

4Q21 Stock Market

Post-pandemic rebounds

The market's growth potential in 4Q21 is significantly narrowed by the COVID-19 pandemic and social distancing protocols in major cities

The market's deep correction in July partly reflected the negative impacts from the recent Coronavirus wave before the market entered a sideways drift and recovered modestly in August and September. KBSV thinks that this recovery will be the main trend in 4Q as nationwide vaccination programs are accelerated, distancing measures are gradually eased, and listed companies resume business activities. However, the recovery momentum may not be so strong and divergent as social distancing regulations are not totally lifted. Furthermore, the risk of a resurgence in the number of COVID new infections and prolonged impacts of weakening business performance in 3Q could weigh on the economic recoveries. After comparing the VNIndex with regional stock indices and VNIndex itself in the past and observing current market conditions, we lower our forecast for VNIndex 1,480 points (mentioned in the 1H21 Vietnam Stock Market report) to 1,400 points (corresponding to 2021 P/E of 17.5x and average TTM EPS of businesses in the VNIndex basket up 25%).

Swing trading strategy may benefit investors in 4Q

Given low possibility of big improvement in market conditions, domestic risks (the resurgence of the COVID-19 pandemic), and global risks (the Fed's interest rate hikes and China's corporate debt), stock spikes, especially short-term positions, are underweight opportunities for investors. On the contrary, investors can buy stocks in case of significant corrections as the market is forecast to go up slightly in the last quarter of 2021. Bluechips that should be prioritized in the portfolio are the ones that can prove a good resilience to the pandemic impacts and bounce back quickly when the economy comes back to a "new normal" state.

In the 4Q of 2021, KBSV's Equity Research gives a positive assessment to the prospects of real estate, industrial parks, power, container ports, information technology, banks, fishery, and oil & gas (*Please see more details in the last section of this report*).

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October 11, 2021

KBSV top pick

Ticker	Target price	Date of report	Expected upside
DBC	50,000	28/09	14.9%
VHM	97,200	22/09	24.1%
VNM	102,200	20/09	14.1%
HDG	70,600	14/09	21.7%
TCB	63,700	16/09	28.4%
BID	46,400	07/09	17.6%
FPT	104,300	27/08	12.2%
DBC	68,300	27/08	19.0%
VPB	75,400	10/08	14.4%
STK	54,100	17/08	12.2%
CTG	40,600	08/17	33.6%
HPG	64,700	05/08	22.3%
DXG	28,300	29/07	48.2%
PHR	65,700	28/07	25.1%
POW	13,800	05/07	15.5%
AST	68,900	29/06	21.9%

* Note: Expected stock upside was based on closing prices on September 30. Investors can refer to the model portfolio in the Section V of this report.

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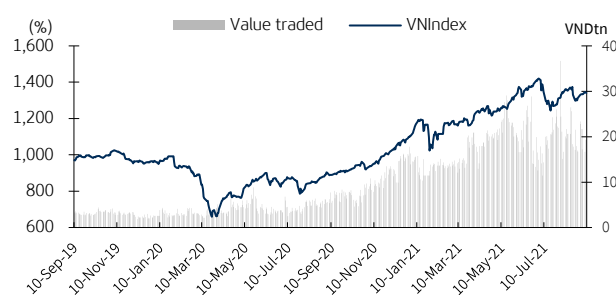
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I. 4Q21 stock market outlook

Vietnam stock market performed well in 1H21 before witnessed volatilities in 3Q

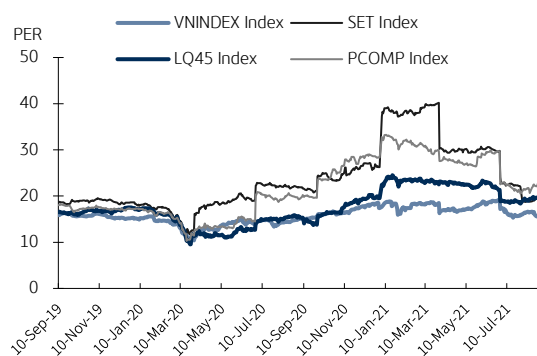
Stocks surged in 1H21 before experiencing corrections and sideways fluctuations in 3Q under the influence of the fourth wave of COVID-19. The VNIndex has grown 20% in points, and the trading value has risen 290% YoY since the beginning of the year (those figures were -5% and 291% respectively in 3Q alone).

Fig 1. Vietnam- VNIndex fluctuation



Source: Bloomberg, KB Securities Vietnam

Fig 2. ASEAN4 – P/E movement of stock indices



Source: Bloomberg, KB Securities Vietnam

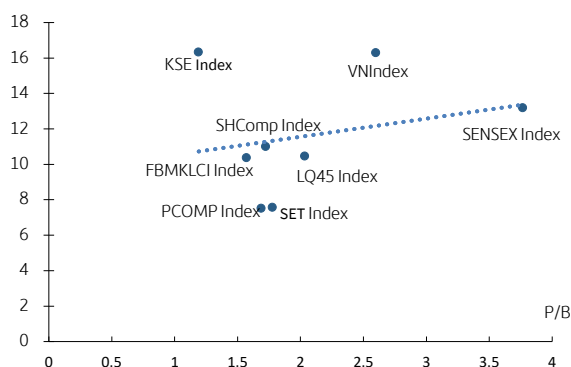
Vietnam stock market valuation is quite attractive

Given big corrections of the VNIndex from the peak in early July and EPS strong growth of listed companies in 1Q and 2Q, the current market P/E has lowered to 16x, equivalent to the past-two-year average of 15.8x and much lower than the average P/E level of regional markets (Figure 2).

Gauging the impacts of the Coronavirus fourth wave, we lowered our forecast for 12-month average trailing EPS growth in 2021 to 25% from 31% published at the end of 2Q on the assumption that the growth was underpinned by the surge in the first two quarters, decreased in 3Q, and may slightly rebound in 4Q. Accordingly, the 2021 forward P/E of the VNIndex is 16.8x (Figure 5). This is not a low level but still quite attractive given that earnings of listed companies will grow strongly again on the basis of recovering economy and low interest rates after the pandemic is over.

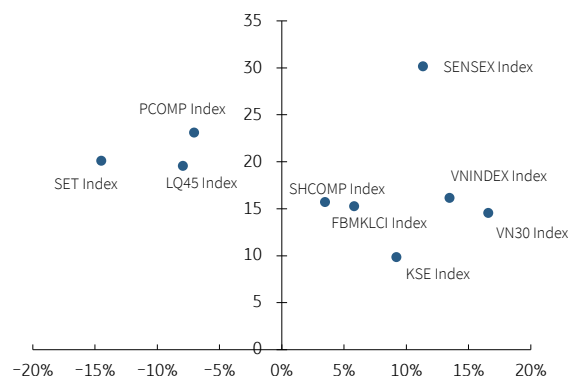
The VNIndex has outstanding attractiveness compared to other regional peers because: 1) In normal condition, Vietnam listed companies can outperform regional peers in terms of earnings as they benefit from a strong economy, low interest rates and low market P/E (Figure 4); and 2) Vietnam stock market has more attractive P/B and ROE (Figure 3) than most other Asian markets.

Fig 3. Asian markets – P/B and ROE relation



Source: Bloomberg, KB Securities Vietnam

Fig 4. Asian markets – P/E and three-year CAGR of EPS



Source: Bloomberg, KB Securities Vietnam

The reasonable price of the VNIndex at the end of the year is 1,400 points

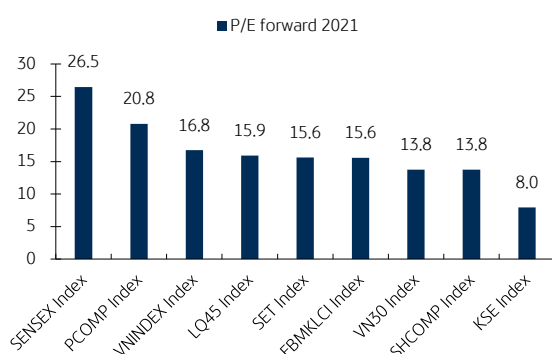
We expect 2021 P/E to be 17.5x on the assumption that big cities like Hanoi and Ho Chi Minh will achieve herd immunity (70–80% of the population gets two vaccine shots) in the second half of 4Q, inflation is under control, fiscal and monetary policies are supportive, interest rates are low, exchange rates are stable, public investment is accelerated, and the economy and businesses return to the growth cycle in early 2022 despite heavy damage from the pandemic. We forecast that 2021 average EPS of businesses on the Ho Chi Minh Stock Exchange (HSX) will increase by 25% YoY, and the target price of the VNIndex at the end of this year should be 1,400 points.

