2024 Strategy Report

Vietnam Strategy Report: Looking for a needle in a haystack

TVS Research forecasts that the NPAT of listed companies in HOSE will increase by 15.7% YoY in 2024, following a stagnant 2023. Banking, Real Estate, Retail, and Basic Resources sectors are positioned to spearhead this overall market profit growth.

While TVS Research remains optimistic about the overall economic recovery in 2024, we acknowledge that the pace and extent of improvement will likely vary across different sectors and individual companies. To navigate this dynamic landscape, **TVS Research's investment strategy for 2024 combines meticulous stock picking with flexible portfolio allocation**. This combined strategy aims to capitalize on emerging recovery trends within specific sectors and businesses while maintaining adaptability to market sentiment and cash flow dynamics.

Our stock choices focus on several key investment themes:

Long-Term Investment Themes: Technology, Industrial Parks, Marine Ports

Vietnam's future growth trajectory is tied to the global economy's transformation with a focus on artificial intelligence (AI) and carbon neutralization. Consequently, our investment strategy prioritizes long-term opportunities within the **Technology** sector value chain, recognizing its pivotal role in propelling Vietnam's next growth cycle.

In addition, the shifting global production value chain and Vietnam's extensive cooperation with major economies present significant opportunities for **industrial parks** and **marine port** businesses.

2024 Investment Themes – Banking, Retail, Exports-Imports, Oil & Gas, Real Estate

We express unwavering confidence in the resurgent Vietnamese economy, supported by the long-term growth potential, mainly as it strengthens in H2 2024. This positive outlook comes from the spillover effects of expansionary monetary and fiscal policies in 2023 and improved export-import activities. Hence, our 2024 investment strategy will prioritize businesses poised to capitalize on this anticipated

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recovery within the **Banking**, **Retail**, and **Export-Import** sectors.

In addition, we identify investment opportunities in some stocks with their unique stories. **Oil & Gas** enterprises benefit from the new cycle of the industry. Meanwhile, TVS expects the **Real Estate** sector to improve gradually from Q4 2024 onwards, thanks to increased supply post-regulatory reforms and improved buyer sentiment due to enhanced project clarity and lower interest rates.

Tactical Themes: Steel, Brokerage, High-Dividend-Yield stocks

TVS Research complements its 2024 investment, as mentioned above, with tactical investment following the market cash flows. We believe sectors with solid profit growth compared to the low base during Q4 2022-Q1 2023, such as **Steel and Brokerage,** will attract investor cash flow around earnings announcements (H1 2024). Regarding the Brokerage sector, TVS Research believes that updates on the KRX system deployment or market upgrades will encourage cash flow into the sector besides earnings growth. Moreover**,** with low-interest rates and heightened market uncertainty in H1 2024, TVS Research believes **high-dividend stocks** may attract risk-averse investors seeking income stability.

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2023 Sector Review – Challenging

NPAT of listed companies on HOSE in 2023 decreased slightly at 1.8% YoY

Banking, Tourism & Entertainment and Real Estate are the sectors that contribute most positively to the market's profit.

- **Profits of the Banking group increased slightly by 4.3% YoY thanks to credit growth of 13.7% YoY**. However, pressure from lower NIM and asset quality reduced the profit growth. State-owned banks (VCB, BID, and CTG), STB, MBB and ACB outperformed the industry by effectively managing asset quality while expanding credit books. Conversely, most of the remaining banks had flat or declining profits due to shrinking NIM and increasing provision burden
- **The Tourism & Entertainment sector significantly improved in 2023, reducing its losses from** VND 12,427 billion to VND 4,316 billion. These positive results can be attributed to a 244% surge in international tourist arrivals to 12.5 million in 2023
- **Profit of the Real Estate sector increased by 6.1% YoY, mainly due to the contribution of the Vingroup group.** Excluding this group, we estimate that the industry's profit decreased by 16% YoY due to challenging market conditions, and enterprises faced high pressure from interest expenses. At the same time, the source of capital from corporate bonds was limited

Conversely, Chemicals, Utilities, and Retail are the main groups that experienced reduced profits in 2023.

- **Net profit of the Chemicals group decreased sharply by 54.8% YoY following the downtrend of commodity prices.** The net earnings of fertilizer companies (DCM, DPM, etc.) declined by more than 80% YoY as the price of Urea fertilizer in the world slowed down by 50% YoY to USD 350-450/ton. In addition, DGC's net profits, which is mainly contributing to the whole sector's net profits), decreased as prices of their chemical products (i.e. P4, H_3PO_4, etc.) was fallen significantly
- **Profits of the Utilities group decreased by 27.5% YoY, mainly due to GAS and POW.** The unfavorable gas price movement was the main reason for GAS's profit decline. For thermal power companies such as POW, the shortage of gas and coal in 2023 and the maintenance of thermal power plants reduced the operating efficiency, leading to a sharp decrease in net profit compared to the same period
- **The retail sector's profits sharply decreased by 88.9% YoY**

due to reduced consumer demand. The revenue from consumer discretionary (i.e. electronics, mobile phones, etc.) declined because of slow economic growth and decreased individual income. Additionally, intense competition within the telecommunications & consumer electronics sector (ICT&CE) pushed retailers to lower their selling prices to boost consumption, thus putting pressure on retailers' profit margins in 2023

Table 1: The quarterly business results of the listed companies on HOSE by sectors

Net income (NI) of industries [VND bn], 2023 net income [VND bn] and growth [%]

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	% YoY
Commercial Bank	47,097	41,490	50,250	48,516	47,022	48,713	197,933	4.3%
Real Estate	21,780	10,550	15,901	13,713	14,706	5,808	53,724	6.1%
Food and Beverage	6,792	2,277	3,988	6,228	5,532	4,801	20,654	-17.1%
Utilities	6,089	6,929	6,736	5,931	2,974	4,283	20,568	-27.5%
Industrial goods and services	3,416	2,899	2,612	4,530	2,538	1,834	11,839	-12.0%
Financial service	1,086	3	1,575	2,716	2,693	1,820	9,322	41.3%
Chemical	4,788	4,907	2,626	2,200	2,046	426	10,398	-54.8%
Information Technology	1,893	1,701	1,861	1,998	2,205	2,083	8,362	15.2%
Basic resources	-3,553	-4,600	671	1,203	2,562	2,399	7,022	12.7%
Constructions & Construction materials	1,570	544	701	1,689	1,566	331	6,115	1.3%
Consumer goods	1,058	1,010	1,208	859	665	989	3,950	-20.3%
O&G	138	1,468	719	1,049	862	962	3,593	105.6%
Insurance	619	625	822	781	756	147	3,093	19.1%
Healthcare	657	674	713	682	527	137	2,560	2.2%
Automobile	410	422	141	154	196	18	852	-48.9%
Retail	1,276	913	196	-41	254	233	606	-88.9%
Communication	29	31	6	19	4	14	61	-32.3%
Tourism and Entertainment	-2,231	-4,729	367	-1,123	-1,943	296	-4,316	65.3%
VNINDEX	**92,916**	**67,114**	**91,094**	**91,102**	**85,165**	**75,294**	**356,336**	**-1.8%**

Source: FiinPro-X, TVS Research

2023 in review – Sectors performance relative to VN-Index

Banking sectors – Many supportive policies in an unfavorable landscape

Many supportive policies for the Banking sector were implemented in 2023, such as:

- SBV lowered the policy rate 4 x in H1 2023, encouraging banks to lower deposit and lending interest rates
- Several legal documents were implemented: Decree 08/2023 and Circular 03/2023/TT-NHNN provided much-needed liquidity to the corporate bond market, enhancing its stability and facilitating business financing; Circular 02/2023/TT-NHNN enabled debt restructuring and deferment of group transitions, offering relief to borrowers facing financial difficulties; Circular 06/2023/TT-NHNN allowing credit institutions to lend customers to repay debts at other credit institutions to borrow for living needs
- SBV adopted a flexible approach to foreign exchange management, ensuring market liquidity even during periods of volatility. They also strategically moderated credit growth quotas among banks to boost credit disbursement

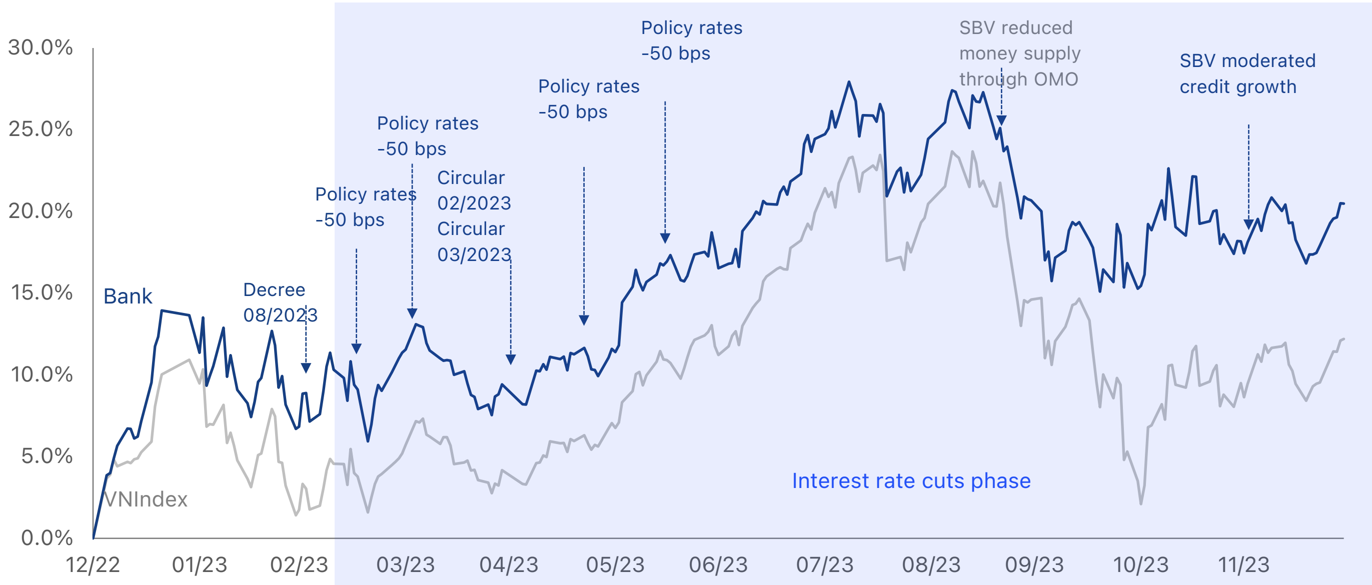
Despite supportive policies to stimulate growth, the banking sector witnessed a modest profit increase of just 4.3% YoY in 2023.

- Interest income decreased due to weak credit growth in 2023, and net interest margin (NIM) decreased. Credit growth remained subdued throughout the year, reaching only 9.2% year-to-date by November 2023. While a notable surge occurred in December (+4.5%), it failed to lift overall growth significantly. In addition, NIM of banks decreased due to the sharp increase in funding costs
- Non-interest income decreased due to the weakness of the bancassurance insurance business and bad debt recovery, while income from foreign exchange and securities holding increased enormously in Q2-Q3 2023 at some banks
- Asset quality has deteriorated, reflecting a challenging business landscape. Many banks increased provisioning costs and accelerated bad debt handling, further contributing to profit reductions in 2023

However, the performance of the banking sector was higher than that of VN-Index, especially in the market rebound after October 2023. This can be explained by (1) robust profit growth within the banking sector exceeding the overall market and (2) attractive valuations on many bank stocks relative to historical levels.

Figure 1: Commercial Bank stocks listed on HSX outperformed VN-Index

Performance of banking sector index and VN-Index [%YTD]



Source: Bloomberg, TVS Research

Note: The industry performance is calculated based on the % change of the total market capitalization of the listed companies on HOSE operating in the industry. The performance of VN-Index is calculated based on the % change of the index in the calculation period.

Real Estate sector – Stocks increased sharply due to market sentiment impact from lower interest rates, despite the gloomy market in 2023

The Vietnamese real estate market in 2023 faced significant headwinds, marked by limited supply and a gloomy outlook. According to CBRE, the supply of apartments in Hanoi and Ho Chi Minh City plummeted 46% year-over-year, reflecting both weak demand and high interest rates.

The financial situation of real estate enterprises in 2023 weakened, primarily due to:

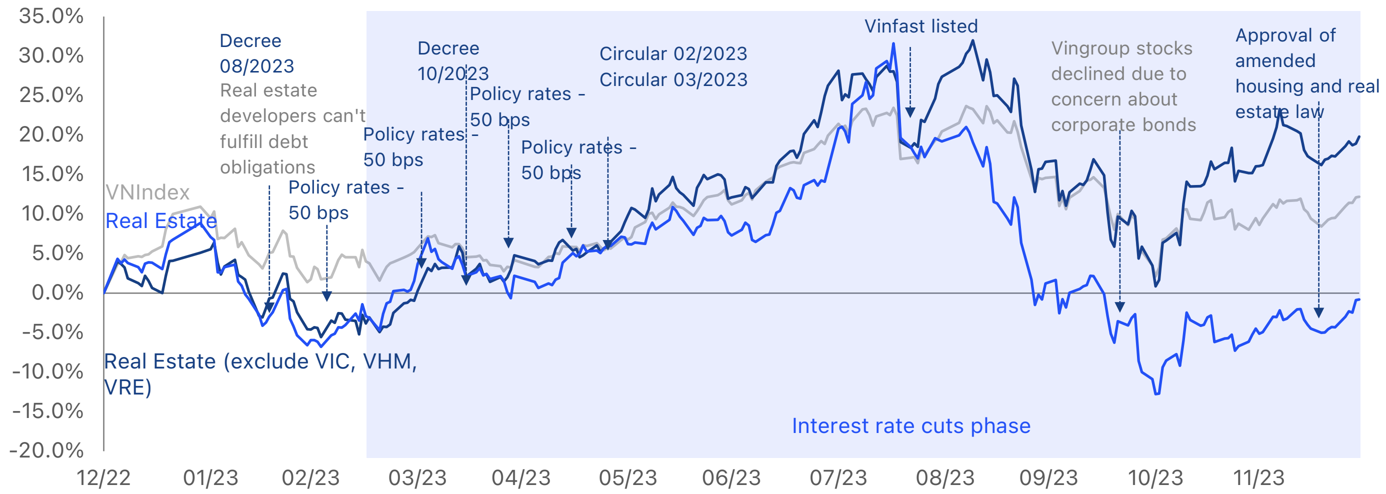
- Mounting pressure to repay corporate bonds issued during the market's previous boom period
- High-interest rate bank loans discourage homebuyers from borrowing, further dampening demand
- A sharp decline in cash flow from operations

Despite these challenges, real estate sector stocks surprisingly exhibited positive performance in Q2 and Q3 2023. We attribute this to several factors:

- Attractive valuations in Q1 2023 (P/B below 1.0x) due to the prior year's steep discounts
- The **State Bank of Vietnam's four interest rate cuts** boost investor sentiment as real estate stocks are highly correlated with interest rates
- Newly issued regulations providing much-needed support, including extending corporate bond repayment periods and facilitating capital source restructuring
- The establishment of a state working group dedicated to easing project implementation hurdles for significant developers like NVL, PDR, and DXG

Figure 2: Real Estate stocks increased sharply when SBV began to cut policy rates

Performance of real estate sector index and VN-Index [%YTD]



Source: Bloomberg, TVS Research

Note: The industry performance is calculated based on the % change of the total market capitalization of the listed companies on HOSE operating in the industry. The performance of VN-Index is calculated based on the % change of the index in the calculation period.

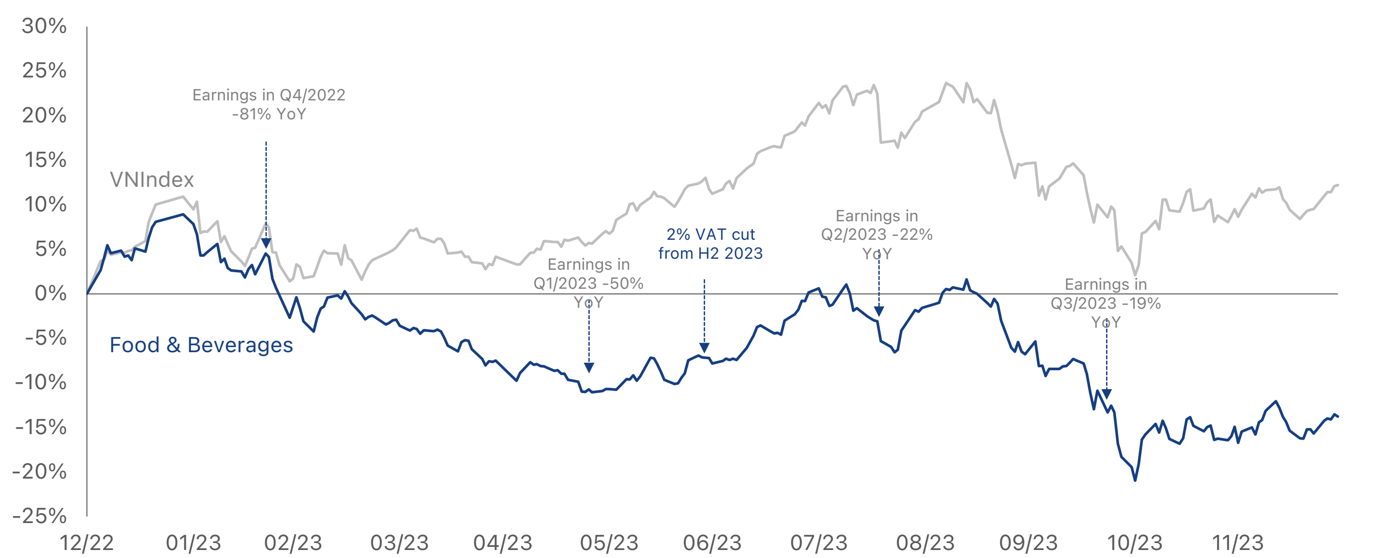
Food and Beverage sector – Difficulties remained

Despite government support measures like a 2% VAT reduction in the second half of 2023, the consumer sector, including the F&B industry, faced profit declines in 2023 due to a combination of domestic and international headwinds.

- **Seafood exporters**: Companies like VHC, ANV, and IDI experienced negative profit growth, primarily driven by a 17.6% YoY decline in export turnover. This downturn can be attributed to weakened consumer demand in key Vietnamese seafood export markets like the US and China.
- **Domestic pork producers**: Breeding firms like DBC and BAF saw profits fall due to a roughly 20% YoY drop in domestic live pig prices. This price decrease stemmed from increased pork supply from smuggled sources in Thailand and Cambodia.
- **Beverage companies**: Profitability within this segment varied. Beer companies like SAB and BHN saw profit declines due to sluggish consumption and the negative impact of Decree 100/2019/ND-CP. Conversely, dairy companies like VNM maintained stable results in 2023 as their products are consumer staples

Figure 3: F&B stocks had negative returns in 2023, mainly due to unfavorable earnings results

Performance of F&B sector index and VN-Index [%YTD]



Source: Bloomberg, TVS Research

Note: The industry performance is calculated based on the % change of the total market capitalization of the listed companies on HOSE operating in the industry. The performance of VN-Index is calculated based on the % change of the index in the calculation period.

Utilities – Low electricity demand

A combination of output and input constraints challenged the performance of the Utilities sector in 2023.

Reduced Electricity Output and Pricing Pressure:

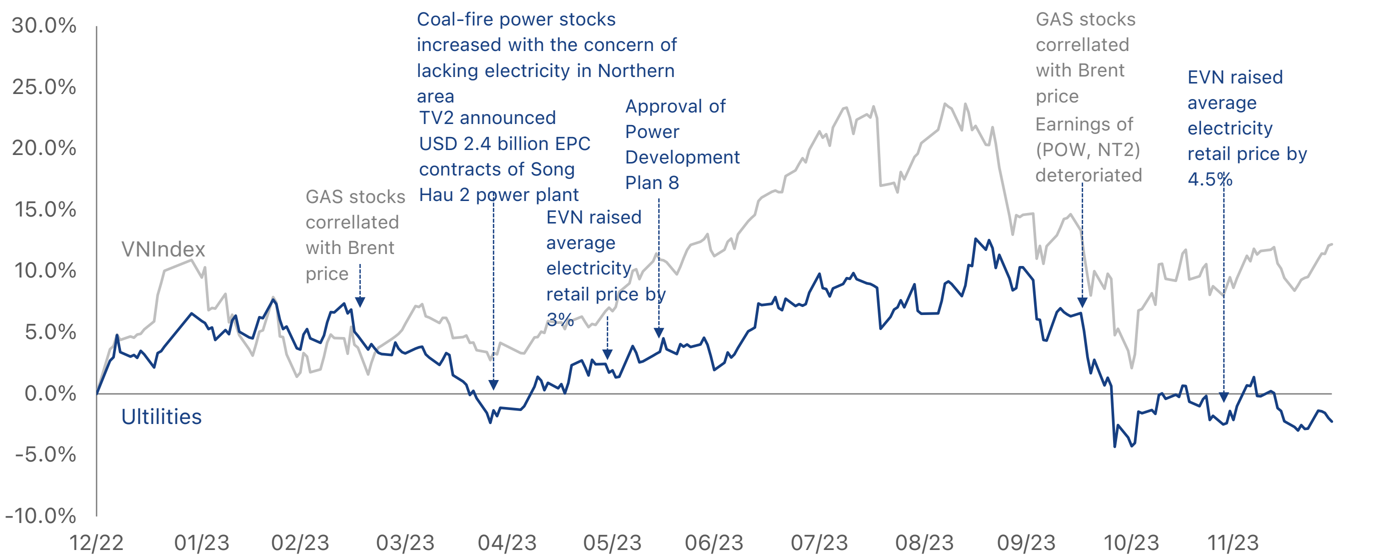
- National electricity output growth stagnated at +4.6% YoY in 2023, falling short of expectations
- Low average electricity prices in the Competitive Generation Market (CGM) squeezed profits for thermal power companies, with POW and NT2 experiencing YoY declines of -53% and -44%, respectively

Input Shortages and Cost Increases:

- Limited gas supply forced gas-fired thermal plants to switch to more expensive DO oil at times, raising input costs and impacting their competitiveness on the CGM
- The El Nino phenomenon in 2023 led to lower rainfall and hydropower reservoir levels, reducing output and affecting the performance of hydropower companies

Figure 4: Negative Performance of Utilities Sector in 2023, Mainly Due to Weak Electricity Consumption

Performance of Utilities Stocks Listed on HSX and VN-Index [%YTD]



Source: Bloomberg, TVS Research

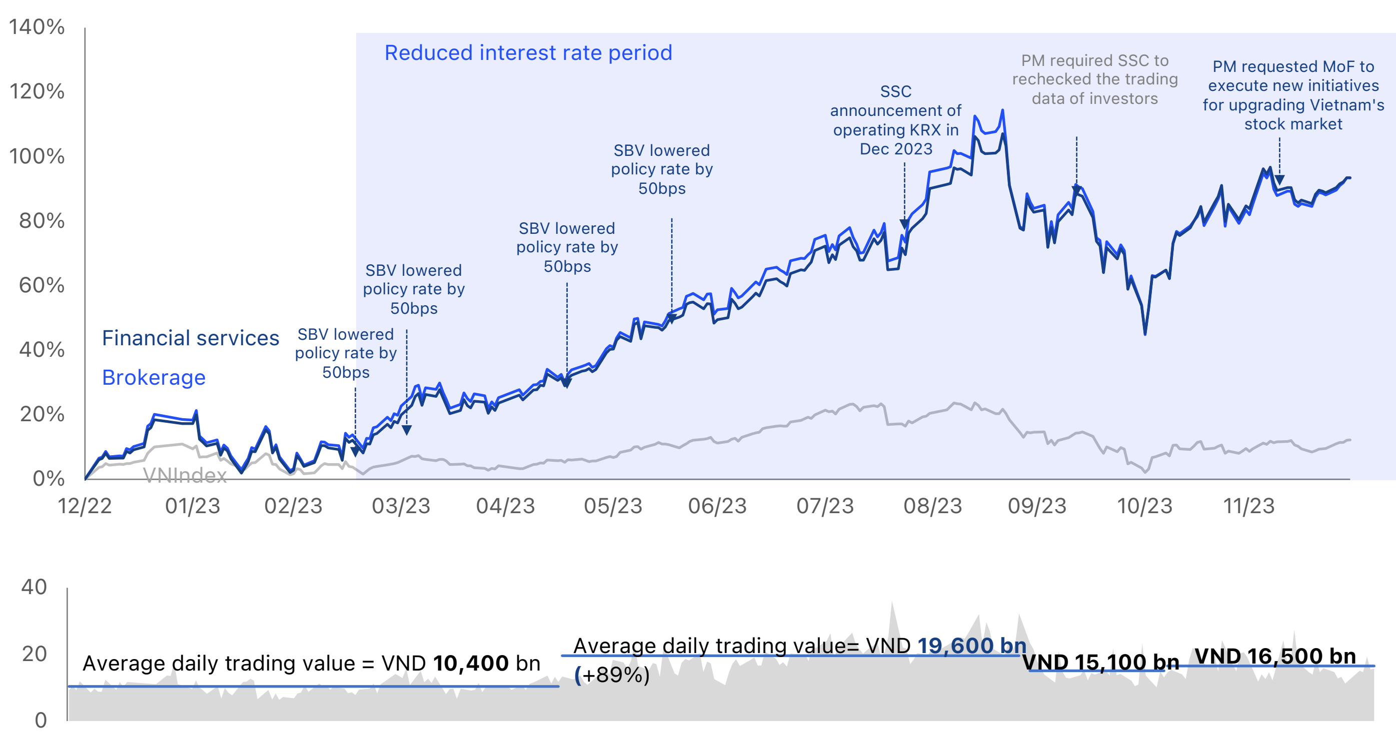
Note: Industry performance is calculated based on the % change in the total market capitalization of all listed companies on the HSX operating in the industry; VN-Index's performance is calculated based on the % change of the index during the calculation period.

Brokerage sector – Benefited from supporting policies.

2023 proved a banner year for Vietnamese brokerage companies, fueled by a combination of favorable factors:

- **Low Base Effect:** Following a lackluster 2022, brokerage profits rebounded significantly, partly due to the relatively low base established the previous year
- **Favorable Market and Regulatory Environment:** The VN-Index's remarkable climb, exceeding 250 points from its 2022 low of 873 (a 29.3% increase), provided a favorable condition for proprietary trading activities. Additionally, the four policy interest rate cuts in H1 2023 incentivized capital flow from deposits to the stock market, boosting overall market liquidity in H2 2023
- **Expectation of KRX System:** Market participants held high expectations for the launch of the new KRX trading system in late 2023, anticipating it would further bolster investor sentiment and attract additional cash flow to brokerage sector stocks

Figure 5: Brokerage stocks have enjoyed a strong performance along with the recovery of market liquidity after SBV had started cutting policy rates from Q1 2023
Performance of financial services sector index and VN-Index [%YTD] and Average daily trading volume on HOSE [VND bn]



Source: Bloomberg, FiinPro-X, TVS Research
Note: Industry performance is calculated based on the % change in the total market capitalization of all listed companies on the HSX operating in the industry; VN-Index's performance is calculated based on the % change of the index during the calculation period.

