HPG had to closely manage inventory and may record lower cost of goods sold (COGS) in 4Q22. The steel giant decided to shut down some blast furnaces on sluggish demand. Steel consumption in 4Q22 will continue facing challenges amid a depressed property market and slow public investment disbursement.

HPG would increase its market share thanks to competitive advantage

The steel industry is going through a tough time, and most steelmakers suffered profit erosion in 3Q22. HPG, with a high gross profit margin and lower production costs, is expected to increase its market share while other peers would have to reduce output due to falling steel prices and bleak demand outlook pressures.

We recommend BUY on HPG stocks with a target price of VND17,700/share

We revise HPG's 2022F NPAT to VND10,236 billion (-70% YoY) on revenue of VND137,883 billion (-7.9% YoY). Based on valuation results, business outlook and possible risks, we recommend HOLD for HPG stocks with a target price of VND17,700/share.

Hold update

Target price VND15,300

Downside	7%
Current price (Nov 16, 2022)	VND19,000
Consensus target price	VND27,143
Market price (VNDtn/USDbn)	87,222/3.5

Forecast earnings & valuation

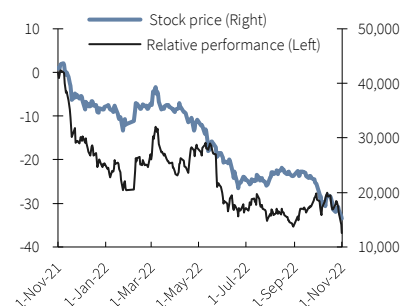
FY-end	2019A	2020A	2021A	2022F
Net revenue (VNDbn)	149,680	137,883	95,433	149,680
Operating income (VNDbn)	37,008	11,668	11,638	37,008
NPAT (VNDbn)	10,236	12,436	10,517	10,236
EPS (VND)	7,718	1,760	1,810	7,718
EPS growth (%)	89%	-70%	3%	89%
P/E (x)	2.03	7.6	7.4	2.03
P/B (x)	0.8	0.7	0.7	0.8
ROE (%)	45.97%	10%	10%	45.97%
Dividend yield (%)	5%	0%	0%	5%

Trading data

Free float	55%
3M avg trading value (VNDbn/USDmn)	991/3.1
Foreign ownership	22%

Share price performance

(%)	1M	3M	6M	12M
Absolute	-30	-36	-52	-64
Relative	-21	-19	-32	-36



Source: Bloomberg, KB Securities

Power

Prospects are diverged by power generation types

2022 electricity prices and output increased, compared to 2021

11M22 power output of the whole system reached 21.9 billion kWh (+8% YoY). Coal-fired power and hydroelectricity accounted for the largest proportion of output with 38.3% and 36.5% respectively of the whole system. Electricity prices in the competitive power generation market (CGM) in October remained high after a strong increase, averaging VND1,568/kWh (+68% YoY). 10M22 average CGM power price is VND1,487/kWh (+44% YoY).

The demand for electricity will increase in the future

KBSV expects electricity demand to increase in the period 2022–2030 to serve economic development. According to the draft Power Plan 8, electricity demand is forecasted to grow at a CAGR of 9% in 2022–2030 given high load. This would drive the growth of the power sector as plants will be mobilized with higher capacity. Hydroelectricity depends heavily on the weather, while thermal power is being mobilized at a low rate compared to the same period in 2021, so when electricity demand increases, thermal plants would benefit.

The prospects are diverged by power generation types

For hydroelectricity, plants may maintain good performance until the beginning of 2023 thanks to favorable water conditions. However, the amount of water for hydropower plants is not as abundant as in 2022 when La Nina ends.

For coal-fired electricity, these plants should be mobilized more by the National Load Dispatch Center when the demand for electricity returns and hydropower no longer benefits from abundant water. However, coal prices may remain high in early 2023 due to (1) supply constraints from Western sanctions against Russia and (2) higher demand in major countries, especially when China reopens its economy.