Table 1. Vietnam – Main market drivers in 4Q21 (see more in the section IV)

Favorable factors	Impact level	Possibility	Risks	Impact level	Possibility
Controlled COVID-19 and accelerated vaccination	Strong	Medium	Fed's accelerated rate hikes, asset purchase cut, and increased government bond yield	Strong	Medium
Resumed operation in businesses	Strong	Medium	Resurgent COVID cases domestically & globally	Strong	Medium
Expedited public investment	Medium	High	Increased inflation and interest rates	Strong	Low
Low interest rate and abundant cash flow	Medium	High	Corporate debts in China	Strong	Low

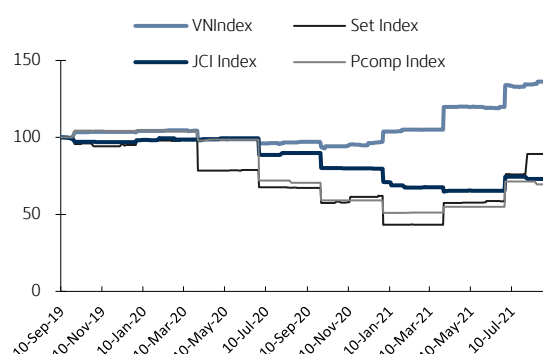
Source: KB Securities Vietnam

Fig 5. Asian markets – 2021 forward P/E



Source: Bloomberg, KB Securities Vietnam

Fig 6. ASEAN4 – EPS movement



Source: Bloomberg, KB Securities Vietnam

II. Business activities

Business results of listed companies grew strongly in the first half of the year

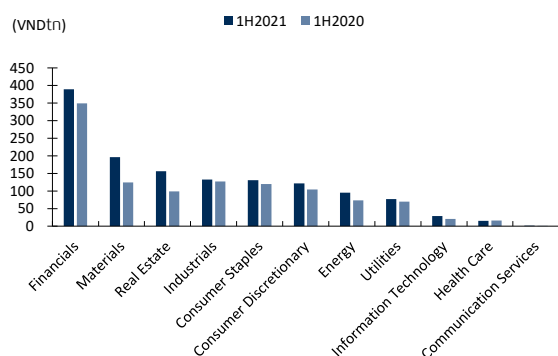
Most listed companies, especially large caps, performed well in 1H21 as Vietnam has the advantages of stable pandemic control vs many other countries in the region, low interest rates (interest expense/revenue ratio dropped in most industries – Figure 8), and sharp increases in the sales of raw materials thanks to higher global commodity prices (vs the Coronavirus-hit low base in the same period last year). Statistics on the HSX show that the total profit of enterprises grew by 71.8% YoY and revenue increased by 21.7% YoY, of which industries leading the profit growth momentum were raw materials (+191.6% YoY), real estate (+81.8%) and finance (+58.9%).

The fourth Coronavirus wave may seriously affect industry growth in the second half of the year

The fourth wave of the pandemic imposed bad impacts on business operation of many businesses, especially ones in the Southern region, slowed down the growth achieved since the beginning of the year, and threatened business prospects in 4Q.

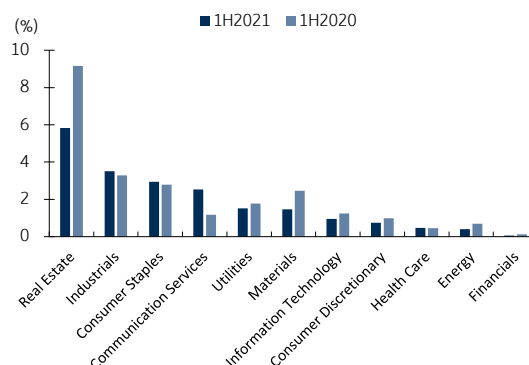
The strength of the economic recovery in the last quarter of the year will mainly depend on the domestic control of the COVID-19, the plan to ease the distancing measures and the supportive policies of the government. We expect business performance of enterprises in 4Q will be better than that in 3Q thanks to: (1) The government's promotion of public investment and additional support packages, (2) eased social distancing protocols, and (3) incentive financial measures from banks like low interest rates and extended deadline for debt restructuring. However, we assess that the business situation in 4Q may not have a strong breakthrough because there are still spillover effects from the strict social distancing in 3Q and the protocols are not likely to be totally removed in major cities in 4Q. Accordingly, we lower our 2021 forecast for average EPS of companies listed on the HSX to 25% (Figure 10) from 31% published in our previous strategy report. The EPS growth should be mainly supported by the growth in the first half of the year and led by materials (+89%) and finance (+33%).

Fig 7. Vietnam – 1H revenue of industries (VNDtn)



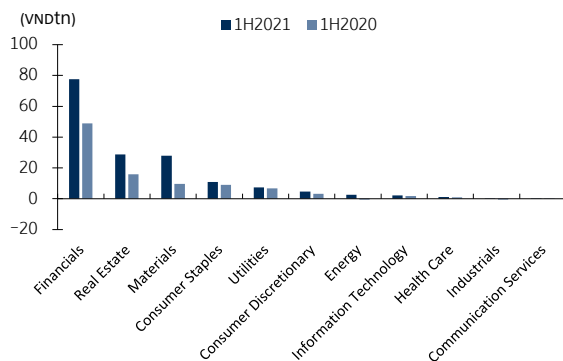
Source: Bloomberg, KB Securities Vietnam

Fig 8. Vietnam – Interest expense/revenue ratio (%)



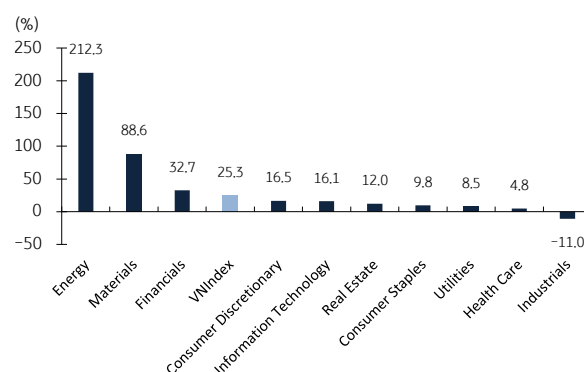
Source: Bloomberg, KB Securities Vietnam

Fig 9. Vietnam – 1H profit of industries (VNDtn)



Source: Bloomberg, KB Securities Vietnam

Fig 10. Vietnam – 2021 forward EPS growth (%)



Source: Bloomberg, KB Securities Vietnam

*Note: The forecast used interpolation method based on consensus EPS growth of leading large caps

III. The trend of cash flow

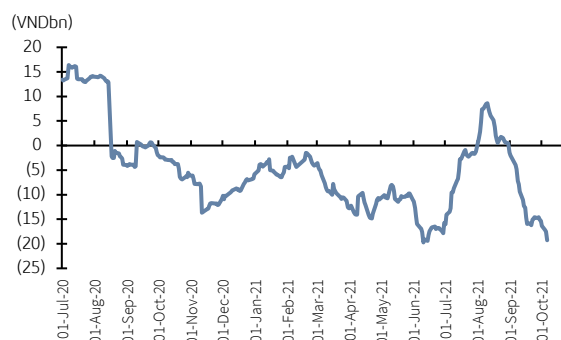
Foreign net selling pressure is expected to decrease in 4Q

After net buying strongly in July thanks to the promoted disbursement from the Fubon FTSE Vietnam ETF into Vietnam stock market, foreign investors have returned to net selling since August due to the COVID-19. In Vietnam, complicated developments of the pandemic caused business activities to stagnate while global capital flows continued to run into developed markets that are gradually reopening the economy. Besides, concerns about the Fed's asset purchase cut and interest rate hikes and the stronger USD also made Vietnam stock market less attractive. However, given the relaxation of social distancing regulations and expedited vaccination program in big cities, we expect the net selling pressure of foreign investors to decrease and 4Q business results to recover.

Cash flow from domestic investors should continue to dominate

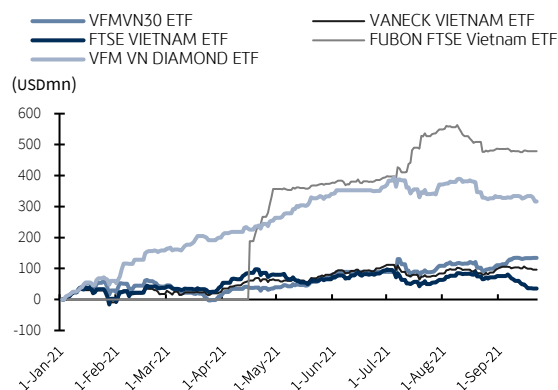
Vietnam stock market should continue to attract cash flow from domestic individual investors. Although easing social distancing may cause a part of the cash flow in the market to seek other investment channels, we believe that low interest rate level and brighter outlook of macro economy and production will keep the cash flow of domestic individual investors. In addition, the capital flow in the market is also supported by the recent uptrend in the capital of securities companies, which helps raise the loan capital in the market and ensure the margin source in case of market volatility.