Basic Resources sector – Slow recovery from the bottom

The net profit of steel companies recovered slowly from the bottom of Q4 2022.

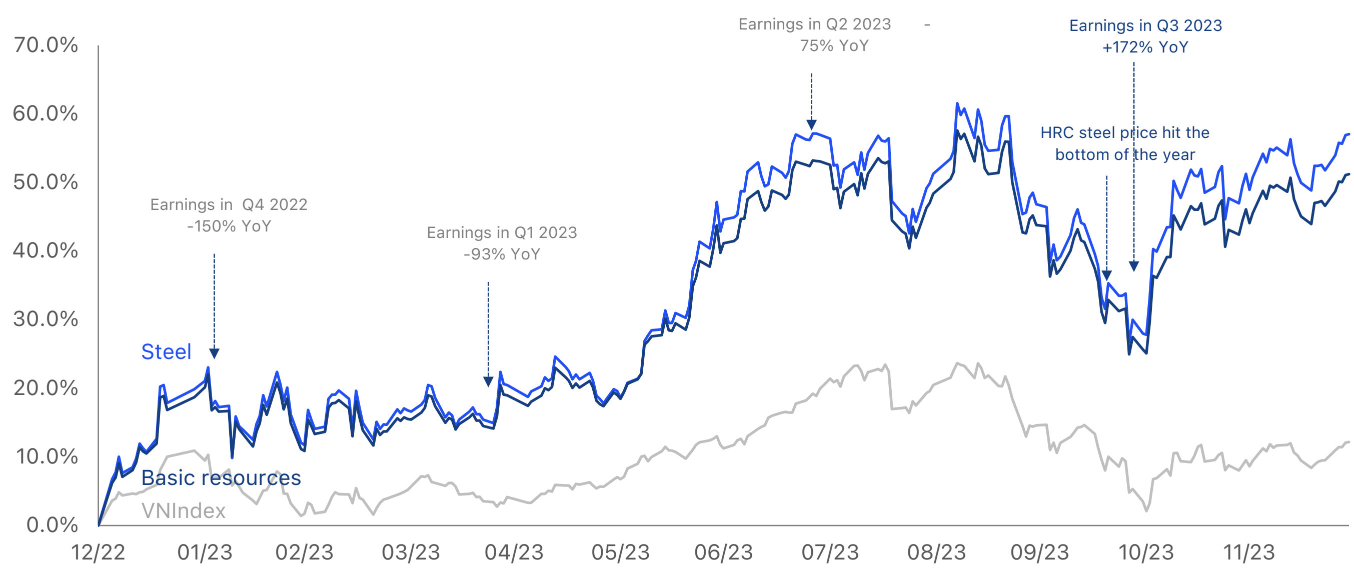
The net profit of most steel companies recorded positive again in 2023 after hitting the bottom in Q4 2022. However, the recovery was slow due to the negative impact of the global economy and the real estate market:

- Total domestic consumption volume in 2023 decreased by 10% YoY, of which construction steel and rolled steel consumption decreased by -11% YoY and -21% YoY, respectively. Meanwhile, export volume increased by +33% YoY, mainly thanks to the demand for HRC rising by 125% YoY
- Steel prices hit the bottom in October 2023 following the downward trend of China's steel prices. China's steel prices in 2023 declined sharply as the real estate market there had not escaped the crisis, negatively affecting the demand for steel consumption

However, the performance of the steel stocks outperformed VN-Index, possibly due to (1) the profit was back to positive after hitting the bottom in Q4 2022 and (2) the bounce back momentum after plummeting by 51% in 2022

Figure 6: Basic resources stocks, led by Steel stocks, outperformed VN-Index

Performance of basic resources sector index and VN-Index [%YTD]



Source: Bloomberg, FiinPro-X, TVS Research

Note: Industry performance is calculated based on the % change in the total market capitalization of all listed companies on the HSX operating in the industry; VN-Index's performance is calculated based on the % change of the index during the calculation period.

IT sector – Maintaining growth.

The net profit of information technology (IT) enterprises increased by 15% YoY in 2023. Although the growth rate was slower than in 2022 due to the impact of the global economic downturn, the net profit of IT enterprises still maintained good growth through each quarter. This growth momentum was reflected in:

- Software exports still maintained positive growth thanks to global IT and software service spending
- Hardware and electronics exports of Vietnam reached only USD 127 billion (-5% YoY) due to the negative impact of the global economic downturn reducing demand for hardware and electronic devices globally
- Telecommunication service revenue grew by 0.4% to USD 6 billion

IT sector stocks performed well with the VN-Index. This can be attributed to the sector's revised P/E valuation, which reflects investors' confidence in its stable long-term profit growth outlook.

Figure 7: IT stocks outperformed the VN-Index

Performance of IT sector index and VN-Index [%YTD]

Source: Bloomberg, FiinPro-X, TVS Research

Note: Industry performance is calculated based on the % change in the total market capitalization of all listed companies on the HSX operating in the industry; VN-Index's performance is calculated based on the % change of the index during the calculation period.

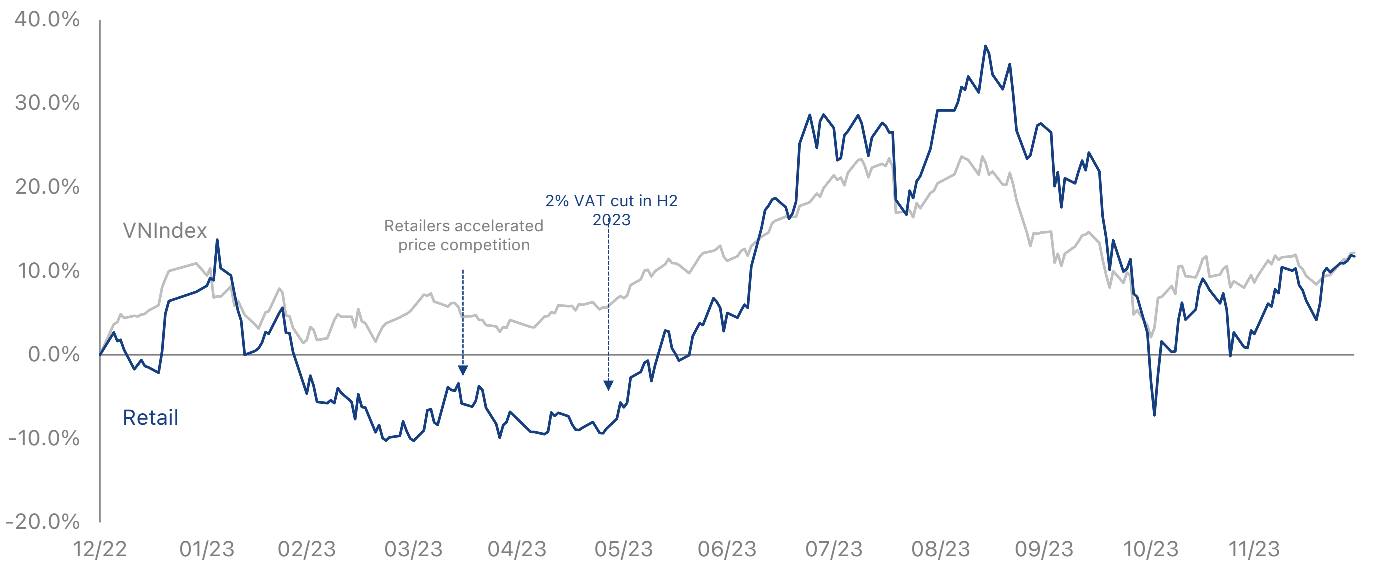
Retail sector – Weak consumer demand

Listed retailers on HOSE, which mainly sell consumer discretionary goods (i.e. mobile phones and electronic devices), faced profit declines in 2023 due to:

- **Consumers' income growth rate diminished.** The average growth of consumer's income in Vietnam in 2023 was 5.8% YoY, lower than the average pre-pandemic figure of 9.2% YoY. As a result, the demand for consumer discretionary (including electronic devices) dropped significantly in 2023
- **The price competition among retailers has been fiercer**. In 2023, mobile retailers joined a price competition by decreasing their selling prices to boost sales. It directly affected their profit margin
- The reduced VAT by 2% did not apply to the above-mentioned consumer discretionary goods, so listed retailers on HOSE did not benefit from the initiative. However, **the tax reduction positively affected the market sentiment** and has been reflected in the performance of the Retail stocks since July 2023.

Figure 8: Retail stocks underperformed to VN-Index in most time in 2023 due to their deteriorating business

Performance of retail sector index and VN-Index [%YTD]



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Sector outlook 2024

TVS Research forecasts that NPAT of listed companies on HOSE will increase by 15.7% YoY in 2024, with the main contribution coming from Banking, Real Estate, Retail, and Basic Resources sectors.

Banking sector – Expanding NIM and easing bad debt concerns

TVS Research forecasts a robust 22% year-over-year (YoY) profit growth for the Vietnamese banking sector in 2024. TVS Research believes credit growth will reach 14% this year thanks to improving economic conditions and low interest rates. Continued low interest rates are likely to benefit banks' lending margins, leading to a modest NIM improvement. Although the bad debt pressure of banks will gradually decrease by the end of the year, we forecast that the provisioning cost of banks will increase in 2024, as banks need to replenish the eroding provision buffer.

Real Estate sector - VHM leads the profit growth

TVS Research expects the real estate sector to achieve 10.6% profit growth in 2024, with VHM driving a significant portion of this improvement. Excluding the Vingroup family, the sector is still projected to grow by 11%. We forecast that the real estate sector will recover from H2 2024 onwards thanks to (1) the lag effect of low-interest rates on housing demand, and (2) the newly approved laws (Land Law, Housing & Real Estate Business Law) will have a positive impact on the market sentiment in H2 2024.

TVS Research expects the affordable apartment segment with real demand and clear legal status will recover ahead of the overall market. Developers focusing on this segment, such as NLG, KDH, and VHM, can implement projects from H2 2024 before the amended Land Law takes effect, helping to increase the market supply and provide stable cash flow for the business.

Retail Sector - Consumer demand recovers

TVS Research expects the retail sector will enjoy a strong growth in 2024 with a profit increase of 515% YoY. Our projection hinges on the economic recovery in H2 2024, leading to resurgent demand for consumer discretionary goods. We also anticipate an easing of price competition of the ICT&CE segment, which should contribute to an improvement in retailers’ profit margins. Therefore, TVS Research believes a strong recovery of retailers’ revenue and profitability in 2023 compared to a low base in 2022.

Basic Resources Sector - Recovering from the low base in H1 2024

We forecast that the profit of the Basic Resources sector will grow by 37.8% in 2024, mainly driven by steel companies. For the steel industry, TVS Research expects that the consumption volume in H1

2024 will increase sharply compared to the low base in the same period last year, and the recovery will be more evident when the real estate sector recovers from H2 2024, leading to an increase in demand for construction steel.

O&G Sector - The upstream group is the bright spot in 2024

TVS Research forecasts a promising year for the Vietnamese oil and gas (O&G) sector, projecting a 39.2% profit surge in 2024. This growth is anticipated to be primarily driven by the performance of two key upstream players, PVS and PVD. The expected global rise in investments in upstream activities presents a favorable outlook for the Vietnamese O&G industry. TVS Research anticipates this upward trend to translate into sustained demand for construction and drilling services, securing a long-term pipeline of projects for upstream companies like PVS and PVD. This marks a significant shift from the recent period characterized by a scarcity of large-scale projects.

Information Technology Sector - Maintaining high growth

We forecast that the profit of the IT sector will grow by 18.6% YoY, mainly contributed by the profit of FPT. TVS Research believes that IT spending will continue to increase in 2024, driven by the demand for digital transformation and new technology trends such as artificial intelligence (AI) and cloud computing. For the telecommunications segment, the demand for investment in network infrastructure and databases of organizations and businesses helps the companies in the sector maintain the growth momentum. This confluence of factors provides strong support for both revenue and profit growth within the sector throughout the year.

Table 2: TVS Research forecast that the net income of listed companies on HSX will increase 15.7% YoY in 2024

Net income growth of listed companies on HSX by sector [% YoY]

ICB Industry Level 2	% Market cap HOSE	% PAT HOSE 2023	2019A	2020A	2021A	2022A	2023A	2024F
Commercial Bank	39.8%	55.5%	30.9%	16.4%	32.0%	34.7%	4.3%	19.7%
Real Estate	15.5%	15.1%	35.1%	-3.7%	1.3%	-9.5%	6.1%	10.6%
F&B	8.7%	5.8%	-8.8%	-11.7%	40.4%	-19.0%	-17.1%	5.5%
Utilities	6.4%	5.8%	11.4%	-20.5%	14.3%	44.1%	-27.5%	-1.6%
Industrial goods and services	2.8%	3.3%	-12.7%	-11.0%	41.7%	20.6%	-12.0%	-1.5%
Financial services	4.6%	2.6%	-19.6%	42.2%	148.2%	-51.5%	41.3%	9.6%
Chemical	3.9%	2.9%	-9.6%	36.7%	58.6%	46.8%	-54.8%	0.0%
IT	2.8%	2.3%	14.6%	12.1%	22.3%	20.2%	15.2%	18.6%
Basic resources	4.4%	2.0%	-19.1%	97.2%	168.9%	-86.3%	12.7%	37.8%
Constructions & Construction materials	2.7%	1.7%	2.0%	0.1%	-18.2%	-6.8%	1.3%	8.1%
Consumer goods	1.2%	1.1%	4.5%	-5.2%	14.4%	26.4%	-20.3%	7.1%
O&G	1.2%	1.0%	12.1%	-70.4%	120.0%	-44.7%	105.6%	39.2%
Insurance	0.9%	0.9%	13.6%	27.8%	29.0%	-19.8%	19.1%	0.0%
Healthcare	0.7%	0.7%	2.0%	4.5%	7.6%	24.0%	2.2%	0.0%
Automobile	0.3%	0.2%	9.4%	21.5%	1.6%	51.5%	-48.9%	0.0%
Retail	2.0%	0.2%	23.8%	-6.0%	42.3%	-14.2%	-88.9%	515.3%
Communication	0.0%	0.0%	-199.6%	58.9%	NA	69.5%	-32.3%	0.0%
Tourism and Entertainment	2.0%	-1.2%	-17.9%	-248.9%	-19.3%	3.6%	65.3%	5.0%
VN-INDEX	**39.8%**	**100.0%**	**13.8%**	**-1.2%**	**36.7%**	**2.9%**	**-1.8%**	**15.7%**

Source: FiinPro-X, TVS Research
Note: A: Actual; F: Forecast

2024 Investment strategy

TVS Research's investment strategy for 2024 focuses on stocks in sectors expected to contribute significantly to Vietnam's next growth chapter, such as Information Technology, and Industrial Parks and sectors showcasing strong recovery potential in 2024, such as Banking, Retail, Import-Export, O&G and Real Estate.

Long-term investment theme - Technology, Industrial Park, Seaport

We hold a positive outlook on Vietnam's economic future as the world economy embarks on a new growth cycle and Vietnam deeply participates in the global production chain (Please refer to our 2024 Macroeconomic Report for details) positions it for robust expansion. Vietnam's future growth is inextricably linked to the global transformation towards artificial intelligence (AI) and decarbonization. Therefore, businesses within the **Information Technology** value chain represent compelling long-term investment themes, capitalizing on this transformative shift. In addition, the global shifting production chain and Vietnam's burgeoning role in global value chains, particularly through closer ties with major economies, creates opportunities for infrastructure sectors like **Industrial Parks** and **Seaports**. Therefore, TVS Research identifies businesses operating in those sectors as key themes within our long-term investment strategy.

Investment theme in 2024 - Banking, Retail, Import-Export, O&G, Real Estate

Supported by the long-term growth potential, we are confident in the recovery prospects of Vietnam’s economy in 2024, especially from H2 2024 onwards. This positive outlook comes from the spillover effects of expansionary monetary and fiscal policies in 2023 and improved export-import activities. Hence, our 2024 investment strategy will prioritize businesses poised to capitalize on this anticipated recovery within the **Banking, Retail, and Export-Import** sectors.

In addition, we also see investment opportunities in some stocks with unique growth stories in **O&G** and **Real Estate** sectors. TVS Research believes that a new investment cycle is taking place for the O&G sector in Vietnam, opening up great growth opportunities for businesses within the industry, especially upstream companies with exploration and exploitation activities. Our preferred upstream O&G stocks are **PVD and PVS.**

For the Real Estate sector, TVS Research forecasts that the real estate market will recover more apparently from H2 2024 thanks to the psychological impact of the new Laws and regulations. By establishing stricter legal requirements for projects, these measures aim to improve transparency and investor confidence. Additionally, the current low lending interest rate environment is expected to stimulate demand for home purchases. Within this recovering landscape, we identify **VHM** and **NLG** as potential frontrunners. Both companies hold a diverse portfolio of ready-to-sell projects, primarily focused on the mid-end apartment segment, which enjoys sustained demand. They also face minimal impact from the new regulations and are currently traded at reasonable valuations.

Tactical investment strategy following cash flow: Steel, Brokerage, High Dividend

Complementing our long-term investment themes for 2024, TVS Research identifies several short-term opportunities driven by cash flow trends in the stock market. TVS Research believes that sectors with solid profit growth compared to the low base in Q4 2022-Q1 2023, such as Steel and Brokerage will attract investors' cash flow around the time of announcing business results (in H1 2024). Furthermore, the brokerage sector may see additional inflows due to updates to the KRX system and market upgrades in 2024.

We acknowledge the cautious investor sentiment anticipated in H1 2024 due to uncertainties surrounding the FED's interest rate decisions and global economic prospects (Please refer to our 2024 Macroeconomic Report for details). In this environment, TVS Research believes high-dividend stocks are likely to attract cash flow from risk-averse investors seeking income in a low-interest rate environment.

Table 3: TVS' Top call for 2024

Ticker	Closing price at 31/01/24	Target price	Upside	2024F Revenue	% YoY	2024F Net Income	% YoY	ROE 2023	ROE 2024F	TTM P/E	P/E fw 2024
	VND	VND	%	VND bn	%	VND bn	%	%	%	x	x
FPT	95,700	118,700	24.0%	63,128	20.0%	9,234	18.5%	28.2%	27.4%	18.8	15.8
KBC	30,250	40,300	33.2%	7,889	40.0%	2,752	24.1%	11.7%	12.7%	11.6	9.4
MBB	21,750	28,200	29.7%	57,243	21.0%	24,669	17.2%	23.9%	22.5%	1.2	0.9
TCB	34,550	42,200	22.1%	46,081	15.0%	22,821	25.5%	14.8%	16.1%	0.9	0.8
VCB	88,500	107,200	21.1%	79,009	16.7%	37,100	12.2%	21.7%	20.1%	2.9	2.5
MWG	45,000	53,200	18.2%	126,579	8.7%	3,113	1,752.2%	0.7%	12.0%	392.7	21.2
VHC	63,700	84,200	32.2%	11,510	15.0%	1,143	20.4%	11.7%	12.7%	15.7	11.0
GMD	68,100	79,500	16.8%	4,056	5.5%	2,085	-16.7%	12.6%	8.3%	8.4	17.2
VHM	41,500	71,400	72.0%	115,396	11.7%	38,242	15.0%	20.1%	19.0%	5.5	4.8
NLG	38,500	49,000	27.3%	5,130	61.0%	1,321	65.0%	6.0%	9.2%	30.6	18.6
PVS	36,700	50,300	37.1%	26,571	37.3%	1,371	52.0%	6.8%	9.9%	20.3	13.3
PVD	27,550	37,500	36.1%	6,495	11.8%	1,035	91.0%	3.7%	6.7%	26.4	13.8
HPG	27,750	34,300	23.6%	134,504	13.0%	13,057	91.0%	6.9%	12.4%	23.6	12.4
SSI	34,400	43,300	25.9%	8,160	14.0%	2,706	18.0%	10.1%	10.2%	22.5	22.0

Source: Fiin-ProX, TVS Research forecast
For banking stocks (TCB, MBB, and VCB), 2024F Revenue equals total operating income. The valuation multiple is P/B instead of P/E.

Investment theme 1: Information Technology is the central of a new cycle

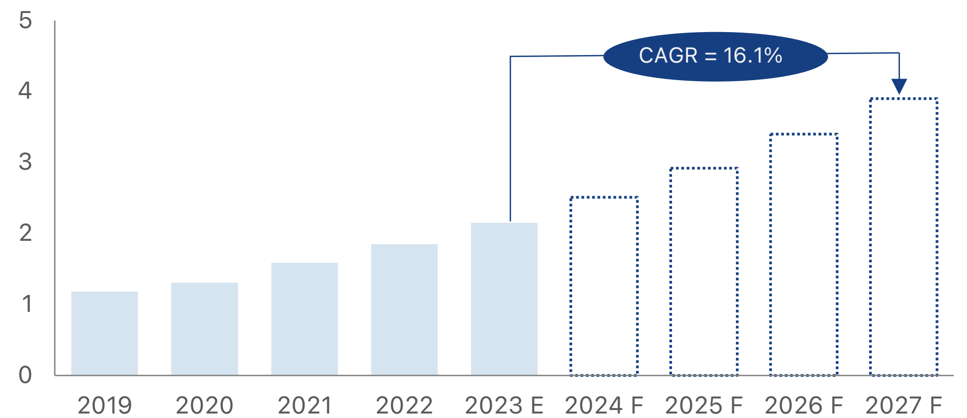
The IT sector has positive long-term prospects fueled by the accelerating global digital transformation wave.

We are optimistic about the long-term prospects of the IT sector.

The global digital transformation trend requires organizations and businesses to invest heavily in technology. According to the International Data Corporation (IDC), global spending on digital transformation will reach nearly USD 3.9 quadrillion by 2027, implying **a compound annual growth rate (CAGR) of 16.1%** during 2023-2027.

Figure 9: Spending on digital transformation has maintained a double-digit growth rate post-pandemic

Global spending forecast for digital transformation [USD Qa]



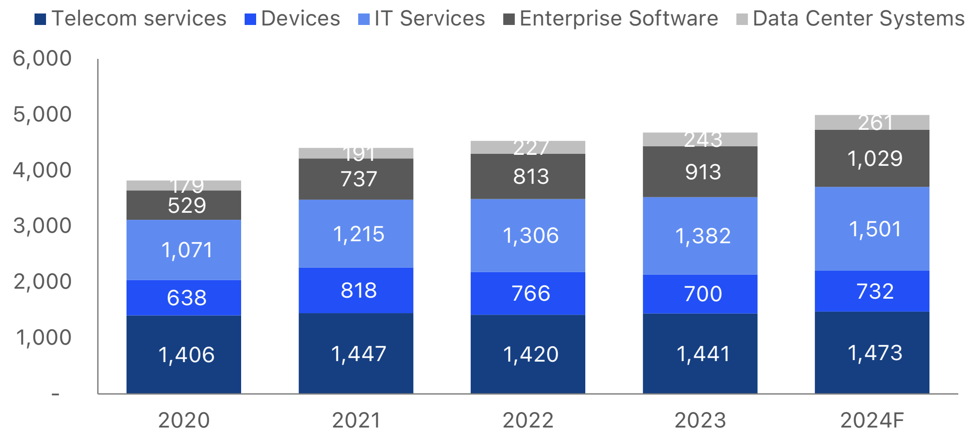
Source: IDC, TVS Research

The rise of artificial intelligence (AI) in 2023 as a breakthrough in the field of technology accelerated the digital transformation. It stimulated the growth of segments such as cloud computing, databases, software and solutions. Forrester assessed the high demand for global cloud computing and AI, incredibly generative AI technology, which will drive the technology industry's growth in the next three years. However, with a relatively small investment scale (IDC estimates spending on AI solutions to reach USD 500 billion by 2027), Gartner predicts AI will not significantly increase information technology spending, at least in the short term.

Gartner forecasts global IT spending in 2024 will reach USD 5 trillion (+6.8% YoY, compared to a 3.2% YoY growth in 2023). The demand is recorded to grow strongly in the Asia-Pacific region along with the recovery of North America and Europe when the pressure to cut costs eases.

Figure 10: Software and IT services are two areas with strong growth in 2024

Global IT spending forecast in 2024 [USD bn]



Source: Gartner (2024), TVS Research

Figure 11: The US's Spending on the technology sector is on the rebound

Spillovers Index - Monthly future spending in New York's tech sector, adjusted for seasonality

Source: Fred, TVS Research

Figure 12: New orders from the technology sector gradually regained growth

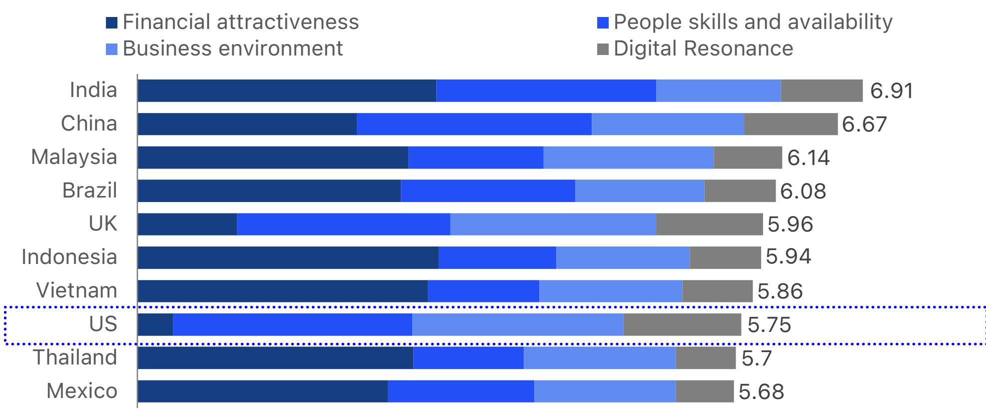
Monthly growth in IT new order value [% YoY]

Source: Fred, TVS Research

The main driver of global IT spending comes from the software and IT Services sectors, increasing by 12.7% YoY and 8.6% YoY in 2024, respectively. These two main pillars are expected to contribute about 69% of the total industry-wide investment by 2027 (According to Forrester). This growth creates favorable conditions for Vietnamese IT enterprises with a competitive advantage in software export thanks to low labor costs and quality human resources.

