

# Stock Market Outlook 2021

## Opportunities ahead

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### Factors that support the market in 2021 would be bolder, including:

1) The global easing monetary policy and sagging USD, 2) Post-Coronavirus pandemic economic recoveries, 3) FTSE market upgrade, and 4) accelerated public disbursement.

### Main risks are likely to focus in 1Q21:

The main risks to Vietnam economy are likely to focus in Q1.2021, including: 1) a short-term correction after long rallies; 2) skyrocketing COVID-19 cases worldwide after the Christmas and New Year holidays; 3) possible issues during transition to a new government system in the US; and 4) US tariffs on Vietnamese goods.

**We expect VNIndex to surpass its historic peak of 1,200 in 2021 before succumbing to correcting pressure and returning to the threshold, corresponding to a forward P/E of 16.5.**

### Recommended tickers:

- Housing real estate: VHM, DXG
- Energy: HND
- Banks: MBB, TCB
- Ports: NCT, SCS
- Information technology: FPT
- Fisheries: VHC
- Oil and gas: GAS
- Retailing: MWG, PNJ

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## Market drivers in 2021

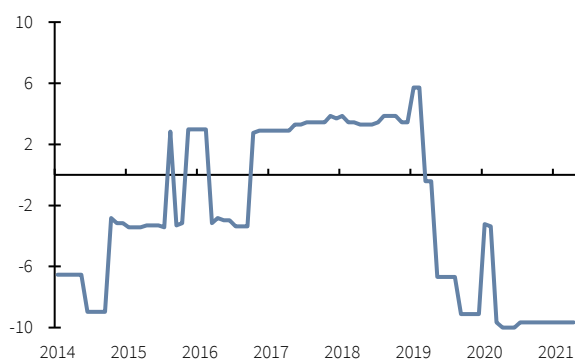
### 1. Easing monetary policy and sagging USD

To cushion the global economy against adverse impacts of the Coronavirus outbreak, major economies have adopted unprecedented fiscal and monetary stimulus policies (Figure 1). This becomes an important driving force to boost the global stock market in 2H20.

Dovish policies are expected to continue in 2021, especially after Janet Yellen (former chairwoman of the Fed, who tends to support easing policy) was proposed as the US Treasury Secretary under the Biden presidency. Furthermore, the Fed current Chairman Powell signaled that the agency has no intention of tightening the policy.

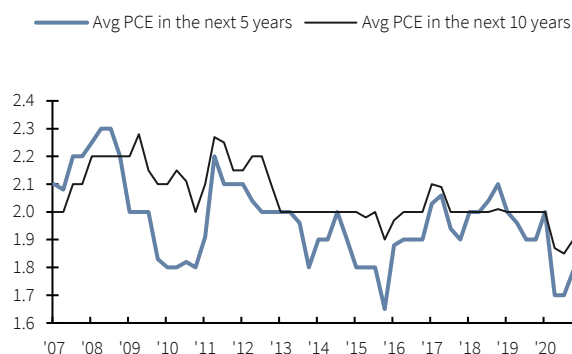
The only risk that may hinder the Governments and central banks from providing expansionary monetary policies is inflation. However, global organizations all forecast that inflation would remain low in 2021 (Figure 2).

Fig 1. Global – Monetary policy tracker



Source: Bloomberg, IMF, CFR, KB Securities Vietnam;  
\* 10 = totally tightened; -10 = totally eased

Fig 2. US – Average PCE in 5–10 years (%)

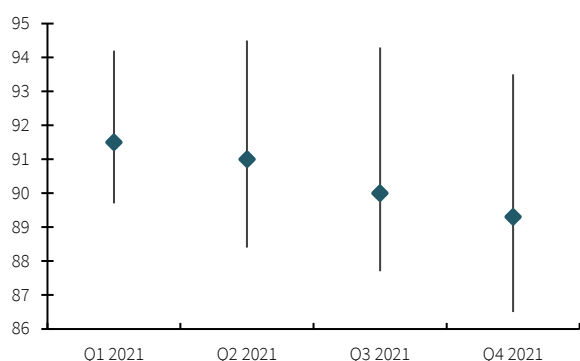


Source: Federal Reserve Bank of Philadelphia Survey of Professional Forecasters, KB Securities Vietnam

It is expected that the US economy recovers but not too quickly amid low inflation rate, easing policies, and twin deficits. This is a strong basis for KBSV to assess that the dollar would continue to weaken in 2021. Other forecasts announced by many other institutions also show a consensus on the dollar trend (Figure 3).

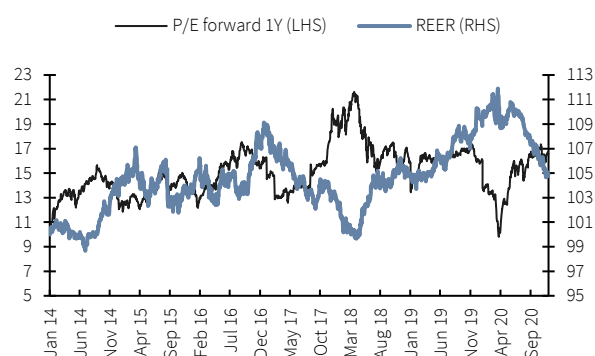
Weaker dollar is a strong booster for emerging and frontier stock markets. Particularly for Vietnam stock market, the REER (fluctuations close to the USD) volatility) has a clear correlation and opposite to the P/E of the VNIndex (Figure 4). This shows that when the Government keeps the exchange rate within a certain range and the USD depreciates, the REER will go down, which means the VND depreciates against the basket of currencies, and Vietnam stock market is highly valued (based on P/E). The reason besides the fact that foreign investors tend to net-buy thanks to the abundant source of cheap money is that Vietnam's economy is heavily dependent on export activities, and benefits from the low-valued VND vs other peers' currencies.

Fig 3. US – DXY forecasts in 2021



Source: Bloomberg, KB Securities Vietnam

Fig 4. Vietnam – The correlation bt. P/E VNIndex & REER

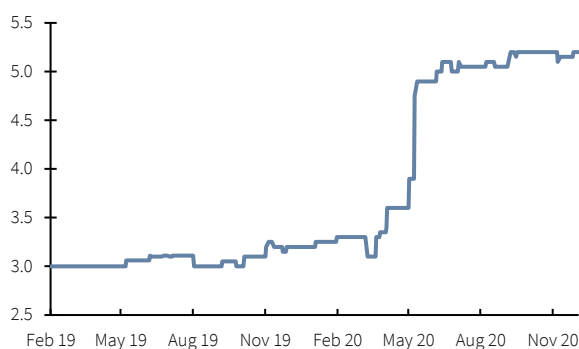


Source: Bloomberg, KB Securities Vietnam

## 2. Global and Vietnam economic rebounds after COVID-19

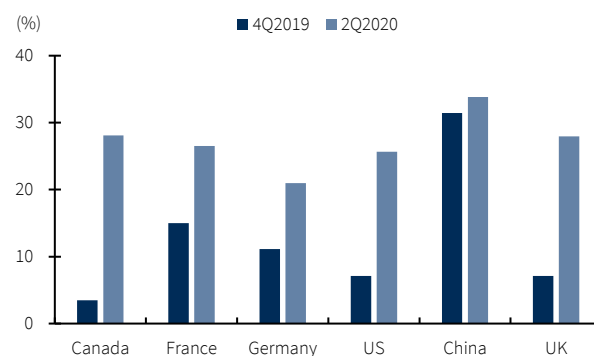
Global economists have reached a unanimous assessment that global economy would bounce back in 2021 (Figure 5) from this year's Coronavirus-induced lows. Most of them believed that the COVID-19 vaccine would soon be widely distributed to help end the pandemic, among other supporting factors such as the super-easing fiscal and monetary policies. Major economies witnessed an increase in the global saving ratio in 2020 (Figure 6), which is expected to boost spending in the next year.

Fig 5. Global – 2021E GDP growth (%)



Source: Bloomberg, KB Securities Vietnam

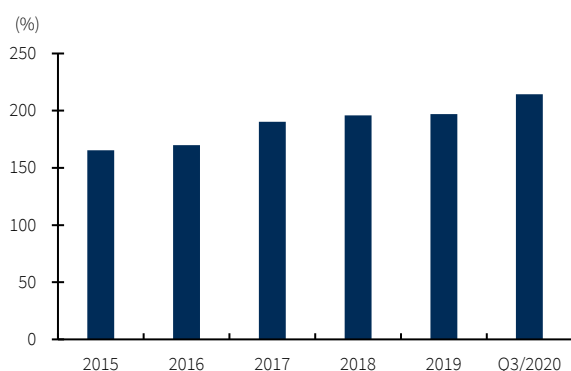
Fig 6. Global – Saving ratio (%)



Source: Haver Analytics, KB Securities Vietnam

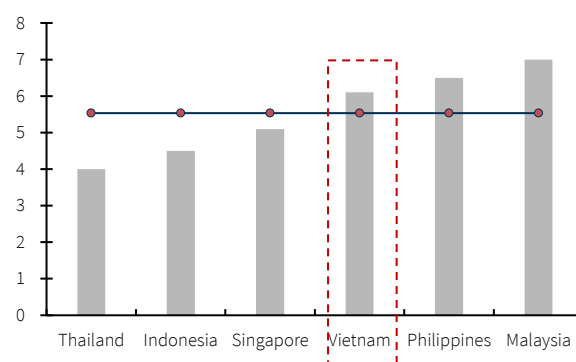
Domestic economy has shown quick and strong rebounds without waiting for the vaccine rollout. Well-insulated COVID-19 and expansionary policies of the Government and the State Bank all supported the economic recoveries from 2H20. The 2021 socio-economic plan recently approved by the National Assembly disclosed a GDP target of 6%, which partly reflected the Government's confidence in domestic economic prospects next year. We believe Vietnam could reach this high target given large economic openness (Figure 7) and successful COVID-19 vaccine would facilitate exports and FDI inflows.

Fig 7. Vietnam – Economic openness (%)



Source: General Statistics Office, KB Securities Vietnam

Fig 8. ASEAN – 2021E economic growth (%)

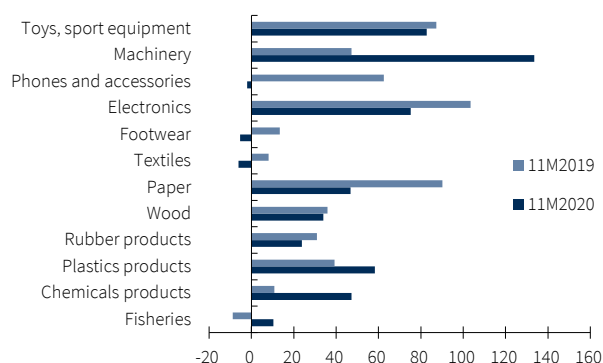


Source: ADB, KB Securities Vietnam

### 3. The risks of being taxed by the US

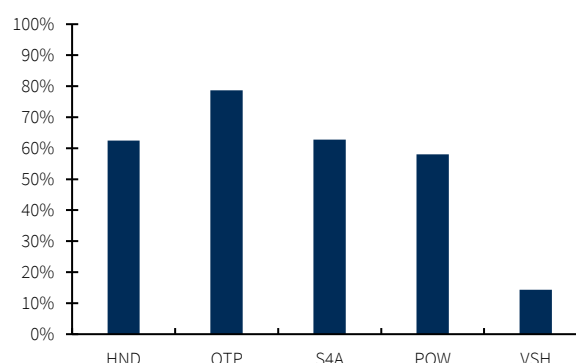
Stocks of big exporters to the US were hit by concerns over worse Vietnam-US trade relations after Vietnam was designated as a currency manipulator, leading to risks of more tariffs imposed by the US. However, this does not happen right away as the two sides could negotiate to find a solution to trade conflicts within one year.

Fig 9. Vietnam – November export growth to the US (%)



Source: General Statistics Office, KB Securities Vietnam

Fig 10. Vietnam – USD loans of power enterprises (%)



Source: Financial statements of the companies, KB Securities Vietnam

In the medium and long term, limited tools to buy foreign currencies may make the VND stronger while the USD becomes weaker and the USD inflows to Vietnam are quite abundant. Strong VND may bring bad direct impacts to Vietnamese exporters, but will benefit businesses with a high proportion of outstanding loans in USD, especially energy companies (Figure 10).

#### 4. FTSE rating upgrade

In the latest FTSE review last September 2020, Vietnam stock market was still in the list to be considered for upgrading to a secondary emerging market. We believe that Vietnam may be upgraded in September 2021 review, based on our forecasts about favorable factors in the coming time. To be more specific, the State Securities Commission (SSC) said the upgrade of the comprehensive trading, depository and clearing system is in the final stages of implementation and can start testing next year. The new infrastructure together with the introduction of the central clearing partner (CCP) model will pave the way for intraday trading (T+0) and lower margin ratio (similar to derivative market). After that, Vietnam can meet the key “payment and clearing” (DvP) criterion of FTSE (Table 1).

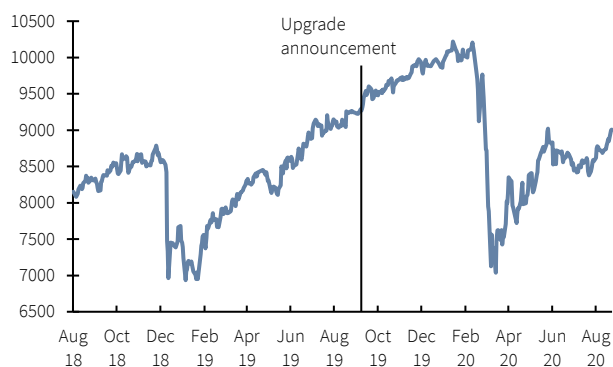
Table 1. Vietnam – FTSE criteria to upgrade to secondary market

CRITERIA	Secondary emerging	Vietnam	Frontier
Clearing, Settlement and Custody			
Settlement – Rare incidence of failed trades	X	N/A	X
Settlement Cycle (DvP)	X	T+2	

Source: FTSE

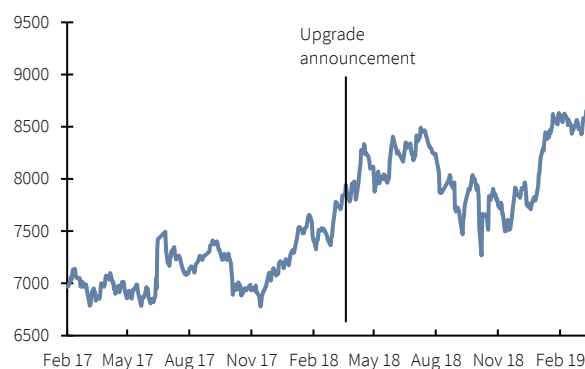
In fact, there may happen some problems causing delays to the implementation, but we believe that this factor will still play a key role in raising hopes for the market next year. If Vietnam stock market is upgraded, the market can attract more foreign cash flows, and support investors' sentiment. The stock market is also expected to create sharp rallies right before the upgrade as in the cases of Romania and Saudi Arabia (Figure 11 – 12).

