

Sector Report

Earnings Update Q3/2023: The entire market's NPAT continued to decrease

The market's total net profit after taxes (NPAT) decreased by 4.3% YoY in Q3/2023, marking the fourth consecutive quarter of decline.

Large-cap companies experienced the mildest decline at 2.1% YoY, whereas mid-cap and small-cap companies faced more substantial drops of 11.4% and 28.3% YoY, respectively.

Chemicals, Retail, and Utilities sectors saw the most significant decreases in NPAT.

Chemical companies recorded a substantial -70.9% YoY NPAT decrease, primarily driven by DGC (-47% YoY) and major fertilizer companies such as DPM (-93% YoY) and DCM (-90% YoY). The Retail sector's NPAT decreased by 67.8% YoY due to weak domestic consumer demand. The Utilities sector reported a 39.9% YoY earnings decline in Q3/2023, attributed to high interest expenses, exchange rate losses, and maintenance costs in several thermal power plants, while the hydropower plants were negatively impacted by El Nino.

Conversely, Oil & Gas, Financial Services, and Basic Resources sectors showed the most significant improvements in business results.

The Oil & Gas sector experienced a substantial 827.9% YoY NPAT increase, driven by a widening crack spread. The Financial Services sector achieved a second consecutive triple-digit NPAT growth (+138.2% YoY), mainly due to a low base in Q3/2022. Similarly, earnings of Basic Resources companies substantially improved in Q3/2023, with the sector's NPAT of VND 3,112 billion compared to the previous year's loss of VND 4,458 billion.

Large market capitalization sectors, such as Bank and Real Estate, posed a negative growth of -1.4% YoY and -30.2% YoY, respectively.

Regarding stock exchanges, listed companies on HOSE experienced a 9.3% YoY NPAT decrease in Q3/2023. Likewise, the total NPAT of companies listed on HNX decreased by 4.9% YoY. In contrast, companies on Upcom showed a strong improvement in business results, with a 19.0% YoY NPAT growth.

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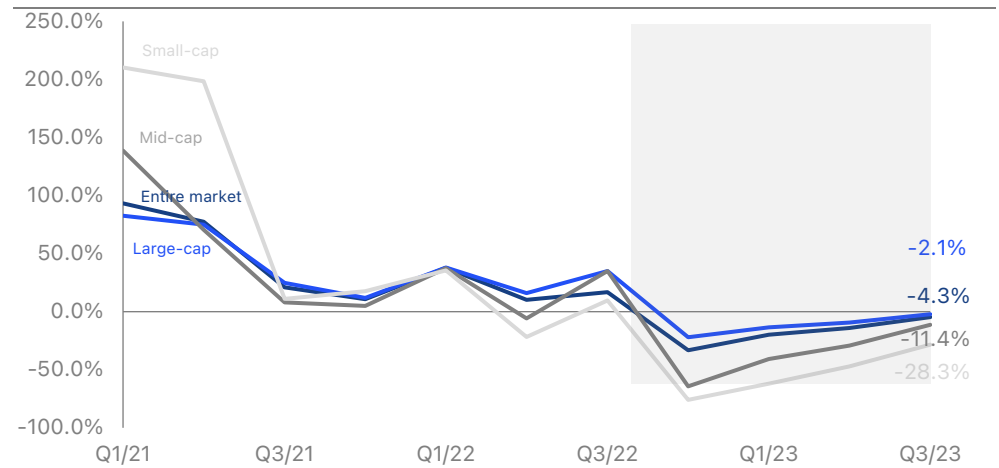
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Figure 1: The total NPAT of listed companies declined for the fourth consecutive quarter

NPAT growth by capitalization group [% YoY]



Source: Fiinpro, TVS Research

Note: The data includes 1,115 out of 1,694 companies listed on HOSE, HNX, and Upcom, accounting for 94.6% of the total market capitalization

12/19 sectors had a decrease in Q3/2023 NPAT compared to the same period last year.