For the gas-fired power, this group will be actively mobilized besides coal power. The decrease in domestic gas prices will also support gas power plants. Vietnam's domestic gas price is pegged to the FO oil price (moving in the same direction as the Brent oil price). Currently, Brent price has dropped to 83 USD/barrel. We expect Brent oil price would maintain at an average of USD90/barrel in 2023 and gradually decrease in 2024. However, gas prices are still higher than the past average, but the reduction will help narrow the gap between gas and coal power while coal prices are forecast to remain high.

December 20, 2022

Neutral

Recommendations

PV Nhon Trach 2 (NT2)	
Current price	VND26,750
PV Power (POW)	
Current price	VND10,700
Quang Ninh Thermal Power (QTP)	
Current price	VND13,000

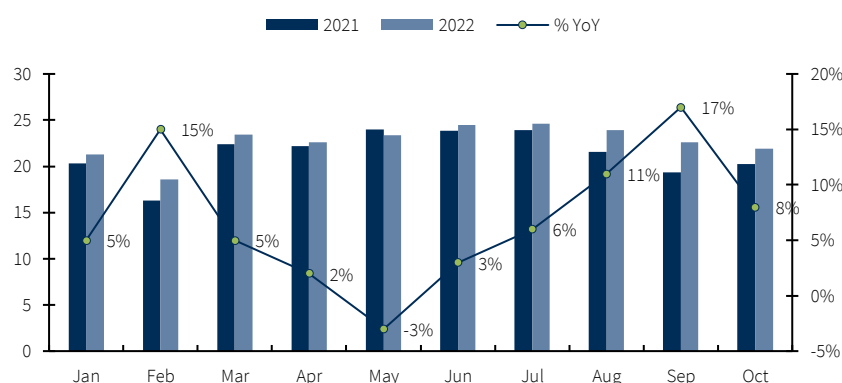
Based on the current stock price movements, especially gas and hydroelectricity, we find that these stock prices partly reflect the market's expectations for positive business results in 2022 and 2023. Investors should only buy these stocks during big troughs for better room for growth in stock prices.

Risks

Notable risks to the power industry include (1) strong fluctuations in input prices, putting pressure on thermal power plants and (2) lower-than-expected power output.

Power output grew positively in 10M22 thanks to a recovery from a low base in 2021. Total output surged by 10.7% and 16.9% respectively in August and September by, raising 10M22 output to 204.5 billion kWh (+6.3% YoY). However, October growth slowed down as some energy-intensive industries recorded a sharp decrease in output, such as steel. We believe that in the medium and long term, electricity demand will continue to increase along with the growth momentum of the economy.

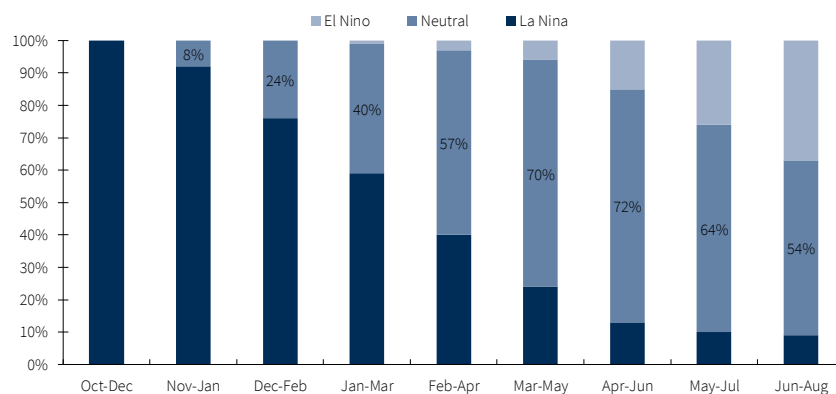
Fig 1. Vietnam – Power output of the whole system (billion kWh)



Source: EVN, KB Securities Vietnam

According to forecasts from international meteorological organizations, the La Nina is highly likely to last until the end of February 2023. However, the forecast also shows that the probability of weather entering the neutral phase will increase to the threshold of 50% from February to April, which means that the amount of water for hydroelectric power plants will decrease compared to that of the period 2021 – 2022. Accordingly, more thermal power will be mobilized next year.