Fig 11. Vietnam – 3M foreign netbuying/selling (VNDbn)



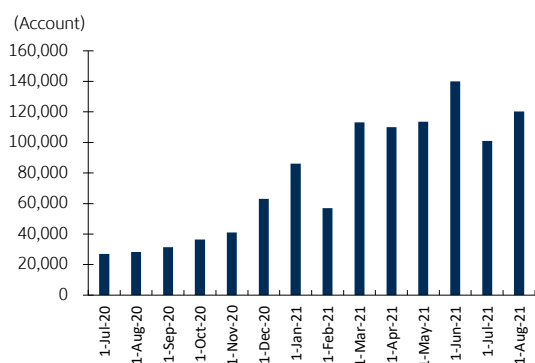
Source: Bloomberg, KB Securities Vietnam

Fig 12. Vietnam – Asset changes of main ETFs (VNDmn)



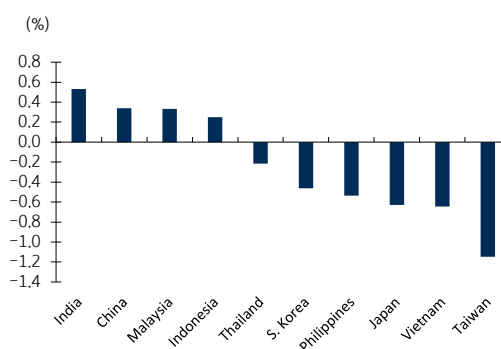
Source: Bloomberg, KB Securities Vietnam

Fig 13. Vietnam – Newly opened accounts of individuals



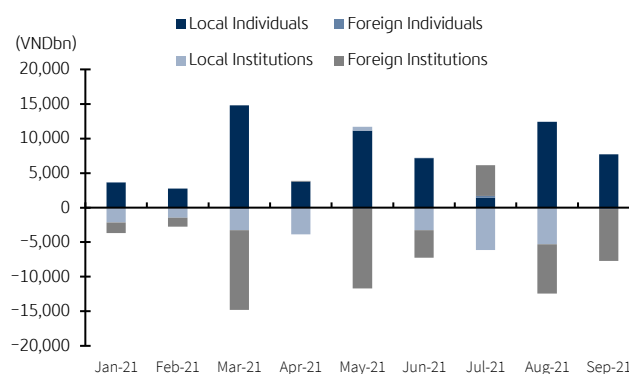
Source: Bloomberg, KB Securities Vietnam

Fig 14. Regional markets – Foreign netbuying/selling (YTD) on total market capitalization ratio (%)



Source: Bloomberg, KB Securities Vietnam

Fig 15. Vietnam – Netbuying/selling value (VNDbn)



Source: FiiPro, KB Securities Vietnam

IV. Market drivers

1. The fourth wave of COVID-19

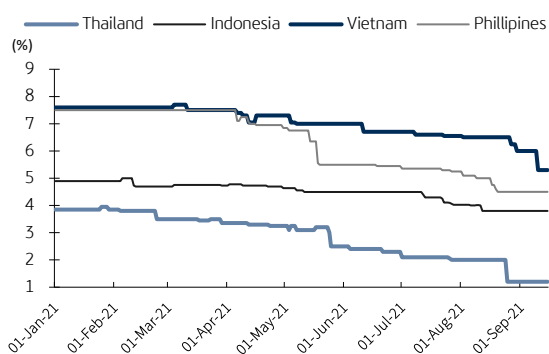
Vietnam's economic growth forecast in 2021 dropped sharply due to the COVID impacts

Global financial institutions lowered Vietnam's 2021 economic growth forecast from 6.7% at the end of 2Q to 5.3%, which also happened to most countries reeling from the Delta variant (Figure 16). Most recently, the Ministry of Planning and Investment sharply lowered its forecast for domestic GDP growth in 2021 to between 3.5%–4% in the base scenario that the pandemic is contained in September.

Production, retail, and consumption activities are all heavily affected

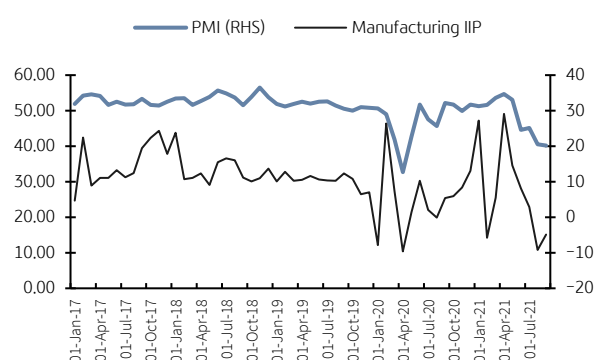
IHS noted Vietnam PMI fell another five points from 45.1 in July to 40.2 in August, the third consecutive month of decline. Social distancing measures and travel restrictions have caused output, new orders, purchases, and employment rate to all fall rapidly. The lack of raw materials and the limit of transportation made input costs spike. To compensate for this, output prices also surged, although the increase was much lower than input costs to maintain sales. August IIP was hit hard and went down 4.2% MoM and down 7.4% YoY as many localities had to apply social distancing, adhering to Directive 16 amid the quick spread of Coronavirus. To be more specific, mining and processing–manufacturing decreased 2.4% and 9.2% while electricity production and distribution and waste and wastewater treatment increased 1.5% and 0.2%. Similarly, the sales of retailing and service activities in August also recorded a 10.5% MoM or 33.7% YoY decline to VND279.8 trillion. 8M21 retail sales of consumer goods and services was down 4.7% YoY to VND3,044.5 trillion.

Fig 16. ASEAN4 – Forecast 2021 economic growth (%)



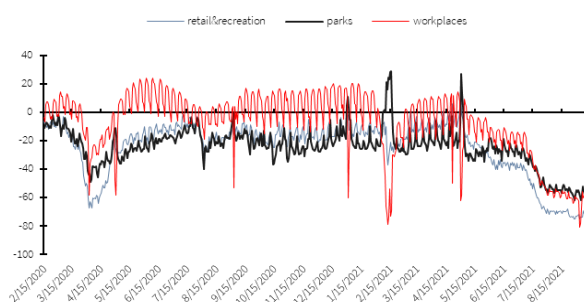
Source: Bloomberg, KB Securities Vietnam

Fig 17. Vietnam – PMI & IIP (point, %)



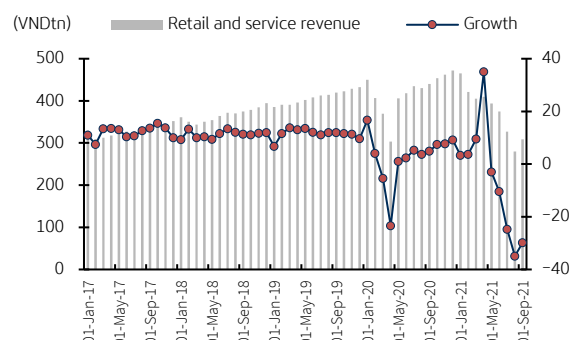
Source: Bloomberg, KB Securities Vietnam

Fig 18. Vietnam – Community mobility (%)



Source: Bloomberg, KB Securities Vietnam

Fig 19. Vietnam – Retail sales (VNDtn)



Source: Bloomberg, KB Securities Vietnam

The government may maintain the relaxation of social distancing in major cities in 4Q, but not likely to remove all protocols before the end of 2021

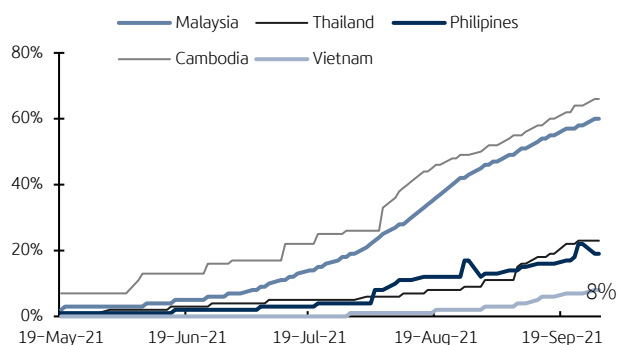
As of September 28, 2021, Vietnam received more than 38.3 million doses of COVID vaccine, and the number of people given two shots of vaccine was 8.1 million people or 8.3% of the population vs 21.1% of the population that received the first shot. Vietnam's 8.3% is quite low compared to other Southeast Asian countries such as Thailand (22.9%), the Philippines (19%), and Malaysia (60.9%). KBSV estimates that Vietnam will need nearly 100 million more doses of vaccine to give the second shot to all people over 18 years old (equivalent to 70% of the population). On the assumption that the vaccine supply is not limited, and the injection schedule reaches more than 800,000 shots a day, Vietnam should complete the above goal no later than mid-1Q22. Thus, it is very unlikely that Vietnam will completely remove social distancing regulations nationwide before the end of the year. However, the positive point is the quick vaccine rollout in Hanoi and Ho Chi Minh (which expect to reach the rate of herd immunity in the second half of 4Q), making it possible to maintain the eased social distancing in these two cities.

The risk still exists even if the whole country achieves herd immunity

Lessons from developed countries show that the complete removal of the distancing measures and the reopening of the economy may not bring sustainable results even when the goals of vaccination are achieved. In fact, some countries with a high rate of fully vaccinated people like Israel (62%) and Singapore (80%) reopened the economy and lifted social distancing protocols but had to tighten COVID prevention measures again due to surging new infections (Figure 21).