**Fig 11. Romania – BET Index during the upgrade**



Source: Bloomberg, KB Securities Vietnam

**Fig 12. Saudi Arabia – Tadawul Index during the upgrade**

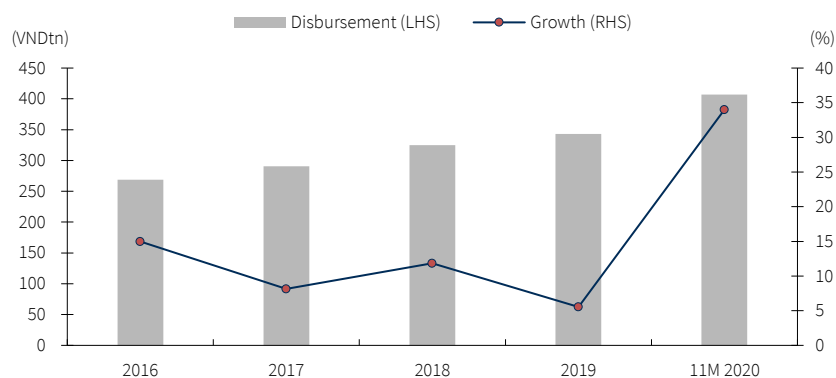


Source: Bloomberg, KB Securities Vietnam

## 5. Accelerated public disbursement

Despite COVID-19, public investment made positive progress in the last months of 2020 with realized investment capital from the State budget as of November 30 reaching VND406.8 trillion, up 34% YoY and also the highest growth in 2011–2020. The total investment capital from the state budget in should reach VND477,300 billion in 2021, up 1.4% vs the target in 2020

**Fig 13. Vietnam – Realized capital from state budget (VNDtn, %)**



Source: General Statistics Office, KB Securities Vietnam

Public investment is a vital key in the recovery of domestic economy in 2021, and we are optimistic about the disbursement speed next year thanks to: 1) more drastic decisions of the government, 2) more effective implementation of the revised Law on Public Investment after related agencies have been well instructed by more detailed circulars, 3) expedited capital allocation progress as the revised law has thoroughly decentralized the capital appraisal process and the ability to balance capital for appraisal officials, agencies and localities, and 4) 1-year disbursement regulations which will cut the capital assigned for ministries, agencies, and localities that cannot finish the disbursement plan.

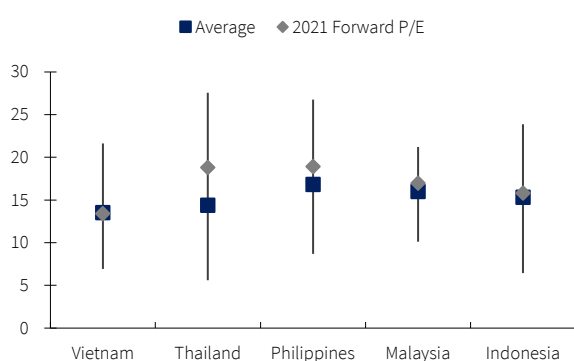
The construction of two key national project North-South highspeed railway and Long Thanh International Airport should start in 2020.

## Market commentary

Domestic market was hit hard by the Coronavirus outbreak in March 2020, but quickly regained its strong momentum and surpassed the pre-pandemic threshold thanks to good containment of the disease, the strong financial buffer created by easing monetary policies and expansionary fiscal, and expectations of the new vaccine mass production in 2021.

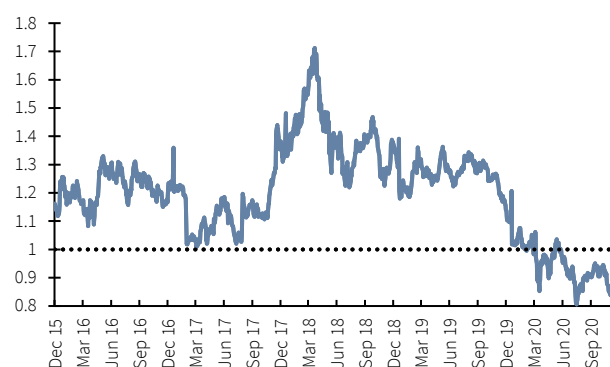
It can be seen that the forward P/E of 2021 of the VN-Index is lower than that of other regional countries (Figure 14). In addition, when we compare 12-month forward P/E with the benchmark FTSE EM Index, value of the VNIndex is at a low level for many years (Figure 15).

Fig 14. Regional countries – 12M forward P/E (2009–2020)



Source: Bloomberg, KB Securities Vietnam

Fig 15. Vietnam – 12M forward P/E of VNIndex vs EM Index

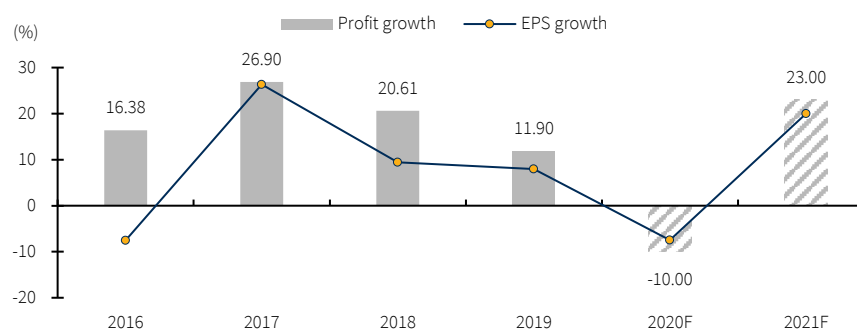


Source: Bloomberg, KB Securities Vietnam

For the market prospects in 2021, we continue believe that the VNIndex would further increase given many positive supporting factors. Although it has recovered strongly and surpassed the pre-pandemic levels, the current price is still reasonable and has much room to reflect more opportunities in 2021. We expect well-controlled COVID-19 pandemic in Vietnam, vaccine mass distribution by mid-2021, ending the pandemic; economic and business performance recoveries amid easing monetary policies; along with cooled trade tensions as the new US president, Joe Biden, takes a more dovish approach.

We expect the VNIndex to surpass its historic peak of around 1,200 in 2021 before facing correcting pressure and returning to this level, corresponding to a forward P/E of 16.5 and forward EPS up 20% (Figure 16).

Fig 26. Vietnam – Forecast earnings growth and EPS of companies on the HSX



Source: Bloomberg, Fiiopro, KB Securities Vietnam

1Q2021 is considered the most potentially risky time for the market because the number of COVID-19 infections worldwide is reaching a new high every day, which may delay the global economic recoveries. The transition to a new government in the US is also an unpredictable risk to the market. This is considered a good opportunity for investors to increase the proportion in the portfolio, expecting a good rally of the market after the vaccine rollout.

Table 2. Vietnam – Main market drivers in 2021

Positives	Influence	Probability	Negatives	Influence	Probability
Easing monetary policy at central banks, including Vietnam	Strong	High	Economic and business recovery may miss expectation	Strong	Medium
FTSE market upgrade	Strong	Medium	Risk of being taxed by the US	Strong	Medium
Higher level of public investment	Medium	High	Another wave of Covid-19	Medium	High
Re-opening economies & Covid-19 vaccine progress	Medium	Medium	Vaccine distribution challenge	Medium	Medium
Inflow from new accounts	Medium	Medium	Political uncertainty	Medium	Low

Source: KB Securities Vietnam

## Investment viewpoint 2021

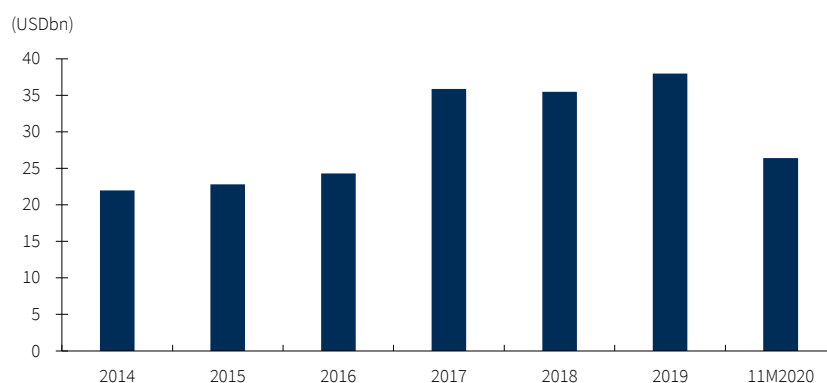
### 1. FDI inflows

Direct beneficiaries: Industrial real estate and logistics.

Vietnam is an attractive destination for FDI inflows in the past ten years thanks to its high economic growth underpinned by many free trade agreements, stable politics, and favorable geographical location, low labor costs and developing infrastructure. In the last three years, Vietnam's attraction has increased significantly thanks to benefits from the US-China trade war and the COVID-19 pandemic.

As FDI inflows to Vietnam plummeted in 2020 due to COVID-19, we expect the situation would be improved and become a strong supportive factor for the market in 2021 amid hopes of well-controlled pandemic globally and effective FTAs (RCEP and EVFTA).

**Fig 37. Vietnam – Registered FDI (USD bn)**



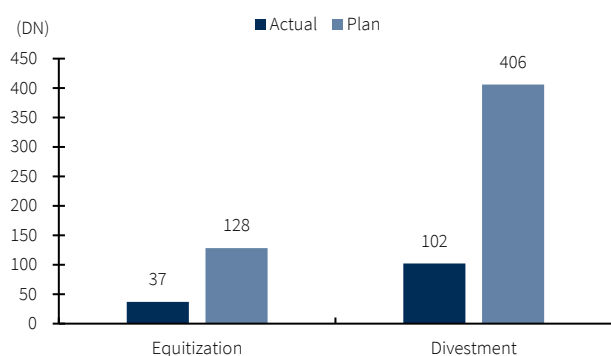
Source: General Statistics Office, KB Securities Vietnam

## 2. Divestment & equitization

Direct beneficiaries: State-owned enterprises that are on the Government's divestment list.

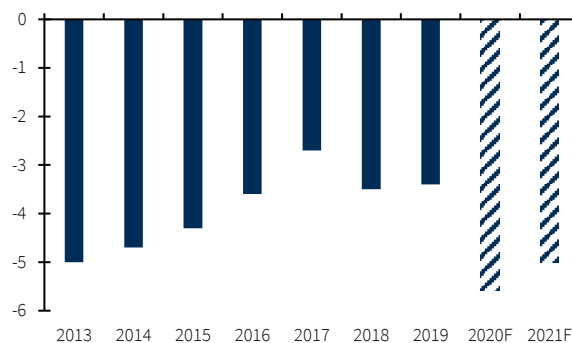
We expect that the divestment and equitization of state-owned enterprises in the following year will improve because: 1) the COVID-19 in 2020 made the divestment progress in business slow down, most businesses on the list approved by the Prime Minister in Decision No. 908/QĐ-TTg have not yet divested this year; 2) there is an urgent need to supplement the budget revenue after 2020 with a high deficit due to the pandemic, while the Government would still promote public disbursement in 2021; 3) the Ministry of Finance is completing a draft decree amending and supplementing Decree 126/2017/ND-CP to solve protracted problems related to land use plans; and 4) the absorption level of investors with divestments and equitization is improved as the stock market next year is expected to be in favorable conditions with high liquidity, abundant cash flow, foreign net buyers given declining global risks.

Fig 18. Vietnam – Divestment & equitization 2016–2020



Source: Ministry of Finance, KB Securities Vietnam

Fig 19. Vietnam – Fiscal balance (% GDP)



Source: Bloomberg, KB Securities Vietnam

Some large equitization and divestment deals with strong impact on the market may happen next year including: the equitization of Agribank (AGR), Mobifone and divestment of Viglacera (VGC), Vietnam National Textile & Garment Group (VGT) and Viet Nam Steel (TVN).

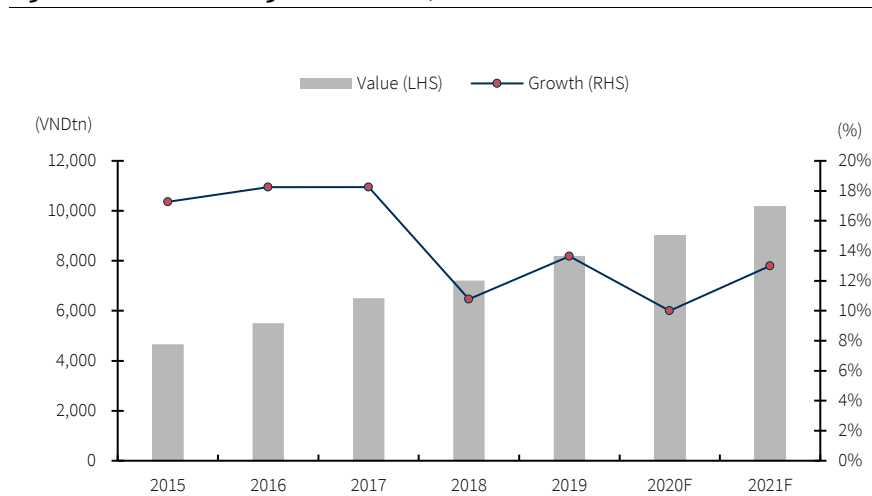
### 3. Easing monetary policy & accelerated public disbursement

Direct beneficiaries: banks, real estate, construction-related companies.

We expect credit growth to be more favorable in 2021 thanks to the post-pandemic recovery of credit demand and the more openness in banks' lending criteria given better macro conditions may minimize the risk of bad debt (Figure 20). Easing monetary policy maintained by the State Bank given the forecast of low inflation risk leads to high NIM in banks. This will facilitate commercial banks to increase net interest income, and fees from services would extend its rising momentum when supported by bancassurance segment. Although the expiration of Circular 01/2020 may increase banks' non-performing loan ratio and provision, these impacts will not be too great and banks will take the initiative in making provisions given well-insulated COVID-19.

A positive credit channel will boost real estate industry and related industries such as construction and materials, especially when the supply of real estate products is projected to increase next year.

**Fig 20. Vietnam – Credit growth (VND bn, %)**



Source: General Statistics Office, KB Securities Vietnam

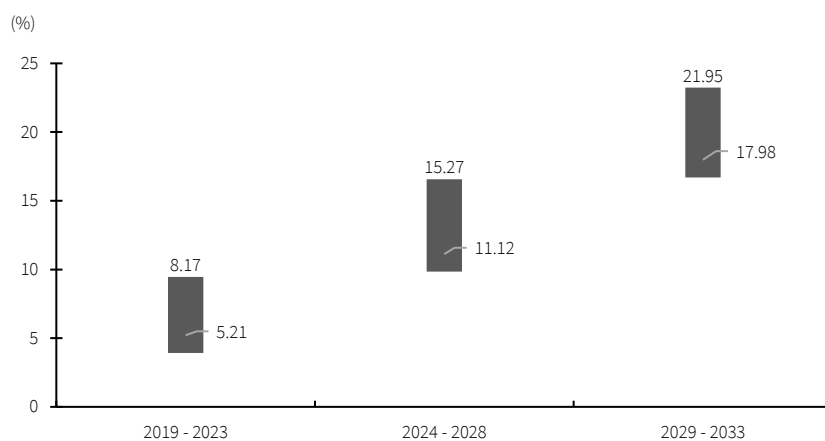
In addition, the expansionary fiscal policy and expedited public investment in 2021 should help to maintain a high demand for building materials. For key public investment projects such as the North-South highspeed railway, winning the PPP contracts will be a booster for business performance for developers.