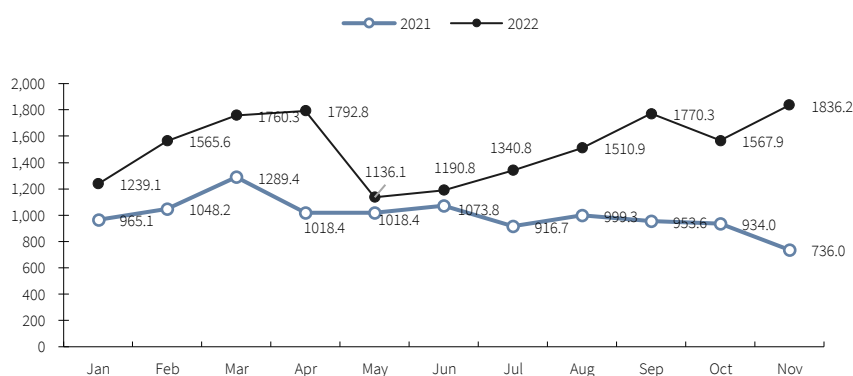
Fig 2. Vietnam – Weather conditions in 2023



Source: IRI, KB Securities Vietnam

Electricity prices on the CGM in November were high, averaging VND1,836/kWh (+149% YoY). In 2022, the ceiling price of electricity is set at VND1,602/kWh. The average price tends to go up due to the high price of thermal coal and the recovery of electricity demand across the country. If electricity prices remain at this level, hydropower plants will benefit.

Fig 3. Vietnam – FMP on the CGM (VND/kWh)



Source: GENCO3, KB Securities Vietnam

Retailing

Waiting for recovery signs from 2H23

December 20, 2022

The industry managed to recover well from the pandemic but started to slow down in in the last months of 2022 due to inflationary pressure

According to the General Statistics Office, the total retail sales of consumer goods and services in November 2022 reached VND514.2 trillion, up 2.6% MoM and up 17.5% YoY. The number reached VND5,180.5 trillion for 11M22, up 20.5% YoY after excluding the increase of 16.9% in prices (down by 6.8% YoY). It will only reach 82.5% of this target in normal conditions (without COVID-19). This implies that domestic consumption has recovered but has not been able to keep up with the growth rate as before the pandemic. Some businesses dealing in consumer discretionary like MWG, FRT, and DGW recorded a slowdown in 3Q and expected to fail to meet expectations in 4Q as consumers tighten their wallets. The suspension of business expansion of some retailers also showed a cautious sentiment towards the not-so-positive macro situation. Meanwhile, businesses selling high-end and luxury goods like PNJ and HAX still maintain impressive growth because the middle class has not been affected by inflation.

Difficulties have just begun, more positive signals are expected in 2H23

Retail growth should slow down at least until the end of 1Q as the macro context is not stable. However, the industry may recover from 3Q23 when the interest rate hikes stop, and inflation has peaked since the previous months. Businesses selling goods in the high-end segment will be less affected because the middle and high-end customers are less affected by inflation. Strong supporters include (1) the rapid growth of Vietnam middle class, expected to account for 26% of the population in 2026, (2) business expansion capacity and healthy finance of enterprises, and (3) the rebounding consumer demand from 2H23, which is also the peak season for some businesses selling jewelry and iPhone products. Retailers of non-essential products such as DGW, MWG, and FRT will be temporarily affected, but we still appreciate the long-term prospects of these businesses due to their strong financial foundation and long-term strategies. Some retail stocks are trading at five-year low P/E, so we suggest investors wait for signs of demand recovery.

Risks: A prolonged decline in consumer demand with extreme severity

In our opinion, the risk of a decline in consumer demand and purchasing power may last longer than expected due to the impact of the global recession, which directly affects the whole retail industry.