Chemical sector saw the most significant YoY NPAT reduction, 70.9%, followed by Retail (-67.8% YoY) and Utilities (-39.9% YoY).

- The significant decrease in NPAT in the Chemical sector is primarily attributed to DGC (-47% YoY) and major fertilizer companies such as DPM (-93% YoY) and DCM (-90% YoY). Some possible reasons for those companies' earning drops include: (1) P4 price declined by 50% from its peak in Q4/2022, (2) domestic fertilizer prices lagged behind global prices and remained at low levels due to weak demand. TVS predicts that the financial performance of chemical firms will recover in 2024 for the following reasons: (1) a surge in demand for P4 and related products, driven by the potential recovery in semiconductor demand from 2024 onwards; (2) a slight recovery in selling prices and production volumes of domestic fertilizer products; and (3) an earning increase in DCM as the plant has fully depreciated in 2023
- Weak domestic consumer demand led to an earning decrease in the Retail sector. The VAT reduction policy did not significantly support listed retail companies providing information and communication technology (ICT) products. That resulted in substantial YoY NPAT declines of MWG (-96% YoY), FRT (-115% YoY), and DGW (-43% YoY). TVS forecasts that these companies' NPAT will remain low in 2023 but improve in 2024 as the economy recovers
- The NPAT of the Utilities sector decreased by 36.5% YoY in Q3/2023 due to the impacts of power generation companies. Hydropower plants were negatively impacted by El Nino, resulting in

reduced water flow and a significant decrease in electricity production. Meanwhile, thermal power plants were affected by (1) high-interest expenses, (2) substantial exchange rate losses, and (3) some plants of QTP and HND incurring significant periodic maintenance costs. TVS expects the electricity sector to recover in Q4/2023 but with a divergence between types of power generation. Hydroelectric companies will continue to be negatively affected by El Nino, while thermal power companies are expected to improve due to increased mobilization of coal-fired power plants amid a power shortage in the North

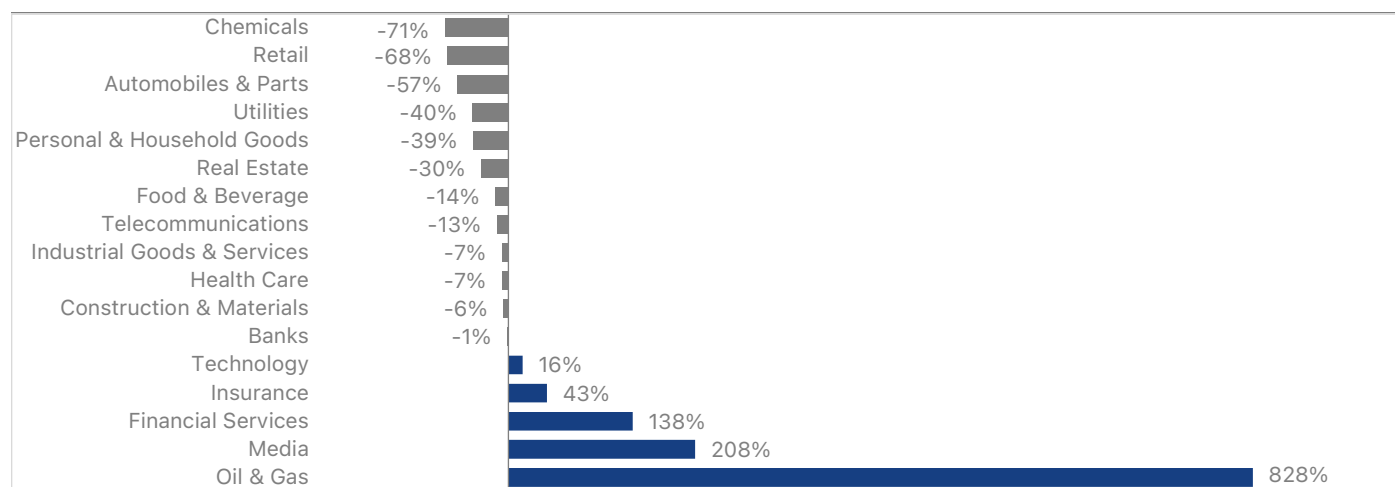
The overall market's NPAT decline is gradually narrowing compared to previous quarters, primarily driven by a strong recovery of the Oil & Gas, Financial Services, and Basic Resources sectors.