Figure 13: Vietnam ranks 7th in the Global Service Location Index (GSLI) in 2023

GSLI index (2023) of some countries and territories



Source: Kearney Analysis, TVS Research

The domestic market also recorded strong demand for digital transformation, in line with the National Digital Transformation Strategy.

In 2023, Vietnam's digital economic growth rate will reach 19%, the highest in Southeast Asia and 3.5 times higher than the GDP growth rate. The digital economy/GDP proportion is estimated to be 16.5% (+2.2 ppt compared to 2022), moving towards the target of 20% by 2025 set by the government.

Technology companies have become a driving force, essential in promoting the digital transformation process of businesses and organizations and developing the country's digital economy.

FPT is our top pick for the IT sector.

We recommend FPT because it is a leading enterprise in the industry, participating in many stages of the industry value chain: R&D and providing software solutions, IT services, information network infrastructure, and chip manufacturing.

FPT – Target price: VND 118,700 – Upside: +24.0%

FPT will maintain revenue growth of 15-20%/year in the next five years thanks to strong demand for global and domestic digital transformation. FPT's competitive advantage comes from:

- Leading position in the industry, providing a variety of products and services in the industry value chain (software, solutions, services, information systems, chip manufacturing), with experience in implementing digital transformation projects
- FPT continues to increase the scale of operations in foreign markets by opening representative offices abroad and promoting the acquisition of technology companies in international markets such as the US and France
- Develop and expand the “Made by FPT” products and solutions, applying new technologies such as AI and cloud computing: FPT akaBOT, FPT. AI eKYC, FPT Digital, FPT Cloud…
- We forecast that FPT will record 2024 revenue of VND 63,128 billion (+20% YoY), with the main growth driver coming from the software export segment (+28.2% YoY) thanks to newly signed sales in 2023 reaching VND 29,717 billion (+37.6% YoY). TVS Research forecasts that FPT's main markets, Japan, the US, and APAC, will grow at 35% YoY, 15% YoY and 35% YoY, respectively. FPT's NPAT is forecast to increase 18.5% YoY to VND 9,234 billion, equivalent to EPS 2024 = VND 6,066 per share, P/E fw = 15.8x

Ticker	Closing price at 31/01/24	Target price	Upside	2024F Revenue	% YoY	2024F Net Income	% YoY	ROE 2023	ROE 2024F	TTM P/E	P/E fw 2024
	VND	VND	%	VND bn	%	VND bn	%	%	%	x	x
FPT	95,700	118,700	24.0%	63,128	20%	9,234	18.5%	28.2%	27.4%	18.8	15.8

Source: Fiin-ProX, TVS Research

Investment theme 2: Vietnam is an attractive destination for FDI

We expect that Vietnam will still be an attractive destination for FDI in the near future.

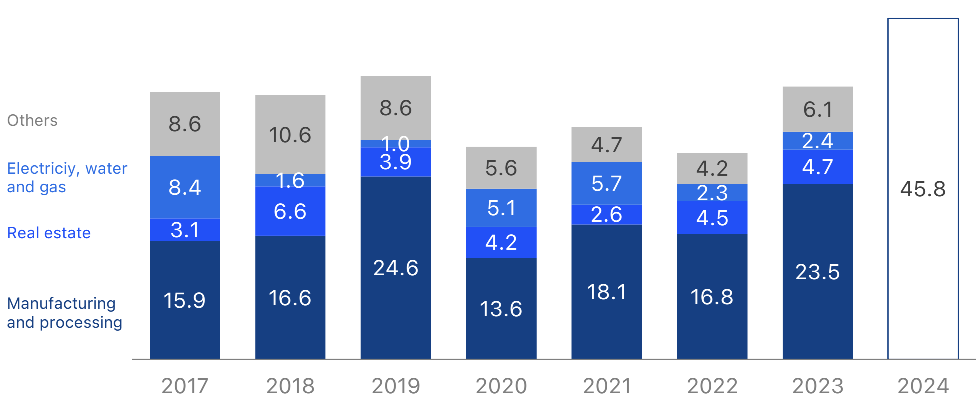
Registered FDI in Vietnam in 2023 reached a record of USD 36.6 billion (+32.1% YoY) despite slowing global economic growth. Manufacturing and processing are the main driving forces that attract FDI, with 65% of total registered capital in 2023, an increase of 39.9% YoY.

TVS Research forecasts that registered FDI in Vietnam in 2024 will continue to grow positively, reaching 25% (For details, refer to the macro report), thanks to Vietnam's advantages that are still maintained, including:

- Favourable geographical location to welcome investment capital shifting from the "China +1" strategy
- Vietnam has excellent trade openness thanks to promoting strategic cooperation with partners and profoundly participating in many free trade agreements (FTAs)
- Production costs (labour, electricity) are competitive compared to other countries in the region
- Connection between economic regions is increasingly convenient thanks to promoting investment in infrastructure

Figure 14: TVS Research forecasts registered FDI in 2024 to grow by 25%

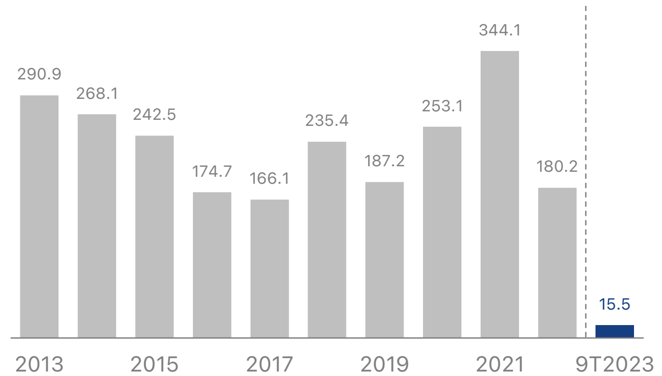
Registered FDI by industry [USD bn]



Source: Ministry of Planning and Investment, TVS Research forecasts

Figure 15: FDI flows into China are at their lowest level in the past ten years...

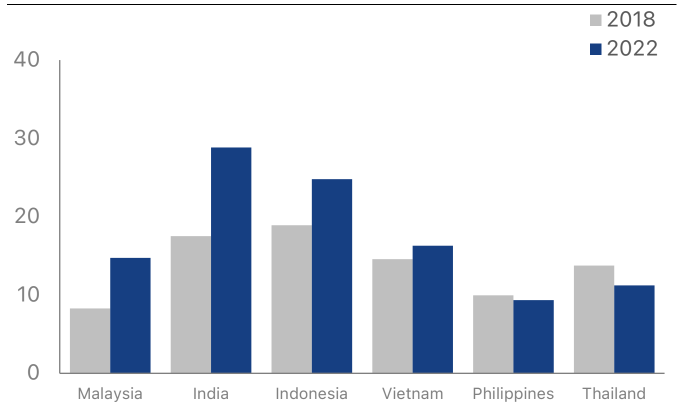
FDI in China's international balance of payments [USD bn]



Source: State Administration of Foreign Exchange of China (SAFE), TVS Research

Figure 16: ... due to the shift to neighbouring markets

Registered FDI in some countries [USD bn]



Source: IMF, TVS Research

Table 4: Vietnam participated in many trade agreements

Number of FTAs participated by Southeast Asian countries, ✓: Signed, X: Not yet/Not signed, O: Under discussion

Regions	Vietnam	Malaysia	Thailand	Philippines	Indonesia
ASEAN	✓	✓	✓	✓	✓
ASEAN - China	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	✓
South Korea	✓	✓	✓	✓	✓
Japan	✓	✓	✓	✓	✓
CPTPP	✓	✓	X	X	X
Europe	✓	O	O	O	O
US	X	X	X	X	X

Source: KPMG, TVS Research

Figure 17: Vietnamese labour costs are relatively cheap....

Average monthly salary in the manufacturing industry [USD/month]

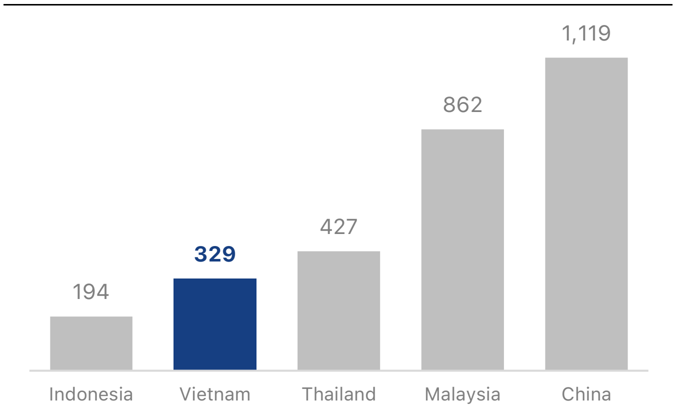
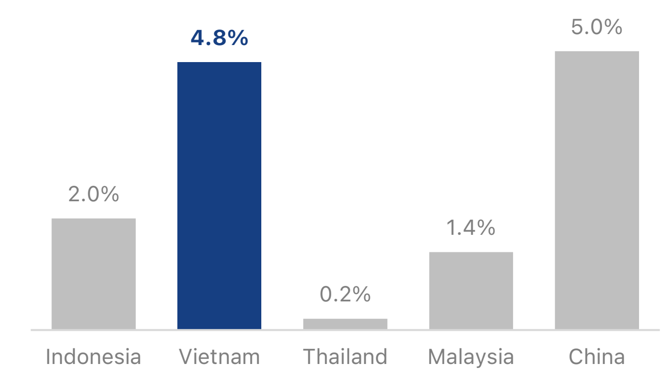


Figure 18: ... as compared with the growth rate of labour productivity

CAGR 2018-2023 GDP/employee ratio in countries [%]

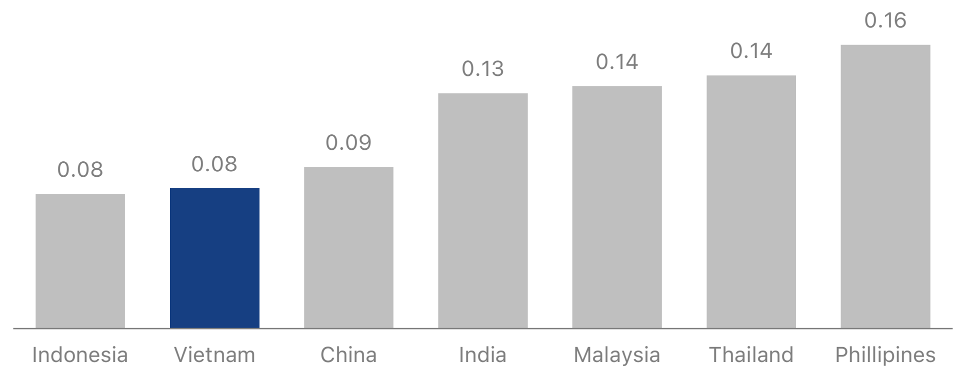


Source: Trading Economics, Savills, TVS Research

Source: International Labor Organization (ILO), TVS Research

Figure 19: Low electricity prices are a significant competitive point for manufacturing enterprises

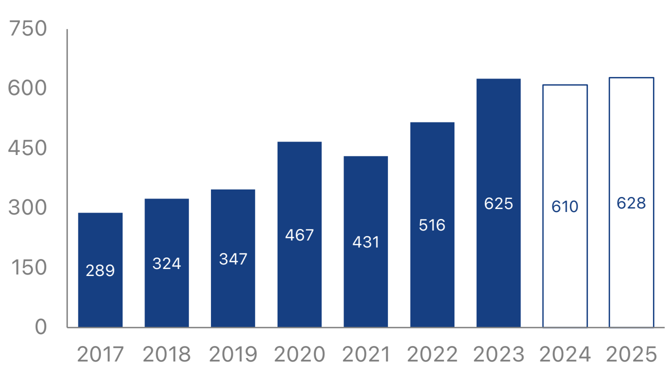
Average electricity price of Vietnam and some countries in the region [USD/kWh]



Source: Global Petro Prices, TVS Research

Figure 20: Disbursement of public investment is at a high level in the period 2023-2025

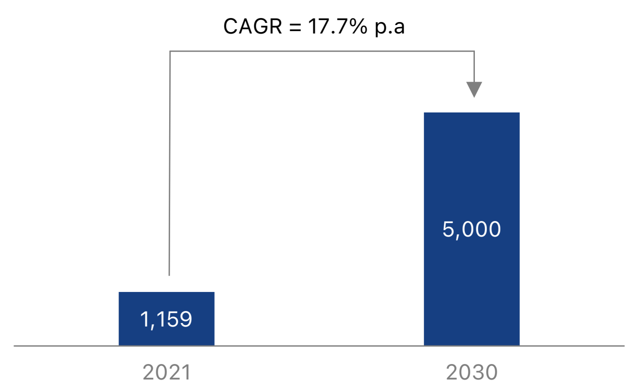
Disbursement of Vietnam's public investment [VND tn]



Source: FiinPro-X, TVS Research forecasts

Figure 21: The number of highway kilometres in 2030 will increase more than four times compared to the end of 2021

Vietnam's highway construction plan until 2030 [km]



Source: Ministry of Transportation, TVS Research

FDI flow thanks to shifting manufacturing factories to Vietnam and FTA agreements will open up great opportunities for the Industrial Park Real Estate Industry.

TVS expects the demand for industrial parks to expand, especially in critical economic provinces in the North and South, thanks to FDI flows shifting production from China and upgrading strategic relations, which will help Vietnam participate more in the global semiconductor manufacturing value chain.

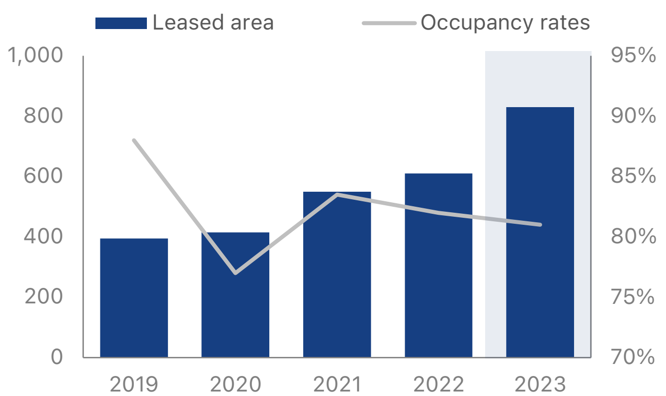
The favourable location near major seaports and border gates for the Northern region will remain a strength to attract new electronics factories, especially factories moving from China or new investment according to the China strategy +1. We believe that large electronic component manufacturers in the North, such as Foxconn, LG, and

Goertek, will continue to expand production activities in Vietnam thanks to Vietnam's attractive incentives and favourable business conditions, thereby boosting the demand for industrial park land in the North.

In the Southern region, we think that FDI investment capital sources are more diverse and focused on capital-intensive industries, from Lego (toy manufacturing) and Hyosung (high-end materials and fabrics) to PepsiCo (F&B). In TVS Research's opinion, the investment portfolio of FDI capital will increase and become more diverse in the coming time thanks to the FTA agreements that Vietnam has entered into with European countries and the US, thereby promoting demand for industrial parks in the South.

Figure 22: Demand for industrial park land in the North remains high with a high occupancy rate

Area of industrial park land for lease during the year (left) [ha] & Occupancy rate (right) [%] in level 1 provinces in the North

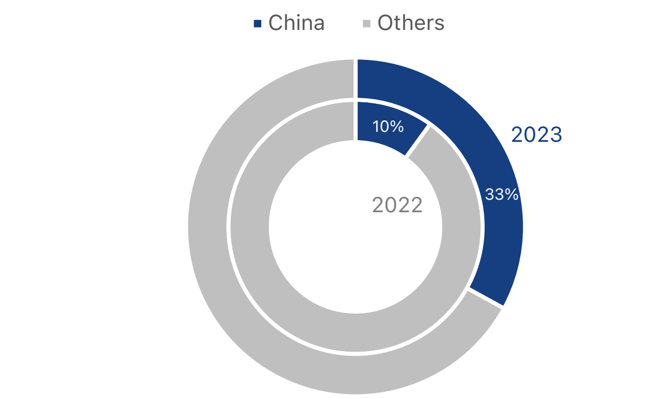


Source: CBRE, TVS Research

Level 1 provinces include Bac Ninh, Hai Phong, Hung Yen, Hai Duong, Bac Giang, and Hanoi.

Figure 23: Enterprises from China expand investment in the North in 2023

FDI investment in the North by country [%]



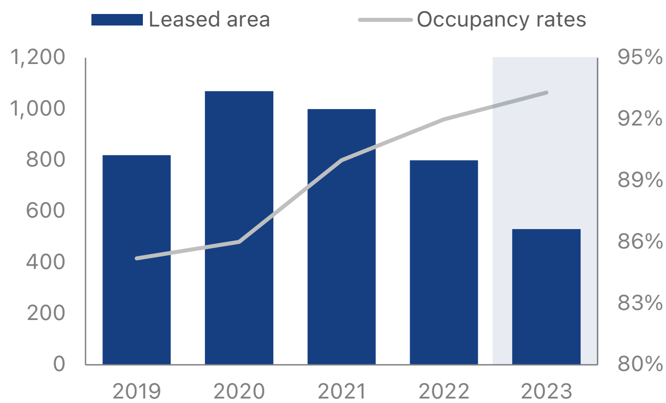
Source: CBRE, TVS Research

Figure 24: The reduced supply of industrial park land helps increase the high occupancy rate in the Southern region

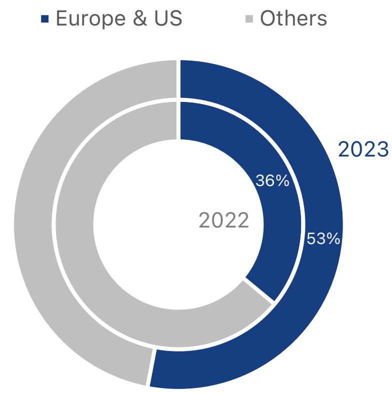
Area of industrial park land for lease during the year (left) [ha] & Occupancy rate (right) [%] in level 1 provinces in the South

Figure 25: EU and US businesses increase investment in the South in 2023

FDI investment in the South by country [%]



Source: CBRE, TVS Research
Level 1 provinces include Binh Duong, Dong Nai, Ba Ria - Vung Tau, Long An, and Ho Chi Minh City.



Source: CBRE, TVS Research

We expect the Global Minimum Tax will not significantly impact FDI flows into Vietnam.

From 2024, a global minimum tax rate of 15% will apply to multinational enterprises with a consolidated turnover of at least EUR 750 million in two out of the last four years. According to the General Department of Taxation, the global minimum tax will affect 122 multinational enterprises in Vietnam and is expected to bring in revenue of VND 14.6 trillion (USD 600 million) for the state budget.

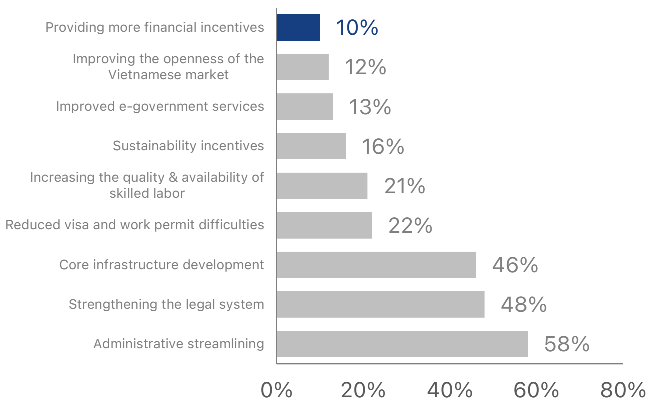
We expect the Global Minimum Tax may have a short-term but insignificant impact on FDI flows into Vietnam. We believe that Vietnam's competitive position compared to its competitors is not affected because the increase in corporate income tax by 2.7 bps is similar to the Asian region. In addition, according to Eurocham's survey, tax incentives account for the most minor proportion of the factors foreign investors are interested in when investing in Vietnam. In addition, the Vietnamese Government plans to issue regulations on using revenue from financial markets to support and attract investment in 2024. We believe that this action will maintain Vietnam's competitiveness as other countries in the region have had alternative policies to reduce pressure from financial transactions on FDI enterprises.

Figure 26: Tax incentive policies are of least concern when FDI enterprises invest in Vietnam

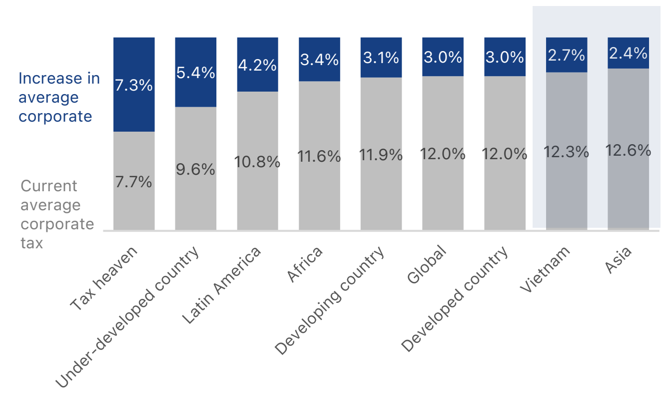
Survey of criteria that FDI enterprises consider when investing in Vietnam by Eurocham at the end of Q3 2023 [%]

Figure 27: The average corporate income tax increase of FDI enterprises in Vietnam is similar to Asia

Assessment of the average increase in corporate income when applying global minimum tax rate [%]



Source: Eurocham, TVS Research



Source: UNCTAD, Economic committee of National Assembly, TVS Research

However, industrial park supply is difficult to expand in the short term.

We expect that the supply of industrial parks in 2024 will still be limited due to difficulties in legal procedures in land valuation, auctions to convert agricultural land into industrial park land, and compensation for site clearance.

We believe that new supply from the above industrial parks will be delayed until 2025 - 2026 due to:

- Slow site clearance compensation progress and long land use fee payment process lead to delays in project implementation
- Many provinces have used up the land use limit according to the Provincial Industrial Park Land Planning for 2021-2030 approved by the Government and need to ask for opinions to adjust the overall use area.

Therefore, the industrial park land will be in short supply in 2024, creating favourable conditions for businesses with available land funds in level 1 areas such as **KBC** and **IDC**.

Table 5: The key provinces all have a high rate of using land quotas until 2025

Industrial park land fund in key provinces according to Decision 326/QD-TTg [ha]

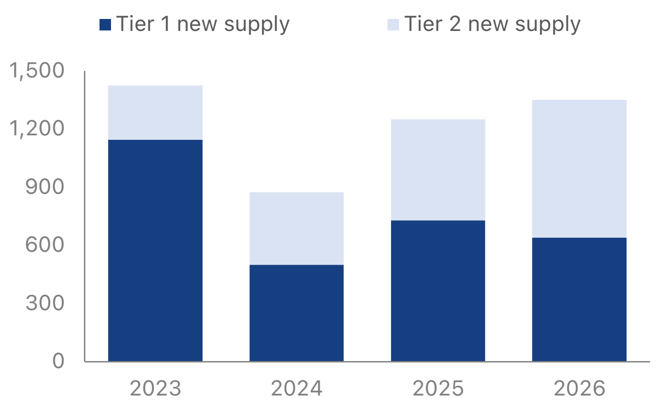
Province	Companies having a land bank	The current area of land bank	Limit until 2025	Limit until 2030	%Limit 2025 has been used
North		**33,901**	**41,184**	**58,888**	**82.3%**
Level 1 provinces		**17,669**	**21,773**	**29,628**	**81.2%**
Hanoi		1,347	2,787	3,828	48.3%
Bac Ninh	KBC, VGC, IDC	5,899	4,760	6,408	123.9%
Hung Yen	KBC, VGC, HPG	2,611	3,849	5,021	67.8%
Hai Duong	KBC, VGC, IDV	1,732	3,115	5,661	55.6%
Hai Phong	KBC	6,080	7,262	8,710	83.7%
Level 2 provinces		**16,232**	**19,411**	**29,260**	**83.6%**
Ha Nam	VGC, DTD, IDV	2,043	4,027	4,627	50.7%
Thai Binh	VGC, IDC	1,903	1,662	2,565	114.5%

Vinh Phuc	IDV	3,110	3,037	4,815	102.4%
Thai Nguyen	TNG	1,470	3,650	4,349	40.3%
Bac Gian	KBC	3,074	3,377	7,000	91.0%
Quang Ninh	KBC, VGC	4,632	3,658	5,904	126.6%
South		**52,431**	**58,327**	**77,540**	**89.9%**
Level 1 provinces		**33,330**	**39,870**	**51,884**	**83.6%**
Ho Chi Minh	KBC, SIP, ITA, KDH	2,830	5,021	5,918	56.4%
Long An	KBC, LHG, IDC	9,200	10,479	12,433	87.8%
Binh Dương	NTC, BCM, PHR, GVR	11,300	11,900	14,990	95.0%
Dong Nai	IDC, SIP, IDC, D2D	10,000	12,470	18,543	80.2%
Level 2 provinces		**17,101**	**16,388**	**22,608**	**104.4%**
Tay Ninh	SIP	3,415	3,580	4,269	95.4%
Binh Phuoc	DPR, BCM, IDC	4,686	4,258	7,584	110.1%
Ba Ria – Vung Tau	SZC, IDC	9,000	8,550	10,755	105.3%

Source: Decision 326/QĐ-TTg, TVS Research

Figure 28: 2024 supply in the North decreases

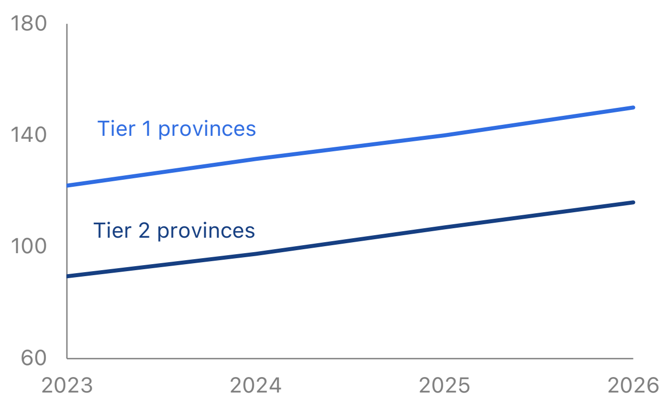
Forecast of new supply [ha] in the North



Sources: CBRE, TVS Research

Figure 29: Rental prices continue to increase thanks to rental demand from large FDI enterprises

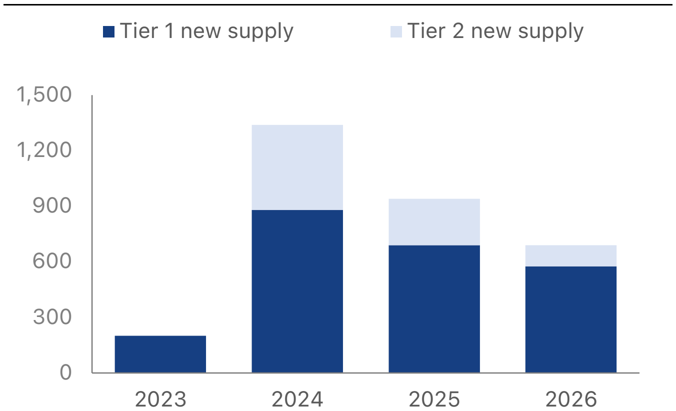
Average rental price [USD/m2/rental period] in the North



Sources: CBRE, TVS Research

Figure 30: Supply in the South in 2024 will increase sharply to meet significant demand from investors

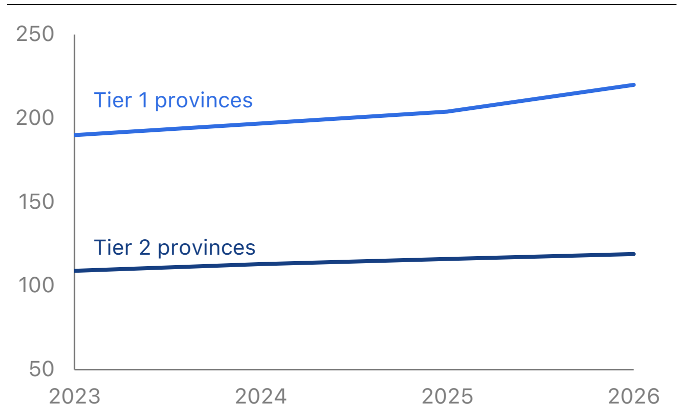
Forecast of new supply [ha] in the South



Sources: CBRE, TVS Research

Figure 31: Rents in level 1 southern provinces continue to increase thanks to businesses expanding production from the FTA

Average rental price [USD/m2/rental period] in the South



Sources: CBRE, TVS Research

We choose KBC for our investment portfolio thanks to its ownership of a large land fund in provinces that strongly attract FDI when land supply is tight.