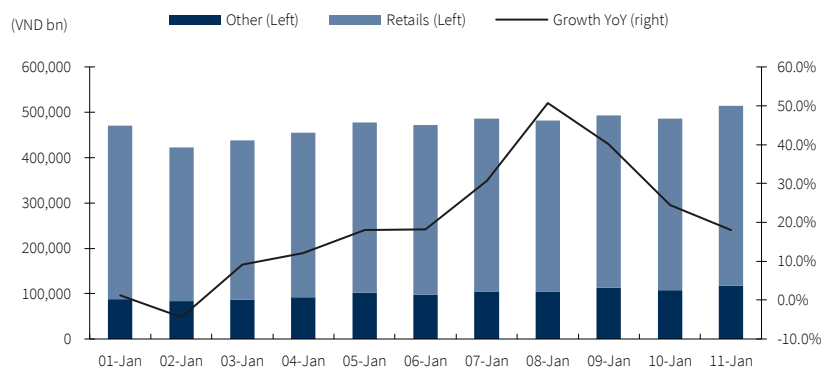
Neutral monitor

Recommendations

Phu Nhuan Jewelry (PNJ)	HOLD
Current price	VND110,500
Target price	VND121,100

Total retail sales of consumer goods and services grew positively in 8M22 but started to decline from September. The reasons came from (1) lower growth vs high base of 4Q21 and (2) early impacts of inflation on purchasing power and consumer demand

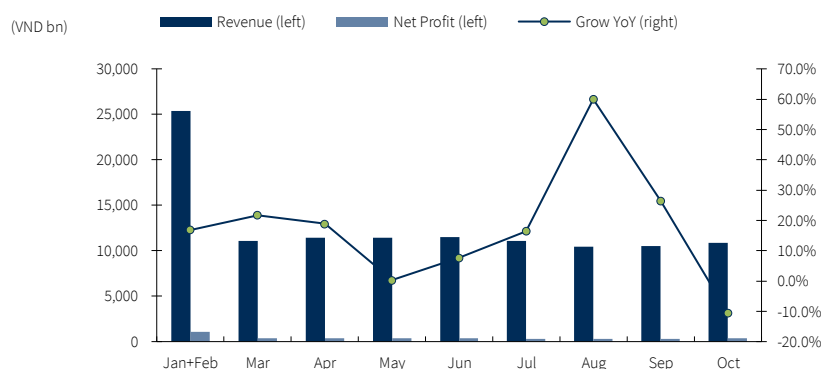
Fig 1. Vietnam – Total retail sales of consumer goods and services (VNDbn)



Source: GSO, KB Securities Vietnam

MWG recorded 10M22 net revenue of VND113,712 billion (+15%YoY) which saw a steel fall in September vs last year's high base. In addition, the not-so-positive signals of the economy are affecting consumers' incomes and purchasing power even though the Lunar New Year is approaching. Non-essential items like smartphones and electronics should bear heavier impacts.

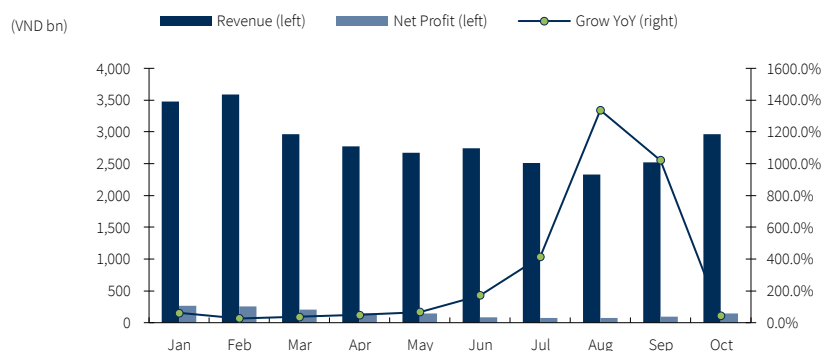
Fig 2. MWG – Revenue, NPAT & revenue growth (VNDbn, % YoY)



Source: Mobile World Investment, KB Securities Vietnam

10M22 net revenue of PNJ is VND28,535 billion (+95.5% YoY), and NPAT reached VND1,487 billion (+113.8% YoY), completing and exceeding the 2022 plan. Good performance is attributable to middle and high-class customer base who are less affected by the trend of tightening consumer spending. 3Q22 growth is positive without adverse impacts of stores closing as in the nationwide lockdown in 3Q21. Inflation is a factor that will be considered in 2023, but its impacts on PNJ's business results are not so large.