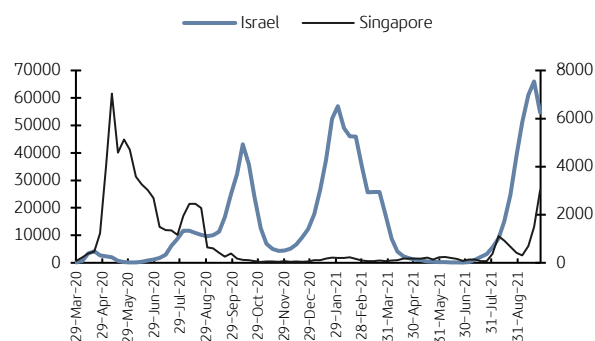
The WHO projected there might be a possibility that new variants of the virus besides Delta, Lambda and MU can be resistant to the first-generation vaccines. Patients infected with COVID-19 also tend to be younger in the UK, Israel, and the US. As a result, developed countries are about to give additional doses to raise people's immunity to new variants and give vaccine shots to those under 18 years old. We are afraid that these policies will aggravate the shortage of vaccine supply, especially in developing countries including Vietnam. Without timely technology transfer or approval for domestic vaccine production, the vaccination program in Vietnam may face many difficulties, and the application of social distancing measures may last longer.

Fig 20. Southeast Asia – Fully vaccinated percentage (%)



Source: Bloomberg, KB Securities Vietnam

Fig 21. Israel & Singapore – New infections (people)



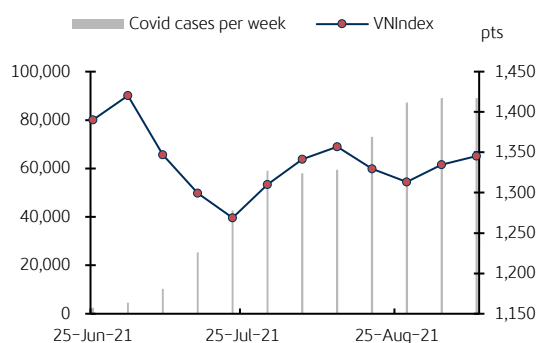
Source: Bloomberg, KB Securities Vietnam

Market expectations after the number of new infections peaked and social distancing regulations were eased in major cities in the fourth quarter

Most of the stock markets we observed saw positive developments when the pandemic situation was improved (Figure 23). For the Vietnam stock market, we expect a similar scenario to happen in 4Q when the speed of vaccination is accelerated in major cities, and social distancing regulations are relaxed, which will help the economy and business activities rebound given supportive fiscal and monetary policies.

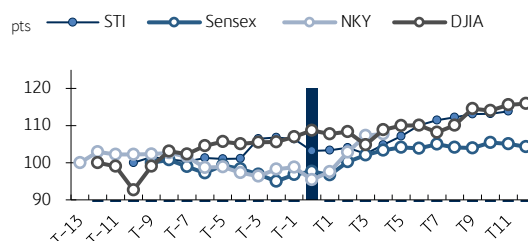
However, it is unlikely that the social distancing regulations would be completely removed nationwide, or 70% of the population would be fully vaccinated in 4Q. Instead, more loosened measures should be maintained to prevent resurgent Coronavirus cases, which means it is difficult for the economy and production activities of listed companies to return to normal operations in this quarter. Therefore, we think the main market trend in 4Q is recovery, but the possibility of a breakthrough is quite unlikely.

Fig 22. Vietnam – COVID-19 cases and VNIndex relation



Source: Bloomberg, KB Securities Vietnam

Fig 23. Some countries – Stock indices' movement after the pandemic peak and eased distancing protocols (point)



Source: Bloomberg, KB Securities Vietnam

2. The Fed's monetary policy

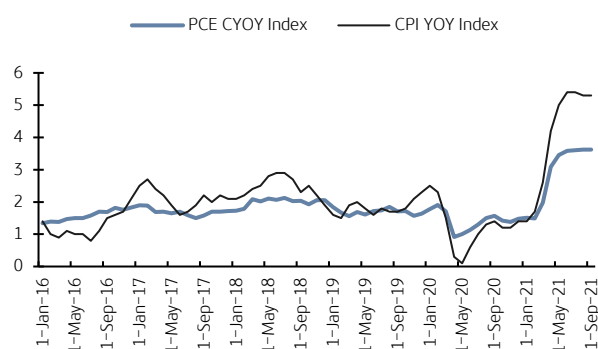
Inflation slowed down in the first two months of 3Q, while the job market recovered slowly

Statistics about inflation and labor market are the two decisive factors for the Fed's actions in the coming time:

- Inflation in the US has increased sharply since the beginning of the year but has shown signs of slowing down in the past two months. Petrol and rental prices and eating out costs are the only factors that maintain the upward momentum while the prices of airfares, hospitality services, car rental and purchase prices all cooled down. This is reflected in the US core PCE YoY index at the end of August, which only increased slightly by 0.04% to 3.62%.
- The US labor report for August shows a divergent recovery in the job market across states and ethnic groups. The number of employed people in 19 of the 50 states declined while the rest of states such as California, Texas and New York – states with large population rates – showed signs of recovery, although unemployment rates remained high. The unemployment rate in the group of people of colors in some states reached 12–15% (twice the national average unemployment rate). Overall, the US unemployment rate fell 0.7 percentage points to 5.2% in the first two months of 3Q. The number of new jobs created in August was 235,000, just a third of the forecast. These figures show that the recovery of the labor market in the US is slower than expected due to the spread of the Delta variant and the speed of recovery across regions and ethnicities.

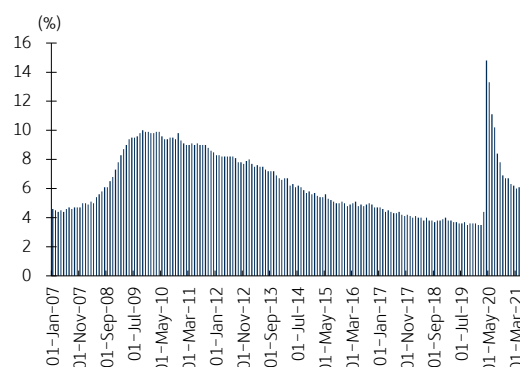
The slowdown in inflation and the slow and divergent recovery of the US labor market have eased the pressure on the Fed's raising interest rates. However, we note that the risk of inflation increasing again in the last months of the year still exists as the broken supply has not fully recovered, and the demand for consumption increases after the pandemic, causing prices of all kinds of goods to rise such as iron, steel and oil. (Figure 26). Therefore, inflation is still a factor that needs to be closely watched and updated in the near future.

Fig 24. US – CPI & PCE (% YoY)



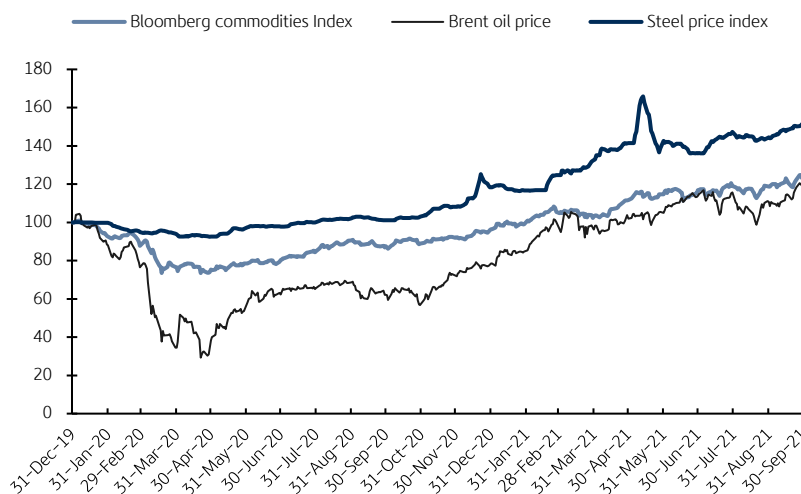
Source: Bloomberg, KB Securities Vietnam

Fig 25. US – Unemployment rate (%)



Source: Bloomberg, KB Securities Vietnam

Fig 26. Global – Commodity prices (Normalized to 100)



Source: Bloomberg, KB Securities Vietnam

The Fed's moves in the September meeting

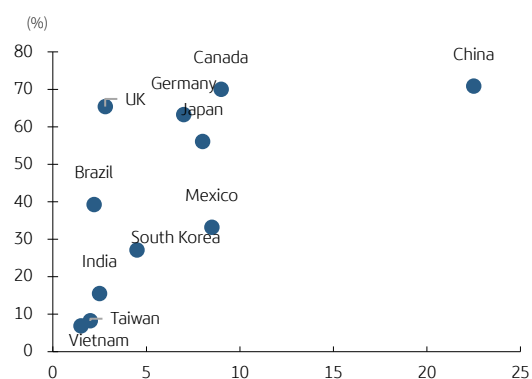
The message conveyed in the Fed's September meeting was in favor of a hawkish policy with two main ideas: 1) The Fed announced the time when the Central Bank of this country plans to implement the tightening of the asset buying program between November 2021 and mid-2022 (given the economy does not have unusual fluctuations). This process is more urgent than 2014 in terms of both starting time and implementation time (eight months in 2021–2022 compared to 10 months in 2014); and 2) The Fed fund rate continues to be maintained at 0–0.25%, but the Dot plots (Figure 29) show that half of the Fed officials want to raise interest rates in 2022 (compared to the 7/19 ratio at the June meeting).