TVS Research has a POSITIVE view on the Industrial park sector, and we believe that KBC is the appropriate choice for a theme related to expanding FDI investment into Vietnam, especially the North, when supply is tightening thanks to KBC's large land available for lease in level 1 Northern provinces.

KBC – Target price: VND 40,300– Upside: +33.2%

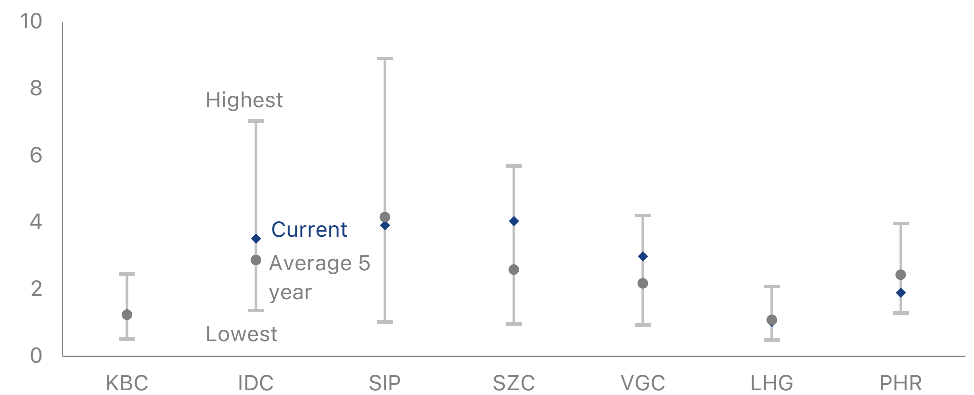
- KBC owns significant industrial park land funds ready for lease in provinces that are hot spots for FDI, such as Hai Phong, Bac Ninh, Bac Giang, and Long An. We forecast that the area of industrial park land for lease in 2024 will be significant, reaching 160 hectares (compared to an average of 58 hectares/year in 2019-

2023).

- Attractive valuation with P/B fw 2024 reaching 1.0x, 20% lower than the 5-year average
- Catalyst: Completing related procedures to open the Trang Cat urban area for sale in 2025 will be the driving force for price increases in the short term

Figure 32: KBC, LNG & PHR have attractive valuations

P/B of industrial park real estate companies [x]



Sources: FiinPro-X, TVS Research

Ticker	Closing price at 31/01/24	Target price	Upside	2024F Revenue	% YoY	2024F Net Income	% YoY	ROE 2023	ROE 2024F	TTM P/E	P/E fw 2024
	VND	VND	%	VND bn	%	VND bn	%	%	%	x	x
KBC	30,250	40,300	33.2%	7,889	39.8%	2,752	24.1%	11.7%	12.7%	1.3	1.0

Sources: Fiin-ProX, TVS Research

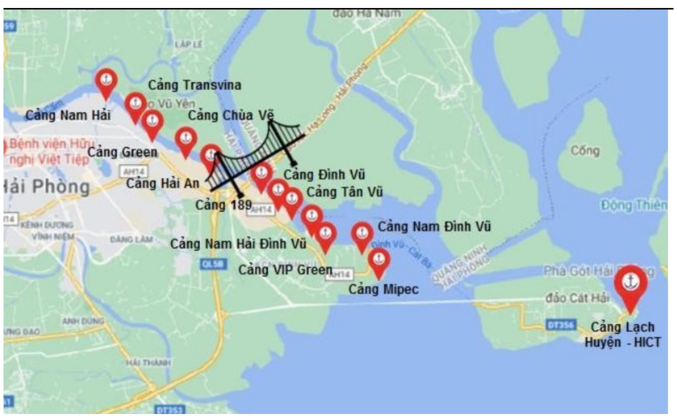
The strong flow of FDI into Vietnam also brings opportunities for the seaport sector in the long term.

The seaport industry will grow positively in the long term thanks to FDI inflows. Currently, more than 70% of Vietnam's import-export turnover belongs to FDI enterprises, while in our opinion, 90% of Vietnam's import-export volume of goods is via sea. Therefore, we believe that FDI flowing to Vietnam soon will help increase the demand for seaport services. We think the Hai Phong port cluster and the Cai Mep-Thi Vai port cluster will benefit mainly from this trend because:

- **Convenient location**: These two port clusters are located in two convenient locations for trade and near many industrial parks. The Hai Phong port cluster is the largest seaport in the North, situated between Hai Phong and Quang Ninh; the Cai Mep-Thi Vai port cluster connects industrial parks in Ba Ria-Vung Tau, Dong Nai and other provinces
- **Deep-water port cluster meets significant long-term cargo demand.** Increasing ship size is the primary trend in maritime transport, helping businesses optimize operating costs and operational efficiency. Therefore, deep-water port clusters such as Lach Huyen and Cai Mep-Thi Vai will meet this trend

Figure 33: The potential of ports near the sea is brighter thanks to being able to receive larger ships

Map of Hai Phong port cluster



Sources: Google maps, TVS Research combines

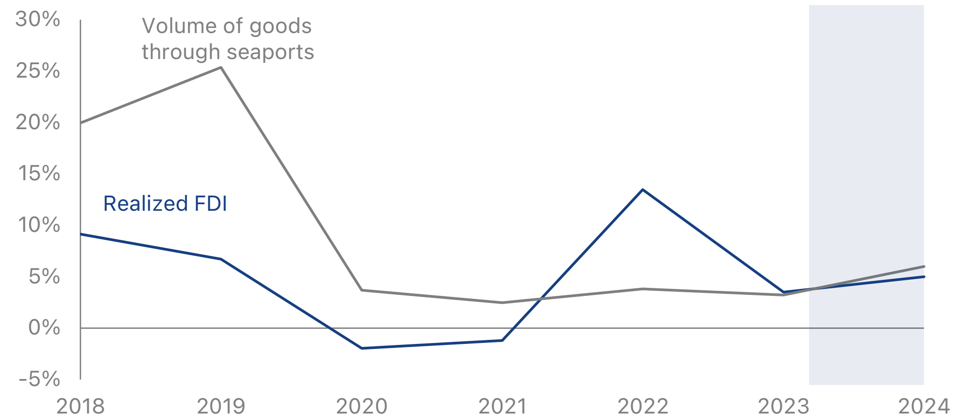
Figure 34: The Cai Mep - Thi Vai port cluster is capable of receiving ships of up to 200,000 DWT

Map of Cai Mep - Thi Vai deep-water port cluster

Sources: Google maps, TVS Research combines

Figure 35: We expect the growth of FDI investment to promote growth in the seaport sector in the long term

Growth in realized FDI capital [%] and Growth in volume of goods through seaports [%]

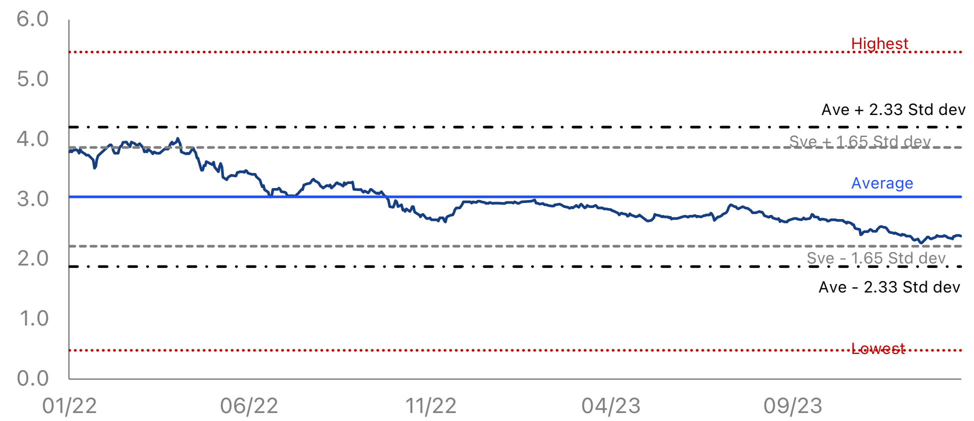


Sources: Fiin-ProX, Vinamarine, TVS Research

The valuation of seaport companies is much lower than the 5-year average. TVS Research perceives that the P/B valuation is currently lacking due to the short-term impact on the global economy. However, we evaluate the growth potential of the seaport industry thanks to the increase in goods passing through seaports as large amounts of FDI continue to flow into Vietnam. In our opinion, investment pick in 2024 and the long term for the seaport sector will focus on businesses that own port systems in favourable locations and the ability to receive large tonnage ships to recover commodity demand in the near future. In addition, the fact that seaport enterprises benefit from the potential increase in port service fees is also considered by us to support the valuation of seaport companies at a higher level.

Figure 36: The valuation of the seaport sector is 28% lower than the 5-year average

P/B valuation of seaport group index from 2022 to present [x]



Source: Fiin-ProX, TVS Research

We recommend GMD for our investment portfolio thanks to its ownership of two seaports with convenient locations and the ability to receive large tonnage ships.

We expect that businesses that own port systems that satisfy the conditions of location and ability to receive ships will have a significant advantage in the long term when FDI flows firmly into Vietnam. Accordingly, we have a favorable view of GMD's growth potential in the long term thanks to:

- GMD is the only unit with a port system in both main port clusters, Hai Phong and Cai Mep-Thi Vai. TVS Research assesses GMD's two current ports, Nam Dinh Vu and Gemalink, to have favourable locations as they are both located downstream of the port clusters, allowing for the reception of large and super-large tonnage ships in the long term.
- GMD focuses on expanding the design capacity to improve the ability to receive ships in anticipation of a significant future flow of goods into Vietnam.
- We forecast that GMD's handling output will grow by +6.5% YoY in 2024 thanks to the recovery of import-export activities. We think that GMD's handling rates will increase from 6% to 8% depending on the ports, thanks to the increase in handling rates starting from 2024. (*For more details, please refer to the Investment theme of the Export-Import*)

Table 6: GMD is the only unit that owns ports in both Hai Phong and Cai Mep - Thi Vai port clusters

List of enterprises owning ports and the scale of ports in the two port clusters of Hai Phong and Cai Mep - Thi Vai

Port	Owners	Year of operation	Capacity [TEU/year]	Size [DWT]	Volume in 8M 2023 [TEU]
Hai Phong port cluster					
Upstream from Bach Đang bridge					
Nam Hai Port	GMD	2009	200,000	10,000	N/A
Transvina Port	Vinalines	N/A	N/A	15,000	N/A
Green Port	VSC	2004	350,000	N/A	172,607
Chua Ve Port	PHP	1996	N/A	20,000	N/A
Hai An Port	HAH	2010	350,000	26,000	215,716
Downstream from Bach Đang bridge					
Port 189	Tân Port – 189 Hai Phong	2011	200,000	15,000	N/A
Dinh Vu Port	DVP	2005	600,000	50,000	324,041
Tan Vu Port	PHP	2008	1,000,000	55,000	N/A
Nam Hai Dinh Vu Port	VSC	2014	550,000	48,000	206,371
VIP Green Port	VSC	2015	600,000	30,000	415,433
Nam Dinh Vu Port	GMD	2018	1,800,000	48,000	549,033
Mipec Port	Mipec Port JSC	2015	450,000	40,000	80,197
Lach Huyen – HICT Port	TC - HICT	2018	N/A	160,000	725,673
Cai Mep – Thi Vai port cluster					
TCCT Port	TCSG	2009	600,000	140,000	1,219,107
TCIT Port	TCSG	2011	2,400,000	160,000	
CMIT Port	Vinalines & SGP	2007	1,100,000	200,000	348,470
TCTT Port	TCSG	2016	1,500,000	160,000	542,900
SSIT Port	SGP	2006	1,200,000	160,000	N/A
Gemalink Port	GMD	2021	3,000,000	230,000	918,358

Source: VPA, TVS Research

Investment Theme 3: Resilient Recovery

Banking Sector – Expanding NIM and better asset quality

TVS Research has a POSITIVE view on the Banking sector outlook in 2024.

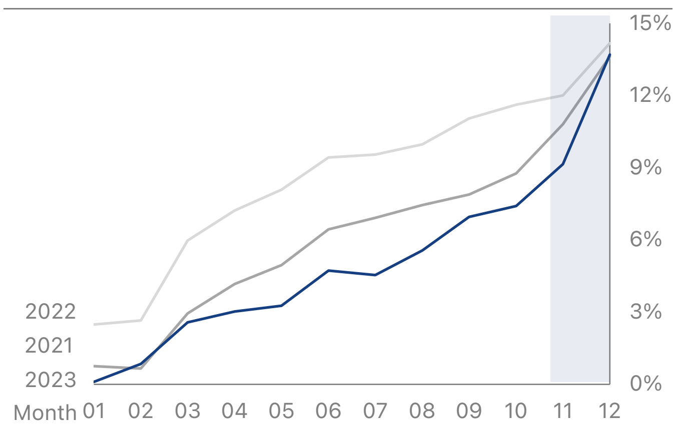
We believe that the increasing credit demand and expanding net interest margin (NIM) will boost the banks' profits from a low base in 2023. TVS Research forecasts credit growth to reach 14% in 2024 thanks to better business performance and a low-interest rate environment. As a result, NIM will increase slightly compared to 2023. We expect bad debt pressure to ease towards the end of the year and restructured loans under Circular 02 to not pose significant risks to the system. Based on these assumptions, TVS Research forecasts the net profit after tax (NPAT) of listed banks in our watchlist to increase by 22% YoY in 2024. Our recommended Banking stocks in 2024 include **MBB** (TP: VND 28,200, upside: 29.7%), **TCB** (TP: VND 42,200, upside: 22.1%), and **VCB** (TP: VND 107,200, upside: 21.1%).

Credit growth reached 13.7% in 2023 thanks to the accelerated growth in Dec 2023.

Contrary to the slow growth in the first 11 months of 2023, credit surged in the last month of the year, increasing by 13.7% in 2023. Credit was mainly disbursed through lending, with corporate loans as a key driver. Meanwhile, the outstanding corporate bonds at banks decreased (Please refer to the [Banking Sector Report](#)).

Figure 37: Credit growth accelerated in Dec 2023, reached 13.7% for the entire year

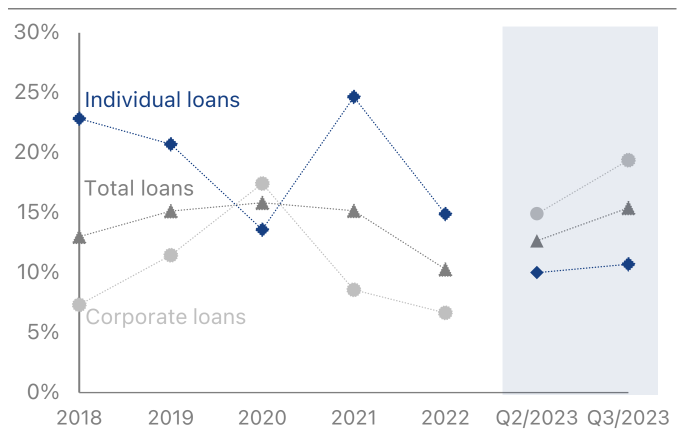
Banking system credit growth [%]



Source: FiinPro-X, TVS Research

Figure 38: Corporate loans accelerated when interest rate declined while retail loan demand remained low

Loan growth of listed banks by clients [%]



Note: 2023 data except for ABB, BAB, EIB, NAB, NVB, OCB.
Source: FiinPro-X, Listed banks, TVS Research

TVS Research expects credit growth to reach 14% in 2024.

We forecast that credit demand will recover in 2024 due to:

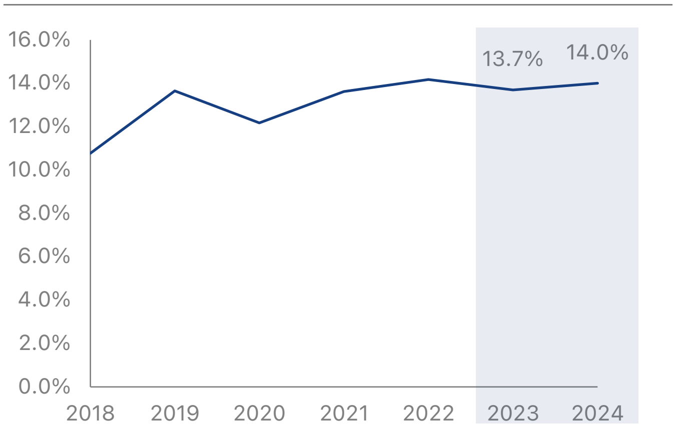
- **Improved production and business activities**, especially exports and imports (Please refer to [2024 Macroeconomic Report] for details), increasing the credit demand for expansion and improving individuals' income prospects and consumer confidence. TVS Research believes that corporate lending will continue leading loan demand in H1 2024 while individual lending will recover apparently from H2 2024
- **A low-interest rate environment stimulates credit demand.** However, it takes much time for low-interest rates to take full effect, at least after business activities recover sustainably
- Credit demand for public investment projects that are being and about to be implemented

On the supply side, right from the beginning of 2024, SBV has allocated the whole year's credit growth of 15% to the banking system, helping banks to proactively disburse and expand credit books when demand recovers.

TVS Research forecasts that credit growth at some private joint-stock commercial banks such as MBB and VPB will lead the system thanks to strong growth momentum from 2023 (mainly for large corporate customers). Credit growth of retail banks (ACB, VIB, TPB) and banks with consumer finance subsidiaries (VPB, HDB, MBB) will accelerate as individual loan demand recovers, especially in H2 2024.

Figure 39: TVS Research expects credit growth to 1 reach 14% in 2024, compared to 13.7% in 2023

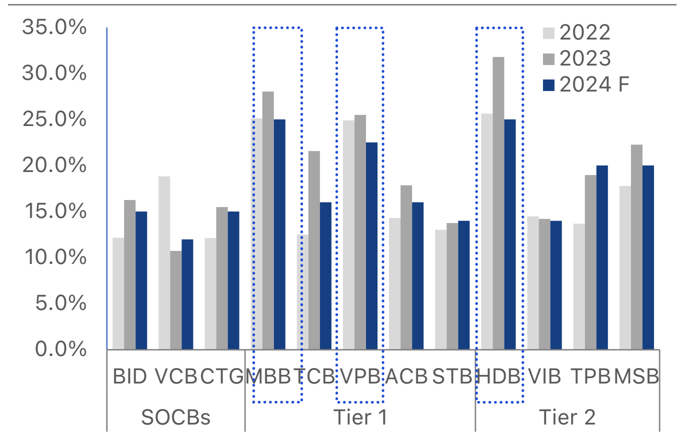
Banking system credit growth [%]



Source: FiinPro-X, TVS Research forecasts

Figure 40: We forecast MBB, MBB, and HDB to have the highest credit growth in 2024

Credit growth of commercial banks in TVS Research coverage[%]



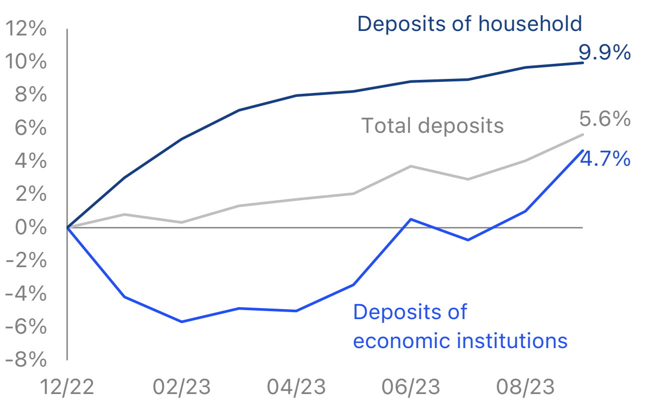
Source: Listed banks, TVS Research forecasts

TVS Research expects deposit growth to maintain at 13% in 2024.

Deposits mobilized from the economy grew by +13.2% in 2023, led by a surge of household deposits in H1 2023 and a recovery of economic institutions' deposits since H2 2023. That implied a positive sign that business cash flow had been improving, but at the same time, it reflected that the capital demand for business expansion had not recovered yet. TVS Research forecasts that deposits will grow at the same rate as credit in H1 2024 before slightly slowing down from mid-2024 when credit demand for business expansion comes back.

Figure 41: The deposits of economic institutions increased since the second half of 2023

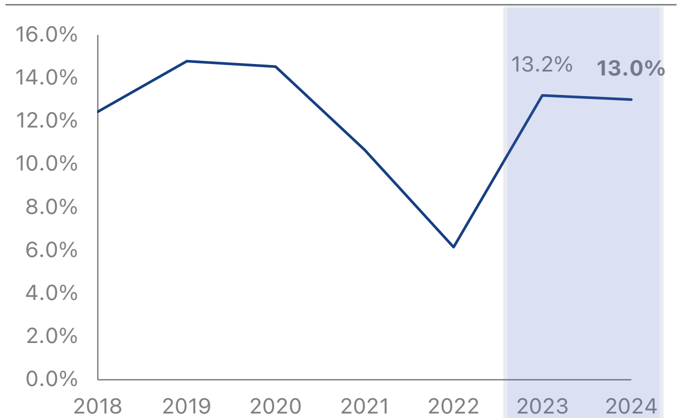
Deposits growth in the economy by economic group[YTD, %]



Source: FiinPro-X, TVS Research

Figure 42: TVS Research expects deposit growth to remain at 13% in 2024.

Banking system deposit growth [%]



Source: FiinPro-X, TVS Research forecasts

TVS Research expects the interest rate to remain low in H1 2024 and slightly increase in H2 2024 when credit demand recovers.

TVS Research believes there is room for a 50-bps rate cut of policy rates to the level implemented during the COVID-19 pandemic. We believe that SBV will be more flexible in managing interest rates in 2024 thanks to the Federal Reserve's anticipated near-term interest rate cuts (Please refer to Macro Report 2024 for details). However, given the current low-interest rate environment and subdued credit demand, TVS Research believes that further policy rate cuts may yield limited benefits. Moreover, commercial banks have proactively adjusted deposit and lending rates following market dynamics, leading to a significant decrease in lending rates throughout 2023.

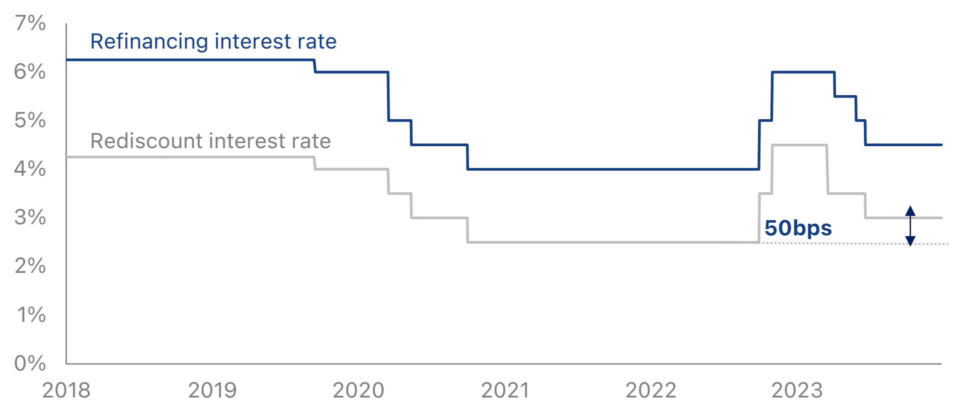
We anticipate a potential decrease in deposit rates of 50-100 bps at most banks during the first half of 2024. This forecast is based on anticipated subdued loan demand and a steady deposit rate rise due to limited alternative investment options. However, TVS Research expects a moderate upward trend in deposit rates during H2 2024, contingent on a potential uptick in credit growth necessitating increased bank mobilisation.

TVS Research forecasts a continued decline in lending rates,

mirroring the movement of deposit rates in H1 2024, followed by a modest increase in H2 2024. In 2023, the average lending rate decreased by about 250 bps, lagging the broader decline of 300-450 basis points observed in deposit rates. According to our observation, the lending rate for ordinary production and business activities largely reached pre-pandemic levels. However, certain segments, including consumer and home loan sectors, have not experienced an equivalent reduction, likely due to heightened risk concerns arising from potential borrower financial vulnerabilities. Therefore, it anticipates the existing gap between lending and deposit rate reductions to persist. We project a further average lending rate decrease of 50-100 bps in H1 2024, followed by a gradual rise as credit demand strengthens in H2 2024.