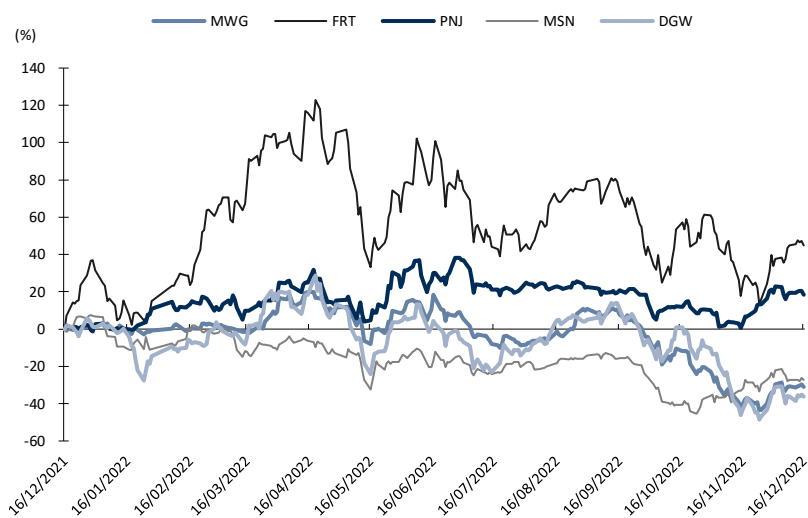
Fig 3. PNJ – Revenue, NPAT & revenue growth (VNDbn, % YoY)



Source: Phu Nhuan Jewelry, KB Securities Vietnam

Retailing stock prices have seen corrections in the past time

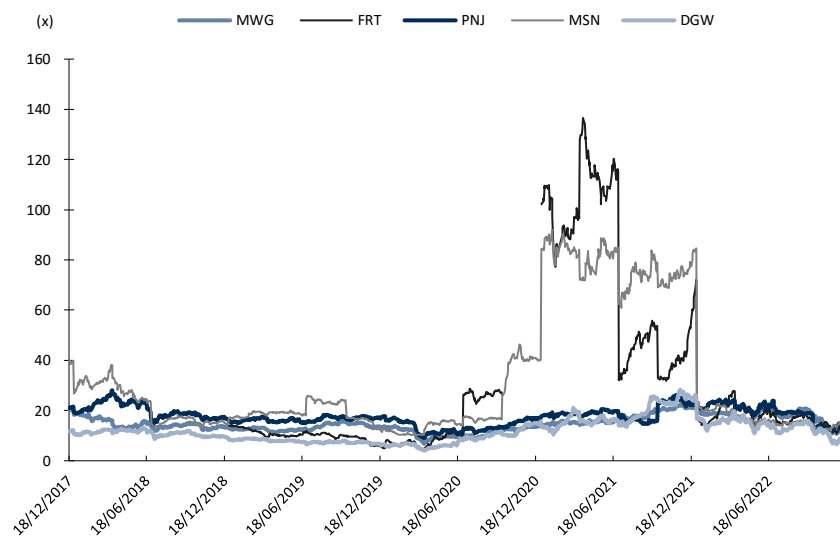
Fig 4. Vietnam – Stock prices of some retailers



Source: Bloomberg, KB Securities Vietnam

These shares are trading at five-year P/E lows

Fig 5. Vietnam – P/E history of some retailers (x)



Source: Bloomberg, KB Securities Vietnam

Phu Nhuan Jewelry (PNJ)

Positive outlook amid inflation risks

December 20, 2022

Analyst Pham Phuong Linh
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11M22 results far exceeded the whole year objectives

Phu Nhuan Jewelry recorded 11M22 NPAT of VND1,640 billion (+96.1% YoY) on net revenue of VND 31,036 billion (+85.4% YoY), beating the respective full-year targets by 24.2% and 20.2%. The company has completed 89% and 91% of our forecast NPAT & revenue results.

PNJ expects to achieve impressive growth after the peak season in 4Q22 and 1Q23

1Q and 4Q are usually the peak quarters of jewelry businesses, including PNJ. With PNJ's impressive business growth in 11M2022, we expect its sales to continue to set new record levels in 4Q22 and 2023.

The impacts from inflation will come next year or sooner in 4Q22

Inflation forecast in 2023 would affect the demand for jewelry products, although for PNJ, the impact will be weaker and slower because the middle-class customer group is less affected by higher prices. In the long term, the company is targeting the high-end luxury customer segment whose purchasing power is not affected by inflation. Business results in 2023 may not meet expectations but will still maintain a good growth.