Direct beneficiaries: agriculture, fisheries, textiles and chemicals.

The RCEP and EVFTA signed this year and the previous CPTPP would benefit domestic exporters as many tariffs should be cut down gradually according to the roadmap (Figure 21).

In fact, these FTAs have not shown many obvious good effects as major trading partners are reeling from the COVID-19, leading to lower investment demand. With the expectation that the disease will be better controlled in 2021, the actual effect of the FTAs on exporting enterprises should be stronger and become a key support to the main beneficiaries.

**Fig 24. Vietnam – Forecast export turnover to EU given effective EVFTA**



Source: Ministry of Planning and Investment, Ministry of Industry and Trade, and KB Securities Vietnam



# Industries

Residential (VHM, DXG)

Industrial real estate

Power (HND)

Banks (MBB, TCB)

Ports (NCT, SCS)

Information Tech (FPT)

Fisheries (VHC)

Oil & gas (GAS)

Retailing (MWG, PNJ)

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December 24, 2020

**Positive** maintain

**Recommendations**

<b>Dat Xanh Group (DXG)</b>	<b>BUY</b>
Current price	VND15,000
Target price	VND17,300

<b>Vinhomes (VHM)</b>	<b>BUY</b>
Current price	VND86,300
Target price	VND111,000

# Residential real estate

## Acceleration expected

### Residential real estate market remained resilient amid COVID-19

COVID-19 and difficulties in project legal procedure negatively affected markets in Hanoi and HCM city, the numbers of new launched and sold condominium unit in 9M of 2020 were only one third of 2019. The positive ratio of new launched/sold remained high, ~96% in HCM and 107% in HN. Price level unchanged in Hanoi and increased ~6% in HCM. Residential markets developed significantly in suburban/seaside provinces such as Dong Nai, Binh Duong, Binh Dinh, and Quang Ninh... Land lot, vacation villas/condotel were products that attracted investment cashflow and were well-transacted.

### Public investment in infrastructure, decreasing interest rate will be motivation for residential demand in 2021

Long Thanh international airport, North-South expressway and other infrastructure projects are expected to develop in 2021 via public investment. Those will trigger the demand for real estate investment. Low interest rate also encourages people to use mortgage in 2021.

### Difficulties in project legal procedure expect to be handled in 2021, boost supply, especially in HCM

We expect supply of residential real estate in HCM market will recover after significant 2-year reduction. Vietnam government as well as HCM authority have proposed several initiatives to accelerate the process of project legal procedure approval. With new term of government in state level and local level come into operation in 2021, we expect that the process of legal procedure approval will be accelerated in second half of 2021.

### Recommendation

We see opportunities in companies that have large clear landbank, will fully legal approval, possess launched projects that have high absorption rate, and can book revenue, profit in 2021. Such tickers are VHM, DXG, NLG, KDH.



# Vinhomes (VHM)

## Accelerating the delivery of three mega projects

December 24, 2020

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### Vinhomes is the leading real estate company in Vietnam

Vinhomes successfully maintains its leading position in residential real estate market with a large land bank of 153 million m<sup>2</sup>. In addition, a portfolio of 22 projects, especially three mega urban projects in Hanoi, Ho Chi Minh City and key cities would help the company ensure profit growth and maintain market share in the coming years. Vinhomes' real estate projects have a great competitive advantage thanks to Vingroup ecosystem.

### The growth force comes from the three mega projects and low-rise projects in Hanoi area

Growth drivers come from the three mega projects with impressive sales results and implementation progress. We estimate the company would launch 41,800 products in 2020E, of which 40,700 units come from the three ongoing mega projects. The total value of new contracts signed during the year from three major projects and the Symphony project is estimated at VND83 trillion. In 2021, VHM is launching some low-rise projects include: Wonder Park (Dan Phuong), Dream City (Hung Yen).

### Vinhomes would focus on delivering units in the three mega projects

The number of apartments handed over and recorded to the total revenue in 2020 reached 38,709 units, beating the year plan by 28%, of which 35,200 units came from three mega projects.

### Recommendation: BUY – Target price: VND111,000 per share

Based on business prospects and valuation, we maintained our BUY recommendation.

## Buy maintain

<b>Target price</b>	<b>VND111,000</b>
Upside/downside (%)	29%
Current price (Dec 24, 2020)	VND86,300
Consensus target price	VND101,800
Mkt capitalization (VNDbn)	283.9/12.3

#### Forecast earnings & valuation

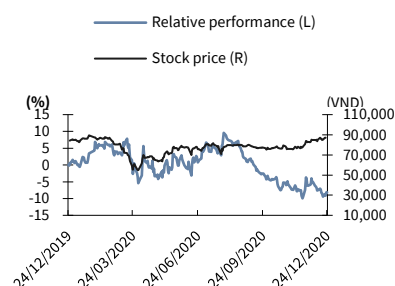
Fiscal year-end	2018A	2019A	2020F	2021F
Net return (VNDbn)	38,664	51,626	82,284	89,099
Earnings/loss (VNDbn)	19,725	29,715	37,557	37,834
NP attributable to parent (VNDbn)	14,284	21,747	26,199	26,572
EPS (VND)	4,503	6,502	7,822	7,933
EPS growth (%)	139.6	44.4	20.3	1.4
P/E (x)	18.6	12.2	11.0	11.0
P/B (x)	6.1	4.7	3.4	2.5
ROE (%)	49.0	38.5	37.2	26.5
Dividend yield (%)	1.3	na	na	na

#### Trading data

Free float (%)	29.1%
Avg trading value (3M)	121.9/5.2
Foreign available (%)	13.8
Major shareholder	Vingroup (72.31%)

#### Share price performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	4.4%	13.7%	12.2%	2.5%
<b>Relative</b>	6.1%	17.3%	25.3%	11.4%



Source: Bloomberg, KB Securities Vietnam

# Dat Xanh Group (DXG)

## Strong growth starts in 2021

December 24, 2020

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### Business result in 9M2020 strongly reduced due to loss in LDG divestment

Business result of DXG in 3Q2020 has not yet improve much because the revenue from Gem Skyworld has not booked yet. In 9M2020, DXG revenue reached 1,877 VNDbn, NPAT was -388 VNDbn. Disappointing results was due to decrease in core businesses: (1) brokerage business was affected by Covid-19; (2) There is none project delivered during this period to recognize revenue; (3) Provision of 526 VNbn for loss from selling 88 million shares of LDG.

### Profit is expected to sturdily recover in 2021 with several delivered projects

Profit starts to grow strongly in 2021 when 2,100 apartments will be delivered in three projects: Gem Sky World, St. Moritz and Opal Boulevard. We expect in 2021, DXG will recognize revenue of 5,500 VND bn from those projects. Besides, to avoid the difficulties in HCM legal procedure approval, DXG has developed projects in other provinces such as Binh Duong and Dong Nai to assure the business results as well as cash flow.

### Recommendation: BUY – Target price: VND17,300/share

Based on DXG business outlook and share valuation, we continue to recommend Buy for DXG, target price is VND17,300/share, upside 29%.

## Buy maintain

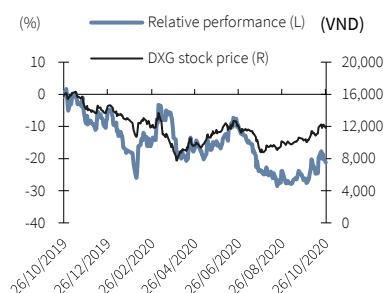
<b>Target price</b>	<b>VND17,300</b>
Upside/downside (%)	15%
Current price (Dec 24, 2020)	15,000VND
Consensus target price	13,600VND
Mkt capitalization (VNDbn)	8/347

<b>Trading data</b>	
Free float (%)	82.7%
Avg trading value (3M)	48.3/2.1
Foreign available (%)	14%
Major shareholder	Mr Luong Tri Thin (6.25%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>DXG</b>	16	14	16	-23
<b>VN-INDEX</b>	5	10	19	-5

### Forecast earnings & valuation

Fiscal year-end	2018A	2019A	2020F	2021F
Net return (VNDbn)	4,645	5,814	4,724	7,426
Earnings/loss (VNDbn)	2,107	2,310	1,178	2,227
NP attributable to parent (VNDbn)	1,178	1,217	703	1,395
EPS (VND)	3,265	2,269	1,352	2,682
EPS growth (%)	36	-31	-40	98
P/E (x)	3.05	4.39	8.73	4.40
P/B (x)	0.70	0.74	0.64	0.54
ROE (%)	22	16	10	16
Dividend yield (%)	0	5	0	0



Source: Bloomberg, KB Securities Vietnam

# Industrial real estate

## Bright outlook

### Residential real estate market remained resilient amid COVID-19

In short-term, COVID-19 has slowed down the FDI capital flow in 2020 and expect to do that in 1H2021. Total FDI registered in 11M2020 reached 26.4 USD bn, -16.9%YoY. Newly registered FDI reached 13.6 USD bn, -7.6%YoY, but without Bac Lieu LNG project in January, the newly registered FDI decreased 34% YoY. FDI disbursement was 17.2 USD bn, -2.4%YoY. Those number indicate the influence of COVID-19 to project investment decisions or investment progress of foreign investor. We think that Covid-19 still affect the demand for industrial real estate in 1H2021, when international flight still cannot be resumed.

### Bright long term outlook

In long term, industrial real estate is a sector that benefit the most from FDI wave, thank to FTAs such as CPTPP, EVFTA, RCEP... and the manufacturing sector transition wave out of China. Along with that, domestic companies' recovery and expansion also drive up the demand for industrial real estate such as industrial land or ready built factory. Limited supply also pushes the price up in recent years. Occupancy maintains high in industrial parks located around economic centers such as Hanoi and HCM city.

### Price continue to rise in near future

In recent years, industrial land price in most of all provinces of Vietnam has increase significantly, in some specific provinces, land price increased 50-100%. The reasons are increasing demand and limited supply in some provinces that have advantages of logistics, labor and legal procedures. We expect this trend continue to maintain in 2021 when tenants come to Vietnam more regularly after Covid-19 is controlled.

### Stock price has increase sharply during 2020

Industrial real estate stock price has increase sharply and outperform the market in 2020, despite the fact that most of companies in the sector has decreasing business performance. We think that the stock increase in 2020 has significantly reflect the outlook of industrial real estate sector. Some recommended tickers for 2021 are KBC, VGC, PHR.

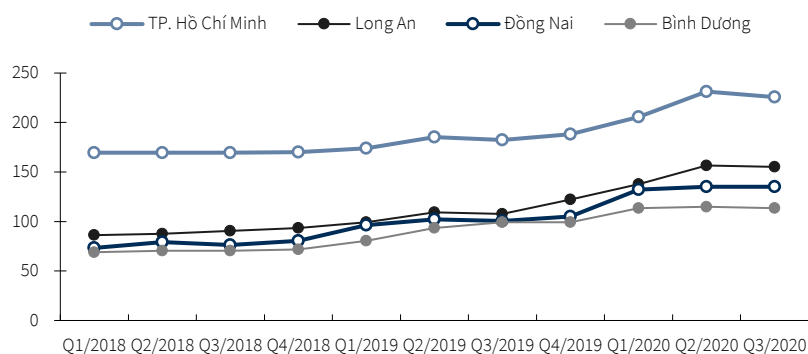
December 24, 2020

## Positive

 maintain

Industrial land price in HCM city and surrounding area increased rapidly since 2018. Industrial land price in Long An has biggest rise, ~77% in 2 year.

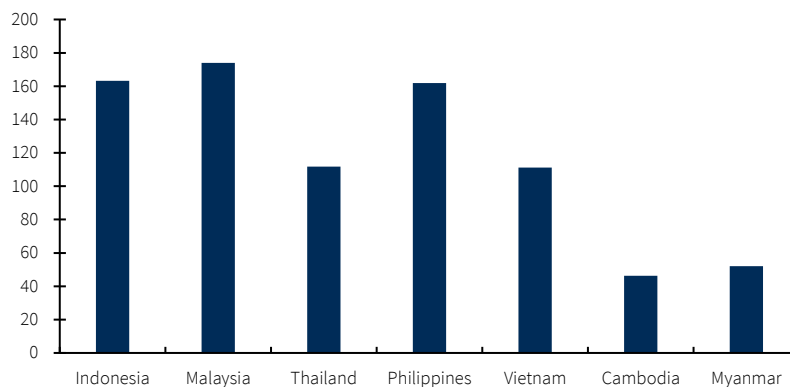
Fig 54. Vietnam – Industrial land price (USD/m<sup>2</sup>)



Source: CBRE

Industrial land price in Vietnam is relatively cheap in the ASEAN region

Fig 65. Asian countries – Average industrial land price (USD/m<sup>2</sup>)



Source: Cushman & Wakefield

# Power

## Positive long-term outlook

### Electrical consumption has been improved thanks to effective anti-epidemic measures

The Covid-19 epidemic had a negative impact on the electricity demand, however, thanks to the drastic and effective anti-epidemic measures of the Government of Vietnam, therefore the production and business activities were resumed which led to recovery of the demand for electricity and maintained its upturn momentum. In October 2020, the output reached 20.23 bn kWh, a slight decrease of 1% compared to the same period due to storms and floods affecting the power system and supply in the Central region, but accumulated in 10 months 2020, the supply and import electricity of the whole system reached 205.6 bn kWh, increase 2.3% YoY.

### Probability of La Nina phenomenon, growth driver for hydropower

According to forecasts of National Oceanic and Atmospheric Administration (NOAA), the El Nino phenomenon has ended and the La Nina has been appearing with a 95% probability occurring in Q1/2021 and 65% probability in 2Q2021, result in higher rainfall, which is favorable for hydropower plants.

### Business operation risks

In our opinion, there are 3 major risks to the business activities of power generation enterprises: 1) the risk of weather changes because hydroelectricity is a cheap source, so it is always priority to mobilize. When the hydrological situation is good, hydropower companies will benefit, thermal power will be affected and vice versa; 2) The risk related to the supply of input materials such as coal and gas due to the exhaustion of domestic supplies leads to power plants do not have enough input materials to generate electricity; 3) The risk of re-signing the power purchase agreement after the plants have passed the loan repayment period.