- The Oil & Gas sector experienced a remarkable 827.9% YoY NPAT growth, thanks to the recovery of big companies in the industry, such as BSR (+611.2% YoY), PLX (+284.3% YoY), and PVD (profit of VND 133 billion compared to a loss of VND 52 billion in Q2/2023). One of the reasons behind this growth is the crack spread (the price difference between refined oil products and crude oil) for RON92&95 gasoline products reaching 15–16 USD/barrel in Q3/2023 (+96% YoY). Besides, the profit margin of the gasoline retailers in Q3/2023 increased significantly compared to the same period as demand returned to normal levels. TVS expects the business result of the industry, especially upstream companies, to be optimistic due to increased investments in exploration and exploitation in Vietnam and globally (for more details, refer to the [Oil & Gas Industry Report](#))
- Financial service companies achieved triple-digit NPAT growth for the second consecutive quarter (+138% YoY), primarily due to a low base of Q3/2022. Market liquidity in Q3/2023 increased significantly (+56.6% QoQ) as low interest rates have stimulated cash flow into the stock market. TVS anticipates the current low-interest rate environment will support strong earning growth for securities companies in Q4/2023. However, the growth rate is expected to be lower as the low-base impact diminishes
- The Basic Resources sector significantly improved business operations in Q3/2023, achieving an NPAT of VND 3,112 billion (compared to a loss of VND 4,458 billion in the same period last year). Steel production companies experienced profit recovery: HPG (profit of VND 2,000 billion compared to a loss of VND 1,786 billion), HSG (profit of VND 438 billion compared to a loss of VND 886 billion), and NKG (profit of VND 24 billion compared to a loss of

VND 418 billion). In Q3/2023, Vietnam's total steel consumption reached 6.5 million tons (+6.3% YoY), with exports contributing over 2 million tons (+70% YoY). We believe the business results in Q4/2023 will continue to grow significantly compared to a huge loss reported in Q4/2022. However, the growth rate is expected to slow down in 2024 as steel consumption depends on the recovery of the Real Estate sector, which is forecasted from 2H/2024 onwards

Figure 2: In Q3/2023, 12 out of 19 sectors reported a negative NPAT growth

NPAT growth by Sectors in Q3/2023 [% YoY]



Source: Fiinpro, TVS Research

Note: The data includes 1,115 out of 1,694 companies, accounting for 94.6% of the total market capitalization. We excluded data from the Basic Resources and Travel and leisure sectors due to negative NPAT in Q3/2022.

NPAT of the Banking and Real Estate sectors continued to decline in Q3/2023.

The net profit of listed banks reached VND 47,679 billion (-1.4% YoY, -4.6% QoQ), primarily due to a 3.9% YoY decrease in net interest income. Listed banks in 9M/2023 were characterized by slow credit growth of +9.2% YTD (compared to +12.1% in the same period), especially in retail banks (ACB, VIB), and NIM continuing to decline to 3.4% (-0.5 percentage points compared to 9M/2022). On the contrary, income from trading securities and foreign exchange business of listed banks increased by 62% YoY and 458% YoY, helping non-interest income in Q3/2023 increase by 15% YoY.