Figure 43: SBV still has room to reduce policy interest rates by 50 bps

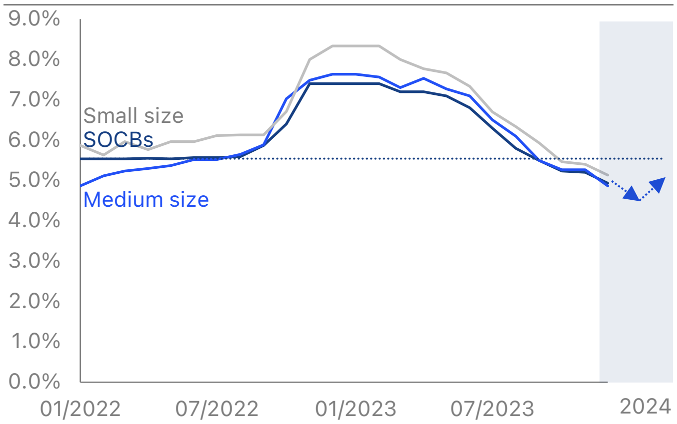
Some policy interest rates of the SBV from 2018-2023 [%]



Source: FiinPro-X, TVS Research

Figure 44: TVS Research expects deposit rate to continue to decrease in H1 2024 and rebound in H2 2024

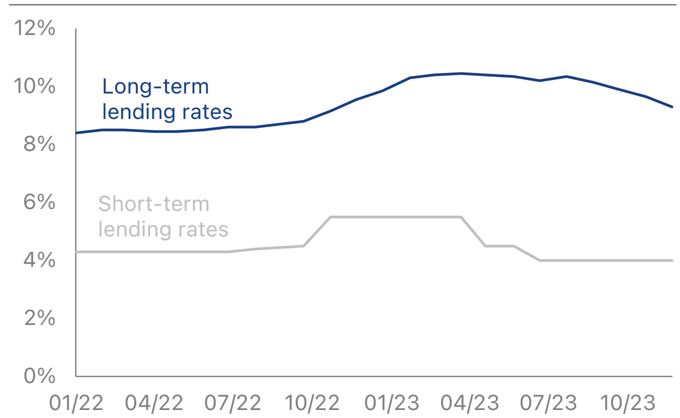
12-month deposit rates in selected banks [%]



Sources: Banks' websites, TVS Research
Note: SOCBs: BID, CTG, VCB; Medium size: MBB, VPB, TCB; Small size: HDB, VIB, LPB.

Figure 45: The lending rate for ordinary business activities has little room to increase

Average short-term and long-term lending rates for ordinary business activities of SOCBs [%]



Sources: FiinPro-X-, TVS Research

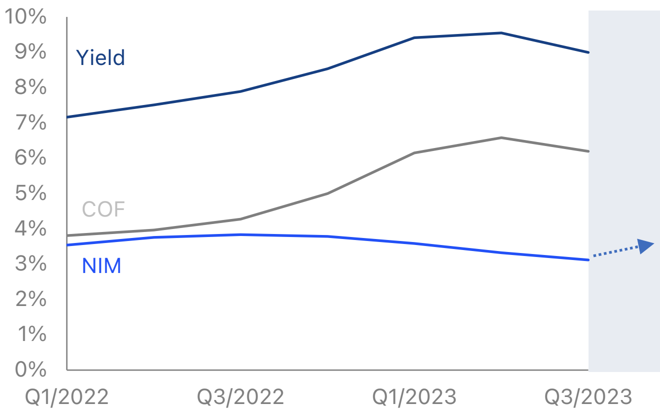
We expect banks' NIM to increase by 0.2 ppt in 2024.

As our [Banking Sector Report outlined](), **TVS Research forecasts that NIM will improve gradually from Q4 2023 onwards.** This projection is based on the expectation that the significant decrease in deposit interest rates since late Q1 2023 will convert into a more apparent reduction in the cost of capital. While lending rates partially adjusted to the lower interest rate environment in H2 2023, we anticipate a more muted decline in lending rates moving forward, compared to the steeper capital cost reduction. This dynamic is expected to contribute to an overall improvement in NIM.

TVS Research forecasts that the average NIM of banks will increase by 0.2 percentage points to 4.3% in 2024 due to (1) a sustained decline in the cost of capital and (2) an improved business environment potentially enabling banks to relax interest rates supporting policies to customers and encouraging demand for long-term and consumer loans.

Figure 46: NIM decline slowed as falling deposit rates were reflected in the cost of capital.

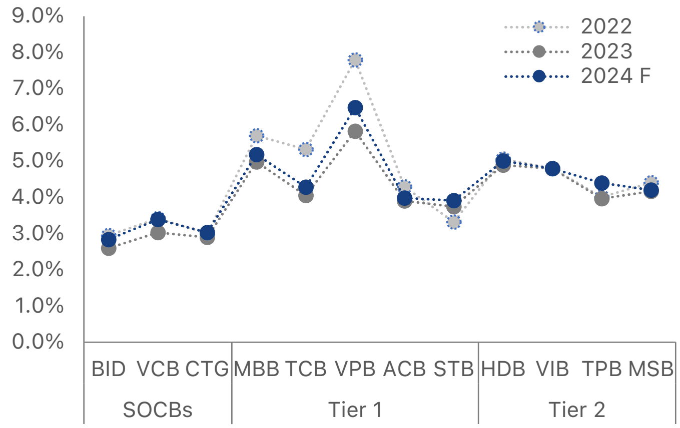
Quarterly yields on interest-earning assets (Yield), cost of fund (COF) and net interest margin (NIM) of listed banks [%]



Source: Banks FS, TVS Research

Figure 47: TVS Research expects a widespread uptick in NIM across banks in 2024

NIM of some listed Banks [%]



Source: Banks FS, TVS Research forecast

TVS Research forecasts that non-interest income will stay flat in 2024.

Banks' non-interest income experienced a decline in 2023, attributed to several factors. Firstly, income from bad debt recovery weakened, impacting overall results. Secondly, the high base effect due to VPB's initial bancassurance fee contracts in 2022 skewed comparisons. Lastly, regulatory scrutiny and violation handling in the bancassurance segment further dampened fee income. Despite these challenges, positive developments emerged. Income from foreign exchange activities and investment and trading brokerage portfolios in some banks showed robust growth thanks to favourable movements of exchange rates and interest rates. These gains partially offset the decline in other non-interest income sources.

TVS Research forecasts that the non-interest income of banks in our watch list will be flat in 2024. The positive factors affecting non-interest income include a resurgence of bancassurance activity and enhanced bad debt collection. Following a regulatory inspection period, a recovery in bancassurance activity is expected, fueled by improving household income. At the same time, better real estate market conditions and more apparent legal clarity provided by the amended Law on Credit Institutions are anticipated to facilitate bad debt recovery. However, TVS Research highlights the potential drawbacks of declining income from brokerage trading (mostly from treasury bonds) and income from foreign exchange operations at some banks due to less favourable market movements compared to 2023.

TVS Research forecasts gradual improvement in

We project a slight decrease in the Non-performing Loans (NPL) ratio in Q4 2023 thanks to accelerating credit growth and continued

banks' asset quality in 2024.

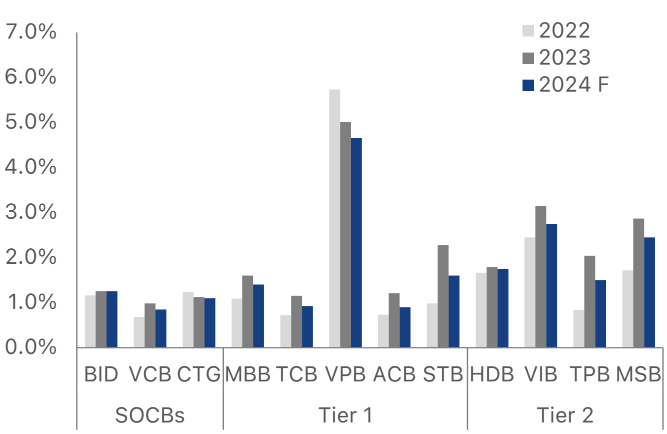
proactive provisioning by banks.

Similarly, we forecast a further modest decline in the NPL ratio by the end of 2024. This is attributed to an anticipated improvement in borrowers' business conditions. However, it is possible for a temporary rise in the NPL ratio in H1 2024 due to slower credit growth and stagnant borrower performance. Additionally, the expiration of Circular 02/2023/TT-NHNN on debt restructuring might exert pressure on the NPL ratio in Q3 2024. Nevertheless, the impact is deemed insignificant as the restructured debt balance under Cir. 02 represents only 1.3% of the system's total credit as of November 2023. Notably, for listed banks within our coverage (excluding VPB), the debt restructuring ratio under Circular 02 remains low, ranging from 0.1% to 0.4% of the outstanding balance as of Q3 2023.

Banks' accelerated bad debt resolution using provisions has led to a sharp decline in the NPL coverage ratio. TVS Research forecasts that the bad debt buffer of banks may recover slightly in 2024, supported by improved profits driven by expanding NIM. That will enable banks to replenish the provision buffer depleted in 2023. Bank credit costs have remained well-controlled thanks to the provision buffer built up in recent years. Circular 02 also contributed to alleviating provisioning pressure for restructured debt in 2023. We forecast a slight decrease in credit costs in 2024 as bad debt pressures gradually ease by year-end. However, the need for 100% provisioning on restructured debt under Circular 02, coupled with the potential for further buffer build-up, could exert upward pressure on provisioning costs.

Figure 48: TVS Research expects banks' NPL ratio to reduce by the end of 2024 slightly

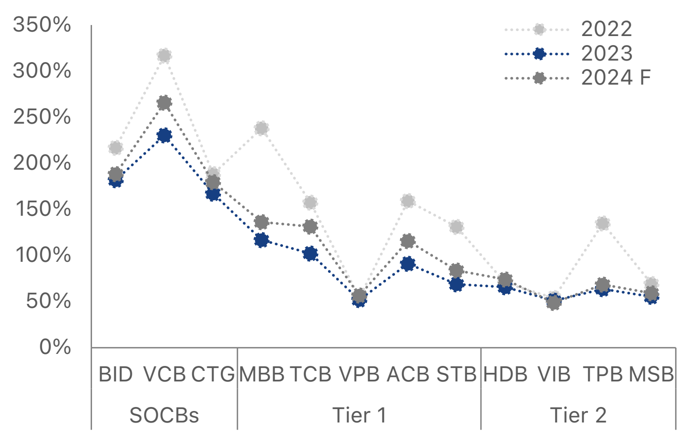
Non-performing loan ratio (NPL) of some listed banks [%]



Source: Banks FS, TVS Research forecasts

Figure 49: Banks have pressure to replenish bad debts buffer in 2024

Loan loss coverage ratio (LLCR) of some listed banks [%]



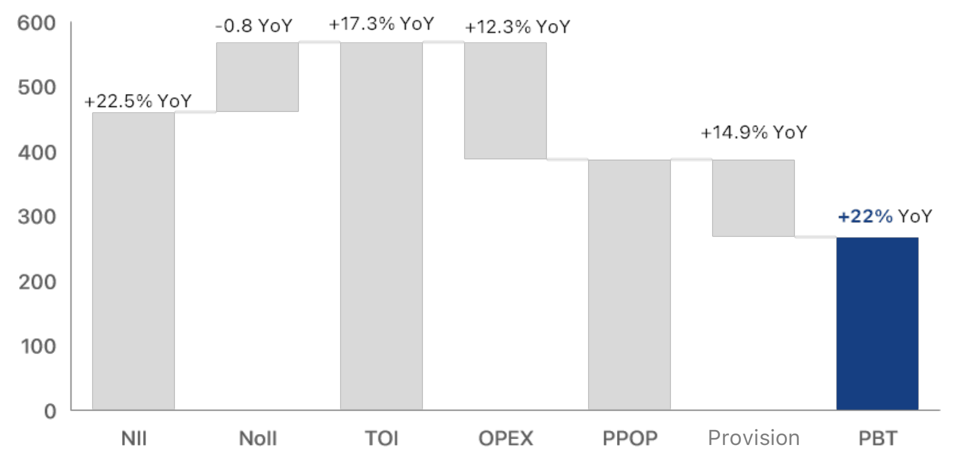
Source: Banks FS, TVS Research forecasts

TVS Research forecasts the net income of banks in our coverage list to increase 22% YoY in 2024.

TVS Research forecasts that the net profit of 12 banks in the watch list will increase by 22% YoY in 2024. This growth is primarily driven by a 22.5% YoY expansion in interest income, attributable to an average net interest margin (NIM) improvement of 0.2 percentage points. While acknowledging signs of better asset quality towards the end of 2024, TVS Research urges banks to prioritize strengthening their provisioning buffers. Consequently, we forecast a 14.9% rise in total provisioning costs for 2024 but anticipate a slight decrease in average credit cost compared to 2023 (down to 1.4%).

Figure 50: TVS Research forecasts NPAT of 12 banks in our coverage list to increase 22% YoY in 2024

Revenue and cost contribution to net income [VND tn] and YoY net income growth of banks in TVS Research coverage



Source: Fiin-ProX, TVS Research forecast
NII: Net interest margin, NoII: Non-interest income, TOI: Total operating income, OPEX: Operating expense, PPOP: Profit before tax and provisions, PBT: Profit before tax

The banking sector presents an attractive valuation opportunity, with the potential for revaluation in 2024 as economic activity strengthens.

The current P/B ratio for the sector was 1.5 x, representing a 16% discount to its historical 5-year average. This undervaluation is primarily attributed to investor concerns regarding potential increases in bad debts and subdued bank profit growth. However, TVS Research anticipates that these headwinds will recede in 2024, paving the way for improved business performance and a subsequent revaluation of the sector to a more appropriate P/B level.

Figure 51: Banking sector's valuation is 16% lower than the 5-year average

Banking sector's P/B from 2022 to now [x]

Source: Fiin-ProX, TVS Research
Std: Standard deviations

The newly amended Law on Credit Institutions, taking effect on July 1, 2024, aims to bolster the transparency and stability of the Vietnamese banking system.

It introduces significant enhancements compared to current regulations, focusing on promoting ownership structure transparency, robust information disclosure practices, and mitigating risks associated with concentrated holdings, cross-ownership, and lending to related parties. Furthermore, the amended Law establishes a clear legal framework for effectively handling bad debts and implementing special control measures for credit institutions when necessary. A detailed overview of these key changes can be found in Appendix 2.

We issue BUY recommendations for MBB, TCB and VCB in 2024.

We are POSITIVE on the long-term outlook of the Banking sector and forecast a more optimistic landscape in 2024. The sector is expected to gradually overcome the challenges of 2023, paving the way for a clearer recovery in H2 2024. This is expected to drive positive business results and improve the overall sector valuation.

Within the Banking sector, our recommended portfolio comprises **MBB, TCB,** and **VCB**.

MBB - Target price: VND 28,200 - Upside: +29.7%

- **High credit growth potential**: MBB's participation in restructuring a weak institution offers substantial growth opportunities. TVS Research projects a credit growth of 20-25% annually over the next three years
- **Strong asset quality**: NPL ratio is forecast to remain low at 1.4% in 2024, with LLCR ranking amongst the highest in the sector
- **Attractive valuation**: MBB offers compelling value with a forward

P/B ratio of 0.93x in 2024

- **Risks**: (1) Slowdown in credit demand recovery (2) Greater-than-expected NPL increase

TCB - Target price: VND 42,200 - Upside: +22.1%

- **TVS Research expects TCB's NIM to recover in 2024.** In the base scenario, we forecast TCB's NIM to increase by 25 bps. Stronger potential exists for NIM improvement, contingent upon the conclusion of policies supporting customer interest rates
- **Stock valuation is low.** TCB's current valuation appears compelling, with a forward P/B ratio of 0.8x for 2024, approaching the lowest levels witnessed during the banking system's liquidity shortage in October 2022. This valuation is considered attractive relative to TCB's scale, business model, and potential for an upswing once the real estate market and corporate bond market experienced a clear recovery
- **Risks:** (1) The issuer fails to pay its obligations to corporate bonds on time, increasing TCB's bad debts; (2) The real estate market and corporate bonds recover slower than expected, affecting credit growth and NIM recovery

VCB - Target price: VND 107,200 - Upside: +21.1%

- **VCB's leading market position and robust asset quality provide a strong foundation** for sustained growth even during challenging economic periods**.** This resilience is expected to translate into enhanced performance when credit demand rebounds
- **The private placement plan of 6.5% of the capital will help VCB have more resources to to capitalise on future growth opportunities.** Assuming a successful issuance of 363.3 million shares at VND 85,000 per share in 2024, our target price for VCB reaches VND 116,300, representing an upside potential of 31.4%
- **Risks:** (1) Pressure to reduce lending rates to support customers; (2) The plan to issue capital increase is delayed

Ticker	Closing price at 31/01/24	Target price	Upside	TOI 2024F	% YoY	NPAT 2024F	% YoY	ROE 2023	ROE 2024F	TTM P/B	P/B fw 2024
	VND	VND	%	VND bn	%	VND bn	%	%	%	x	x
MBB	21,750	28,200	29.7%	57,243	21.0%	24,669	17.2%	23.9%	22.5%	1.2	0.9
TCB	34,550	42,200	22.1%	46,081	15.0%	22,821	25.5%	14.8%	16.1%	0.9	0.8
VCB	88,500	107,200	21.1%	79,009	16.7%	37,100	12.2%	21.7%	20.1%	2.9	2.5

Source: Fiin-ProX, TVS Research
TOI: Total operating income

Retail sector - Recover from a low base in 2023

TVS Research has a POSITIVE view on the prospects of the Retail sector in 2024.

We believe the recovery of the retail sector will be led by the recovery of the manufacturing business, which will improve the consumer's income and confidence. Therefore, TVS Research expects the listed retailers' profits will regain their strong growth in 2024 after a low base in 2023.

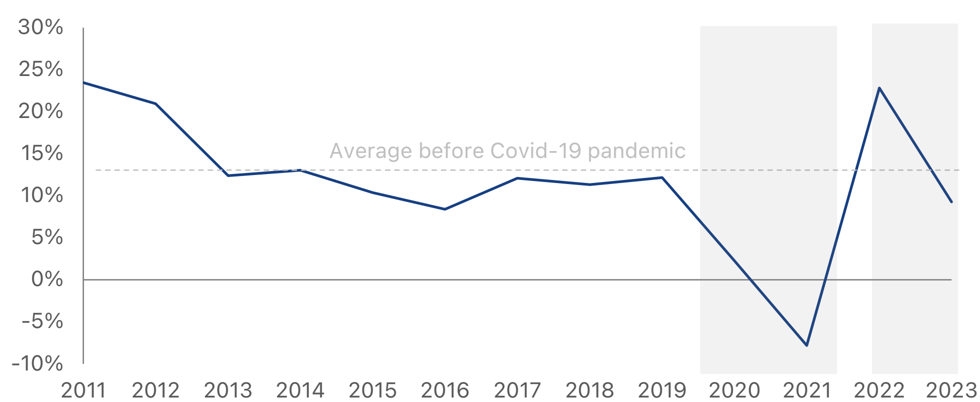
Our recommendation for 2024 will be: **MWG** (TP VND 53,200, upside 18.2%).

Low consumer demand as the consumer income growth deteriorated

From the economic perspective, the growth of retail sales of goods and services increased by 9.3% YoY in 2023 - lower than the pre-pandemic period. This figure's slowdown was due to the reduced consumer demand for goods & services, especially for consumer discretionary. We believe that the consumer demand decreased in 2023 because the average real income growth rate (ex. inflation) only increased by about 2.5% YoY. Consumers with a lower income will spend less on consumer discretionary goods and prioritize essential goods.

Figure 52: The growth of retail sales of goods and services in 2023 was lower than pre-pandemic figures

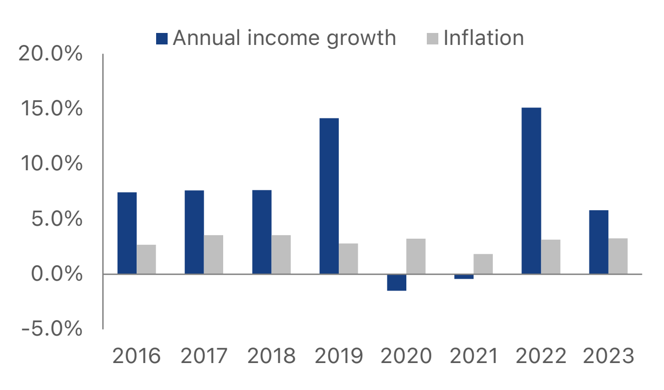
Growth of retail sales of goods and services [% YoY]



Source: Fiin-ProX, TVS Research

Figure 53: Growth of average wage in 2023 lower than pre-Covid 19 levels

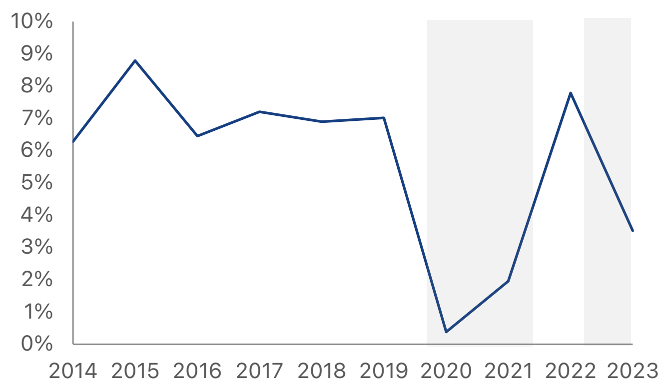
Growth of average wage and inflation [% YoY]



Source: GSO, TVS Research

Figure 54: ... led to reduce consumer consumptions in 2023

Growth of households' final consumption [% YoY]



Source: GSO, TVS Research

Retailers' net income reduced due to price competition

Facing the decline in consumer demand, retailers of mobile phones and electronics joined a price competition, in which they all put discounts on their selling prices of most products since the beginning of Q2 2023 to stimulate shopping demand and gain market share from their competitors. Large retailers (i.e. MWG and FRT) had their advantage in competing on price with small retailers. Also, they had a large scale of business, thus would be the last man standing on the market. As a result, they would benefit from gaining market share and recovering first when demand returns. However, the price competition would affect directly on the retailers' profits in 2023 (-88.8% YoY).

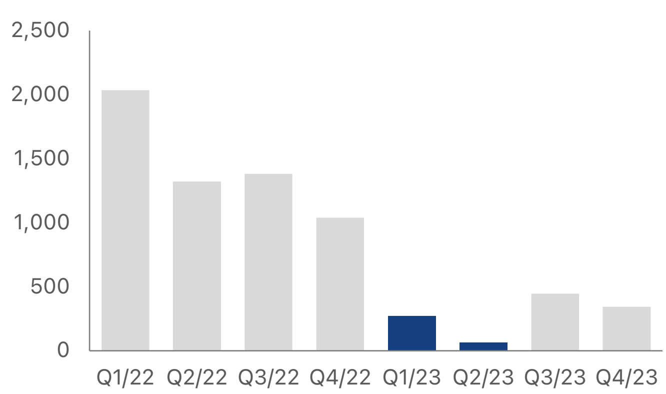
Picture 1: Retailers have been competing on price since Q2 2023...

Advertising of mobile phones retailers in the price competition

Source: TVS Research

Figure 55: ... which directly affected retailers' profits

Net income of listed retailers on HOSE [VND bn]



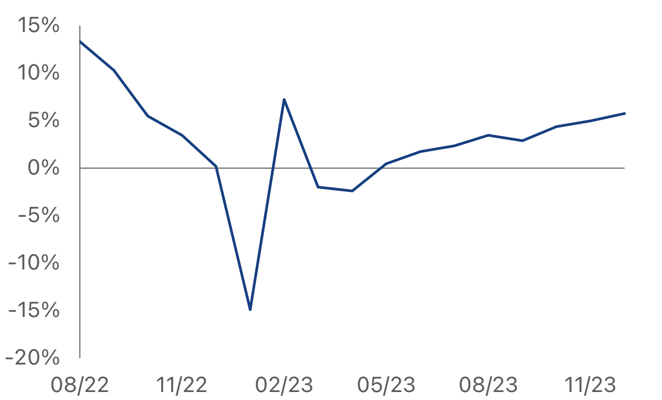
Source: Fiin-ProX, TVS Research

2024 Outlook – Macroeconomic rebounds.

The economic outlook is the key factor affecting the growth of the retail industry. For the outlook of 2024, TVS Research expects the Vietnamese economy will recover with the main factors influencing from the recovery of manufacturing and imports-exports segments (see more in the 2024 Macroeconomics strategy report). TVS Research expects that the number of orders will recover back, thereby increasing the recruitment demand of manufacturing companies and eventually supporting the consumer income.

Figure 56: Industrial production gradually recovered since the end of 2023

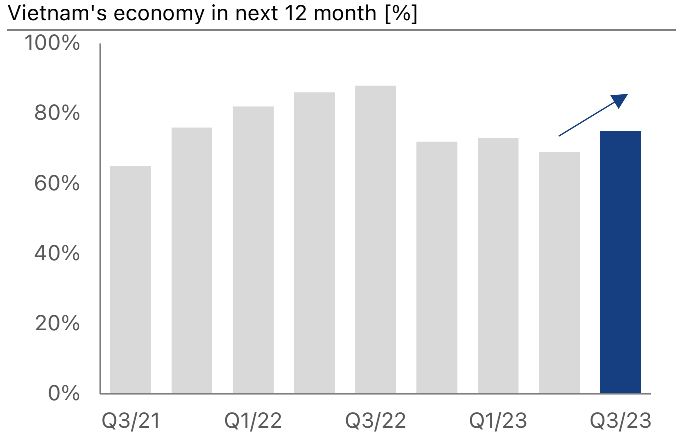
Index of Industrial Production (IIP) [% YoY]



Source: GSO, TVS Research

Figure 57: Consumer sentiment on 2024 economy outlook has been improved

Results from surveys on consumer sentiment on the outlook of Vietnam's economy in next 12 month [%]



Source: Kantar Worldpanel Division, TVS Research

In addition, we also observed that positive consumer sentiment will improve their spending. According to a Kantar survey, more than 75% of respondents in Vietnam were optimistic about the economic outlook for the next 12 months. The positive result compared to the previous three consecutive quarters shows that consumers were starting to be more optimistic about the economic situation. Therefore, we expect consumer spending to improve strongly after the economic situation improves, especially from H2 2024.

TVS Research forecasts that the profit of the retail sector companies in our coverage in 2024 will grow 15% YoY.

For 2024, we forecast the retailers' net profits (including MWG, PNJ, DGW and FRT) to reach VND 5,803 billion (+158% YoY), in which the driver comes from MWG's profit recovery (VND 3,113 billion, +1,731% YoY). From our view, their recovery will be contributed by (1) the rebound of the ICT&CE demand in 2024 and (2) Bach Hoa Xanh has reached the breakeven point and we expect this supermarket chain to achieve a net profit margin of 1% in 2024

We issue a BUY recommendation for MWG in 2024

TVS Research has a **POSITIVE** view on the retail sector's outlook in 2024 thanks to the large recovery potential after a struggle year of 2023.