HOLD recommendation with a target price of VND121,100/share

We revised our forecast for business results after the recent positive signals. Net revenue and NPAT in 2022 are expected to reach VND33,926 billion (+73% YoY) and VND1,838 billion (+78% YoY). We recommend HOLD for PNJ stocks, with a target price of VND121,100/share, 9.6% higher than the closing price on December 20, 2022.

Hold update

Target price	VND121,100
Upside/Downside	24.7%
Current price (Nov 10, 2022)	VND97,000
Market cap (VNDbn/USDbn)	23,936/0.96

Forecast earnings & valuation

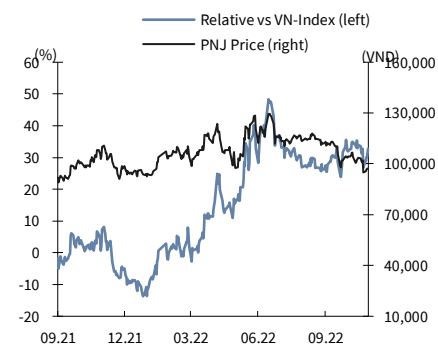
FY-end	2019A	2020A	2021F	2022F
Net revenue (VNDbn)	17,511	19,613	33,926	38,786
Operating income (VNDbn)	1,349	1,305	2,319	2,641
NPAT (VNDbn)	1,069	1,033	1,838	2,093
EPS (VND)	4,308	4,161	7,470	8,506
EPS growth (%)	-12.0	-3.4	79.5	13.8
P/E (x)	18.8	23.1	14.4	12.6
P/B (x)	3.5	3.6	3.0	2.6
ROE (%)	20	18	25	22
Dividend yield (%)	45	35	35	35

Trading data

Free float	85%
3M avg trading value (VNDbn/USDmn)	68.04/2.7
Foreign ownership	49%
Major shareholder	Dragon Capital (9.65%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-13	-17	-6	-6
Relative	11	5	21	30



Source: Bloomberg, KB Securities Vietnam

Fishery

The peaks passed

The industry had an impressive growth in the first three quarters of 2022

11M22 fishery export turnover hit USD10.2 billion (+28% YoY), of which pangasius grew strongly by 63%YoY to USD2.3 billion, tuna gained 40% to USD941 million, and shrimp earned over USD4 billion USD, up 14%. In 2022, inflation and the Russia-Ukraine conflict helped the exports of whitefish such as pangasius sharply increase (up 40-200%, mainly in the first three quarters of the year thanks to rebounding demand after COVID-19, higher export prices, and abundant raw materials). Export growth slowed down in the last months of 2022 as the market demand dropped due to inflation and high inventories of importers. Fishery exports grew by a mere of 2% YoY in October and decreased by 14% YoY in November.

The peaks are gone, challenges and opportunities are ahead

The fishery exports will be under inflationary pressure which would affect import markets and purchasing power in 1Q23. In addition, some fishery enterprises recorded a peak of profits in 2022 and may enter a downward cycle then. The prices of raw shrimp and pangasius may decrease but are still high. Although raw material prices are projected to be lower in 2023, they will remain high due to high farming costs while a faster decline in selling prices will directly affect the GPM.

However, we see some 2023 drivers: (1) China, Vietnam's biggest seafood importer, opens up the economy, raising the demand at restaurants and hotels. However, Vietnamese pangasius must compete fiercely with tilapia in this country, so the reopening of China should only reduce the pressure on business growth but not create a boom in this market. (2) Reduced freight charges undermine the burden of logistics costs and cushion GPM from lower prices. (3) Exporters to the US market like VHC and FMC may benefit from the USD appreciation.

Some fishery stocks are trading at five-year P/E lows. The decline in business results in early 2023 should continue to weigh on the stock prices. Therefore, investors should continue to watch for more recovery signals of the industry.