The asset quality of the listed banks significantly deteriorated in Q3/2023, with the non-performing loan (NPL) ratio increasing to 2.2% (+0.6 percentage points compared to Q3/2022) and the Group 2 loan ratio being 2.3% (+0.9 percentage points YoY). State-owned banks effectively controlled non-performing loans, while private banks of medium and small scale, such as NVB, TPB, MSB, LPB, and VIB, recorded a sharp increase in NPLs. The provision expense slightly decreased compared to the same period, with the credit cost ratio decreasing from 1.5% in Q3/2022 to 1.3% in Q3/2023. This caused

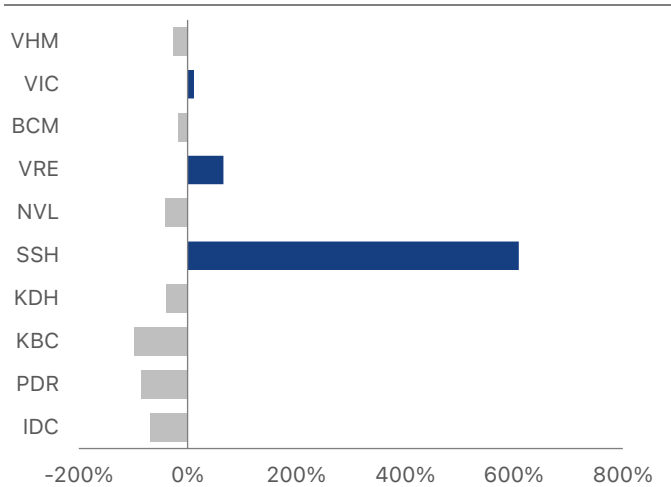
banks' loan loss coverage ratio (LLCR) to drop below 100%, reaching 74.8% at the end of Q3/2023. At the end of Q3/2023, only state-owned banks, MBB and BAB, maintained an LLCR ratio above 100%.

The NPAT of the Real Estate sector decreased by 30.2% YoY, mainly due to a 26.4% decrease in VHM (accounting for 69% of the total industry's NPAT in Q3/2023). Several firms with positive NPAT growth include VRE (+65.9% YoY) and VIC (+12.0% YoY). However, most other real estate companies experienced a decline in NPAT, reflecting the challenges in the Real Estate market in terms of launching new projects and recognizing profits.

TVS maintains a neutral view on the Real Estate sector in 2024 with the expectation that the property market will begin to recover significantly from Q3/2024 onwards. We believe that the affordable and mid-range apartment segments in Ho Chi Minh City and Hanoi will recover well due to the real demand from homebuyers. We believe it will take more time to recover for other segments, such as condotels and high-end low-rise apartments, as these products are more speculative.

Figure 3: Most Real Estate companies have negative NPAT growth in Q3/2023

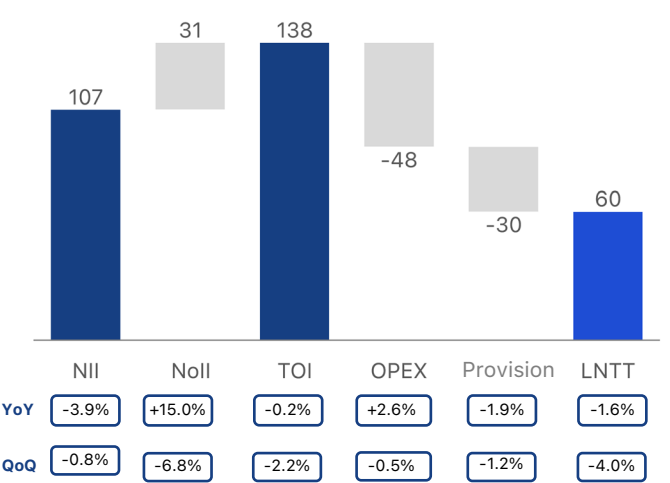
NPAT growth of the 10 largest real estate companies [% YoY]



Source: Fiinpro, TVS Research

Figure 4: NPAT of the listed banks in Q3/2023 decreased slightly YoY and QoQ

Income and expense components in the total EBT of listed banks in Q3/2023 [VND bn]



Note: NII – Net interest income, NoII – Net non-interest income, TOI – Total operating income, OPEX – Operating expenses, Source: Banks' financial reports, TVS Research

The NPAT of companies listed on HOSE and HNX continued to decline, while those on Upcom recovered in Q3/2023.