### Investment highlights for electricity enterprises in 2021

Investment highlights for the power sector include: 1) The return of *La nina* with a probability of happening over 95% in the first quarter of 2021 and over 65% in the second quarter of 2021 will be favorable for power plants, after 2 years severely affected by El Nino phenomenon such as SJD, TMP, CHP...; 2) Many power plants are gradually reducing the majority of loans each day, helping to improve interest expenses and business results. After paying off the loan, the cash flow to equity of businesses will be very large and will likely increase the ability to pay cash dividends such as PPC, NT2, HND, QTP, POW...; 3) Some enterprises have also exhausted their fixed assets or fully allocated the exchange rate differences arising from the capital

December 24, 2020

## Positive watching

### Recommendations

<b>Hai Phong Thermal Power (HND)</b>	<b>BUY</b>
Current Price	VND18,700
Target Price	VND22,500

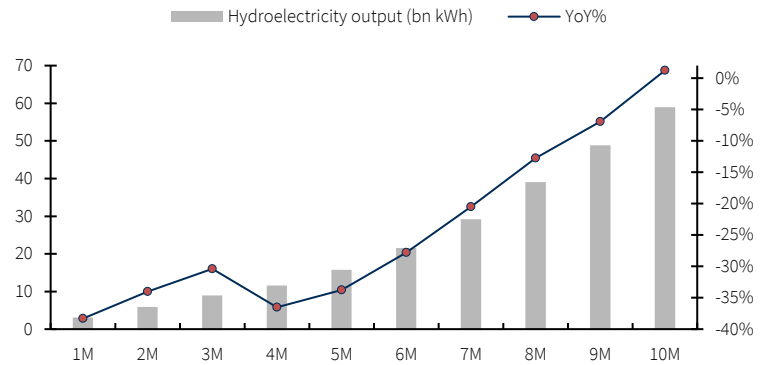
<b>Quang Ninh Thermal Power (QTP)</b>	<b>HOLD</b>
Current Price	VND11,000

<b>Nhon Trach 2 (NT2)</b>	<b>HOLD</b>
Current Price	VND23,450

<b>Vinh Son – Song Hinh Hydropower (VSH)</b>	<b>HOLD</b>
Current Price	VND18,600

Due to the impact of the El Nino phenomenon in the first 7 months of 2020, causing a serious decline in hydropower production, however, the El Nino phenomenon has ended, along with the return of the La Nina phenomenon at the end of 2020 and then 2021 will benefit hydropower companies

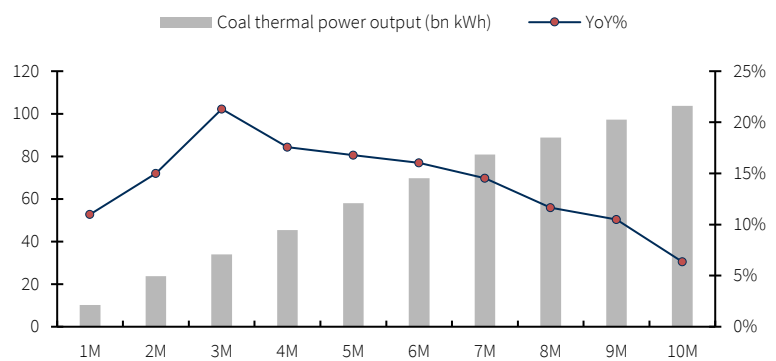
**Fig 76. Vietnam – Cumulative growth of hydroelectricity output by month in 2020 (bn kWh, % YoY)**



Source: Vietnam Electricity, KB Securities Vietnam

The output mobilized from thermal power grew high in the first 6 months of 2020, but there was a slowdown, although coal thermal was still focused on mobilizing due to power shortage

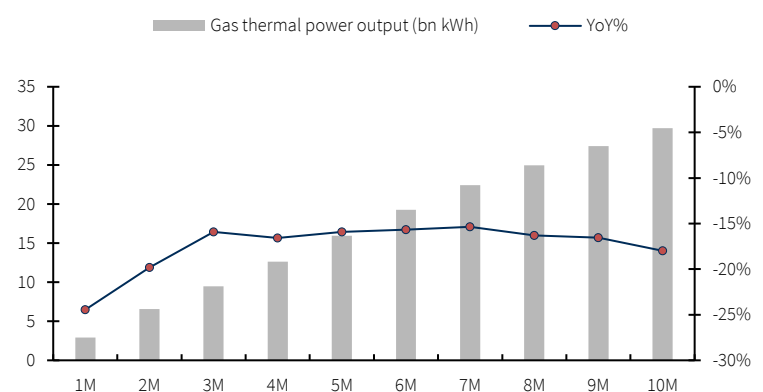
**Fig 87. Vietnam – Cumulative coal thermal power output growth by month in 2020 (bn kWh, % YoY)**



Source: Vietnam Electricity, KB Securities Vietnam

The gas shortage continued, the electricity and gas output mobilized maintained a decrease of about 17% YoY

**Fig 28. Vietnam – Growth in cumulative gas thermal power output by month in 2020 (bn kWh, % YoY)**



Source: Vietnam Electricity, KB Securities Vietnam

# Hai Phong Thermal (HND)

## Positive outlook

December 24, 2020

Power & Construction Material Analyst

Nguyen Ngoc Hieu

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**Accumulated revenue and net profit 9M2020 of HND reached VND2,286 billion and VND921 billion, up 4.4% YoY and 51.5% YoY respectively.**

**3Q20 net profit margin was 11.6%, increasing from 9% in 3Q19**

**Payments for loans in foreign currencies helped to improve the company financial health**

**There is a risk of lower electricity prices after the negotiation**

**We recommend to BUY HND shares**

In 3Q2020, HND's revenue reached VND2,286 billion, down 1.7% due to a decrease of 162 million kWh of electricity output YoY, and accumulated 9M2020 revenue reached VND8,437. 3Q earnings were VND175 billion, up 88.4% YoY, and accumulated 9M2020 earnings reached VND921 billion, up 51.5% YoY.

The profit margin in 3Q2020 of HND was 11.6% compared to 9% in the third quarter of 2019, 2.6% higher. Revenue decreased slightly over the same period, but cost of goods sold decreased much more than the decrease in revenue, so HND's gross profit reached VND266 billion, up 26.7% compared to 3Q2019.

Repayment of foreign currency loan balance helps reduce interest expense and exchange rate difference risk. Each year, HND pays nearly VND1800 billion, this trend will continue to make the company's financial situation more and more healthy.

After paying off the loan, HND will renegotiate the electricity price with EVN at a lower price. We estimate that the electricity price in the PPA contract in 2021 will reach 1,534 VND / kWh, a decrease of 50 VND, thus the revenue in 2021 is estimated at 10,590 billion VND, down 6.7% compared to 2020.

We recommend BUY for HND shares, target price is 22,500 VND/share, 22.2% higher than the closing price on December 24, 2020.

**Buy** maintain

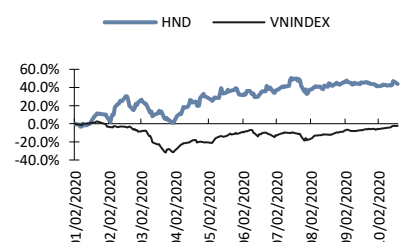
<b>Target price</b>	<b>VND22,500</b>
Up/down (%)	21%
Current price (Dec 24)	VND 18,600
Consensus target price	VND 23,500
Market cap (VNDbn/USDmn)	9,250/402

<b>Trading data</b>	
Floating (%)	14.03%
3M trading value (VNDbn)	3.37
Foreigner ownership (%)	0.04%

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>HND</b>	-1.1	-4.1	15.4	40.5
<b>VNINDEX</b>	4.7	9.6	18.7	-4.0

### Forecast earnings & valuation

FY	2018A	2019A	2020F	2021F
Revenue (VNDbn)	9,527	11,301	11,349	10,590
Net profit (VNDbn)	450	1,240	1,357	936
NP attributable to parent (VNDbn)	425	1,173	1,281	884
EPS (VND)	850	2,345	2,562	1,767
EPS growth (%)	7.5%	175.9%	9.2%	-31%
P/E (x)	21.7	7.8	7.2	10
P/B (x)	1.6	1.5	1.4	1.5
ROE (%)	7.8%	19.7%	19.8%	14.2%



Source: Bloomberg, KB Securities Vietnam

# Banks

## Higher credit growth and NIM in 2021E

### Credit growth is expected to reach 12–14% following the economy recovery

According to the State Bank of Vietnam, as of November 27, 2020, credit growth of the whole economy reached 8.46% compared to the end of 2019, of which the period from September to November contributed 3.71%. KBSV expects credit growth in 2020 to reach 11% based on businesses boosting business activities at the end of the year with the policies of cutting interest rates from the State Bank. For 2021, we forecast credit growth to reach 12–14% as most economic sectors are forecasted to recover.

### NIM 3Q2020 was 3.54%, down 2bps

Within the range of 15 researched listed banks, CASA has been significantly improved, leading to a relatively high decrease in cost of funds rate of the leading commercial banks, but state-owned commercial banks have not changed much while VCB increased making the weighted average cost of fund rate in 3Q2020 reach 4.72%, unchanged from the beginning of the year. Meanwhile, the average IEA yield of 3Q2020 was 8.08%, down 9 bps YTD, making NIM 3Q2020 to reach 3.54%, down 2 bps YTD. We expect the industry's NIM 2021 to rebound thanks to low cost of funds.

### Total provision in 9M2020 increased by 22.9% YoY. Provisioning pressure will continue to be high in 2021

In 9M2020, banks boosted provisioning, mainly used for bad debt settlement with total new provision in 9M2020 up 22.9% YoY and debt settlement increased by 22.8% YoY. However, under the influence of the Covid-19, bad debt continued to be complicated with the 3Q2020 NPL ratio reaching 1.78%, up 9 bps QoQ, of which TCB, VIB and NVB rarely reduced bad debt ratio significantly. NPL coverage ratio in 3Q2020 reached 89.3%, an increase of 0.5% QoQ, of which TCB, VCB and ACB have the highest coverage ratio (> 100%), the rest are quite conservative in raising provision due to low NPAT growth. In KBSV's point of view, pressure on provisioning will continue to be high in 2021 after restructuring debts are reclassified according to Circular 01/2020/TT-NHNN.

December 24, 2020

## Positive

### Recommendations

Techcombank (TCB)		BUY
Current price	VND27,950	
Target price	VND29,920	

Military Bank (MBB)		BUY
Current price	VND27,950	
Target price	VND29,920	

**NII in 2021 is expected to be positive thanks to bancassurance and extraordinary income.**

Non-interest income 2021 is expected to be positive: 1) service fees and bancassurance have recovered thanks to increased awareness of risk levels after the Covid-19 and the proportion of the Vietnam population using insurance is much lower compared to other countries in Asia, 2) extraordinary income can come from upfront fee of exclusive bancassurance (CTG, ACB, TPB) as well as divestment from subsidiaries (VPB, SHB).

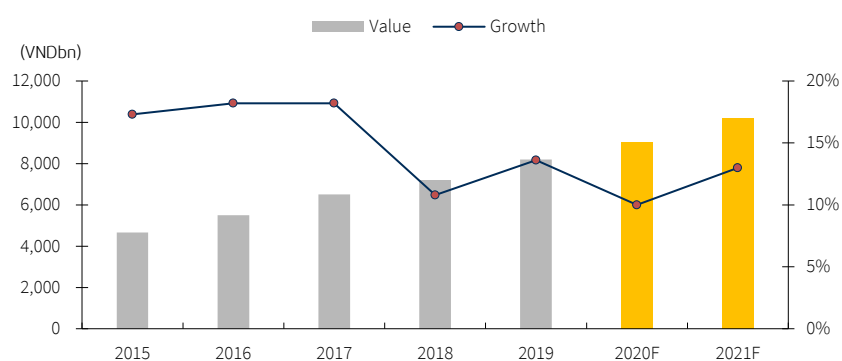
### **VCB, TCB, CTG, VPB, SVB are our investment choices in 2021**

Banks that have good fundamentals, have made large provisions and have a lot of investment highlights such as changing exchanges, recording extraordinary income etc, in 2021 are appropriate investment opportunities, including VCB, TCB, CTG, VPB, ACB.

KBSV expects credit growth in 2020 will reach 10% based on accelerating disbursement of banks in the last months of the year.

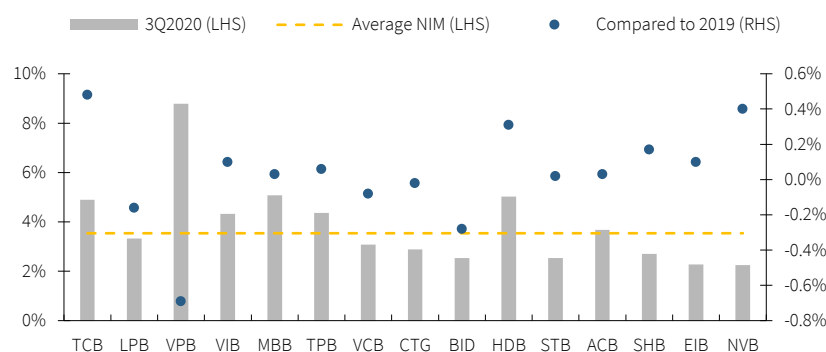
We expect credit growth in 2021 will reach 13% based on: (1) the recovery of enterprises after Covid-19, boosting demand for loans; (2) low credit in 2020

**Fig 99. Vietnam – Forecast credit growth of the bank system (VNDbn, %)**



Source: FiinPro, KB Securities Vietnam

**Fig 30. Vietnam – NIM of banks in 3Q20 (%)**

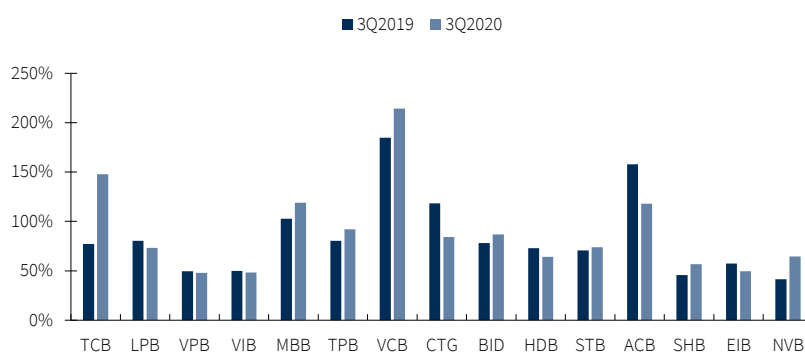


Source: Banks' financial statements, KB Securities Vietnam

TCB, MBB, VCB and ACB are banks that are currently maintaining NPL coverage ratio > 100%.

Low-provisioning banks such as VPB, VIB, SHB, EIB, and NVB will be under considerable provision pressure in 2021.

**Fig 31. Vietnam – NPL coverage ratio of banks in 3Q20**



Source: Banks' financial statements, KB Securities Vietnam

# Military Bank (MBB)

## Digital banking drives growth in 2021

December 24, 2020

IT, Logistics & Financials Analyst  
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In 9M2020, NPAT is VND6,596 billion, up 7.4% YoY

In 9M2020, net interest income was VND 14,484 billion, up 10.5% YoY; NPAT reached VND 6,596 billion, up 7.4% YoY. The results are due to: (1) Credit growth; (2) Earning from bancassurance.

NPL ratio is 1.5%, up 30 bps YTD. Accelerate provisioning with coverage ratio of 118.9%

NPL ratio in 3Q2020 reached 1.5%, up 10 bps QoQ and up 30 bps YTD, due to the sharp increase in group 4 and 5 of debt. Because of the impact of the Covid-19 epidemic on the economy, MBB accelerated its provisioning in 9M2020 with a debt coverage ratio of 118.9% (+ 8.4% YTD), the highest level in the past 5 years.