Risks: plunging demand due to economic recession

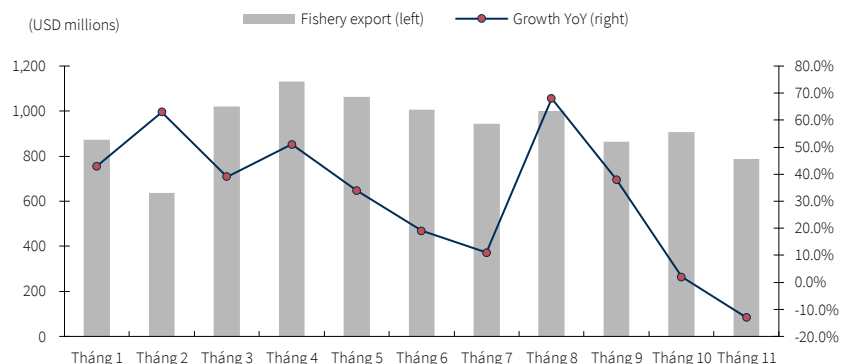
A prolonged global economic downturn may impose severe impacts on consumption demand. In addition, Vietnam's main export products such as shrimp and pangasius face fierce competition in terms of price and quality on the international market.

December 20, 2022

Neutral

11M22 export turnover reached USD10.2 billion, up nearly 28% YoY. After peaking in 2Q, the fishery export value has shown signs of slowing down in recent months, despite being higher than the same period last year. One of the reasons is many retailers' rushing to import in 1H22 in the context of high inflation tightening people's spending and leading to high inventories.

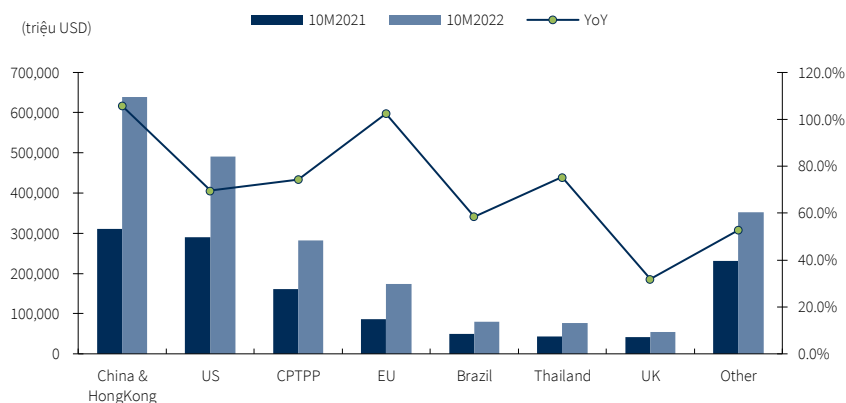
Fig 1. Vietnam – Fishery export turnover in 2022 (USDmn)



Source: VASEP, KB Securities Vietnam

China & Hong Kong market lead the import of Vietnamese pangasius, accounting for nearly 30%, followed by the US, accounting for 24%.

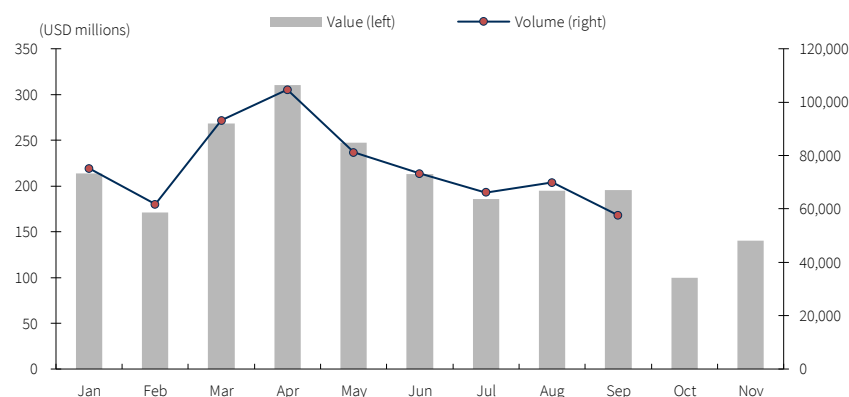
Fig 2. Vietnam – 10M22 pangasius exports to major markets (USDmn)