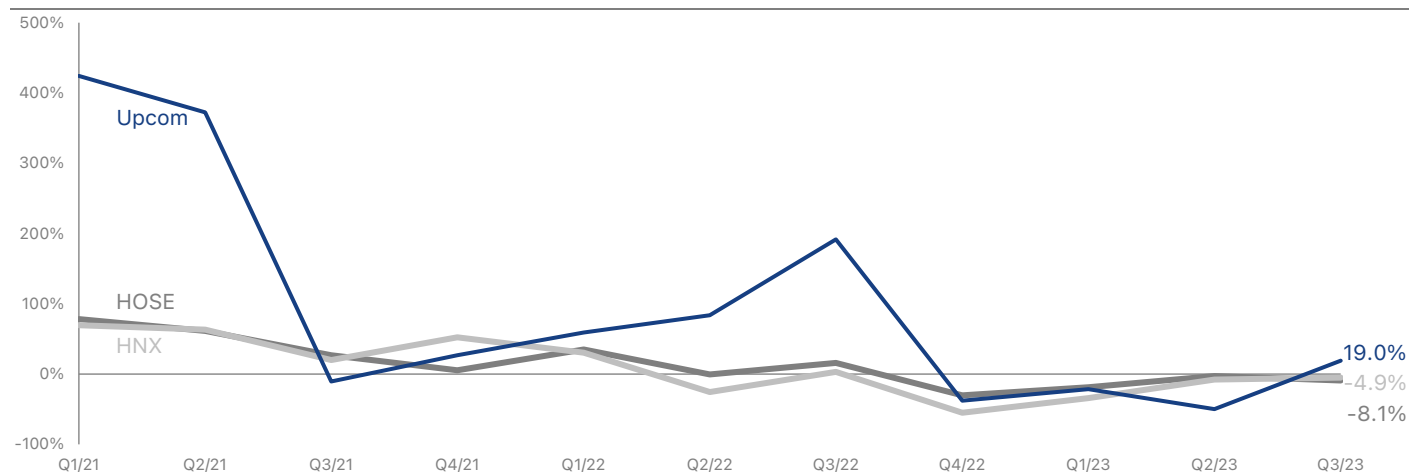
The total NPAT of companies listed on HOSE decreased by 8.1% YoY, a more significant decrease than the -3.0% YoY in the previous quarter.

Specifically, the net profit of the VN30 group decreased by 1.0% YoY after a 3.7% YoY recovery in Q2/2023, mainly due to the decline in VHM (-26.4% YoY), CTG (-31.5% YoY), and MWG (-95.7% YoY). The VN MID and VNSML groups' earnings also continued to decrease by 7.6% and 37.1% YoY, respectively.

Like HOSE, companies listed on HNX experienced a fourth consecutive quarterly decline in net profit, reaching 4.9% YoY.

In contrast, companies on Upcom saw an NPAT recovery of 19.0% YoY.

Figure 5: NPAT of companies on Upcom rebounded, while those on HOSE and HNX continued to decline
NPAT growth in Q3/2023 by stock exchange [% YoY]

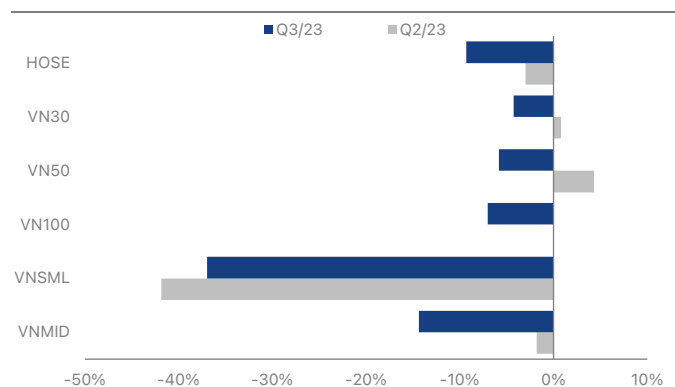


Source: Fiinpro, TVS Research

Note: The data includes 1,115 out of 1,694 companies, accounting for 94.6% of the total market capitalization.