The global stock market in general and the US stock market in particular reacted positively after the meeting of the Fed despite the more-hawkish-than-expected messages. The reason is that the market is satisfied with the way the Fed Chairman Mr. Powell gave the speech. He has done a great job in leading and preparing the market for a cautious monetary tightening cycle. Besides, investors were also reinforced with confidence that the inflation rate will soon decrease, and the Fed will only raise interest rates when the US economy is strong enough.

Scenarios on the Fed's actions and their impacts on Vietnam's stock market

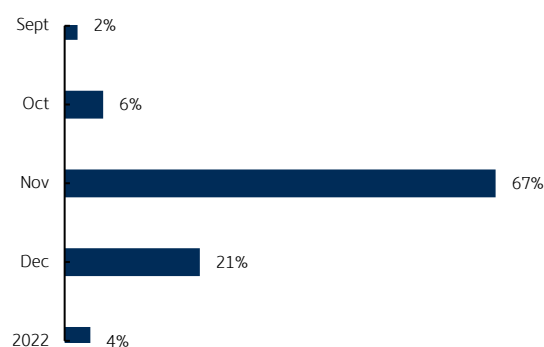
- **Base scenario:** The inflation and job market would develop as Fed's recently released projections, of which GDP growth, unemployment rates and PCE index for 2021 are 5.9%, 4.8% and 4.2% respectively (these figures for 2022 are 3.8%, 3.8% and 2.2%). The Fed plans to reduce assets buying from November 2021 and lift interest rates at the end of next year. This scenario is quite similar to the last time the Fed raised its rates when the economy strongly bounced back during 2016–2018. Better corporate profit is an attractive factor to boost interest rates, thereby helping the US stock market to rebound. In this case, the negative impact on Vietnam stock market is not profound. Although the indirect investment cash flows tend to return to the US and be net withdrawn in the emerging markets, including Vietnam, the strengthening dollar may lead to certain macro disturbances. As a major trading partner of Vietnam, the US economy's strong recovery with low inflation would play an important role in Vietnam's economic stability and recovery in the long run.
- **Negative scenario (Stagflation):** The inflation remains high and shows no sign of easing, while the economic growth and job market does not recover strongly enough. Specifically, the US economy gradually recovers and pushes the consumption demand up amid Coronavirus-triggered supply chain interruption, which causes prices to escalate (Figure 27 – Vaccination rates in countries with large import-export turnover with the US). Therefore, the Fed may face pressure to speed up the tightening of monetary policy despite unstable job market and economic growth. This is a negative scenario in the wake of the Fed's drastic interest rate hikes, causing the dollar to appreciate and force emerging countries with weak local currencies, including Vietnam, to raise interest rates to cushion their currencies and lower inflation rates despite economic stagnation and high inflation risks.

Fig 27. Countries whose trade surplus with US – Fully vaccinated population (%)



Source: Bloomberg, KB Securities Vietnam

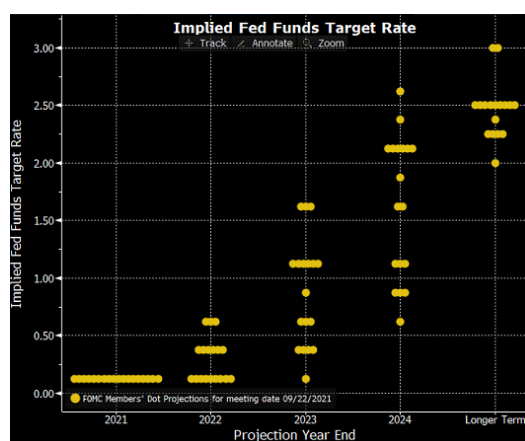
Fig 28. The Fed – Right time to reduce the size of asset purchase



Source: Bloomberg, KB Securities Vietnam

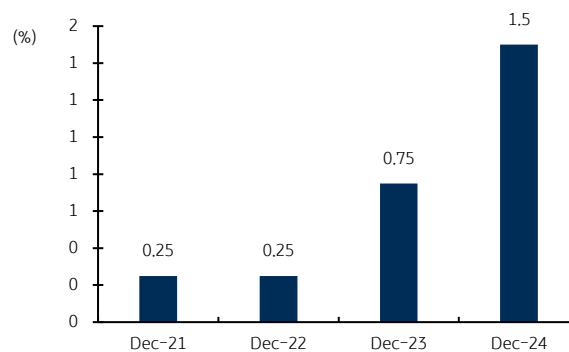
*Note: Bloomberg News' survey took place between September 10 and 15, 2021

Fig 29. The Fed – Dot plot



Source: Bloomberg, KB Securities Vietnam

Fig 30. The Fed – Time to raise interest rates (%)



Source: Bloomberg, KB Securities Vietnam

*Note: Bloomberg News' survey took place between September 10 and 15, 2021

3. Public investment

Public investment disbursement was slow in 8M21, especially in August

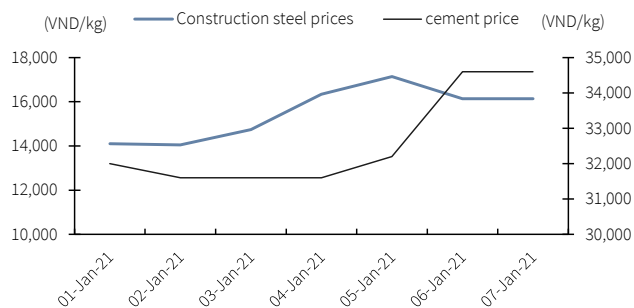
8M21 public investment disbursement hit VND244,943 billion (-0.4%YoY), delivering 51.1% of the target set by the Government. In August alone, it was VND34.9 trillion (-24.7% YoY). The disbursement has been delayed mainly due to: (1) prolonged COVID-19 pandemic and social distancing measures which affected the projects' progress; (2) longer time on design and calculation because the initial ones were impractical; (3) difficulties in site clearance as a result of complicated procedures; and (4) increasing construction material costs resulting in construction suspension.

Public investment should be boosted in 4Q

We expect the Government will accelerate the disbursement of public investment in 4Q21 for the following reasons: (1) Exports and domestic consumption, two factors that should be the main forces of economic development, are currently growing slowly due to the pandemic. In that context, promoting public investment is the fastest and most feasible way to boost economic recovery. According to the General Statistics Office, if the public investment increased by 1% YoY, GDP would rise 0.058%; (2) easing restrictions on activities and social distancing helps transportation to be more convenient and promote backlogged projects; and (3) construction material costs should cool down after the importation and exportation regain the balance.

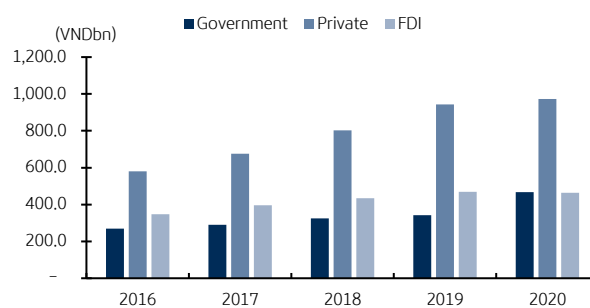
In 2020, social investment only reached VND2,164.5 trillion (+5.7% YoY – the lowest level during 2011–2020), with a sharp fall in both private investment (VND972.2 trillion, +3.1% YoY) and FDI (VND463.3 trillion, -1.3% YoY). The Government had to take drastic measures to promote public investment in 2021 by issuing the Resolution No. 63/NQ-CP dated June 29, 2021 to overcome obstacles related to public investment, and the Telegram No. 1082/CD-TTg dated August 16, 2021 to speed up the disbursement of the 2021 social investment.