Source: VASEP, KB Securities Vietnam

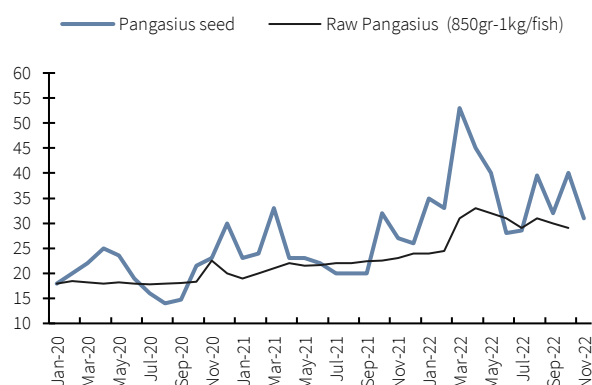
In 2022, pangasius is the most prosperous export item in aquatic products thanks to the largest increase in average export prices and more market opportunities compared to other commodities. By the end of November, pangasius exports nationwide have reached more than USD2.3 billion, up 63% YoY – the highest growth rate in recent years and compared to other industries. The growth decelerated when the US market reduced import compared to 2Q due to high inventories at ports.

Fig 3. Vietnam – Pangasius export volume & value in 2022 (ton, USDmn)



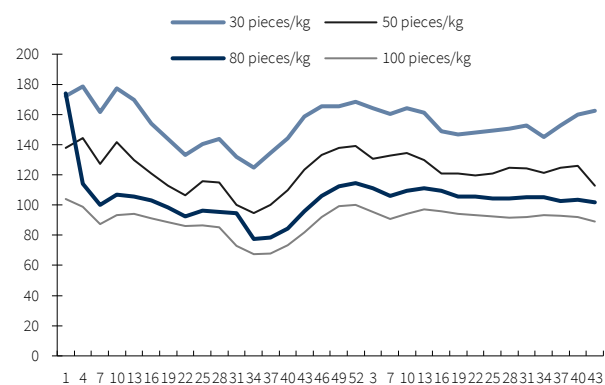
Source: AgroMonitor, KB Securities Vietnam

Fig 4. Vietnam – Fingerling and raw pangasius prices (USD/kg)



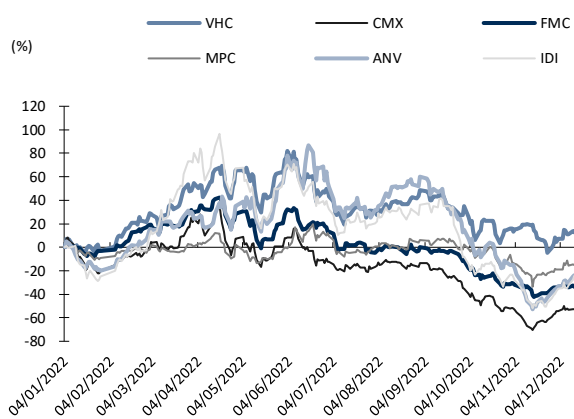
Source: AgroMonitor, KB Securities Vietnam

Fig 5. Soc Trang, Bac Lieu, Ca Mau – White-leg shrimp prices ((USD/kg))



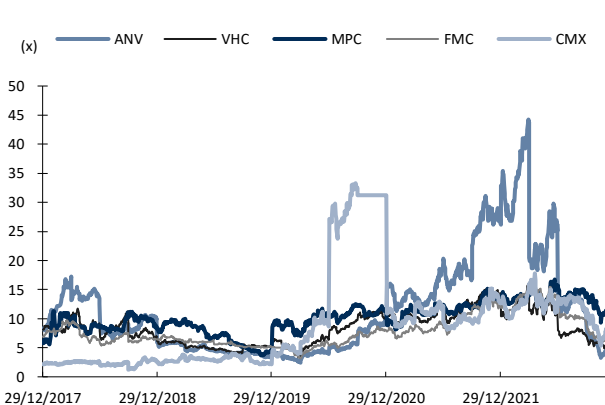
Source: AgroMonitor, KB Securities Vietnam

Fig 6. Vietnam fishery companies – Stock price movements (%)



Source: Bloomberg, KB Securities Vietnam

Fig 7. Vietnam fishery companies – P/E history (x)



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

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

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

Investment Ratings for Sectors

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

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

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