P/B of MBB is lower than average

P/B of MBB is 1.29, lower than Top JSC banks average P/B (1.5x) and average of all banks (1.6x).

NPAT 2020 – 2021 is expected to increase 3.3% YoY and 14.7% YoY, respectively, due to pushing digital banking

KBSV forecasts that MBB's credit growth will reach 16.7% in 2020 and 17% in 2021, respectively thanks to more borrowing to recover from the Covid-19 epidemic of enterprises. NPAT in 2020 is expected to increase by 3.3% YoY, reaching VND 8,331 billion; NPAT in 2021 will be 9,554 billion VND, up 14.7% YoY.

Recommend BUY, target price is VND28,900/share

We recommend to BY MBB. Target price is 28,900 VND/share, 27% higher than the price at December 24, 2020.

**Buy** initial

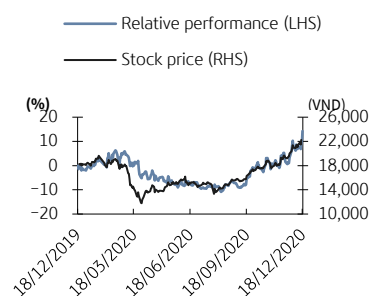
<b>Target price</b>	<b>VND28,900</b>
Total return (%)	27%
Current price (Dec 24, 2020)	VND 22,800
Consensus target price	VND 25,100
Mkt capitalization (USDbn)	2.55

<b>Trading data</b>	
Free float (%)	61.8%
Avg trading value (3M)	USD 7.8mn
Foreign ownership (%)	23.01
Major shareholder	Viettel (14.14%)

<b>Share price performance</b>				
(%)	1M	3M	6M	12M
TCB	14.7	32.8	53.1	26.5
VNIndex	7.8	17.0	22.1	11.6

### Forecast earnings & valuation

Fiscal year-end	2018A	2019A	2020F	2021F
Revenue (VNDbn)	14,583	18,000	19,797	23,058
EBIT	10,805	14,927	16,099	18,528
NP attributable to parent (VNDbn)	6,113	7,823	8,123	9,315
EPS (VND)	2,829	3,596	3,418	3,921
EPS growth (%)	45%	27%	-5%	15%
P/E (x)	7.6	6.0	6.3	5.5
BVPS (VND)	15,817	16,810	20,957	24,780
PBR (x)	1.36	1.28	1.03	0.87
ROE (%)	19.4%	21.8%	18.3%	17.1%
Dividend yield (%)	0.9%	0.9%	0.87%	0.87%



Source: Bloomberg, KB Securities Vietnam

# Techcombank (TCB)

## Boost provision but still maintain NPAT growth

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December 24, 2020

In 9M2020, NPAT is VND8,575 billion, up 20.6% YoY

In 9M2020, net interest income was VND 13,295 billion, up 28.4% YoY; NPAT reached VND 8,575 billion, up 20.6% YoY. The results are due to: (1) improved NIM; (2) Earnings from banking and investment banking service.

Credit growth expectation from real estate loans in the period 2021–2023

TCB's real estate loan (excluding mortgage loans for individuals) increased sharply in 2019 and continued to increase by 37.8% YTD in 9M2020. With high growth prospects of real estate in the coming years, there is still a lot of room to grow real estate loans.

CASA is improved, reaching 38.6%, the highest in the bank system

TCB's CASA 3Q2020 ratio is 38.6%, up 1.4% YTD which is the highest CASA ratio in the system along with the best CASA growth in the first 9 months of the year. High CASA thanks to E-Banking growth and attractive customer service policies.

1st rank in corporate bond investment and investment banking service income.

TCB is the leading bank in terms of corporate bond investment, accounting for 22.6% of the total corporate bond balance of the whole system and the leader in revenue from underwriting fees and securities issuance advisory fee (mainly bonds) with market share reached 81% in 9M2020. There is room for TCB to develop a corporate bond segment as the market size of Vietnam bond markets still much lower than in other countries.

Recommend HOLD, target price is VND29,920/share

We recommend to HOLD TCB. Target price is 29,920 VND/share, 7% higher than the price at December 24, 2020.

## Hold initial

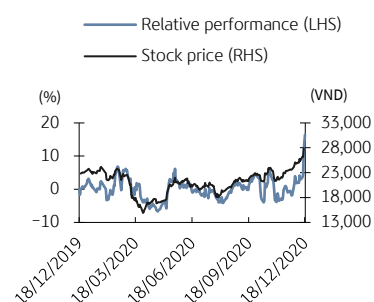
<b>Target price</b>	<b>VND 29,920</b>
Total return (%)	7%
Current price (Dec 24)	VND 27,950
Consensus target price	VND 30,300
Mkt capitalization (USDbn)	4.49

<b>Trading data</b>	
Free float (%)	85%
Avg trading value (3M)	USD 12.3mn
Foreign ownership (%)	22.51
Major shareholder	Masan (14.98%)

<b>Share price performance</b>				
(%)	1M	3M	6M	12M
TCB	24.8	27.8	43.5	28.1
VNIndex	7.8	17.0	22.1	11.6

### Forecast earnings & valuation

Fiscal year-end	2018A	2019A	2020F	2021F
Revenue (VNDbn)	11,390	14,258	17,969	19,700
EBIT	12,507	13,756	17,289	20,252
NP attributable to parent (VNDbn)	8,463	10,075	11,016	13,067
EPS (VND)	3,816	2,871	3,228	3,829
EPS growth (%)	-35.9%	19.8%	17.7%	17.9%
P/E (x)	6.2	8.2	7.3	6.2
BVPS (VND)	14,809	17,734	20,882	24,615
PBR (x)	1.6	1.3	1.1	1.0
ROE (%)	21.5%	18.0%	16.7%	16.8%
Dividend yield (%)	0.1%	0.1%	0.1%	0.1%



Source: Bloomberg, KB Securities Vietnam

# Container ports

## Benefit from supply chain relocation and import-export growth

### The seaport industry has positive growth prospects in the long term

Vietnam is one of the countries which have the most impressive container throughput growth rates in the world. Container throughput of Vietnam has a CAGR 5 years of 10.9%, the highest in the top 6 largest container throughput countries in South East Asia. We expect CAGR of 9% to be maintained in the next 5 years based on: (1) World trade activities recover from Covid-19; (2) FDI inflows continue to flow into Vietnam; (3) Effects of FTA agreements; (4) Shifting global supply chains.

### Performance of Hai Phong port cluster recovered well in 3Q2020

In 3Q2020, the total tonnage throughput of Hai Phong port cluster increased by 7.1% YoY thanks to the recovery of total import-export turnover, up 9.9% YoY compared to Q2020, down 8.4% YoY. This is a good sign that commercial activity has started to grow again after being strongly affected by the Covid-19. In addition, the transport system has improved thanks to seaport infrastructure fee in Hai Phong, thereby speeding up shipping process.

### Downstream ports are under strong competitive pressure from Lach Huyen port cluster

The total tonnage throughput of Lach Huyen port in 3Q2020 increased by 37.4% YoY, causing lower throughput of many downstream ports such as DVP, VSC, and GMD. According to the plan of the Ministry of Planning & Investment, berths no 3 and 4 in Lach Huyen will come into operation by the end of 2023 and berths no 5&6 will be operational by 2025, putting a lot of pressure on downstream port. Notably, in 2021, the People's Committee of Hai Phong City will decide the contractor for the no.5&6 berth project in Lach Huyen. If VSC or GMD win this project, it will be a long term positive factor.

### Positive prospect of Cai Mep – Thi Vai port cluster with the appearance of Gemalink

The connecting infrastructure problem in the Cai Mep – Thi Vai port cluster is gradually being resolved. Recently, the Phuoc An bridge project connecting Cai Mep – Thi Vai seaport with the southern expressway has been approved with a total investment of VND5,000 billion. In addition, the Bien Hoa – Vung Tau expressway investment plan has also been finalized in 2 phases with a total investment of VND23,693 billion.

December 24, 2020

## Positive

### Recommendations

Noi Bai Cargo (NCT)		BUY
Current price	VND69,900	
Target price	VND87,000	

Saigon Cargo Service (SCS)		BUY
Current price	VND126,500	
Target price	VND148,500	

The problem of infrastructure is being solved, causing the growth prospect of Cai Mep–Thi Vai port cluster become more attractively. According to information collected by KBSV, the total container throughput of Cai mep – Thi Vai reached 5.4 million TEUs in 9M2020 and is expected to reach 7.2 million TEUs in 2020, exceeding the designed capacity of 6.8 million TEU. In addition, the Gemalink port project with a capacity of 1.5 million TEU is completing the final steps to put into operation in early 2021.

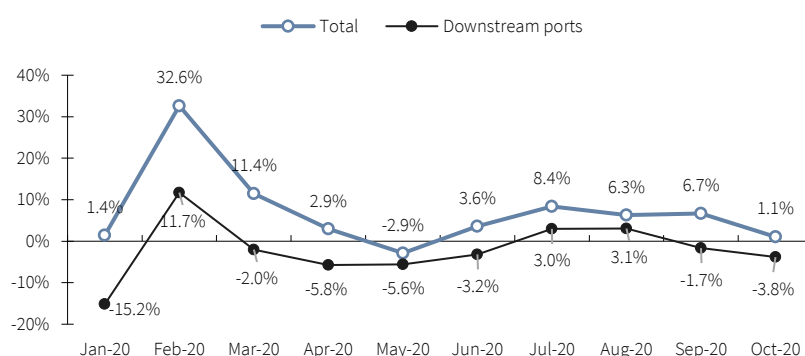
### The airport industry benefits from import and export growth

In 11M2020, although affected by the Covid-19, imports still increased by 1.6% YoY and exports increased by 5.4% YoY. Some air cargo products including high value products, easily perishable such as mobile phones, computers or products need fast transit time to ensure quality and market trends such as seafood and textiles have high import and export growth. In KBSV's point of view, the airport industry will have positive prospect based on: (1) signed FTA agreements promote import-export growth; (2) Shifting the supply chain from China to Vietnam. An example is that Apple decided to move part of the production line of Macbook and Ipad from China to Vietnam.

Total tonnage throughput in Hai Phong port cluster maintained growth of 6.3% YoY.

The growth driver still comes from Lach Huyen port cluster, while the remaining ports declined in 7 months.

Fig 32. Hai Phong port cluster – Tonnage throughput growth in 10M2020

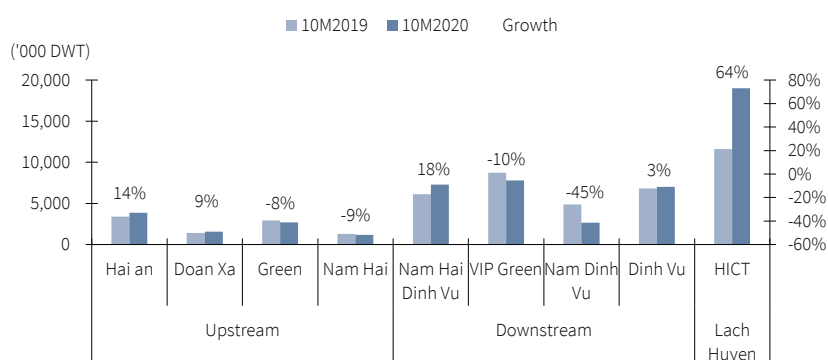


Source: Maritime administration of Hai Phong, KB Securities Vietnam

Differentiation took place at the ports downstream as well as upstream.

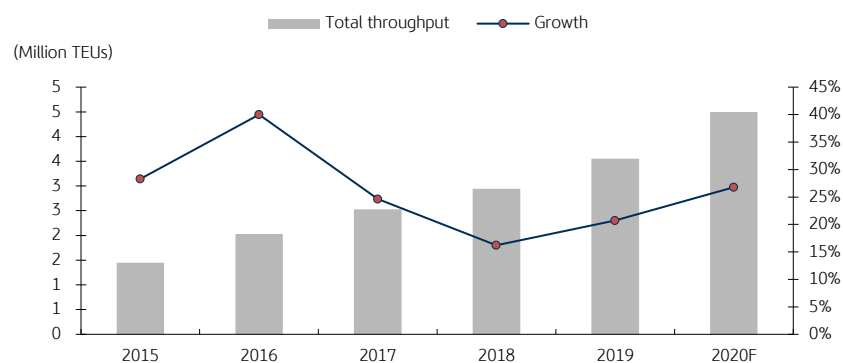
VSC's ports all experienced a decrease in tonnage throughput. Meanwhile, GMD's Nam Dinh Vu port throughput plummeted due to the loss of large customers.

Fig 33. Hai Phong port cluster – Tonnage throughput growth in ports 10M2020



Source: Maritime administration of Hai Phong, KB Securities Vietnam

**Fig 34. Cai Mep – Thi Phai port cluster – Tonnage throughput growth in 10M2020**

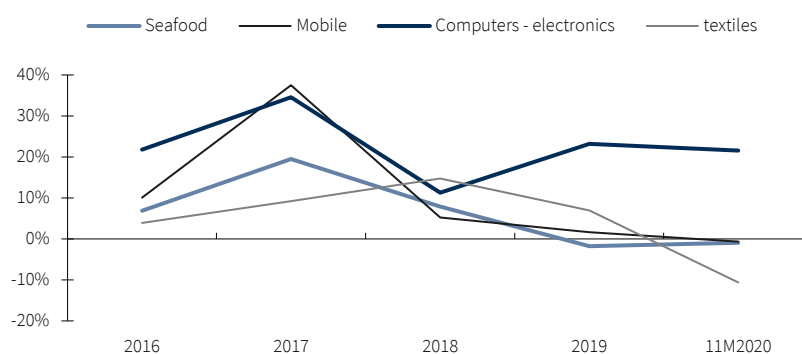


Source: Vungtau Maritime Administration, KB Securities Vietnam

**Fig 35. Vietnam – Import-export growth of air cargo products**

Except for electronic products which still maintained a high growth rate (+ 22%), other products such as Seafood, Textiles, and Telephones all decreased import and export turnover due to the impact of Covid-19.

Positive growth prospect of these products in 2021 is expected based on: (1) Covid-19 will be resolved after vaccination; (2) Low value base in 2020.



Source: General Statistics Office, KB Securities Vietnam

# Noi Bai Cargo (NCT)

## Maintain high dividend yield

December 24, 2020

IT, Logistics & Financials Analyst  
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**NCT is currently the largest air cargo terminal operator at Noi Bai International Airport**

Noi Bai Cargo Terminal Service (HSX: NCT) is the biggest air cargo terminal operator with a 2019 market share of 57% in Noi Bai International Airport. Facing large barriers to entry, cargo terminal operators all have already had familiar customers, so NCT should maintain a high market share in the coming years.

**9M2020, revenue and NPAT decreased by 6.6% YoY and 11.6% YoY, respectively**

9M2020 NPAT were VND154 billion (down 11.6% YoY) on revenue of VND476 billion (down 6.6% YoY). The main reason for the company's loss was a decline in gross profit margin to 47.6% from 50.1% in 2019.