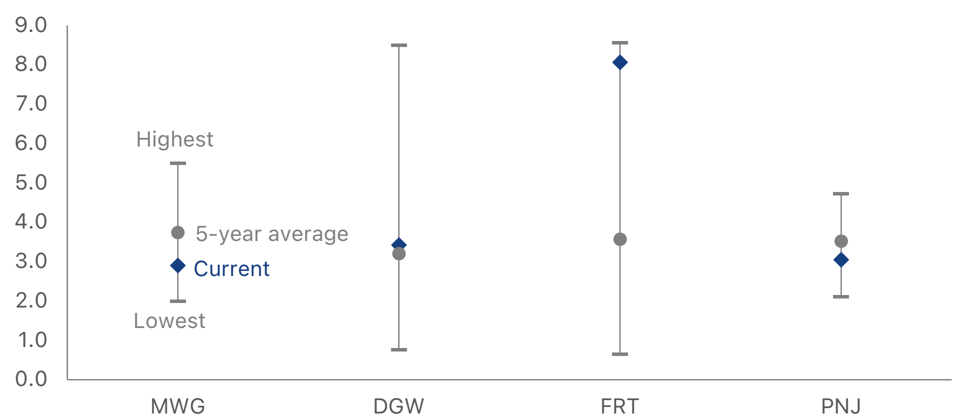
Within the Retail sector, our recommended portfolio includes **MWG**.

MWG - Target Price: VND 53,200 - Upside: +18.2%

- **Profit of ICT&CE segment improves** as the price competition ends and the demand for electronic devices recover in 2024
- **Bach Hoa Xanh breaks even and makes profit in 2024.** We expect Bach Hoa Xanh to achieve a net profit margin of 1.0% in 2024
- **Stock valuation is low with current P/B at 2.9x, 22% lower than its 5-year average.** We believe that this valuation is relatively cheap considering MWG's asset size.
- **Catalyst:** MWG sells 5% stake of Bach Hoa Xanh with a corresponding value of USD 1.45 billion
- **Risk:** The economic recovery is slower than we expected, causing consumers' income to not improve and the demand for ICT & CE products to remain low

Figure 58: MWG's P/B valuation is 22% lower compared to MWG 5-year average and others listed retailers

P/B valuation of MWG and other retailers [x]



Source: Fiin-ProX, TVS Research

Ticker	Closing price at 31/01/24	Target price	Upside	2024F Revenue	% YoY	2024F Net Income	% YoY	ROE 2023	ROE 2024F	TTM P/E	P/E fw 2024
	VND	VND	%	VND bn	%	VND bn	%	%	%	x	x
MWG	45,000	53,200	18.2%	126,579	8.7%	3,113	1,752%	0.7%	12.0%	387.9	21.2

Source: Fiin-ProX, TVS Research forecast

Exports and imports – Positive growth will return

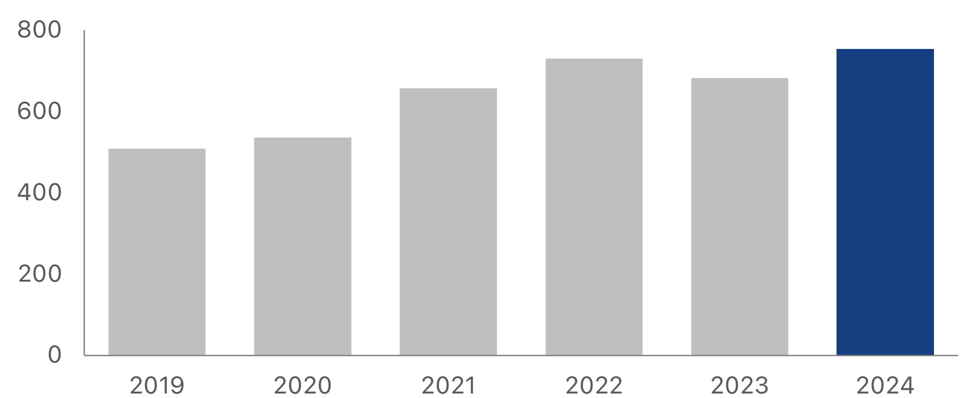
TVS Research has a positive view on the recovery of exports and imports in 2024.

We believe that difficulties in 2023 affecting global consumption demand, such as high inflation and contractionary monetary policies in Vietnam's main exporting markets, **will gradually cool down in 2024.** Accordingly, we forecast exports will grow positively again at 9%, and the profit of the Import-Export companies will grow better after the difficulties in 2023.

We believe the export of essential consumer goods to the main markets such as the US and China will grow positively in 2024 due to (1) recovery in consumer spending and (2) the need to increase inventory. Specifically, we have a favorable view of the prospects for seafood exporters in 2024. TVS Research recommends Buy for the leading pangasius stock **VHC (TP VND 84,200, upside 32.2%).**

In addition, the recovery of exports and imports also positively impacts on seaport companies thanks to the increased volume of goods shipped through ports. In addition, the floor price of container handling fees increased by around 10%, supporting the profit growth of seaport companies. Our recommended seaport stock for 2024 is **GMD (TP VND 79,500, upside 16.7%).**

Figure 59: Total export-import turnover will grow positively again, reaching 10% in 2024
Total export-import turnover [USD bn]



Source: GSO, TVS Research

We expect pangasius export to benefit significantly from the US and China's consumption recovery in 2024.

We expect the economic recovery of Vietnam's two largest export markets, the US and China, will help improve pangasius importing demand in 2024. We expect consumer spending on essential goods such as food to be prioritized when the global economy recovers in H2 2024. Thus, we believe that pangasius will be a product that will benefit significantly from the recovery in demand from the US and China, Vietnam's two largest pangasius export markets.

Table 7: TVS Research expects the pangasius exporting companies to benefit mainly from the recovery of two major markets, the US and China

Main exporting markets of products, ✓: leading exporting market in terms of exporting value in 2023 for each product

Main exporting products	US	China	EU	Japan	Korea
Seafood:					
Pangasius	✓	✓			
Shrimp	✓		✓	✓	
Wood	✓				
Yarn		✓			✓
Garment	✓		✓		
Chemicals		✓			

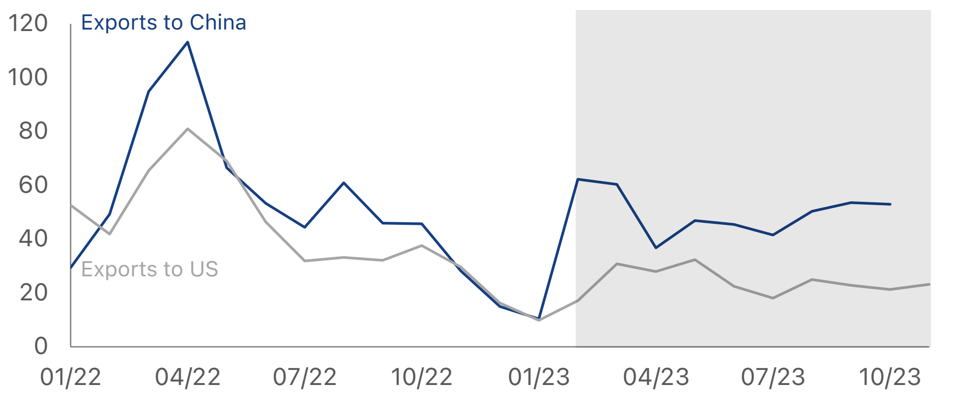
Source: GSO, TVS Research

We forecast that the 2024 profit of pangasius exporting companies on our watch list will increase by 45% YoY.

We forecast that the revenue and PAT of pangasius exporting enterprises on our watch list will increase by 20% and 45%, respectively, in 2024. The main driving force for this growth comes from:

- **Pangasius demand recovery in the US and China will help increase total export output by 10% in 2024.** We expect pangasius export value to grow +10% YoY, reaching nearly USD 1.9 billion. We forecast pangasius import demand to recover in the US thanks to (1) pangasius inventory in the US reaching a yearly low in Q4 2023, stimulating import demand, and (2) cooling inflation helping to improve consumer spending. For China, we expect pangasius demand to improve from H2 2024 as stimulus policies support consumer spending
- **We expect pangasius export prices to recover by 8% in 2024.** Pangasius supply decreased as high fishery feed costs forced farmers in major exporting countries such as India, Indonesia and Vietnam to narrow farming areas to avoid losses. We expect that animal feed prices will cool down in the near future and that pangasius supply has not yet recovered, which will help improve the profit margins of pangasius enterprises

Figure 60: The value of Vietnamese pangasius export to the US and China shows signs of recovery by the end of 2023
Value of pangasius export [USD mn]

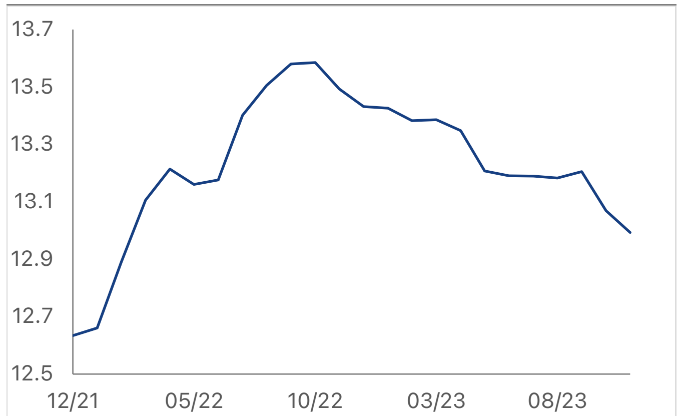


Source: GSO, TVS Research

Figure 61: The price of pangasius exported to the US has hit a historic bottom
The price of pangasius exported to the US [USD/kg]

Source: Agromonitor, TVS Research

Figure 62: US meat, livestock and seafood inventories are at their lowest since early 2023
Value of US meat, livestock and seafood inventories [USD bn]



Source: Fred, TVS Research

We recommend BUY for VHC with a target price of VND 84,200 (+32.2%).

Expectations about the recovery of consumption of essential consumer goods in Vietnam's major export markets make us think that VHC is a good investment opportunity in 2024, specifically:

- **We forecast that VHC's pangasius export output will improve significantly in 2024** thanks to (1) recovery in pangasius consumption demand in their primary export market, the US, and (2) pangasius supply affected adversely by low pangasius price. We expect their export revenue to the US in 2024 to reach VND 4,515 billion (+15% YoY)
- **We expect VHC's profit margin will also improve in 2024.** VHC's profit margin will improve slightly in 2024 thanks to (1) Worldbank forecasts that animal feed prices will decrease in 2024,

helping to lower heat pressure on input costs and (2) pangasius selling prices hit bottom and are expected to be supported as supply is tight

- We forecast that VHC's revenue and NPAT in 2024 will reach VND 11,510 billion (+15% yoy) and VND 1,143 billion (+20.4% yoy), equivalent to 2024 EPS = VND 5,771/share. We think that with a valuation of P/E 2024 = 11x, VHC is an attractive investment in 2024 and the long-term

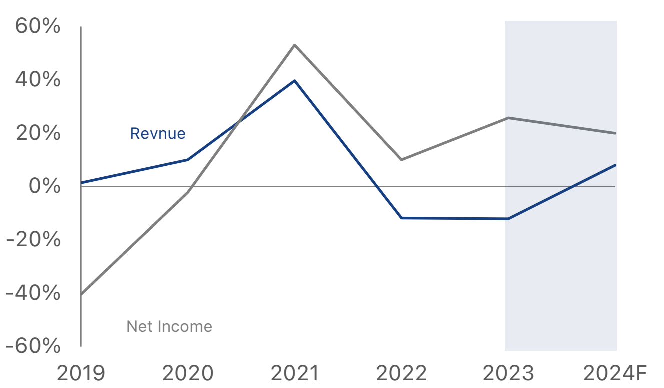
For the seaport sector, TVS Research forecasts that the revenue and profit growth of companies on our watch list will increase by 8% and 20% in 2024.

TVS Research forecasts that the volume of goods through seaports will increase in line with the 8-9% growth of exports when large economies such as the US and China recover (Refer to the 2024 Macroeconomic Report). We expect that the increased volume will be concentrated mainly in large port clusters with dense trade activities; specifically the Hai Phong port cluster will grow by 6%, and the Cai Mep Thi Vai port cluster will grow by 8% in 2024.

We expect port service charges to increase by 6% - 8% this year. Although the floor price of seaport service charges has been adjusted to increase by 10% YoY according to Circular 39/2023/TT - BGTVT, TVS Research believes that the average charges of seaport companies on our watch list will only increase from 6%-8% as high competition causes businesses to lower prices on added services to compete with rivals.

Figure 63: Revenue and PAT of seaport companies will grow strongly at 8% and 20%, respectively.

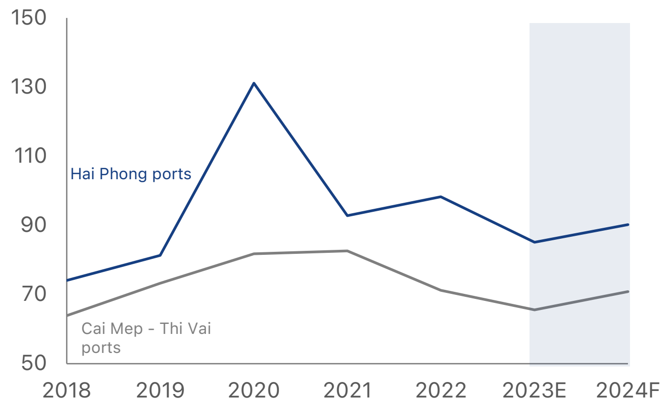
Growth of revenue and PAT [%]



Source: Fiin-ProX, TVS Research

Figure 64: Cargo output through the Hai Phong port cluster and the Cai Mep-Thi Vai port cluster will grow by 6% and 8%, respectively, in 2024

Cargo output through two deep seaports [Mn.TTQ]



Source: Fiin-ProX, TVS Research

We recommend BUY for GMD with a target price of VND 79,500 (+16.7%).

The investment thesis makes GMD a good investment opportunity in 2024 include:

- We forecast GMD's loading output to grow by +6.5% YoY in 2024 due to (1) the recovery of Hai Phong and Cai Mep - Thi Vai port clusters and (2) new service routes signed with international shipping companies at the end of 2023 will contribute more to output in 2024
- GMD's service fees will increase from 6%-8% depending on the port cluster thanks to the increase in service rates starting from 2024.
- **GMD might record profit from the divestment of Nam Hai port**. We estimate that GMD can record VND 800 billion if divestment is successful. The divestment helps GMD focus resources and costs on significant projects, including Nam Dinh Vu (phase 3) and Gemalink (phase 2)
- We forecast that GMD will record revenue and PAT in 2024 at VND 4,056 billion (+5.5% yoy) and VND 2,085 billion (-16.7% yoy), equivalent to 2024 EPS = VND 3,965/share. With a 2024 P/E valuation = 17.5x, GMD is an attractive stock to invest in 2024 and the long term.

Ticker	Market price at 31/01/24	Target price	Upside	Revenue 2024F	% YoY	PAT 2024F	% YoY	ROE 2023	ROE 2024F	Current P/E	P/E fw 2024
	VND	VND	%	VND bn	%	VND bn	%	%	%	x	x
VHC	63,700	84,200	32.2%	11,510	14.6%	1,143	20.5%	11.7%	12.7%	15.7	11.0
GMD	68,100	79,500	16.8%	4,056	5.5%	2,085	-16.7%	16.2%	8.3%	8.4	17.2

Source: Fiin-ProX, TVS Research

Investment theme 4: Real Estate sector recovers from the end of 2024

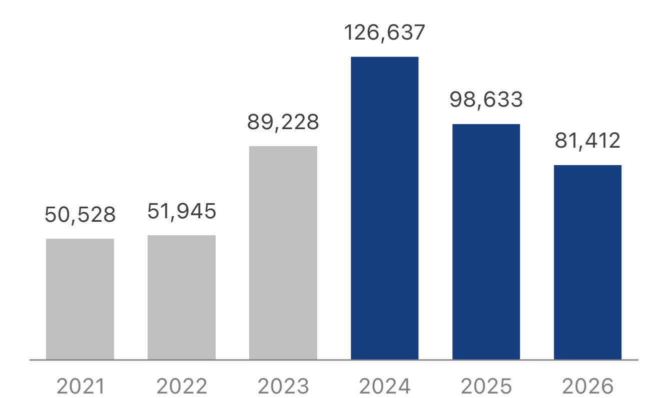
Despite the short-term difficulties, we believe the real estate sector's outlook will be POSITIVE starting from Q4 2024.

We forecast that the supply of apartments will recover slowly in 2024 due to:

- **New laws have been passed to support the legal progress of real estate projects since the beginning of 2025.** TVS Research believes that the amended legal documents (Land Law, Real Estate Business Law, Housing Law) will be unable to shorten the legal procedures because the laws take effect from the beginning of 2025 and need time to implement the full effect. Therefore, we expect that the approval and implementation time of the projects will not change compared to previous years, leading to a slow recovery of new supply to the market in 2024
- **The financial situation of real estate enterprises is still under pressure from enormous corporate bond maturity in 2024.** TVS Research believes that real estate enterprises will face difficulties mobilizing money to pay for VND 126.6 trillion of corporate bond maturity, the highest in 2024-2026. Along with that, due to (1) Decree 08/2023 / ND-CP extending the time to repay corporate bonds expired on 31/12/2023 and (2) Business results have not recovered due to the market in a downturn, we believe that real estate enterprises are under pressure from repaying corporate bonds due, thereby prolonging the implementation time of projects due to lack of capital mobilization sources

Figure 65: The amount of corporate bonds maturing in 2024 of real estate companies will be the largest in the next three years.

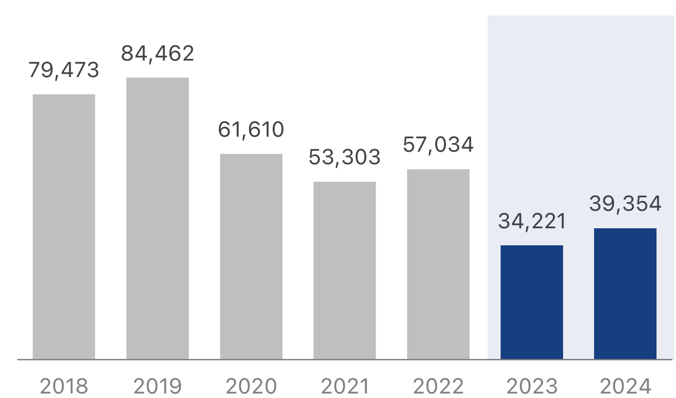
Amount of yearly real estate maturing bonds [VND bn]



Source: FiinPro-X, TVS Research estimate

Figure 66: The number of apartments for primary sale in big cities will recover slowly in 2024.

The number of apartments for primary sale in big cities, 2018-2024F

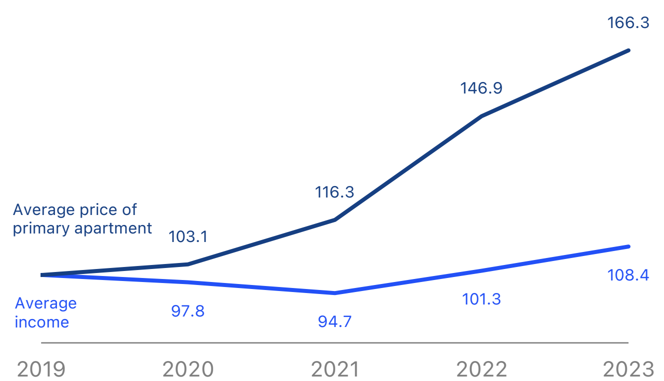


Source: CBRE, Savills, TVS Research forecast

- **House prices have been rising faster than the income of home buyers in the past five years.** TVS Research believes that the average house price increase of about 14%/year in Hanoi and 9% in Ho Chi Minh City is making it difficult to buy new homes because this rate is higher than the average income growth rate in the recent period (~1.3%/year). Therefore, the continued increase in real estate prices in 2023 will create difficulties for real estate buyers when the economy slows down.

Figure 67: The income growth rate in Hanoi is much lower than the house price growth rate

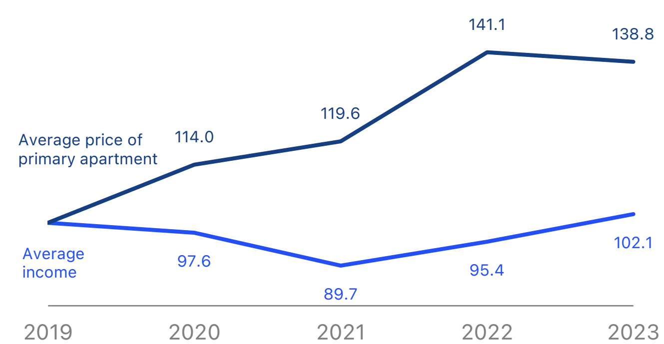
Average income and the average price of a primary apartment in Ho Chi Minh City [index], data year 2019 = 100 index points



Source: GSO, CBRE, TVS Research

Figure 68: The same story holds for HCMC

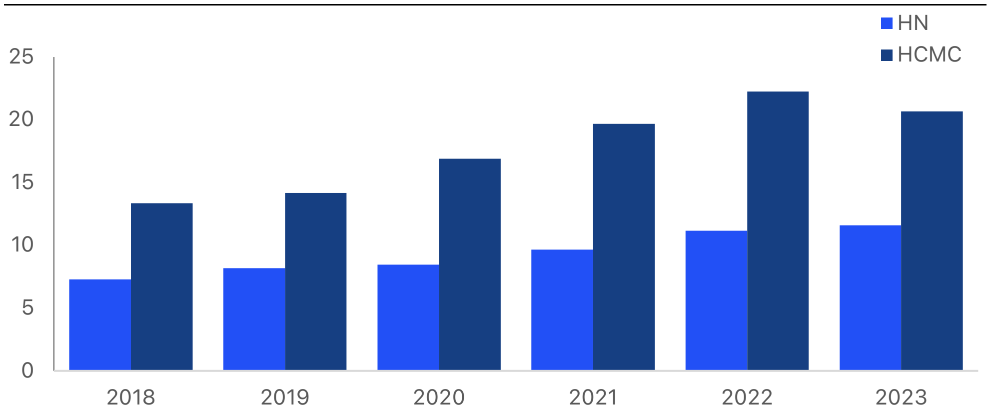
Average income and the average price of a primary apartment in Ho Chi Minh City [index], data year 2019 = 100 index points



Source: GSO, CBRE, TVS Research

Figure 69: House price/average income has constantly increased since 2018

House price/average income in Hanoi and HCMC



Source: GSO, CBRE, TVS Research estimate

We believe that the real estate sector will begin to recover starting from Q4 2024.

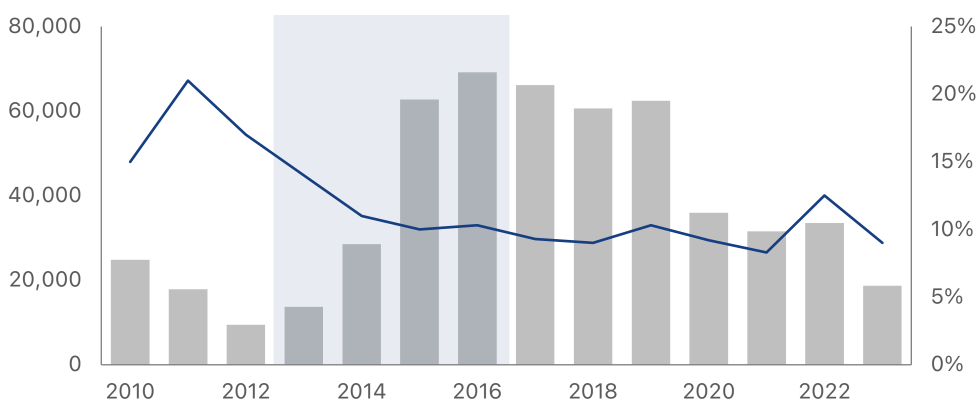
However, we believe that the real estate sector's outlook will be more positive from Q4 2024. We expect the real estate market to recover from H2 2024 thanks to the continued increase in actual demand (demand for buying houses to live/rent) due to:

- **Low interest rates for home loans** stimulate demand for buying houses to live through bank loans
- **The amended Land Law will support the general psychology of home buyers and real estate developers.** TVS Research forecasts that projects with clear legal status can proceed from H2 2024 before the amended Land Law takes effect, helping to increase the supply to the market

We forecast that the recovery of the sector will mainly come from mid-range apartment projects thanks to the characteristics: (1) Affordable price for the middle class (about VND 45-50 million/m2), (2) Reputable developers on the market accompanied by payment incentives for home buyers, and (3) Location not too far from the central district (<20km) and with full amenities in the area. We believe that projects of real estate developers with stable cash flow, ensuring construction progress and handover, such as VHM, KDH, and NLG, will attract the demand of home buyers. Conversely, the psychology of investors who buy multiple real estate and speculators (primarily using bank loans) will recover slowly in 2024, leading to the liquidity of low-rise land & villa segments continuing to be low in 2024.

Figure 70: The interest rate for home loans has been low enough for a long time to stimulate the demand for buying houses.