Fig 31. Vietnam – Construction steel & cement prices (VND/kg)



Source: KB Securities Vietnam

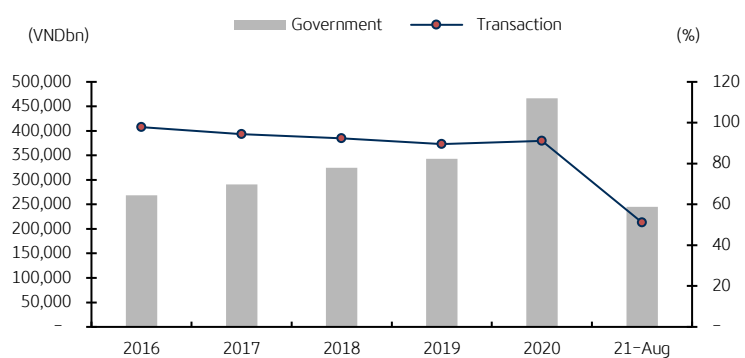
Fig 32. Vietnam – Realized investment capital (VNDbn)



Source: KB Securities Vietnam

Public investment in 2020 has sharply increased by 36% YoY compared to the period 2016–2019

Fig 33. Vietnam – Disbursed public investment (VNDbn)



Source: KB Securities Vietnam

Table 1. Vietnam key projects – Scale and investment – Scale km

Project	Scale	Investment (VNDbn)	Progress
Long Thanh International Airport	1180 ha	114,000	50% completed
North-South Expressway (Vietnam)	654 km	112,000	98% delivery
Tan Son Nhat and Noi Bai Airport		9,000	n/a
Trung Luong – My Thuan – Can Tho Expressway	81 km	21,000	completed
Thai Binh 2 Thermal Power Plant	600 MW	41,000	86% completed
Song Hau 1 Thermal Power Plant	1200 MW	29,500	completed
Song Hau 1 Thermal Power Plant	2120 MW	72,000	n/a
Cai Mep – Thi Vai		2,605	2021
Bien Hoa – Vung Tau Expressway	53,7 km	19,600	2021 – 2026
Long Thanh – Giau Day Expressway	24 km	11,505	2021
Ben Luc – Long Thanh Expressway	57,8 km	31,320	Site clearance completed 98,9%
Hanoi's Ring Road No.4	110 km	90,400	n/a

Source: KB Securities Vietnam

Public investment strongly supports the stock market in general and direct beneficiaries, especially in 4Q

The public investment is expected to be boosted in 4Q, which helps promote the recovery of the stock market through indirect impacts (stimulating aggregate demand, boosting GDP growth, restoring business operations) and directly affects beneficiary businesses and sectors, namely real estate, infrastructure, construction, and materials.

V. Investment viewpoints and model portfolio

Table 2. Vietnam – 3Q21 investment viewpoints

Investment portfolio	Beneficiaries
The recovery of business activities thanks to the relaxation of social distancing measures	Retail Aviation Industrial Park Real Estate
Public investment promotion	Infrastructure Construction materials
Uptrend of commodity prices	Oil and Gas Steel
Sectors with long-term stable growth	Information Technology Power

Source: KB Securities Vietnam

Table 3. KBSV – Model portfolio

Ticker	Target price	Expected profit	P/E 2021 Forward	2021 NPAT growth	Investment thesis
DBC	68,300	19%	6.97	-27%	<ul style="list-style-type: none"> - Business prospects show signs of improvement thanks to the effective Feed-Farm-Food system, predicting a recovery in pork prices and a decrease in animal feed prices in the coming time. - DBC plans to expand the pig herd to increase market share and expand the nationwide market with 4 main projects. - Lotus Central real estate project should be delivered from the end of 3Q21 after being delayed in 2Q21 due to the outbreak of the pandemic in Bac Ninh
FPT	112,900	21%	19.93	19%	<ul style="list-style-type: none"> - Technology sector is expected to grow by 15% within 2021 and 2022 driven by the foreign information technology segment. - The need to connect to the internet, cut down on marketing costs and make PayTV profitable are the driving forces for the telecommunication segment to grow by double digits during 2021-2022 - FPT invests in Interact International to penetrate deeper into the US market
GDT	68,700	21%	11.60	34%	<ul style="list-style-type: none"> - Growing consumption demand, especially in import countries and the strategy increase export turnover to the US - The expansion of production through factory acquisition - Attractive cash dividend
DXG	28,300	48%	12.80	372%	<ul style="list-style-type: none"> - DXG's 2021 profit increased after over 3,000 units from Gem Sky World and Opal Boulevard have been handed over - DXG focused on completing and opening new projects in Binh Duong such as Opal Skyline, Opal Parkview and Opal Cityview to avoid being affected by the legal document review process. These projects will ensure the business results as well as cash flow of DXG in the coming years. - DXG expects that the Gem Riverside project's legal progress can be accelerated
VHM	97,200	24%	11.40	11%	<ul style="list-style-type: none"> - VHM maintains its leading position in the residential real estate segment with 25% of the market share in the apartment segment in 2016-2Q21. VHM currently owns the land lot up to 164 million square meters. - VHM should complete and launch three projects this year. The total value of new contracts signed in 2021 reached VND70.8 trillion, of which three big projects that have been implemented account for 85%. - Business results maintain growth momentum in the coming years. We estimate VHM would gain earnings of VND34,437 billion (+22% YoY) on revenue of VND83,324 billion (+16% YoY).
VPB	76,800	17%	12.30	22%	<ul style="list-style-type: none"> - At the end of April 2021, VPB sold 49% shares of FE Credit to SMBC, a subsidiary of SMBC Group. FE Credit at the time of sale was valued at USD2.8 billion, helping VPB possibly collect USD1.4 billion. - VPB reduced the foreign room to maximum 15% to welcome strategic shareholders - VPB's credit growth for the whole year is estimated at 15% (After increasing by 5.3% QoQ in 2Q), among the fastest growing banks compared to the rest.
HPG	64,700	22%	6.70	144%	<ul style="list-style-type: none"> - With the operation of two blast furnaces at full capacity in 2H21, HRC consumption of HPG should reach 35% of crude steel volume, contributing to the profit and revenue of HPG - HPG is one of the businesses supplying steel materials for a series of key public investment projects. With a market share of 35% of construction steel, HPG will benefit from the government's public investment promotion process, as well as a sharp increase in consumption demand in 2H21. - The production cut from China will create favorable conditions for other steel makers out of China, including HPG, to increase output.
GAS	107,800	11%	19.30	31%	<ul style="list-style-type: none"> - GAS benefited from high world oil prices compared to the same period last year - GAS's better business results in the coming time thanks to (1) The reopening of the economy in the second half of September and (2) The disappearance of La Nina phenomenon - LNG supply segment has great potential. GAS acts as the main investor of 9/14 LNG terminals in the coming years, of which Thi Vai has exceeded the construction schedule and may start operating in 2022
KBC	50,000	15%	20.30	309%	<ul style="list-style-type: none"> - The industrial parks' landbank area of KBC available for sale should increase from 309 ha to 954 ha. The urban area segment is also expected to make a significant contribution from 2023 when Trang Cat Urban Area is opened for sale, thereby increasing leasable area of KBC's urban area from 56 ha to 306 ha - The rental prices of KBC's industrial parks have improved significantly compared to 2020, improving the gross margin of the industrial parks segment from 25.5% in 2020 to 57.4% in 1H21. It is expected that gross margin of KBC's upcoming projects will improve. Phuc Ninh Urban Area is sold at over 30 million/m2 while the delivery price in old and new contracts is only 18 million/m2, Nam Son Hap Linh Industrial Park is delivered at USD90/m2 while the prices in the surrounding area ranges at USD100-120/m2. - KBC has continuously increased its landbank. Nam Vung Tau Urban Area was invested by the Vung Tau People's Committee in 2020, 245 ha of Nam Tan Tap Industrial Park (KBC owns 41% of capital investment) was approved, and 2500 ha of other industrial zones in Binh Giang, Hung Yen and Long An have been researched.
TCB	63,700	28%	9.20	34%	<ul style="list-style-type: none"> - 2Q21 net interest margin remained high at 5.8% (-4 bps QoQ, +130 bps YoY) thanks to high lending interest rate as TCB's main customer base of lending segment is in real estate sector, which is not affected by the pandemic up to the present. - 2Q21 NPL ratio was 0.36%, down 2 bps QoQ, the lowest in the banking system - TCB's average rate has not been strongly affected by preferential interest rate packages because its main customer base has not been affected much by the COVID-19 up to now.

Source: KB Securities Vietnam

*Note: Expected earnings are based on closing prices on September 30

Real estate

Outlook: Positive

Tickers: VHM, KDH, NLG, DXG

In 2Q21, the supply recovered slowly due to the COVID-19. In Ho Chi Minh City, the number of apartments for sale rose to 4,000 units, doubling the number of 1Q's. However, it slowed down from June due to the fourth wave of COVID-19. Absorption rate remained high with 4,700 units sold (+76%YoY) thanks to the investors' multichannel sales and flexible sales policies. In Hanoi, the number of units launched was 3,600 units (-20% QoQ). The absorption rate is positive when the number of sold units exceeds the number of new launches. Primary prices rose in HCMC (+16.5% YoY) and Hanoi (+7% YoY).

The complicated COVID-19 developments in 3Q, especially in HCMC, negatively affected not only the construction and the launch of the real estate market but also the buyers' incomes. However, thanks to multichannel sales and buyer support policies, the negative impacts of the pandemic were lowered.

Promoting public investment is the driver of the real estate sector. Large projects in the Southern region such as Long Thanh Airport, Metro lines and traffic axes connecting HCMC with neighboring provinces and the planning of historic inner city and Red River in Hanoi benefit real estate market in the medium and long term. The investors owning landbank in these areas will benefit from infrastructure development and rising prices.