**Long-term growth driver comes from the ACSV – CT2 cargo terminal expansion project, anticipating the recovery of cargo volume after the COVID-19 pandemic**

ACSV – CT2 cargo terminal is ACSV's cargo terminal expansion project with a total capacity of 200,000 tons each year, including two floors. ACSV will likely let NCT lease the entire first floor and a part of the second floor. Having more space for business operation should be the growth force of NCT the long term when demand for services increases. ACSV – CT2 should come into operation in early 2021.

**NCT has a history of paying high dividends**

NCT is one of the businesses paying the highest dividends on both exchanges with an average dividend payout ratio of 91% in the last five years. NCT decided to pay an 85% ratio in 2019 and plan to pay a 75% ratio in 2020 (30% advance in September 2020)

**We recommend to BUY NCT shares**

We recommend to BUY NCT shares with the target price of VND87,000 per share, 24.4% higher than the closing price on December 24, 2020.

**Buy** maintain

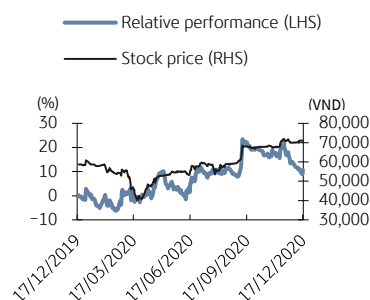
<b>Target price</b>	<b>VND 87,000</b>
Total return (%)	24.4%
Current price (Dec 24)	VND 69,900
Mkt capitalization (USDbn)	0.08

<b>Trading data</b>	
Free float (%)	37.9%
Avg trading value (3M)	USD 0.08mn
Foreign ownership (%)	11.2
Major shareholder	HVN (55.1%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>NCT</b>	0.3	5.8	26.2	20.9
<b>VNIndex</b>	7.8	17.0	22.1	11.6

### Forecast earnings & valuation

Fiscal year-end	2018A	2019A	2020F	2021F
Revenue (VNDbn)	690	699	630	692
EBIT	298	274	228	262
NP attributable to parent (VNDbn)	241	221	183	210
EPS (VND)	9,210	8,422	6,983	8,032
EPS growth (%)	-11.7%	-8.6%	-17.1%	15%
P/E (x)	7.7	8.4	8.9	7.7
PBR (x)	4.3	3.6	3.4	3.4
ROE (%)	55.5%	42.9%	38.5%	44.2%
Dividend yield (%)	13%	7%	12%	11%



Source: Bloomberg, KB Securities Vietnam

# Saigon Cargo (SCS)

## Short-term decline due to COVID-19

December 24, 2020

IT, Logistics & Financials Analyst  
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**9M2020, revenue and NPAT declined by 9.7% YoY and 8.5% YoY, respectively**

9M2020, revenue reached VND 495.4 billion, down 9.7% YoY; gross profit margin reached 78.2%, down slightly by 110 bps over the same period; NPAT reached VND 221.2 billion, down 8.5% YoY.

**Cargo terminal expansion project is delayed due to covid-19**

Due to the impact of the Covid-19, the plan to invest in the second phase of the cargo terminal to increase capacity from 200,000 tons/year to 350,000 tons/year is delayed until throughput growth returns. Cargo terminal expansion will ensure that additional demand is met, thereby sustaining SCS's long-term growth.

**Long-term growth driver comes from the ACSV – CT2 cargo terminal expansion project, anticipating the recovery of cargo volume after the COVID-19 pandemic**

SCS is in the process of negotiating to invest in (1) a cargo terminal operator at Noi Bai International Airport and (2) an enterprise operating in the southern air logistics chain. There is currently no specific information about the company in talks with SCS. The successful M&A deals will bring new growth engine in the long term for SCS.

**NCT has a history of paying high dividends**

SCS pays cash dividends with dividend yield of 4.7% – 6.2% at the price on December 18. With strong cash flow and no debt incurred in business operations, we believe that SCS will continue to maintain a high cash dividend ratio in the coming years.

**We recommend to BUY SCS shares**

We recommend to BUY SCS shares with the target price of VND148,500 per share, 17.5% higher than the closing price on Dec 24, 2020.

**Buy** maintain

<b>Target price</b>	<b>VND 148,500</b>
Total return (%)	17.5%
Current price (Dec 24)	VND 126,500
Market consensus price	VND 130,500
Mkt capitalization (USDbn)	0.28

### Forecast earnings & valuation

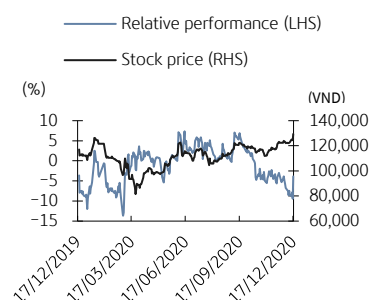
Fiscal year-end	2018A	2019A	2020F	2021F
Revenue (VNDbn)	675	748	647	739
EBIT	469	540	474	540
NP attributable to parent (VNDbn)	437	502	439	501
EPS (VND)	7,645	8,725	7,625	8,702
EPS growth (%)	26.9%	14.1%	-12.6%	14.1%
P/E (x)	16.9	14.8	17.0	14.9
PBR (x)	8.4	7.4	6.8	6.3
ROE (%)	49.40%	50.01%	40.19%	42.01%
Dividend yield (%)	6.1%	5.6%	5.4%	6.2%

### Trading data

Free float (%)	37.9%
Avg trading value (3M)	USD 0.08mn
Foreign ownership (%)	11.2
Major shareholder	HVN (55.1%)

### Share price performance

(%)	1M	3M	6M	12M
SCS	0.3	5.8	26.2	20.9
VNIndex	7.8	17.0	22.1	11.6



Source: Bloomberg, KB Securities Vietnam

# Information technology

## High growth prospect in 2021

December 24, 2020

**Outsourcing segment is affected by the Covid-19, but there are good signs of recovery from the number of new contracts.**

Software outsourcing growth declined in 3Q2020 due to Covid-19 which reduced the global demand for technology spending. However, the high number of new contracts in 3Q2020 promises a good growth recovery in 2021. As in the case of FPT, 11M2020 newly signed revenue reached VND 11,581 billion, up 23.6% YoY.

### Positive growth prospects for software outsourcing in the long term

The potential growth of software outsourcing is still positive due to (1) high global demand. Software outsourcing does not require a high level of brainpower, but a large number of employees, so many countries are in shortage of personnel. (2) Vietnam's low labor cost for software engineers compared to other countries (24% lower than India and 54% lower than China), which is a major competitive advantage. However, increasing personnel costs due to the market competitiveness may affect businesses' growth potential, which needs to be followed closely in the long term.

### Improved performance thanks to digital transformation

Gross profit margin of technology segment is expected to be improved in the medium term when firms are promoting digital transformation, thereby streamlining costs, improving product quality, being more trusted by partners, having more contract with higher margin.

### Broadband internet is still the main growth driver of Telecom segment

The broadband internet segment maintained its growth despite the COVID-19 outbreak. In 11M2020, the number of new subscribers reached 1.75 million, up 8.6% YoY. This segment may grow further in the long term, but profit margin should go down because (1) Internet fees in the provincial market are usually lower due to customers' low incomes; and (2) companies without official and stable infrastructure will have to outsource, thereby increasing operating costs

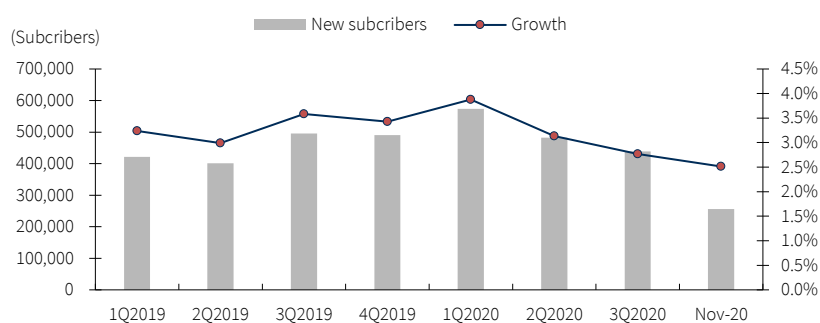
## Positive

### Recommendations

<b>FPT Group (FPT)</b>	<b>BUY</b>
Current price	VND57,000
Target price	VND76,000

New broadband subscriber growth in 3Q2020 while slowdown in October–November

**Fig 36. Vietnam – Fixed broadband subscriber growth (QoQ)**

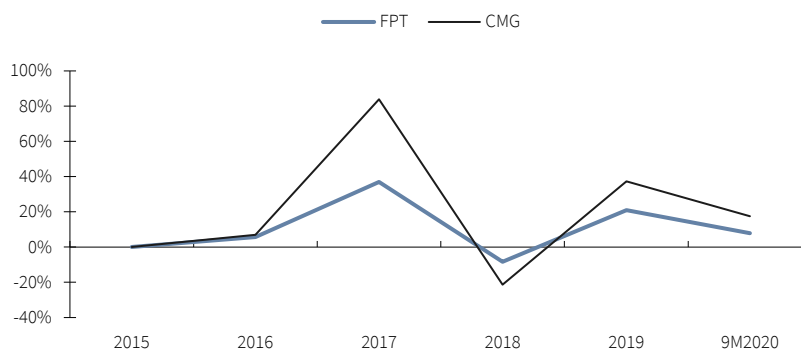


Source: KB Securities Vietnam

FPT & CMG still maintained NPAT growth but lower compared to 2019 because the demand for software outsourcing was affected by the Covid-19.

KBSV expects that NPAT growth in 2021 of FPT & CMG will be better than 2020 based on: (1) The number of new contracts increases strongly; (2) The low profit base of 2020

**Fig 37. FPT & CMG – NPAT growth in 2015 – 9M2020 (YoY)**



Source: KB Securities Vietnam

# FPT Group (FPT)

## Maintain growth despite Covid-19

December 24, 2020

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**In 9M2020, revenue and NPAT increased by 8% YoY and 7.9% YoY, respectively**

Revenue in 3Q2020 reached VND 7,553 billion, up 5.9% YoY, NPAT was VND 1,148 billion, down 1% YoY. In 9M2020, revenue reached VND 21,164 billion, up 8% YoY. In which, technology revenue increased by 5.8% YoY, Telecommunication increased by 9.9% YoY and Education & Investment increased by 18% YoY. 9M2020 NPAT is VND 3,170 billion, up 7.9% YoY.

**Software outsourcing growth was less affected by the Covid-19**

The growth is lower in main outsourcing markets of FPT such as Japan and the US due to the influence of Covid-19 translation. Meanwhile, APAC market increased impressively by 44% YoY. The number of new contracts signed as of 9M2020 reached VND 9,595 billion, up 21% YoY. KBSV expects that there are positive signals when vaccines are available, FPT's software export revenue will return to double-digit growth in 2021 when covid-19 is resolved thanks to vaccines.

**Telecommunication revenue increased by 9.9% YoY, thanks to broadband Internet segment**

Telecommunication revenue increased by 9.9% YoY thanks to the growth of subscribers, especially during the outbreak when the demand for internet increased strongly. In addition, the Pay TV segment has reached breakeven point and started to contribute to the profit of Telecommunication sector.

**We recommend to BUY FPT shares**

We recommend to BUY FPT shares with the target price of VND76,000 per share, 33.6% higher than the closing price on December 24, 2020.

**Buy** maintain

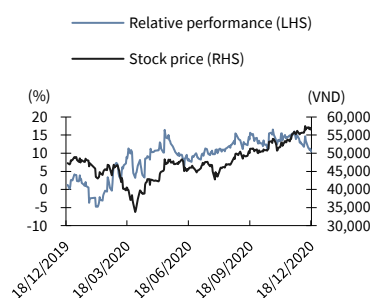
<b>Target price</b>	<b>VND 76,000</b>
Total return (%)	33.6%
Current price (Dec 24)	VND 57,000
Consensus target price	VND 67,900
Mkt capitalization (USDbn)	1.94

<b>Trading data</b>	
Free float (%)	75.5%
Avg trading value (3M)	USD 4.9mn
Foreign ownership (%)	49
Major shareholder	Truong Gia Binh (7.1%)

<b>Share price performance</b>				
(%)	1M	3M	6M	12M
<b>FPT</b>	3.1	11.4	24.0	20.5
<b>VNIndex</b>	7.8	17.0	22.1	11.6

### Forecast earnings & valuation

Fiscal year-end	2018A	2019A	2020F	2021F
Revenue (VNDbn)	23,214	27,717	29,937	35,565
EBIT	3,361	4,205	4,952	5,754
NP attributable to parent (VNDbn)	2,620	3,135	3,562	4,177
EPS (VND)	4,270	4,622	4,544	5,329
EPS growth (%)	-22.7%	8.2%	-1.7%	17.3%
P/E (x)	13.3	12.3	12.5	10.7
PBR (x)	2.8	2.8	2.7	2.3
ROE (%)	21.9%	23.3%	23.0%	23.3%
Dividend yield (%)	3.8%	3.3%	4.3%	5.0%



Source: Bloomberg, KB Securities Vietnam

# Fisheries

## Shrimp gains momentum, pangasius turns positive

### Renewed momentum in shrimp exports should continue into 2021E

We expect the renewed momentum in shrimp exports from 4Q should continue into 2021E as: 1) Vietnam gains share in major overseas markets amid on-going disruptions from the coronavirus in rival countries; 2) the EVFTA removed the 4.2% import tariff on frozen shrimp to help boost demand in this price sensitive market, and 3) the Tokyo Summer Olympic Games boost consumption from Japan in mid-2021E. November shrimp exports reached USD395 million or up 28% YoY during seasonally strong 4Q holiday quarter and maintaining positive growth since February. Total shrimp exports for the first eleven months of the year increased by 14% YoY to USD3.5 billion.

### Pangasius exports expected to turn positive in 2021E amid recovering ASPs

With negative export growth slowed to 4% YoY in November from October's 5% YoY and September's 18% YoY drops, we continue to believe pangasius exports to turn positive in 2021E from: 1) higher ASPs when farm-gates prices have risen to VND22,000 per kg from 3Q's VND18,000 per kg; and 2) recovering export volumes when COVID-19 vaccines are released to the public. Vietnam's overall pangasius exports reached USD1.34 billion for the first eleven months of the year or down 24% YoY due to 1) prices stabilizing to more sustainable levels from 2018's record highs; and 2) this year's pandemic-induced contraction in exports across overseas markets.

### Take short-term profits on MPC and switch holdings to VHC

Despite strong shrimp exports, we continue to recommend investors take short-term profits on Minh Phu Corp (MPC, HOLD, TP VND31,700) due to negative outcome from its US antidumping probe and switch holdings to Vinh Hoan Corp (VHC, BUY, TP VND 56,100) as the most leveraged to our expected 2021E turnaround in pangasius exports with most farming ponds having global quality standards and enjoying zero antidumping tariff in the US.

### Risks: 25 percent US import tariffs; China's tighter disinfection guidelines

Possible 25 percent tariffs imposed on Vietnamese imports following Vietnam being officially labelled as a currency manipulator can have a meaningful impact on Vietnam's fishery exporters. Moreover, recently China's additional disinfection protocols for cold-chain products – that are likely to stay in place until 2Q 2021E – extended customs clearing to 20-30 days.