The correlation between the number of apartment transactions in Hanoi and Ho Chi Minh City [units] (LHS) and the interest rate for home loans in the first year [%] (RHS)



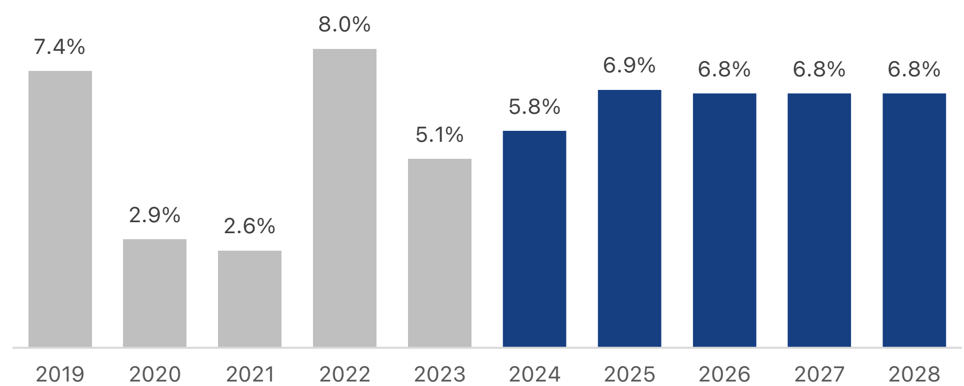
Source: Commercial Banks, CBRE, TVS Research

We are optimistic about the prospects of the Vietnamese real estate market in the medium and long term. We expect the growth of apartment transactions in the Vietnamese real estate market to average 20%/year in the next five years, thanks to the long-term supporting factors that remain unchanged, including:

- **We believe that the Vietnamese economy can maintain high growth in the medium and long term - thereby supporting the future development of the real estate industry.** Vietnam has had high (>6%) and stable GDP growth for many years. According to IMF forecasts, Vietnam's GDP growth will range from 5.8 to 6.9%/year in the next five years. As the real estate market grows in sync with economic growth, we expect it to grow well in the medium and long term**.**

Figure 71: Vietnam's GDP growth is expected to reach 6% in the next five year

IMF's forecast on Vietnam GDP growth [%]

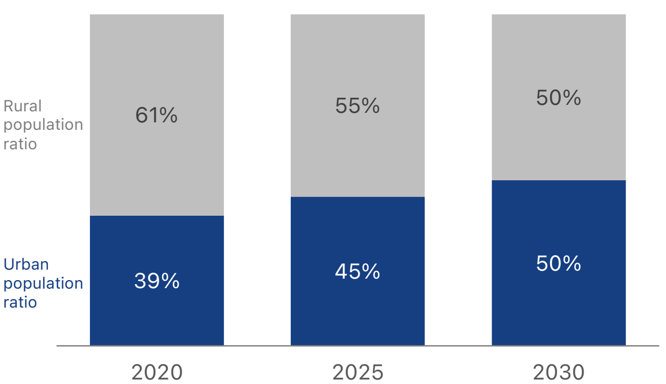


Source: IMF, TVS Research

- **The rapid increase in the middle class and urbanization rate boosts the demand for housing.** According to the Politburo's goal, Vietnam's urbanization rate will increase rapidly in the next ten years, reaching 50% by 2030. In addition, the fast-growing middle class (disposable household income >10,000 USD/year) with a tendency to live independently will increase the demand for housing in the coming period. Combining these two factors, we expect Vietnam's medium - long-term housing demand to be significant and the primary growth driver for the real estate market.

Figure 72: Vietnam's urban population ratio will reach 50% by 2030

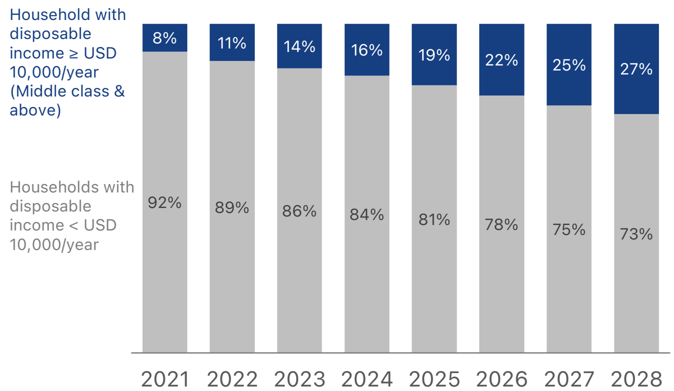
The urbanization rate of Vietnam [%]



Source: Ministry of Construction, TVS Research

Figure 73: The middle class will surge over the next five years

Household income distribution rate in the coming years [%]

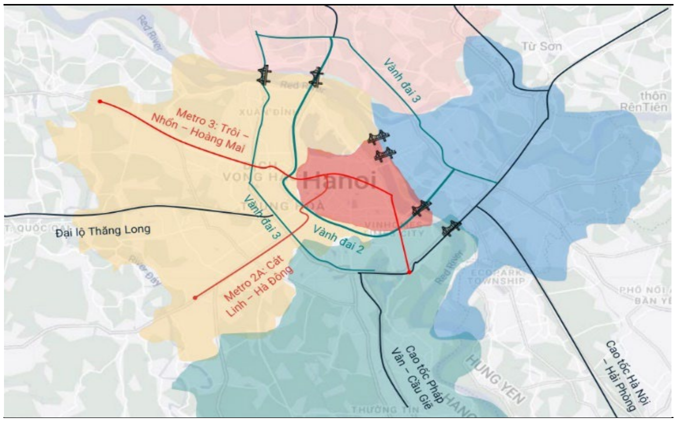


Source: BMI, Fitch Solutions, TVS Research synthesis and forecast

- **Improved infrastructure enhances demand in the surrounding areas of Hanoi and Ho Chi Minh City.** TVS Research believes that the real estate market in the provinces surrounding Ho Chi Minh City and Hanoi will experience strong growth in the medium and long term due to the push for transportation infrastructure development to alleviate traffic pressure in the city's central districts. Additionally, projects in adjacent areas are expected to have lower prices, and improved accessibility to the city centre will increase demand for properties in these areas. In the case of Hanoi, we anticipate that projects in suburban districts will attract buyers due to the expanding ring road and highway systems. As for Ho Chi Minh City, we expect that the Metro Line 1 and Belt Road 3 projects will reduce travel time between the city centre and neighbouring provinces such as Long An, Binh Duong, and Dong Nai, thereby enhancing the demand for real estate in these locations.

Figure 74: Metro lines and ring roads will reduce travel time to suburban districts of Hanoi

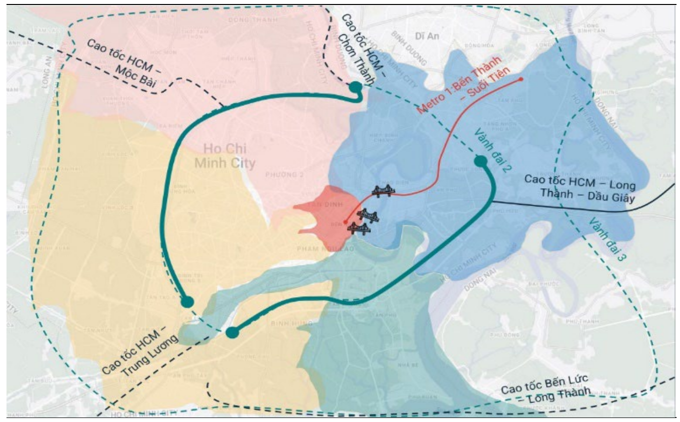
Projected infrastructure projects to be implemented in Hanoi



Source: Batdongsan.com.vn, TVS Research compilation

Figure 75: The real estate markets in Binh Duong & Dong Nai will benefit from new infrastructure projects in Ho Chi Minh City

Projected infrastructure projects to be implemented in Ho Chi Minh City

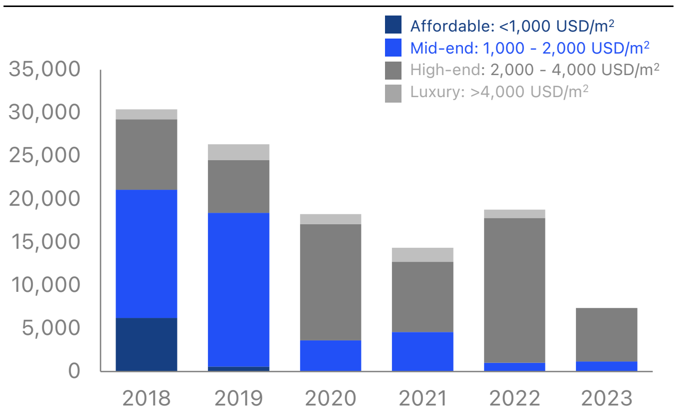


Source: Batdongsan.com.vn, TVS Research compilation

Real estate developers focusing on actual housing demand, such as NLG & VHM, are expected to be at the forefront of the market recovery trend. We anticipate that the demand for affordable and mid-range apartment segments (priced between VND 25-55 million/m2) will continue to rise due to their affordability and limited supply, as real estate developers have focused on high-end and luxury apartment types (priced > VND 55 million/m2) in recent years. Therefore, companies with projects ready for sale in this segment in 2024, such as NLG & VHM, will be assured of sales volume and cash flow as the real estate market slowly recovers in 2024.

Figure 76: The Ho Chi Minh City market is experiencing a shortage of affordable and mid-range apartments.

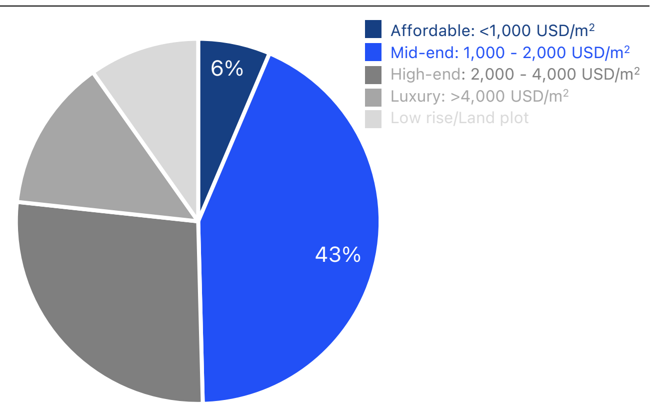
The supply of apartments in Ho Chi Minh City by segment



Source: CBRE, TVS Research

Figure 77: Meanwhile, demand in the affordable and mid-range segments remains high.

Apartment sales in 2023 by segment [%]



Source: VARS, TVS Research

Residential real estate companies' valuation is still below 30% compared to the 5-year average. TVS Research anticipates that the low valuation of the sector is primarily due to the underperformance of the Vingroup group (VHM, VIC), leading to lower P/B ratios compared to the overall market, while other real estate companies such as DXG, NLG & DIG are trading at the 5-year average. We assess that these P/B ratios are reasonable given the slow recovery of the real estate market and the passage of new legislation reflecting some expectations of recovery for real estate companies. In our view, investment choices for the sector in 2024 should be based on companies with sizeable ready-to-implement project portfolios and reasonable valuations, which will be reassessed with higher P/B ratios.

Figure 78: P/B of the residential real estate group still have room for improvement

P/B of the residential real estate group [x]

Source: FiinPro-X, TVS Research

NLG and VHM are our top picks in Q3 2024, standing at the forefront of the recovery trend of the real estate sector.

We have chosen VHM & NLG since Q3 2024 to seize the recovery of the real estate sector in 2024. These two companies have large project portfolios ready for sale in 2024, reasonable valuations, and less affected by new regulations.

VHM – Target price: VND 71,400 – Upside: +72.0%

- **VHM possesses the largest residential real estate land bank** among listed companies and implements projects cautiously, maintaining a low leverage ratio and ensuring apparent legal compliance for its projects.
- **We forecast that VHM's presales will grow by 16% YoY in 2024**, reaching VND 102 trillion thanks to a strategy of boosting wholesale sales to institutional investors in large urban areas and launching new projects such as Co Loa & Vu Yen.

- **The pricing is attractive with forward P/B ratios of 1.01x for 2023 and 0.84x for 2024,** lower than the 5-year average and current valuations of smaller-scale real estate development companies.

NLG – Target price: VND 49,000 – Upside: +27.3%

- **NLG enjoys a solid financial position** due to its low leverage when developing projects, reducing the company's dependence on bank credit amid tightened real estate lending conditions and unfavorable real estate market trends.
- **We anticipate a robust 123% year-on-year growth in presales in 2024,** reaching VND 7.3 trillion, driven by a focus on the "real demand" segment despite ongoing challenges in the real estate market.
- **The valuation still has room for improvement with forward P/B ratios of 1.38x and 1.28x in 2023 and 2024, respectively,** lower than the five-year average.

Ticker	Market price at 31/01/24	Target price	Upside	Revenue 2024F	% YoY	PAT 2024F	% YoY	ROE 2023	ROE 2024F	Current P/E	P/E fw 2024
	VND	VND	%	VND bn	%	VND bn	%	%	%	x	x
VHM	41,500	71,400	72.0%	115,396	11.7%	38,242	15%	20%	19%	1.0	0.8
NLG	31,800	49,000	32.7%	5,130	61%	1,321	+65%	6%	9%	1.4	1.3

Source: Fiin-ProX, TVS Research forecast

Investment Theme 5: Vietnam's O&G Industry's New Investment Cycle

We recommend a POSITIVE outlook for upstream oil and gas companies due to the significant workload anticipated in 2024.

TVS Research forecasts the average Brent crude oil price in 2024 to reach USD 80/barrel (-3.3% YoY) due to:

- **Non-OPEC+ countries continue to increase the oil and gas supply in 2024**

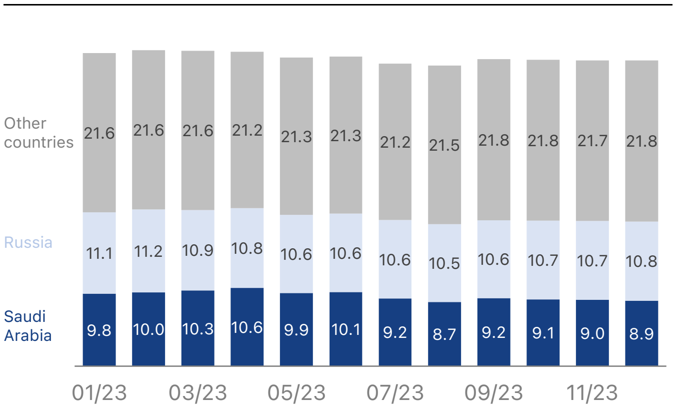
  OPEC+ has yet to reach an agreement on production cuts - the reduction in output mainly comes from Saudi Arabia, while other countries have not adhered to their production cut commitments.

  Oil production in the United States is currently at its highest level since the outbreak of the COVID-19 pandemic and is likely to continue maintaining high production levels throughout 2024.

  However, according to the IMF, Saudi Arabia must ensure the oil price reaches $80 per barrel to meet its budgetary spending targets 2024. Therefore, we believe Saudi Arabia will be the main factor in voluntarily reducing production to maintain oil prices above $80 per barrel.

Figure 79: The reduction in OPEC+ production is primarily attributed to Saudi Arabia, while Russia remains unchanged

Crude oil production of OPEC+ [million barrels per day]



Source: EIA, TVS Research

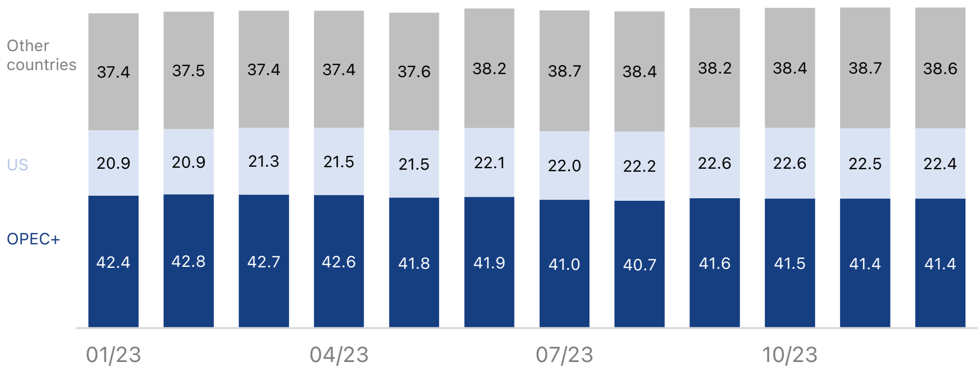
Figure 80: US Crude Oil Production at its Highest Since Early 2020

US Crude Oil Production [million barrels per day]

Source: EIA, TVS Research

Figure 81: Global Crude Oil Production Continues to Increase Despite OPEC+ Production Cuts

Global Crude Oil Production [million barrels per day]

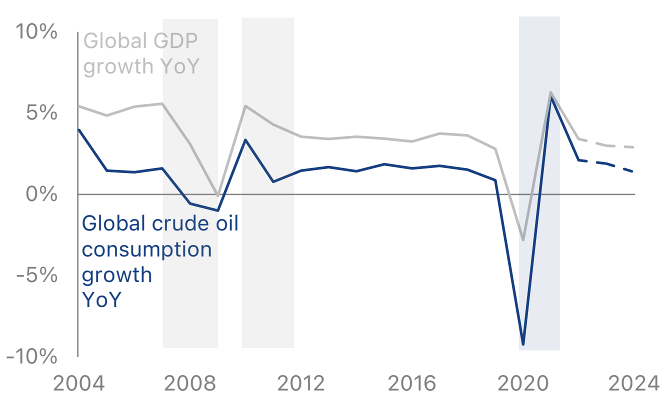


Source: EIA, TVS Research

- **Global crude oil demand is expected to grow modestly in 2024.** We anticipate that simple oil demand in 2024 will largely depend on global economic growth, particularly in China, as it is the world's largest consumer of crude oil. The IMF forecasts global economic growth this year to be lower than in 2023, reaching 2.9%, primarily due to (1) Impacts from geopolitical conflicts on trade activities, (2) High lending interest rates, (3) China's growth will slow down in 2024 after opening up in 2023. Therefore, we expect crude oil consumption growth to be similar to the EIA's forecast, reaching 1.4% YoY

Figure 82: Global GDP growth will be slower than in 2023, affecting crude oil demand.

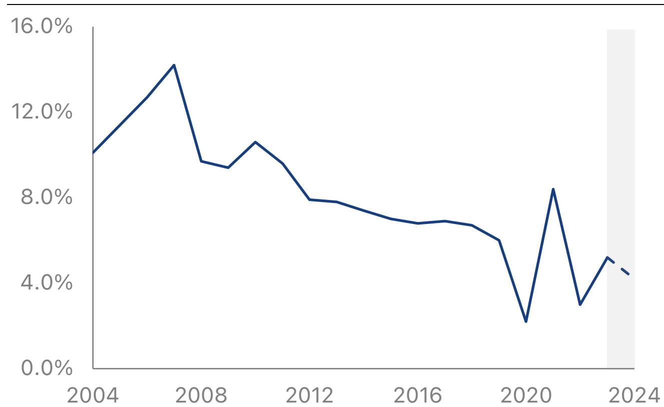
Global GDP growth and international crude oil consumption growth [%]



Source: IMF, EIA, TVS Research

Figure 83: IMF forecasts slower GDP growth for China in 2024.

China's annual GDP growth [%]



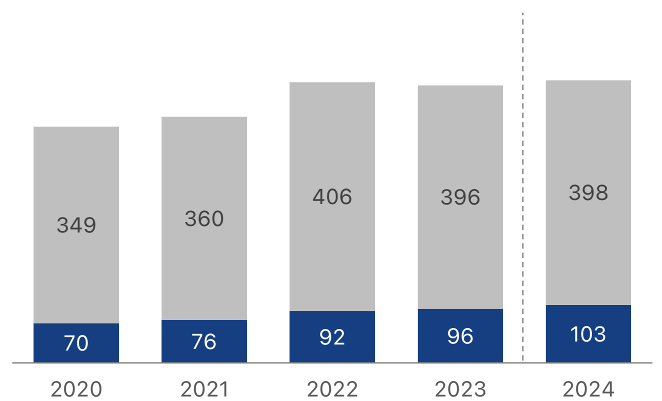
Source: IMF, TVS Research

The global stock market enters a new growth cycle due to increased upstream investment demand in the Middle East.

According to forecasts by Wood Mackenzie, total upstream oil and gas investment globally in 2024 is projected to reach approximately $501 billion (+2% YoY), led by a 7% YoY increase in the Middle East region. We believe this comes from the plans to ramp up production by state-owned oil companies in Saudi Arabia and the UAE to increase revenue from oil as drilling demand in the Middle East continues to rise in 2024. Additionally, the global drilling supply has sharply decreased from the previous peak cycle due to declining demand and no new rigs replacing older rigs exiting the market. Based on these factors, TVS Research believes that the drilling market is entering a new growth cycle in the next 2-3 years due to unresolved supply issues. This will help keep rig rental and utilization rates high, providing a significant source of employment for PVD after several challenging years.

Figure 84: Middle East Leading Global Upstream Investment Growth in 2024

Upstream oil and gas investment expenditure worldwide [USD bn]



Source: Wood Mackenzie, TVS Research

Figure 85: Jack-Up Rig Rental Rates in SEA Have Returned to the Highs of the 2010-2014 period

Rental rates [USD thousand/day]

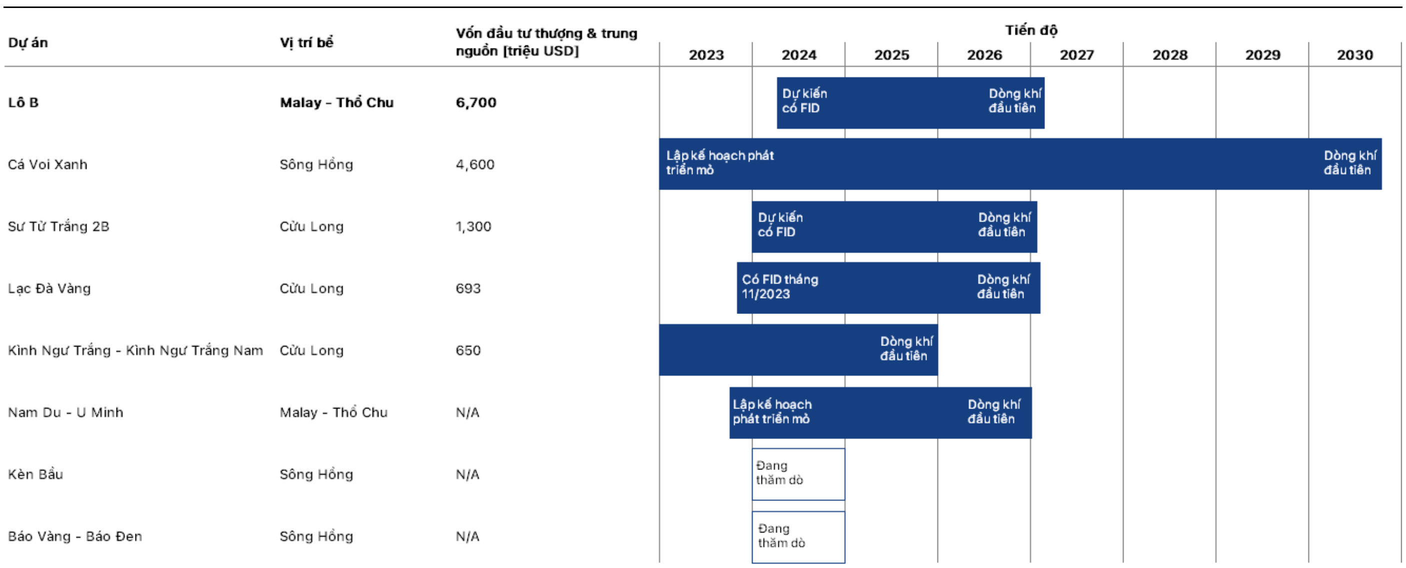
Source: S&P Global, TVS Research

We anticipate that upstream oil and gas investment expenditure in Vietnam will increase significantly in 2024 due to the implementation of new projects.

PVN's oil and gas production has decreased in recent years due to the lack of new projects to supplement the old oil and gas projects that are being depleted. We believe that boosting exploration and new extraction is necessary to ensure Vietnam's energy security in the medium term. In the 2024-2025 period, TVS Research expects that upstream investment capital will increase again due to the commencement of large projects, thereby providing extensive employment opportunities for upstream enterprises such as PVS & PVD with significant contracts for oil and gas construction and drilling services to serve these projects.

Among the upcoming upstream projects, the gas-electricity chain block B – O Mon is the most significant total investment, with the upstream portion (including basic construction costs, operating costs, and decommissioning costs) estimated at around USD 17 billion. In our view, the oil and gas companies benefiting the most from the block B project include companies providing services related to the construction and operation of upstream and midstream projects such as GAS, PVS, PVD, PVC, PVB, and PXS (detail listed in Table 8).

Figure 86: The demand for upstream investment in Vietnam will be more vibrant in the coming period.
The progress of major upstream investment projects in the near future.



Source: TVS Research

Table 8: PVS is the company that benefits the most when block B reaches FID with an estimated total contract value of USD 1.5 bn.
Project Details for the Development and Exploitation of the Block B Gas Field

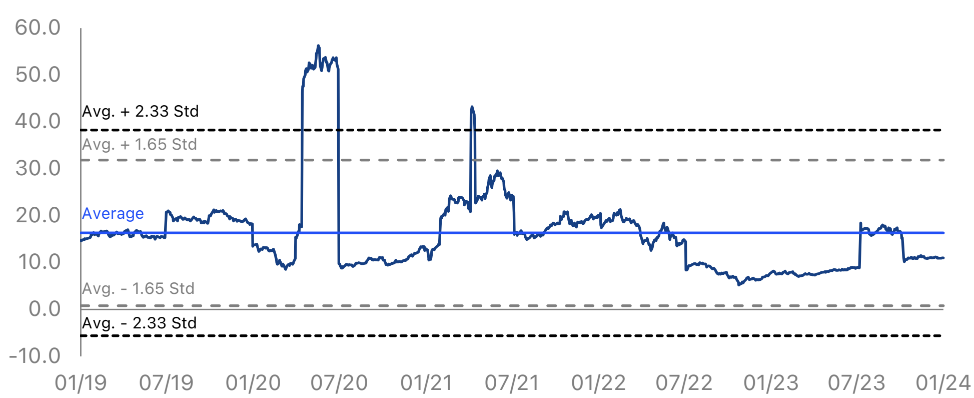
	Investment Capital (USD million)	Investor	Main task	Construction Activities	Beneficial Enterprises	Comments
Upstream	**6,700**	PVN (42.9%) PVEP (26.8%) MOECO (22.6%) PTTEP (7.7%)	One central processing platform (CPP) 46 wellhead platforms (WHP) One accommodation platform, One floating storage and offloading (FSO) vessel	EPCI	**PVS, PXS, PVX**	PVS and PVX (including subsidiary PXS) can participate in EPC contracts in joint ventures with foreign contractors thanks to the advantage of being a member company of PVN. According to our estimates, PVS's contract value during construction will reach USD 1 billion in the period 2023-2026
				Drill	**PVD**	With 750 operating wells, PVD's workload is vast, and the company is likely to participate in the project thanks to its role as a member company of PVN. We estimate the drilling contract volume to be around USD 500 million over the project's life.
				Drilling Fluid	PVC	

			750 production vessel			
Midstream	**1,300**	PVGAS (51%) PVN (28.7%) MOECO & PTTEP (20.3%)	Pipeline project with a total length of 431 km and a design capacity of 20.3 million m³/day, including an Offshore pipeline 295km long, 28in diameter; Branch pipeline 37km long connecting to the PM3 – Ca Mau; Onshore pipeline 102km long (30 in diameter)	Gas distribution	**GAS**	As the principal investor of the Block B - O Mon pipeline, GAS will benefit from the additional gas supply from Block B and the gas transportation fee. The extra gas supply since 2026 will compensate for the rapid depletion of old gas fields, contributing to the long-term growth of GAS.
				Pipe coating	**PVB**	Pipe coating contracts account for ~5-6% of the total project investment. Owning the only pipe coating plant in Vietnam, PVB is the unit that performs most of the offshore pipe coating contracts in Vietnam. Therefore, PVB is highly likely to continue to receive pipe coating contracts for the Block B - O Mon pipeline project.
				EPCI	**PVS, POX, PVX**	PVS (and its subsidiary POS) will have many opportunities to win the EPC contract for this project thanks to its experience in executing several projects in Vietnam, such as the SV-DN pipeline and the Nam Con Son 2 pipeline. We estimate the potential backlog for the EPCI phase of the gas pipeline to reach USD 500 billion in 2026-2028.