Legal bottlenecks have been solved. The amendment of Investment Law 2020 and Construction Law 2020 effective from January 1, 2021 helped shorten time spent on project licensing. Besides, the housing market supply is gradually recovering, especially in HCMC when many projects delayed in the last two years are showing signs of resuming.

The trend of low rates has promoted the demand for loans to buy houses or invest in real estate. In 2H21, the global and Vietnam interest rates should stay low thanks to expansionary monetary policy and preferential credit packages of banks, facilitating buying and selling activities.

We evaluate the prospects of the real estate industry to be POSITIVE in Q421 and in the medium and long term, when sales and construction activities are reopened from 4Q (also the peak season of the real estate market) thanks to accelerated vaccination and loosened social distancing. Enterprises with large landbank, safe financial structure and positive sales progress are good investment choices after the COVID-19: Vinhomes (VHM), Khang Dien House (KDH), Nam Long Group (NLG), and Dat Xanh Group (DXG).

Equity Research – KB Securities Vietnam

Industrial parks

Outlook: Positive
Tickers: KBC, PHR, TIP

The spread of COVID-19 pandemic on a large scale has slowed down the growth figures of FDI into Vietnam. In particular, newly registered FDI capital in 8M21 hit USD19.12 billion (-2.1% YoY) compared to VND8.83 billion (+18.6% YoY) in 5M21. With the large demand for leasing industrial parks from foreign investors, the slowdown of FDI registration and disbursement will have short-term impacts on the new lease progress of industrial park enterprises.

Industrial parks rental prices are still increasing amid the pandemic.

According to Jones Lang Lasalle, the Industrial Parks are available for lease at USD107/m² (+5.9% YoY) in the Northern region, and USD113/m² (+7.1% YoY) in the Southern region. This uptrend may be because the investors have recognized that the impact of the pandemic will be only in the short term and Vietnam will still attract FDI in the long term.

FDI will return from 4Q21 and recover strongly in 2022 when Vietnam reopens the economy.

We believe that Vietnam's vaccination progress has improved significantly since July 2021. Up to present, 51 million doses have been distributed nationwide. The government is considering reopening production activities in the Southern provinces under the new normalcy. Therefore, we are optimistic that the Southern provinces can partially reopen activities in 4Q, and fully reopen in 2022.

Manufacturers need to diversify their supply chains out of China amid the pandemic. COVID-19 is considered a test on the strength of global supply chains which proved to fail miserably with empty shelves and production delays. Manufacturers have recognized the need to diversify the supply chain more. Gartner survey revealed 33% of suppliers planning to move part of their factories out of China by 2023.

Vietnam and neighboring countries will replace China as the World's factory thanks to cost competitive advantages. Vietnam remains an attractive destination for foreign investors thanks to its proximity to China and low labor cost (USD252 per month which is a quarter of China's). Furthermore, the infrastructure in Vietnam's industrial zones has been improving, which will also be an important factor attracting foreign investors. These will be favorable conditions to help Vietnam attract FDI in the long term.

As of May 2021, the newly approved industrial park area reached 7,900 ha or 2.6 times the total approved area for the whole 2020. We find that the approval progress of industrial parks in Vietnam has improved dramatically. The number of industrial zones approved is now 25 vs. 4 in 2020. This acceleration of the government will also be a catalyst for the industrial real estate in the coming time.

We find the long-term and medium-term prospects of the industrial real estate POSITIVE given the factors mentioned above. Some notable investment opportunities include Kinh Bac City Development (KBC), Viglacera Corporation (VGC), Phuoc Hoa Rubber (PHR), Tin Nghia JSC (TIP) which all own large landbank with low capital costs in key areas, beneficial from public investment demand and supply chain shift. To be more specific, we recommend two main investment opportunities: (1) KBC with an area of leasable land up to 966 ha and urban areas up to 911 ha launched at low costs. KBC's main highlight lies in Trang Cat Urban Area (585 ha), which should be the first-class coastal urban area in Hai Phong; (2) PHR with 15,000 ha of rubber land in Binh Duong. It plans to convert 5,000 ha of rubber land into industrial zones, which will strongly benefit from the government's accelerated approval process.

Equity Research – KB Securities Vietnam

Power

Outlook: Positive

Tickers: QTP, POW, HDG, SJD

The fourth wave of COVID-19 has adversely affected socio-economic development, pulling load growth as well as electric power consumption down. As of August 2021, production volume reached 172.71 billion kWh (+5% YoY), 6-7% lower than average.

More than 75% chance of La Nina phenomenon within 4Q21 will be the driving force for hydropower plants to ensure enough water flow to the reservoirs for power generation such as Candon HydroPower JSC (SJD), Thac Mo HydroPower JSC (TMP), Central Hydropower JSC (CHP), Song Ba JSC (SBA) while thermal power plants have been heavily affected by increasing material prices such as coal and gas (NT2, PPC) due to COVID-19.

Social distancing measures have been gradually eased. Therefore, production activities in key areas such as Binh Duong, Long An, and Ho Chi Minh City have been resumed, promoting power consumption needs for business activities. This helps contribute to the country's GDP growth. Power plants in the Southern region benefiting from this consist of PV Power Corporation (POW), Power Generation Corporation 3 (PGV), PV Power Nhon Trach 2 (NT2).

Wind power plants completed and put into operation before November 1, 2021 will benefit from high electricity prices at VND1,927/kWh inland and VND2,223/kWh offshore. Power Construction JSC No.1 (PC1) will operate three wind power projects including Lien Lap, Phong Huy and Phong Nguyen in 4Q, and GEG will also operate 130 MW wind farm projects in 4Q, Ha Do Group JSC (HDG) will operate 7A wind power plant, two hydropower plants Song Tranh 4, Dak Mi 2 in September 2021. This will help 4Q profit and revenue to climb.

Many power plants' loans are reducing day by day, helping improve lending fees and business results. After paying off debts, the cash flow to equity of enterprises will escalate and help businesses to be able to pay cash dividends such as Pha Lai Thermal Power (PPC), NT2, Hai Phong Thermal Power (HND), Quang Ninh Thermal Power (QTP), which proves to be suitable for long-term investment.

In 4Q21, we maintain a POSITIVE stance for the power industry, expecting that the consumption will grow exponentially thanks to the economic recovery. Power stocks with attractive valuation and positive business prospects comprise QTP, POW, HDG, SJD.

Equity Research – KB Securities Vietnam

Container ports

Outlook: Positive

Tickers: GMD, VSC, HAH

The number of containers going through Vietnam seaports reached 16.8 million TEUs (+18.8% YoY) in the eight first months of 2021, higher than the average of 10% during 2015–2020. We expect container traffic to continue to grow by 10% per year in the next five years, supported by: (1) Post-pandemic recovery of international trade; (2) Prospects of attracting foreign investment into Vietnam thanks to its proximity to China with a long coastline, low labor cost, increasing productivity, stable economic growth and political stability; (3) Great economic benefits that Vietnam might gain thanks to new effective trade agreements like the Comprehensive and Progress Agreement for Trans-Pacific Partnership (CPTPP), European Union–Vietnam Free Trade Agreements (EVFTA) and the Rice Competitiveness Enhancement Fund (RCEF).

Ocean freight costs remain high in 2021 due to supply chain bottlenecks, but the situation will improve from 2022. As of September, Drewry's World Container (Composite) freight rate index reached USD10,084/40ft container, 309% higher than that over the same period a year ago. Furthermore, the growing domestic demand in European countries exceeded the capacity of exporting countries, including Vietnam and China. They even had to temporarily close their seaports due to the pandemic outbreak, leading to higher container and vessel rental prices. Therefore, container owners and container shipping companies like Hai An Transport & Stevedoring (HAH) may gain short-term benefit from this because this trend will probably cool down from 2022 when: (1) China will be able to handle the increasing container capacity; (2) Steelmakers like Hoa Phat Group (HPG) can help deal with the supply side by joining in manufacturing containers.

Cai Mep – Thi Vai Port will maintain the highest growth rate nationwide thanks to the accelerated infrastructure projects in the coming time. Cai Mep – Thi Vai's 8M21 TEU grew by 28% to more than 6 million TEUs. This figure will be even more impressive thanks to the promotion of regional connectivity via typical projects, namely 991B Road, Phuoc Hoa – Cai Mep, Bien Hoa – Vung Tau Expressway, Phuoc An Bridge and Bien Hoa – Vung Tau Railway. Currently, the old ports in the Cai Mep area almost reach their full capacity and Gemalink Port's designed capacity should reach 70% by the end of 2021 and 100% or 1.5 million TEUs by 2022.

Equity Research – KB Securities Vietnam

Information technology

Outlook: Positive
Outstanding tickers: FPT, ELC

The software outsourcing segment grew well in 8M21 with a sharp increase in new shipments and the prospect of growing demand from businesses after the pandemic, promising a strong growth in 2021. Meanwhile, Vietnam's digital transformation have also seen stronger movements from businesses like FPT Corporation (FPT) with strong domestic technology revenue or Electronics Communications Technology Investment Development Corporation (ELC) with smart transportation projects.