December 22, 2020

## Positive maintain

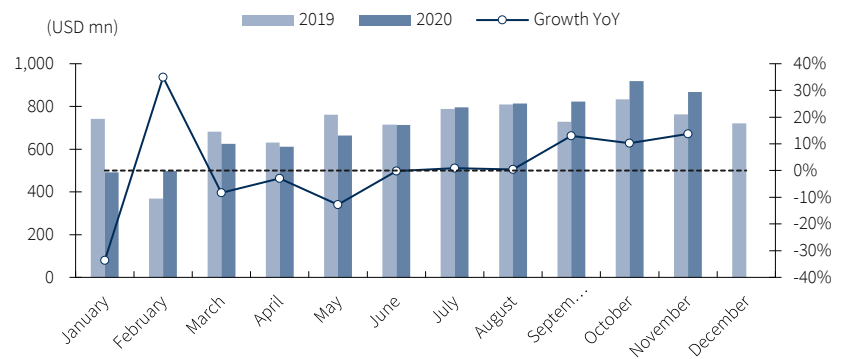
### Recommendations

<b>Vinh Hoan Corporation (VHC)</b>	<b>BUY</b>
Current price	VND41,250
Target price	VND56,100

<b>Nam Viet Corporation (ANV)</b>	<b>BUY</b>
Current price	VND21,900
Target price	VND21,700

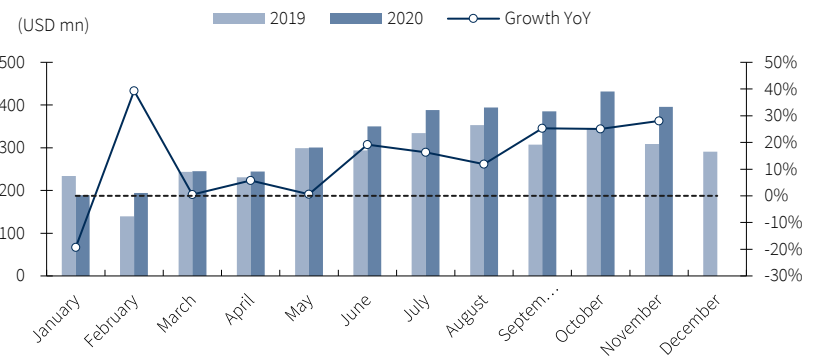
<b>Minh Phu Corporation (MPC)</b>	<b>HOLD</b>
Current price	VND28,800
Target price	VND31,700

**Fig 38. Vietnam – Monthly overall fishery export values & growth, January 2019–November 2020 (million USD, % YoY)**



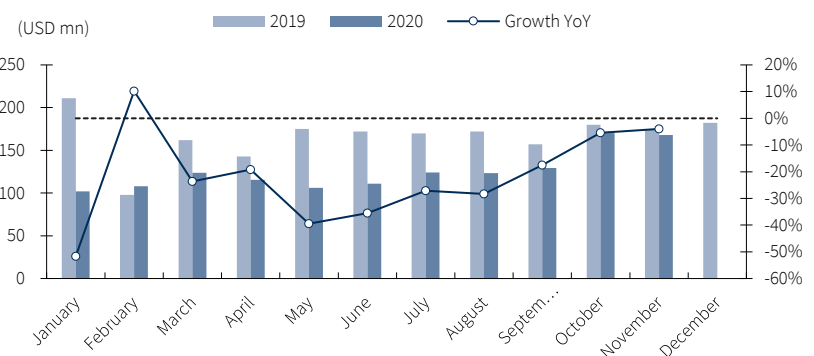
Source: Vietnam Association of Seafood Exporters & Producers, KB Securities Vietnam

**Fig 39. Vietnam – Monthly shrimp export values & growth, January 2019–November 2020 (million USD, % YoY)**



Source: Vietnam Association of Seafood Exporters & Producers, KB Securities Vietnam

**Fig 39. Vietnam – Monthly *pangasius* export values & growth, January 2019–November 2020 (million USD, % YoY)**



Source: Vietnam Association of Seafood Exporters & Producers, KB Securities Vietnam

# Vinh Hoan Corp (VHC)

## China's tighter import rules hit November exports

December 12, 2020

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**November pangasius sales flat but weak feed trading leads to modest drop in overall revenue**

**China disruption hits hard but hopeful signs of recovery in the EU**

**Already met pessimistic sales guidance; Maintain BUY at VND56,100 target price**

November revenue down 6% YoY to VND660 billion as feed trading fell by 64% YoY to VND15 billion. Pangasius sales were flat at VND475 billion (-1% YoY) due largely to the sharp drop in China shipments. Farmers remain reluctant to start new crops given uncertainty in export markets, despite farm-gate prices for mature pangasius now at VND22,000 per kg from 3Q's VND18,000 per kg. Sales from wellness products dipped by 10% YoY to VND42 billion but continue to perform well since Oct 2019.

On a sequential basis, November sales were down by 10% MoM after China imposed tighter disinfection guidelines on frozen food imports on November 10, which extended customs clearing to 20-30 days and led to a 28% MoM and 20% YoY drop in China exports to VND150 billion. Sales to the most important US market were up 3% MoM to VND250 billion amid further recovery in ASPs that are still down 8% YoY due to the pandemic. Exports to the EU market were up 27% MoM and 85% YoY to VND89 billion and have recovered since September after the second wave.

We reiterate our BUY rating on Vinh Hoan Corp (VHC, BUY, TP VND56,100) as our sector top pick and the most leveraged to our expected 2021E turnaround in pangasius exports. VHC's total revenue reached VND6,500 billion for the first eleven months of the year or down 8% YoY and already met the management's pessimistic guidance and being inline with consensus. That said, the negative impacts from Vietnam being officially labelled as a currency manipulator may weigh on share price performance as VHC's exports rely heavily on the US market.

**Buy** maintain

**Target Price VND56,100**

Total return (%)	40.8%
Current price (Dec 24, 2020)	VND41,250
Consensus target price	VND51,200
Mkt capitalization (USDmn)	325

### Trading data

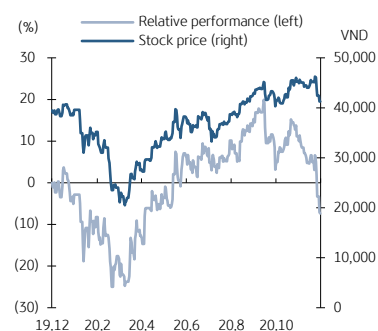
Free float (%)	50.2%
Avg trading value (3M)	USDmn 1.41
Foreign available (%)	67.9%
Major shareholders (%)	Truong Thi Le Khanh (43.2%)

### Share price performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	-8.8	-4.0	8.0	4.6
<b>Relative</b>	-16.7	-19.7	-13.2	-7.4

### Forecast earnings & valuation

Fiscal year-end	2019A	2020E	2021E	2022E
Revenue (VNDbn)	7,867	7,373	9,218	10,882
EBIT	1,132	859	1,256	1,604
NP attributable to parent (VNDbn)	1,179	840	1,174	1,472
EPS (VND)	6,430	4,583	6,401	8,026
EPS growth (%)	(18.2)	(28.7)	39.7	25.4
P/E (x)	7.0	9.9	7.1	5.6
EV/EBITDA (x)	7.0	8.3	6.2	4.9
P/B (x)	1.7	1.6	1.4	1.2
ROE (%)	26.5	16.5	20.9	23.2
Div yield (%)	2.3	4.4	6.6	7.7



Source: Bloomberg, KB Securities Vietnam

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# Oil & Gas

## Downstream companies continue to recover

### Downstream companies continue to recover in 2021E

PV Gas (GAS, BUY, TP VND89,200) remains our top pick for the oil & gas sector as Vietnam shifts to natural gas and LNG imports as the country's principal energy source for power generation. We expect GAS's earnings to recover in 2021E from higher expected Brent oil prices of USD48 per barrel (versus 2020E's average of USD41 per barrel). Petrolimex (PLX, BUY, TP VND59,800) should benefit from the steady recovery in retail pump prices and ex-factory prices, as well as strategic expansion of more profitable directly owned gas stations and greater use of convenience stores to boost revenue from the gas station network. Binh Son refinery (BSR, BUY, TP VND8,100) finished its regular two-month maintenance shutdown at the Dung Quat refinery in October 2020 and we expect recovery in ex-factory prices to drive margin recovery in the coming quarters. We expect PV Trans (PVT, BUY, TP VND16,800) will continue to recover in 2021E and be able to successfully buy a used VLCC within this year to extend its long-term crude oil contract with Nghi Son Refinery (currently using a ship leased from SK Shipping (Unlisted) for low profitability/margins).

### Cautious outlook on upstream operators amid weak oil prices

We remain cautious on upstream operators such as PV Technical Services (PVS, HOLD, TP VND11,000) and PV Drilling & Well Services (PVD, HOLD, TP VND9,600) due to the slow recovery in oil prices – which are still below South East Asia's USD55.00 breakeven – that risks project delays that may negatively impact the profitability of upcoming project contracts. PVD is actively seeking contracts for its jackup rigs amid weak Brent oil prices as most existing projects for the jackup rigs are completed by 1H 2021E and the company would depend on its TAD (tender assisted drilling) rig from 2H 2021E. PVS has no big new projects as weak oil prices force many operators to delay drilling projects, while two offshore gas projects in the EPC division – Sao Vang-Dai Nguyet and Gallaf-Al Shaheen – are nearing completion.

### Risks: delayed privatizations & gas project approvals

Free floats are low for most stocks in Vietnam's oil & gas sector due to delayed privatizations. Approvals for the country's large gas fields are several years behind schedule. Moreover, gas projects approvals also put at risk Vietnam's huge LNG infrastructure investments due to the potential size of production from the new fields that could tip the local market into oversupply.

December 23, 2020

**Neutral** maintain

#### Recommendations

<b>PV Gas (GAS)</b>	<b>BUY</b>
Current price	VND84,700
Target price	VND89,200 VND

<b>Petrolimex (PLX)</b>	<b>BUY</b>
Current price	VND53,100
Target price	VND59,800

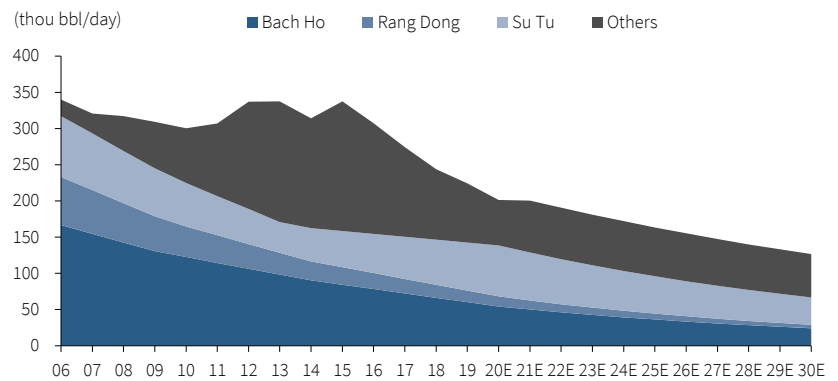
<b>PV Transportation (PVT)</b>	<b>BUY</b>
Current price	VND13,200
Target price	VND16,800

<b>Binh Son Refining (BSR)</b>	<b>BUY</b>
Current price	VND9,600
Target price	VND8,100

<b>PV Technical Services (PVS)</b>	<b>HOLD</b>
Current price	VND16,100
Target price	11,000

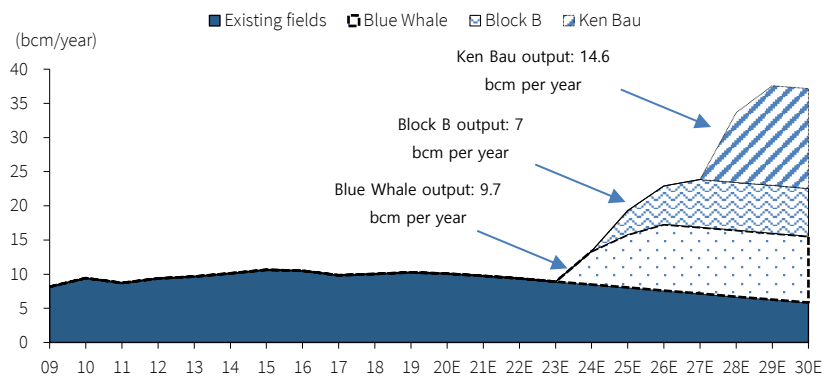
<b>PV Drilling (PVD)</b>	<b>HOLD</b>
Current price	VND14,500
Target price	VND9,600

**Fig 41. Vietnam – Production output by field, 2006–2030E (thousand barrels per day)**



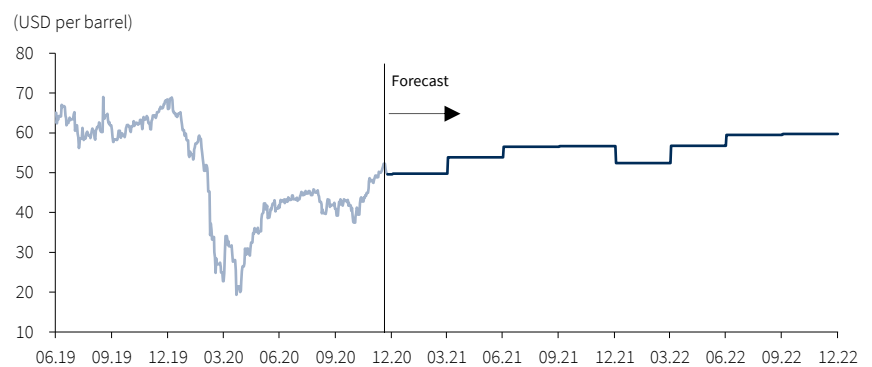
Source: General Statistics Office of Vietnam, KB Securities Vietnam

**Fig 410. Vietnam – Natural gas production by basin for existing fields & potential output from new mega projects, 2019–2030E (billions of cubic metres/year)**



Source: PV Gas, KB Securities Vietnam

**Fig 43. Global – Brent crude oil prices & forecasts, Jun 19–Dec 22E (USD per barrel)**



Source: Bloomberg, KB Securities Vietnam

# PV Gas (GAS)

## Modest miss to preliminary full-year earnings

December 21, 2020

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**Preliminary 4Q earnings down 46% YoY and 19% lower than our forecasts amid a shortfall in gas output**

Preliminary 4Q earnings (before minorities) for GAS could be down by 46% YoY to VND1,636 billion on a 3% YoY increase in revenue to VND17,557 billion. Should this estimate reflect actual results, 4Q earnings would miss our forecast by 19% amid a shortfall in wet natural gas output. The General Statistics Office of Vietnam estimated that wet natural gas output fell by 21% YoY in October and 16% YoY in November. That said, selling prices have remained firm and should more than offset lower volumes to explain topline sales that beat our quarterly forecast by 12%.

**Small miss to full-year expectations and consensus**

On an annual basis, preliminary earnings before minorities of VND7,883 billion would be down 35% YoY and miss our 2020E forecast by 4.6%, while sales of VND66,183 billion would be down 12% YoY but 3% ahead of our forecast and consensus. Full-year performance would also exceed the company's annual target by 19% but the company is well-known for beating guidance by 40%-50%.