Figure 6: The total NPAT of companies listed on HOSE continued to decline

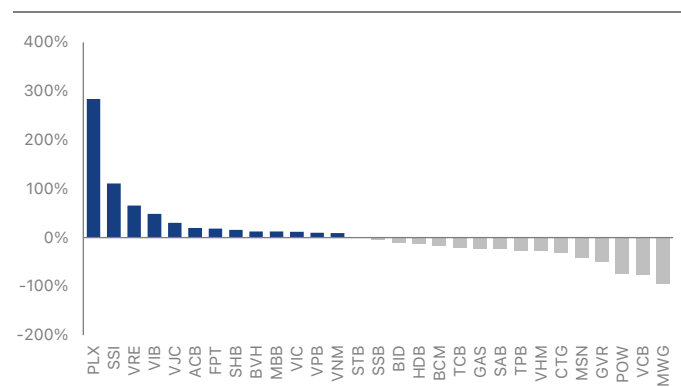
NPAT growth of indices [% YoY]



Source: Fiinpro, TVS Research

Figure 7: The NPAT of the VN30 decreased mainly due to the decrease of VHM, CTG, and MWG

The NPAT growth of companies in the VN30 in Q3/2023 [% YoY]



Source: Fiinpro, TVS Research

Note: We excluded the data of HPG because NPAT in Q3/2022 < 0

Appendix 1: Overview of the market business result

Sector	Companies have released their financial reports for Q3/2023			NPAT growth (YoY)									
ICB level 2	% Total market cap	Number of companies	% Sector's market cap	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23
Bank	31.0%	27/27	100.0%	41.3%	19.0%	6.8%	31.0%	35.6%	53.4%	17.9%	-4.4%	-1.6%	-1.4%
Real Estate	14.2%	98/129	99.1%	144.1%	4.8%	-51.0%	-17.9%	-49.6%	34.8%	-9.3%	46.8%	62.4%	-30.2%
Food & Beverage	10.3%	103/156	94.6%	15.7%	-2.2%	75.8%	47.7%	9.9%	9.1%	-67.0%	-36.4%	-14.0%	-16.4%
Industrial Goods & Services	7.4%	154/268	97.7%	123.8%	-17.7%	68.1%	42.6%	29.7%	154.1%	-7.4%	-17.2%	9.1%	-7.2%
Utilities	7.0%	108/149	99.0%	12.4%	33.9%	-16.6%	57.5%	52.8%	17.3%	18.4%	-8.8%	-26.5%	-39.9%
Basic Resources	4.3%	80/116	93.7%	338.0%	142.6%	41.9%	7.4%	-61.6%	-133.2%	-144.5%	-87.4%	-70.6%	N/A
Construction & Materials	4.2%	206/345	92.7%	13.1%	-38.0%	23.3%	61.6%	37.9%	12.4%	-71.7%	-72.1%	-43.4%	-5.7%
Financial Services	4.0%	42/59	86.3%	117.3%	114.9%	102.1%	38.9%	-83.8%	-67.3%	-101.0%	-60.8%	316.8%	138.2%
Chemicals	3.2%	55/73	99.2%	75.0%	97.1%	56.3%	260.2%	115.0%	33.6%	-27.4%	-70.7%	-65.5%	-70.9%
Oil & Gas	2.5%	10/12	99.8%	N/A	-26.7%	47.9%	14.2%	175.6%	-50.9%	-5.1%	-11.5%	-72.9%	827.9%
Travel & Leisure	1.7%	33/50	99.1%	N/A	N/A	-376.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Technology	2.2%	19/29	99.4%	18.0%	14.1%	31.5%	51.7%	32.9%	24.0%	-10.2%	-0.3%	9.0%	15.8%
Retail	1.7%	23/35	99.3%	52.7%	-11.9%	131.1%	27.7%	-9.9%	36.2%	-62.7%	-86.7%	-95.3%	-67.8%