The growth potential of the outsourcing segment is still positive due to: (1) Worldwide high demand given a shortage of personnel in all countries while the large number of employees is the decisive factor to the software outsourcing segment, not the gray matter (2) Great competitive advantage thanks to Vietnam's lower labor cost than other countries.

The gross profit margin of the software export segment is expected to improve in the medium term thanks to: (1) Many high-value contracts with international partners; (2) Increasing need for digital transformation of domestic enterprises.

The broadband internet segment still maintains growth rate despite the pandemic. By the end of July 2021, the total number of Fiber to the Home (FTTH) subscribers reached 17,415 million (+10.5% YTD and +15.8% YoY). As of July 2021, 1,654 thousand subscribed to FTTH (+31.5%). We expect this figure to continue to grow in the coming time thanks to great potential in the provinces.

We maintain a POSITIVE stance for information technology industry in 4Q with some notable stocks like FPT, ELC and CMC Corporation (CMG).

Equity Research – KB Securities Vietnam

Banks

Outlook: Positive

Tickers: TCB, VPB, ACB, VCB

8M21 credit growth was 7.4% vs. 4.23% of 8M20. 6M21 credit and deposit growth of 15 listed banks were 7.57% YTD and 6.47% YTD, closely following the 2021 growth expectation of 12–14%.

While the average lending rate in 1Q was 7.14% (–2 bps QoQ), the average deposit rate was just 3.45% (–14 bps QoQ) due to the decrease in deposit rates along with boosted deposit across the interbank market, causing 2Q net interest margin (NIM) to reach 3.89%, (+9 bps QoQ). SHB's NIM outperformed, up 107 bps QoQ; Vietnam Joint Stock Commercial Bank for Industry and Trade (CTG), Vietnam Prosperity Bank (VPB), Techcombank (TCB) and Tien Phong Commercial Bank (TPB) saw a slight decrease in NIM in 2Q21.

In 2Q21, the NPL ratio of the whole system decreased slightly to 1.38% (–2 bps QoQ), special mention loan rate was 1.05% (–7 bps QoQ). Loan loss coverage ratio reached 128.9% (+150 bps QoQ), of which Vietcombank (VCB), Military Bank (MBB), Asia Commercial Bank (ACB), TCB's provisions surpassed 200%. With the complicated pandemic developments across the country, banks, especially ones with low coverage ratio, are facing pressure to increase the provisions in 2H21.

Banks have agreed to reduce lending rates by 0.5–1.5% or VND20,000 billion, depending on the pandemic-affected customers in 5M21. The loan rates are low, so if the pandemic is not under control and banks continue to cut lending rates, it will significantly affect NIM.

The State Bank of Vietnam issued the Circular No. 11/2021 on classification of assets, risk provisioning levels and use of provisions in credit institutions to replace the Circular No. 02/2013/TT-NHNN and Circular No. 09/2014/TT-NHNN. Some points to note as follows:

- Shortening the time to classify bad debts and provisions from every three months to once a month.
 - Making provisions for the redemption of valuable papers and transactions related to government bonds and making provision for receivables related to debt sales, which will affect the NPLs of banks with a large receivable amount.
- In 4Q21, we maintain a POSITIVE view for the Banking industry. We recommend investing in banks with good fundamentals, namely VCB, TCB, ACB, VPB. They have made large provisions and had many investment highlights such as changing listing, recording extraordinary income in 2021.

Equity Research – KB Securities Vietnam



Retailing

Outlook: Neutral

Tickers: MWG, PNJ

Facing the widespread of the fourth wave of COVID-19 nationwide, retail businesses have been severely affected in recent times with 8M21 sales of VND2,499 billion (-1.4% YoY) due to stricter social distancing measures under the Government's Directive No. 16 in 3Q21, especially in big cities like Hanoi and Ho Chi Minh City.

The short-term recovery of the retail sector will face many challenges due to the current pandemic situation. Even if the pandemic is under control and social distancing measures are eased, it takes time for jewelry businesses like PNJ Jewelry (PNJ) or electronic refrigeration companies like Mobile World Investment (MWG) to recover.

In the medium and long term, the retail sector should continue to recover and grow because the post-pandemic recovery of the economy helps macro factors become more positive, of which consumer income levels will be a big driving force for the retail sector. In the long term, there may be a shift in consumer behavior, from traditional shopping into online shopping, which is expected to be a potential sales channel for retail businesses.

We maintain our NEUTRAL view for the retail sector in 4Q21 due to the unexpected developments of COVID-19 with around 10,000 new cases per day. Although major cities like Hanoi and Ho Chi Minh City have reopened economic activities in parallel with COVID-19 prevention, the demand for products such as electronic refrigeration or jewelry, which are considered non-essential items, will not be able to recover in the short term.

Equity Research – KB Securities Vietnam

Fishery

Outlook: Positive

Tickers: FMC, VHC

The production and processing activities of the Southern provinces and cities – key areas of Vietnam's fishery sector, accounting for 90–95% of the country's fishery export turnover, have been adversely affected by the pandemic. Vasep reported that August fishery export turnover sharply decreased to USD588 million (–28% YoY). Main export products such as shrimp, pangasius, tuna, squid, octopus, and crabs decreased by 20–33% YoY. August export turnover to the US and European countries decreased by 16–50%. However, thanks to good business results in 7M21, 8M21 growth rate increased 7% YoY or USD5.6 billion, of which USD2.45 billion is from shrimp exports.

In the short term, production and processing activities of businesses in the Southern region are expected to gradually recover. 4Q21 should be the time for preparing large orders especially from the US and Europe thanks to the recovering demand when the pandemic is better controlled. Export turnover should increase in the last months of the year. However, there are still potential risks associated with social distancing measures in the Southern provinces, which may lead to labor shortages and factories' not operating at full capacity.

In the coming time, pangasius exports are expected to recover. According to Vasep, the demand for importing pangasius in many markets such as the US, Brazil, Mexico started to bounce back. In addition, pangasius export prices are higher than usual, which is considered a positive signal in the year-end period for Vinh Hoan Corporation (VHC).

Shrimp exports should recover in 4Q21 thanks to the uptrend of selling prices due to supply shortages from India and Indonesia. The recent decrease in selling prices of raw shrimp and the impact of the disease have made farmers hesitant for the year-end shrimp farming, partially affecting the supply of raw shrimp for exporting enterprises. However, this is also an opportunity for businesses with a large proportion of raw shrimp sources from self-farming like Sao Ta Foods (FMC). FMC stocked up on shrimp in the past time. Besides, it is located in Soc Trang Province which is less affected by the pandemic due to flexible prevention measures rather than others.

We take a POSITIVE stance for fishery sector in 4Q thanks to post-pandemic recovering trend of importing countries and increasing export prices. We recommend VHC and FMC in this sector.

Equity Research – KB Securities Vietnam

Oil & gas

Outlook: Positive
Outstanding tickers: GAS,
BSR, PVT

2Q21 oil prices escalated although the pandemic had just broken out, contributing to the increase in profit of oil and gas enterprises, especially downstream ones. Petrolimex (PLX) recorded gross profit of VND4,154 billion (+52% YoY). PV Oil Corporation (OIL) posted net profit of VND218 billion (+20% YoY), PV Gas's (GAS) earnings increased by 45%, Binh Son Refinery (BSR) announced its impressive earnings of VND3,543 billion. However, upstream businesses like PV Technical Services (PVS) and PV Drilling (PVD) still face many difficulties. PVS recorded net revenue of VND3,063 billion (-44% YoY) and PVD had to make provisions for its partner KrisEnergy (Apsara) Company Limited from Cambodia.

High oil prices would play an important role in business performance of oil and gas enterprises in 4Q, making up for the 3Q results worsened by the negative effects of COVID-19. We raise our average oil price forecast to USD67 per barrel due to the lack of supply among growing oil and gas demand worldwide to recover the economy despite concerns about Delta variant.

We prefer GAS shares which can be strongly beneficial from the uptrend of world oil prices as well as the prospect from the imports and domestic distribution of LNG products in 2022. We are also optimistic about PV Transportation (PVT) and BSR in the context of increasing energy consumption and import demand in Vietnam, of which PVT can take advantage of the low vessel prices in recent years to complete its fleet expansion plan, opening up opportunities for more sustainable growth at the end of the year and in the following years.

Concerning two upstream companies PVD and PVS, oil prices remained high at above USD55 per barrel, the breakeven level of the industry in the region, making the outlook brighter. Although 1H21 business results were not so impressive, the demand is expected to increase, helping the performance and rental prices of PVD's self-elevating rigs back to positive levels. PVS is bidding for Engineering, procurement and construction (EPC) contracts with positive progress. Besides, high oil prices also help increase the profit for Floating Production Storage and Offloading (FPSO) and Floating Storage and Offloading (FSO) joint ventures.

We assess the oil & gas sector to be POSITIVE in 4Q21 thanks to recovering oil prices. Notable investment opportunities include GAS, PVT, BSR.

Equity Research – 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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