**Maintain Buy and 12-month target price of VND89,200**

We reiterate our BUY rating on our top pick PV Gas (GAS, BUY, TP VND89,200) as Vietnam shifts to natural gas and LNG imports as the country's principal energy source for power generation. Recovery in natural gas volumes is already underway, with the Nam Con Son 2 pipeline project entering full operations in December following November's startup of the Sao Vang field. Moreover, phase one of GAS's Thi Vai LNG terminal is ahead of schedule and should begin commercial operations by 2022E.

**Buy** maintain

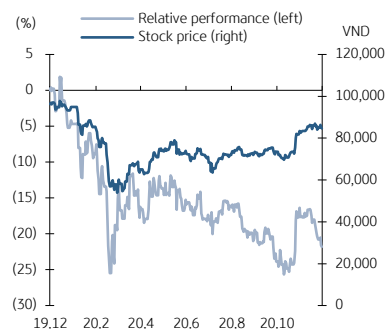
<b>Target price</b>	<b>89,200 VND</b>
Total return (%)	8.6%
Current price (Dec 21, 2020)	84,900 VND
Consensus target price	82,100 VND
Mkt capitalization (USDmn)	7,010

<b>Trading data</b>	
Free float (%)	4.2%
Avg trading value (3M)	3,59tr.USD
Foreign available (%)	45.9%
Major shareholders (%)	PetroVietnam (95.8%)

<b>Share price performance</b>				
(%)	1M	3M	6M	12M
	1.4	16.5	14.6	-12.0
	-6.5	-1.5	-7.8	-21.8

### Forecast earnings & valuation

Fiscal year-end	2019A	2020E	2021E	2022E
Revenue (VNDbn)	75,005	64,242	74,820	89,785
EBIT	13,649	9,158	14,114	16,786
NP attributable to parent (VNDbn)	11,902	8,092	11,560	13,726
EPS (VND)	6,219	4,228	6,040	7,171
EPS growth (%)	3.9	(32.0)	42.8	18.7
P/E (x)	13.6	20.0	14.0	11.8
EV/EBITDA (x)	9.3	12.2	8.6	7.2
P/B (x)	3.3	3.5	3.3	3.0
ROE (%)	24.7	16.9	24.2	26.7
Div yield (%)	5.2	3.5	5.2	6.1



Source: Bloomberg, KB Securities Vietnam

# Retailing

## Positive industry outlook with recovery trend

December 23, 2020

### Positive industry outlook with continued recovery trend

Retail sales of consumer goods and services in November continued its recovery trend, up 2% MoM and 9% YoY according to data from the General Statistics Office of Vietnam, of which retail sales increased the most with a 13% YoY increase showing that people's shopping demand has picked up again, especially the year-end festival season. On a year-to-date basis, total retail sales of consumer goods and services increased by 2% YoY to VND4,591 trillion. Accumulated retail sales of goods increased by 6% YoY to VND6,630 trillion, accounting for 79% of the total retail sales of goods and services in 11 months, of which the F&B industry increased the most by 11% YoY.

### MWG and PNJ recovered and outperformed industry competitors

In 2021, under the scenario that the Covid-19 pandemic does not recur in Vietnam, the retail industry is expected to recover. This has been partly shown in MWG as November revenue increased by 8% YoY and profit increased by 12% YoY. Although demand for non-essential goods dropped, the overall revenue of TGDD and DMX remained flat and BHX revenue continued to grow by 71% YoY in November. The mobile phone and electronics sales still showed signs of recovery thanks to: 1) successful new phone launches (Apple iPhone 12 and Samsung Note 20); 2) special promotional campaigns for Single's Day and Black Friday; and 3) aggressive expansion of the DMX mini/supermini format stores. For PNJ, November revenue continued to grow by 8% YoY. PNJ is outperforming competitors in the industry when retail sales in November increased by 22% YoY and gold bar sales increased by 16% YoY while wholesale sales decreased by 19% YoY. The company's gross profit margin in November remained at 20% from a year ago. We expect that in the coming time, consumers' demand will continue to grow well and move towards modern commerce, whereby retail stocks that take advantage of both offline and online channels will benefit.

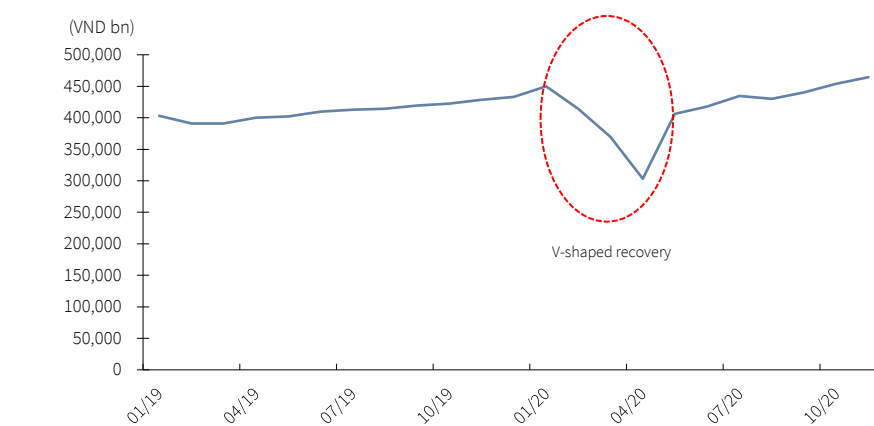
### Risks: Covid-19 epidemic breaks out again in Vietnam

In the scenario of the Covid-19 pandemic that continues to break out in Vietnam, affecting the recovery of consumer demand for non-essential products, the retail industry will continue to be affected, reducing retail sales and slowing down the opening of new stores of retail chains.

## Positive

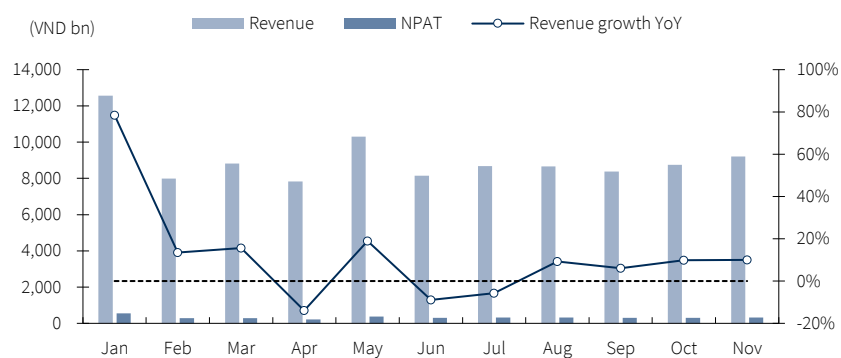
Recommendations	
<b>Mobileworld (MWG)</b>	
Current price	N/A
Target price	VND119,900
<b>Phu Nhuan Jewelry (PNJ)</b>	
Current price	N/A
Target price	VND119,900

**Fig 44. Vietnam – Total retail sales and services, Jan 2019–Nov 2020 (VNDbn)**



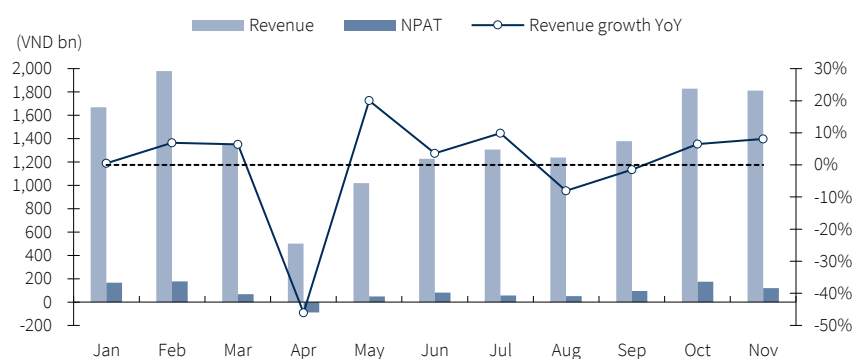
Source: General Statistics Office

**Fig 45. MWG – Revenue, NPAT and revenue growth YoY, Jan–Nov 2020 (VNDbn, % YoY)**



Source: Mobile World Investment, KB Securities Vietnam

**Fig 46. PNJ – Revenue, NPAT and revenue growth YoY, Jan–Nov 2020 (VNDbn, % YoY)**



Source: Phu Nhuan Jewelry, KB Securities Vietnam

# Mobileworld (MWG)

## November earnings up double digits

December 22, 2020

Consumer & Retailing Analyst  
 Dao Phuc Phuong Dung  
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### November earnings up double digits and positive accumulated earnings growth

November earnings up 12% YoY to VND316 billion on VND9,202 billion in revenue that rose by 8% YoY due to positive contributions from the *Bach Hoa Xanh* grocery chain and *Dien May Xanh* consumer electronics chain. Year-to-date earnings showed positive growth at VND3,599 billion or 104% of management's full-year target and 93% of the 2020E consensus. Accumulated revenue reached VND99,304 billion and up 7% YoY or 90% of management's annual goal and 91% of the 2020E consensus.

### Continuing focus on expanding Dien May Xanh Supermini (DMS) stores and Bluetronics

MWG continues to focus on expanding the supermini format for consumer electronics with a record 62 new openings in November for a total of 169 stores. DMS stores are now recording footfalls in 37 of 63 cities focusing on rural provinces throughout Vietnam. Sales reached VND450 billion at the end of November or about VND1 billion in monthly sales per store and 1% of all *Dien May Xanh* sales but the new stores are quickly becoming the main format to achieve management's aggressive market share target. MWG's *Bluetronics* stores selling mobile phones and consumer electronics in Cambodia also reached 29 locations with average sales per store at VND1.2 billion per month.

### Management confident to achieve double-digit growth for both top and bottom line in 2021E

MWG's Board of Directors will submit a 2021E business plan for approval at the next general shareholders' meeting that includes an annual revenue target of VND125,000 billion or 14% YoY increase and earnings goal of VND4,750 billion or 38% YoY growth.

**N/A**

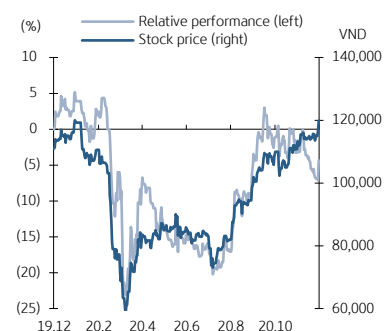
Target Price	N/A
Total return (%)	N/A
Current price (Dec 22)	VND119,900
Consensus target price	VND151,400
Mkt capitalization (USDbn)	2,363tr USD

Trading data	
Free float (%)	89.9%
Avg trading value (3M)	4.87tr USD
Foreign available (%)	0.0%
Major shareholders (%)	Retail World (11.4%)

Share price performance				
(%)	1M	3M	6M	12M
<b>Absolute</b>	8.2	20.4	39.6	8.0
<b>Relative</b>	-1.1	0.7	12.2	-4.3

#### Forecast earnings & valuation

Fiscal year-end	2017A	2018A	2019A	9M2020
Revenue (VNDbn)	66,340	86,516	102,174	81,352
EBIT	2,779	3,871	4,977	3,984
NP attributable to parent (VNDbn)	2,206	2,879	3,834	2,976
EPS (VND)	5,307	6,633	8,645	6,569
EPS growth (%)	37.5	25.0	30.3	(2.0)
P/E (x)	22.6	18.1	13.9	18.3
EV/EBITDA (x)	16.1	11.0	10.0	11.5
P/B (x)	8.6	5.9	4.4	3.6
ROE (%)	45.2	38.7	36.3	25.2
Div yield (%)	0.5	0.9	0.9	0.0



Source: Bloomberg, KB Securities Vietnam

# Phu Nhuan Jewelry (PNJ)

## November sales up single digit

December 22, 2020

Consumer & Retailing Analyst  
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 dungdpp@kbsec.com.vn

### PNJ outperforms industry competitors

November earnings reached VND120 billion (-12% YoY) although despite the 8% YoY increase in revenue to VND1,812 billion due to a sharp 34% YoY rise in operating expenses. Year-to-date profits remain down 12% YoY to VND939 billion on flat sales that are up by 2% YoY to VND15,305 billion. PNJ's storefronts outperformed industry competitors as its retail sales in November increased by 22% YoY and gold bar sales increased by 16% YoY while wholesale sales fell by 19% YoY. We believe the company is well on track to meet 2020E consensus into the fourth quarter's peak holiday season, with Christmas and delayed weddings due to the pandemic likely to keep business activities high until the Tet holiday.

### Management already looking to 2021E despite slower new store openings

While overall demand in the jewelry market has not fully recovered yet – as seen in weak wholesale sales and slower pace of new store openings – PNJ is outpacing peers and using its leading position to prepare for 2021E recovery. The sharp rise in November operating expenses was largely due to new staff hires to boost 2021E sales performance as well as the marketing push for product placements in live music concerts for the new *Style by PNJ* product roll out (albeit also some delayed expenses from October's low -cost recognition). New store openings slowed further with only one new *PNJ Gold* store location in November with twenty-seven new stores opened this year or 87% of plan. Total stores at the end of November numbered 342 locations, including 305 *PNJ Gold*, 30 *PNJ Silver*, 4 *CAO Fine Jewelry*, 3 *PNJ Art* and 66 shop-in-shop *PNJ Watch* locations.

# N/A

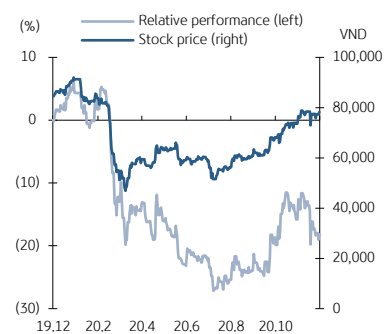
Target Price	N/A
Total return (%)	N/A
Current price (Dec 22)	VND78,300
Consensus target price	VND86,900
Mkt capitalization (USDbn)	USD767mn

Trading data	
Free float (%)	70.1%
Avg trading value (3M)	USD3.10mn
Foreign available (%)	0.0%
Major shareholders (%)	Cao Thi Ngoc Dung (9.0%)

Share price performance				
(%)	1M	3M	6M	12M
<b>Absolute</b>	6.4	28.6	32.5	-7.6
<b>Relative</b>	-2.8	7.5	6.5	-18.1

### Forecast earnings & valuation

Fiscal year-end	2017A	2018A	2019A	9M2020
Revenue (VNDbn)	10,977	14,571	17,001	11,668
EBIT	949	1,263	1,623	944
NP attributable to parent (VNDbn)	725	960	1,194	642
EPS (VND)	4,592.2	5,146.5	5,359.3	2,850.0
EPS growth (%)	56.6	12.1	4.1	(21.2)
P/E (x)	17.1	15.2	14.6	27.5
EV/EBITDA (x)	18.6	14.6	12.0	19.7
P/B (x)	4.3	4.7	3.9	3.7
ROE (%)	32.6	28.7	28.7	20.9
Div yield (%)	1.4	1.5	3.8	1.3



Source: Bloomberg, KB Securities Vietnam

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## Investment ratings & definitions

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### 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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