Telecommunications	1.8%	5/8	99.7%	286.6%	-56.9%	N/A	3546.2%	33.4%	319.6%	N/A	-40.2%	-133.1%	-13.1%
Personal & Household Goods	1.2%	50/77	96.9%	131.3%	-41.9%	34.5%	40.3%	44.8%	122.8%	-39.3%	-35.5%	-51.7%	-39.2%
Insurance	1.1%	13/13	100.0%	-15.2%	33.1%	0.5%	5.4%	-50.7%	-40.2%	-11.2%	8.1%	114.0%	42.7%
Health Care	1.0%	40/61	92.4%	8.7%	14.1%	15.9%	24.1%	0.6%	30.4%	14.1%	30.5%	32.0%	-7.1%
Media	0.9%	31/41	98.1%	-14.0%	-55.4%	N/A	-24.5%	-137.6%	-87.9%	-171.1%	-13.5%	N/A	207.7%
Automobiles & Parts	0.2%	13/15	99.8%	21.2%	-111.7%	29.1%	12.9%	4.0%	N/A	-23.8%	-66.4%	-50.9%	-56.7%
HOSE	76.7%	385/416	98.3%	61.4%	26.8%	5.4%	35.0%	-0.3%	14.5%	-30.3%	-18.9%	-2.0%	-8.1%
HNX	5.2%	322/333	98.5%	63.1%	20.1%	52.3%	30.4%	-25.4%	-25.9%	-55.0%	-34.4%	-7.7%	-4.9%
UPCOM	18.1%	408/918	95.3%	372.3%	-10.7%	26.6%	59.1%	83.9%	53.3%	-37.8%	-21.6%	-49.9%	19.0%
VN30	50.9%	30/30	100.0%	62.5%	31.7%	-2.3%	29.4%	-8.5%	11.8%	-12.8%	-11.0%	3.7%	-1.0%
VN50	50.4%	47/50	98.8%	56.7%	42.7%	8.4%	31.1%	-3.2%	9.3%	-24.8%	-20.1%	7.5%	-4.1%
VN100	68.3%	96/100	99.0%	55.2%	30.5%	7.1%	31.5%	2.0%	13.9%	-18.9%	-17.8%	1.0%	-5.7%
Large-cap	79.1%	88/92	98.8%	74.8%	24.7%	11.8%	38.0%	16.0%	22.7%	-22.0%	-13.5%	-8.6%	-2.1%
Mid-cap	16.3%	290/301	96.5%	70.4%	8.0%	5.1%	37.6%	-5.8%	-8.2%	-64.3%	-40.7%	-29.3%	-11.4%
Small-cap	4.6%	737/1301	83.3%	198.4%	11.1%	17.7%	35.6%	-21.6%	1.2%	-75.9%	-62.1%	-47.0%	-28.3%
Financial	36.1%	82/99	98.5%	43.9%	25.8%	14.7%	30.9%	19.9%	36.1%	-0.5%	-8.8%	4.6%	3.1%
Non-financial	63.9%	1033/1595	97.3%	106.0%	18.1%	8.6%	44.0%	4.0%	4.4%	-51.3%	-28.9%	-25.7%	-10.4%
Entire market	100.0%	1115/1694	97.7%	77.5%	21.0%	10.7%	37.8%	9.9%	16.7%	-33.2%	-19.9%	-13.4%	-4.3%

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Equity rating key	Definition
BUY	If the projected TSR is higher than 20%
HOLD	If the projected TSR is between -10% and 20%
SELL	If the projected TSR is lower than -10%

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