Source: PVN, TVS Research

The valuation of oil and gas companies is still 32% lower than the 5-year average. We believe this is a reasonable P/E ratio given the clear differentiation in the 2024 outlook for companies in the sector. From our perspective, investment options in the O&G sector in 2024 should focus on upstream companies as upstream investment is increasing globally and in Vietnam. This will help these companies enter a new cycle with a large workload, leading to higher valuations for this group.

Figure 87: We expect the valuation of the O&G sector to exceed the 5-year average in 2024 due to more precise investment prospects.
P/E ratio of O&G sector [x]



Source: FiinPro-X, TVS Research

We select PVD & PVS for our 2024 investment portfolio.

We assess a **POSITIVE** view for the O&G sector 2024 due to increased upstream investment globally and in Vietnam. The stocks we have selected for our portfolio are PVD & PVS.

PVD – Target price: VND 37,500 – Upside: +36.1%

- **We anticipate that the global oil and gas drilling industry is at the beginning of a new 4-5 year growth cycle,** which will help the operating performance of drilling companies like PVD remain above 90% (compared to 60-65% during the period of low oil prices)
- **Global drilling rig shortage will not be solved by the end of 2025**, helping the charter rates for PVD's self-elevating drilling rigs approach the growth cycle of 2010-2014 (~110,000 USD/day).
- **There is still much room for valuation improvement** with a P/B fw 2024 of 1.0x, 65% lower than the average P/B of 2010-2014 (We use P/B for comparison because PVD's earnings are highly volatile during the oil price downtrend).

PVS – Target price: VND 50,300 – Upside: +37.1%

- **PVS is the contractor with an immense workload when the Block B - O Mon major project starts,** with an estimated total contract value of about 1.6 billion USD (equivalent to the total revenue of the construction and installation segment in 2020-2023).
- **The long-term profit prospect is secured thanks to PVS's participation in the offshore wind power installation segment.** We anticipate that Power Plan 8 will boost the demand for offshore wind power construction, and PVS is the domestic contractor that will benefit the most.
- **Catalyst**: The final investment decisions (FIDs) for significant oil and gas construction projects in Vietnam, such as Block B - O Mon, White Lion & Golden Lion, will be a short-term driver for stock prices.

Ticker	Market price at 31/01/24	Target price	Upside	Revenue 2024F	% YoY	PAT 2024F	% YoY	ROE 2023	ROE 2024F	Current P/E	P/E fw 2024
	VND	VND	%	VND bn	%	VND bn	%	%	%	x	x
PVS	36,700	50,300	37.1%	26,571	37.3%	1,371	52.0%	6.8%	9.9%	20.3	13.3
PVD	27,550	37,500	36.1%	6,495	11.8%	1,035	91.0%	3.7%	6.7%	26.5	13.8

Source: Fiin-ProX, TVS Research forecast

Tactical Investment following market cash flow

Steel sector – Strong profit recovery in Q1 2024

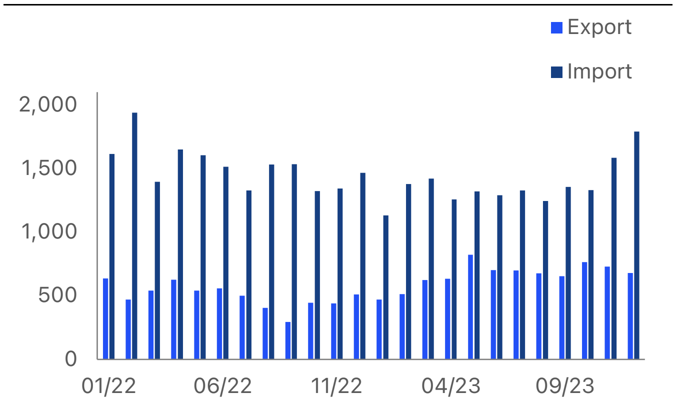
We expect steel companies' profits to recover strongly in Q1 2024.

TVS Research forecasts that the NPAT of steel companies on our watch list will grow by 420% in Q1 2024, compared to the low base 2023. The growth comes from our expectation of export output maintaining a solid increase of 30% YoY in Q1 2024 compared to the low base of Q1 2023. TVS Research expects steel export output to support the growth rate of Q4 2023 thanks to:

- **Steel consumption demand in Vietnam's main export markets is forecast to grow in 2024.** According to forecasts of the World Steel Association (WSA), world steel demand will increase by 1.9% in 2024, thanks to the recovery of the construction and automobile manufacturing industries. Vietnam's main export markets are forecast to record a significant recovery, including ASEAN (+5.2% YoY), EU (+5.6% YoY) and India (+7.5% YoY)
- **Vietnam's export steel prices are lower than domestic steel prices in their major exporting markets,** and the gap is widening, which will help increase the competitiveness of Vietnamese steel
- **Improved prospects for prices and export output for Vietnam's steel industry** come from (1) China's plans to cut production output, which helps increase opportunities for Vietnam's steel exports (2) in 2024, Asia Europe will strictly control steel imports from Russia

Figure 88: Export volume growth is maintained in Q1 2024

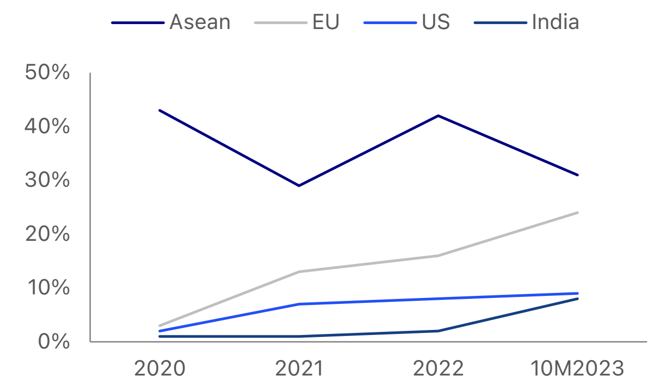
Domestic consumption and export output of construction steel, rolled steel, galvanized steel and steel pipes [Thousand tons]



Sources: Fiin-ProX, TVS Research

Figure 89: EU and India gradually account for a more significant weight in Vietnam's steel export structure

Steel exports market share by regions [%]



Sources: VSA, TVS Research

Figure 90: The price difference between Northern Europe and Vietnam's HRC tends to increase again, helping to improve the competitiveness of Vietnamese steel export

Price difference of HRC in Northern EU and Vietnam [USD/ton]

Sources: Bloomberg, TVS Research

Low input material prices in Q1 2024 will support the steel industry's profit margin. In the short term, iron ore price is supported by (1) the Chinese government actively introducing measures to revive the economy and real estate market and (2) China's ore inventories are low. **However, we expect iron ore prices to remain low in Q1 2024** as the Chinese real estate market will remain unfavorable for at least H1 2024, causing their low domestic steel demand. While demand is limited, supply is stable. The four leading ore mining corporations from Australia and Brazil, Rio Tinto, Vale SA, BHP Group and Fortescue, still have excess capacity and are forecast to increase their output by 2.0%

– 3.0% in 2024.

Similarly, we expect coking coal prices to remain stable in Q1 2024 due to weak Chinese steel demand.

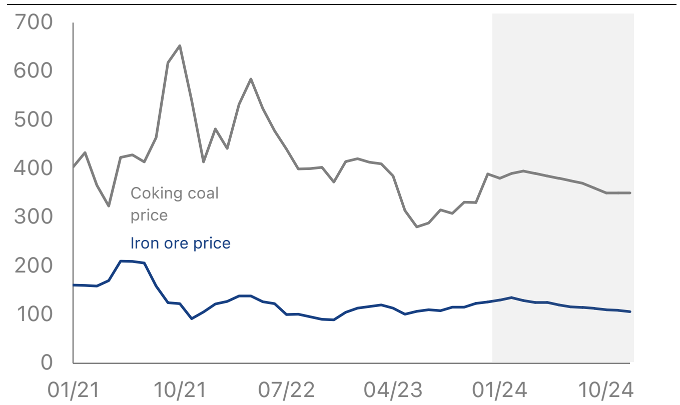
Figure 91: Steelmakers reduce material inventories and preserve cash as production demand declines

Iron ore inventories at factories and ports in China [thousand tons]

Sources: Bloomberg, TVS Research

Figure 92: Iron ore and coking coal prices remained low in Q1 2024 due to low demand and stable supply

62% Fe iron ore price [USD/ton] and Australian coking coal price [USD/ton]



Sources: Bloomberg, TVS Research forecast

We recommend BUY for HPG in Q1 2024.

We expect Steel stocks to attract short-term cash flow in Q1 2024 likely. Our recommended stock is HPG.

HPG – Target price: VND 34,300 – Upside: +23.6%

- **The proportion of HPG's export revenue in total revenue is increasing**. HPG's export proportion has risen to an average of 25% in 2023 compared to 20% in 2022. We attribute this change to HPG's efforts to expand its international market share, especially in the EU. We expect that HPG's export output in Q1 2024 will continue to improve thanks to (1) a positive recovery in steel demand in the EU and (2) competitive selling prices, helping HPG to gain market share from domestic producers.
- **HPG's profit margin improves in Q1 2024.** We believe that raw material prices remaining low while steel prices increase slightly will support HPG's profit margin in the short term before steel demand rises again, causing steel and input material prices to both increase

Code	Market price at 31/01/24	Target price	Upside	Revenue 2024F	% YoY	PAT 2024F	% YoY	ROE 2023	ROE 2024F	Current P/E	P/E fw 2024
	VND	VND		VND bn		VND bn					
HPG	27,750	34,300	23.6%	134,504	13%	13,057	91%	6.9%	12.4%	23.6x	12.3x

Sources: Fiin-ProX, TVS Research forecast

Brokerage sector - Awaiting the KRX System

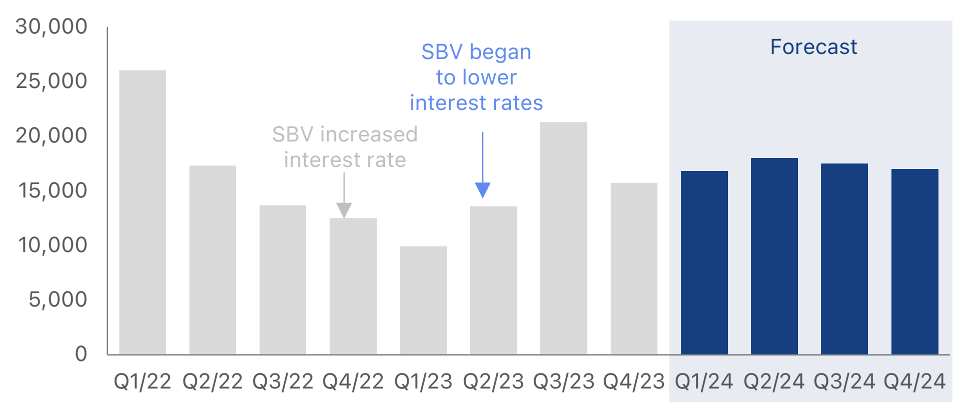
Liquidity improved in H1 2024 compared to last year's period, thanks to low-interest rates.

Market liquidity has improved since Q2 2023 after the SBV lowered its policy interest rates. The liquidity of the VN-Index remained at VND 10,000 billion/session in Q1 2023 after the SBV had increased interest rates in Q4 2022. However, trading value improved from Q2 2023 until the end of the year, averaging around VND 16,866 billion/session. In our opinion, the recovery in liquidity has primarily been influenced by SBV's lowering of the policy interest rate to stimulate economic growth, leading to a shift of investors' capital into the stock market channel.

We expect the liquidity of the VN-Index to maintain at VND 17,400 billion/session in H1 2024 due to the low-interest rate environment. As mentioned in the Banking section, the low-interest rate environment will continue to be maintained by the SBV in H1 2024 to support economic growth. As a result, the stock market remains an attractive investment channel for investors, especially individual investors (accounting for ~85% of market trading value). We also expect that the operation of the KRX system in H1 2024 will serve as a catalyst to boost market liquidity.

Figure 93: Market liquidity has rebounded in 2024

Average trading value of the VN-Index per session [VND bn per session]



Source: Bloomberg, TVS Research

We anticipate the financial performance of the brokerage industry will grow strongly in H1 2024.

TVS Research forecasts that the brokerage firms' NPAT will grow by 47.9% YoY in H1 2024. The improved liquidity will help enhance the financial performance of brokerage companies in H1 2024, especially in core segments such as brokerage and margin lending, which were at low levels in H1 2023. We estimate that revenue from brokerage and margin lending activities of brokerage firms will increase by approximately 20-25% in H1 2024.

The operation of the KRX system catalyzes the attraction of funds to the brokerage industry.

The operation of the KRX system will bring about significant long-term changes to the Vietnamese stock market, such as:

- Improving the quantity and speed of orders
- Introducing new investment products such as short selling, options contracts, etc.
- Reducing settlement times and providing T+0 trading for the market

Table 9: KRX went live will introduce more investment instruments for investors

Comparison of the current trading system and the KRX system

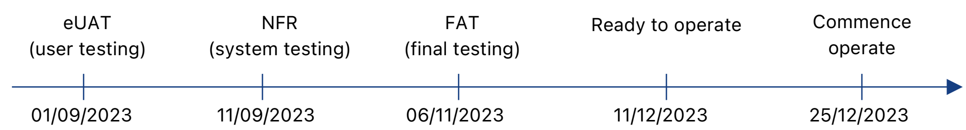
	Current system	KRX system
Maximum number of orders per session (million orders)	3-5	5
Maximum trading value per session (USD billion)	≤ 1.5	≤ 4.0
Applicable settlement time	T+2	T+0
New investment instrument	N/A	Short selling, option contract

Source: SSC, TVS Research

However, the KRX system has not yet been able to operate officially despite expectations for operation by the end of December 2023. Several brokerage firms have not fully completed testing the functions of the system, leading to delays in its implementation (at the HOSE meeting on October 10, there were still 17 out of 82 firms that had not successfully tested 100% of the KRX system functions). We expect the testing process to be completed by the end of Q1 2024, and the KRX system will **officially commence operations in early Q2 2024.**

Figure 94: KRX has not been able to operate officially as planned

KRX system's testing progress and operating schedule



Source: HOSE, TVS Research

The KRX system will set a foundation to promote the classification of the Vietnam stock market.

In addition to the changes mentioned above that come with the operation of the KRX system, **the KRX is a prerequisite to address the remaining issues in Vietnam to meet the criteria for stock market promotion.** According to FTSE Russell's requirements, Vietnam currently lacks 2 out of 9 conditions for promotion, including:

- Implementing Delivery versus Payment (DvP) at the "Restricted" level, as now, investors need to have funds when placing orders rather than only when executing transactions
- The criterion of penalty points for failed transaction handling does not score due to the absence of failed transactions (investors already have 100% of the funds before trading)

According to our assessment, the operation of the KRX system is a prerequisite for providing a CCP clearing mechanism to address funding and payment risk control issues in cases of unexecuted transactions. Furthermore, supplementing these regulations is necessary compared to the current provisions under Circular 120 of the Ministry of Finance. Therefore, from a conservative perspective, we believe these activities will take approximately one year to complete, and **Vietnam may be recognized for a market promotion in September 2025.**

We recommend BUY for SSI stocks in H1 2024.

Our recommended portfolio for the Brokerage Industry under the short-term investment theme based on cash flow in H1 2024 is SSI.

SSI – Target price: VND 43,300 – Upside: + 25.9%

- **SSI is leading in trading market share and margin lending** due to its strong financial position, diverse investment products, and extensive network. This provides consistent profits for SSI soon.
- **SSI benefits significantly from the prospects of market upgrades in the brokerage market in 2024-2025**. The prospect of market upgrade will drive foreign investment flows into Vietnam,

leading to an increasing market liquidity. Being a market leader, SSI will benefit first compared to other brokerage firms when liquidity improves.

- **SSI prioritizes its resources for the margin lending segment.** The company plans to issue a maximum of 453.3 million additional shares, increasing its charter capital to VND 19,645 billion - the highest among brokerage companies. The capital raised will mainly be used for margin lending activities.
- **Risk:** SBV resumes interest rate hikes

Ticker	Market price at 31/01/24	Target price	Upside	Revenue 2024F	% YoY	PAT 2024F	% YoY	ROE 2023	ROE 2024F	Current P/E	P/E fw 2024
	VND	VND	%	VND bn	%	VND bn	%	%	%	x	x
SSI	34,400	43,300	25.9%	8,160	14.0%	2,707	18.0%	10.1%	10.2%	2.2	2.0

Source: Fiin-ProX, TVS Research forecast

High Dividend Yield Stocks- Attractive Amid Low Deposit Interest Rates

High cash dividend-paying stocks could attract risk-averse investors.

For risk-averse investors, high dividend-paying stocks can be a compelling option. We have identified a selection of such stocks for 2024, leveraging comprehensive analyses of historical dividend payout ratios, 2023 business performance, and profit outlook in 2024. Our methodology emphasizes three key criteria.

Attractive Dividend Yields: Each stock boasts a yield (computed on market price as of January 30, 2024) significantly higher than the current deposit rate,

High Liquidity: These stocks possess sufficient trading volume to ensure investors can easily enter and exit positions, mitigating liquidity concerns.

Promising Profitability: Our selections demonstrate strong fundamentals and positive growth trajectories, suggesting sustainable dividend payouts in the foreseeable future.

As detailed in Table 10, these high-dividend stocks are primarily concentrated in essential consumer sectors with stable demand, such as Utilities, Food & Beverage, Personal and Household Goods; Industrial Parks with steady cash flow; and Chemicals companies with dividend payout pressure from large shareholders.

Table 10: Summary of stocks with high dividend yields in 2024

Ticker	Stock Exchange	Industry	Market cap	Current price	ADTV	2023 Net income	% YoY	Average Div 18-22	Dividend yield	2023 Dividend plan	2023 expected dividend yield
			VND bn	VND	VND bn	VND bn	%	VND	%	VND	%
DPR	HOSE	Chemicals	2,941	33,850	9.8	252	-13.3%	4,100	12.1%	NA	NA
VEA	UpCom	Industrial goods and services	48,888	36,900	15.1	6,297	-17.9%	4,380	11.9%	NA	NA
MSH	HOSE	Consumer goods	2,881	38,400	3.0	245	-27.4%	3,700	9.6%	1,500	3.9%
DPM	HOSE	Chemicals	13,110	33,500	64.3	543	-90.3%	3,120	9.3%	4,000	11.9%
IJC	HOSE	Real Estate	3,828	15,200	23.5	395	-22.7%	1,340	8.8%	1,000	6.6%
NT2	HOSE	Utilities	7,528	26,150	26.4	496	-43.9%	2,230	8.5%	1,500	5.7%
VSC	HOSE	Industrial goods and services	5,549	20,800	95.7	202	-48.7%	1,600	7.7%	1,000	4.8%
NTL	HOSE	Real Estate	1,952	32,000	28.5	367	244.4%	2,300	7.2%	2,500	7.8%
SAB	HOSE	Food and Beverage	73,363	57,200	46.1	4,255	-22.6%	4,100	7.2%	3,500	6.1%
BFC	HOSE	Chemicals	1,552	27,150	6.0	135	-26.9%	1,940	7.1%	1,500	5.5%
PHR	HOSE	Chemicals	6,978	51,500	13.3	664	-28.3%	3,590	7.0%	3,000	5.8%

Source: FiinPro-X, TVS Research
Note: Average dividend yield = Average dividend/ Closing price 30/01/2024; NA: Not Available

Appendix 1: Peer analysis by Sector

Information Technology Sector

Ticker	Market cap 31/01/2023	Revenue 2023	%YoY	Net profit 2023	%YoY	Profit margin 2023	D/E 2023	ROE 2023	ROA 2023	TTM P/E	TTM P/B
	VND bn	VND bn	%	VND bn	%	%	x	%	%	x	x
FPT	121,536	52,618	19.6%	7,792	20.0%	38.6%	1.0	33.9%	11.6%	20.3	5.3
CMG	7,582	5,674	-2.7%	330	7.8%	18.4%	1.2	12.8%	4.7%	24.5	3.1
ELC	1,666	980	13.5%	84	125.3%	19.8%	0.6	9.1%	5.2%	23.3	1.9
ITD	232	494	0.0%	(45)	0.0%	27.1%	0.7	-15.6%	-10.3%	(3.4)	0.9

Industrial Park Sector

Ticker	Market cap 31/01/2023	Revenue 2023	%YoY	Net profit 2023	%YoY	Profit margin 2023	D/E 2023	ROE 2023	ROA 2023	TTM P/E	TTM P/B
	VND bn	VND bn	%	VND bn	%	%	x	%	%	x	x
BCM	67,586	8,072	24.1%	2,314	35.0%	53.5%	1.8	13.2%	4.8%	26.9	3.6
KBC	23,220	5,645	494.0%	2,218	40.7%	65.3%	0.7	13.0%	5.8%	11.9	1.3
IDC	17,490	7,237	-3.3%	1,655	-19.4%	33.5%	1.9	33.4%	8.0%	13.1	3.7
SIP	14,090	6,673	10.6%	1,037	2.6%	13.9%	4.2	30.3%	4.8%	15.2	4.0
SZC	7,020	818	-4.8%	219	10.9%	42.8%	3.0	13.4%	3.3%	23.9	4.3
PHR	6,938	1,351	-20.9%	664	-28.3%	24.5%	0.6	19.2%	10.0%	11.6	2.0
NTC	5,000	235	-12.3%	300	16.9%	70.4%	3.8	35.8%	7.0%	16.8	5.2

Seaport Sector

Ticker	Market cap 31/01/2023	Revenue 2023	%YoY	Net profit 2023	%YoY	Profit margin 2023	D/E 2023	ROE 2023	ROA 2023	TTM P/E	TTM P/B
	VND bn	VND bn	%	VND bn	%	%	x	%	%	x	x
GMD	20,832	3,846	-1.3%	2,502	115.5%	46.2%	0.4	32.3%	16.7%	9.4	2.5
VSC	5,469	2,181	8.6%	202	-48.7%	30.0%	0.6	7.1%	2.6%	24.7	2.0
STG	4,790	1,795	-32.0%	186	-26.8%	17.7%	0.3	8.9%	6.1%	26.6	2.1
HAH	3,925	2,613	-18.5%	371	-64.3%	23.4%	0.7	14.9%	7.4%	10.9	1.6
PDN	3,641	1,167	9.3%	295	25.9%	36.7%	0.4	32.3%	22.7%	13.4	4.0
DVP	2,696	549	-6.1%	329	16.1%	41.0%	0.2	23.9%	21.0%	8.3	2.0

Banking Sector

Ticker	Total Assets 2023	Credit Balance 2023	Deposit Balance 2023	TTS/ VCSH	TOI 2023	% YoY	PBT 2023	%YoY	NIM 2023	NPL 2023	LLCR 2023	ROE 2023	TTM P/B
	VND bn	%	%	x	VND bn	%	VND bn	%	%	%	%	%	x
BID	2,300,814	16.3%	15.7%	18.7	73,024	4.9%	27,650	20.2%	2.6%	1.3%	181.8%	19.4%	2.3
CTG	2,032,690	15.5%	12.9%	15.9	70,659	10.2%	25,100	19.8%	2.9%	1.1%	167.2%	17.1%	1.3
VCB	1,839,223	10.7%	12.2%	10.9	67,723	-0.5%	41,244	10.4%	3.0%	1.0%	230%	21.7%	2.9
MBB	944,954	28.0%	27.9%	9.8	47,306	3.8%	26,306	15.7%	5.0%	1.6%	117.0%	23.9%	1.2
TCB	849,482	21.6%	26.9%	6.5	40,061	-2.1%	22,888	-10.5%	4.0%	1.2%	102.1%	14.8%	0.9
VPB	817,700	25.5%	45.9%	5.8	49,743	-13.9%	10,987	-48.2%	5.8%	5.0%	51.7%	7.1%	1.1
ACB	718,795	17.9%	16.6%	10.1	32,747	13.7%	20,068	17.3%	4.1%	1.2%	91.2%	24.8%	1.4
STB	674,390	13.8%	12.3%	14.8	26,173	0.1%	9,595	51.4%	3.7%	2.3%	68.8%	18.3%	1.2
HDB	602,315	31.8%	71.8%	13.0	26,414	20.2%	13,017	26.8%	4.9%	1.8%	65.8%	24.2%	1.4
VIB	409,881	14.2%	18.2%	10.8	22,160	22.7%	10,703	1.2%	4.8%	3.2%	51.0%	24.3%	1.4
TPB	356,637	19.0%	6.8%	10.9	16,234	3.9%	5,589	-28.6%	4.0%	2.0%	63.7%	13.7%	1.2
MSB	267,006	22.3%	13.0%	8.5	12,289	14.9%	5,830	0.7%	4.2%	2.9%	55.2%	16.0%	0.9

Retail Sector

Ticker	Market cap 31/01/2023	Revenue 2023	%YoY	Net profit 2023	%YoY	Profit margin 2023	D/E 2023	ROE 2023	ROA 2023	TTM P/E	TTM P/B
	VND bn	VND bn	%	VND bn	%	%	x	%	%	x	x
DGW	9,038	18,817	-14.6%	363	-47%	8%	1.9	26.2	3.6	14.5%	5.1%
FRT	15,613	31,850	5.6%	(329)	-183%	16%	6.6	-47.1	10.2	-18.3%	-2.9%
MWG	65,808	118,280	-11.3%	168	-96%	19%	1.6	413.7	3.0	0.7%	0.3%
PNJ	30,612	33,137	-2.2%	1,971	9%	18%	0.5	15.2	3.1	21.6%	14.2%

Seafood Sector

Ticker	Market cap 31/01/2023	Revenue 2023	%YoY	Net profit 2023	%YoY	Profit margin 2023	D/E 2023	ROE 2023	ROA 2023	TTM P/E	TTM P/B
	VND bn	VND bn	%	VND bn	%	%	x	%	%	x	x
VHC	14,298	10,039	-24.1%	950	-52.8%	14.4%	0.4	12.0%	7.7%	16.1	1.8
ANV	3,987	4,439	-9.3%	42	-93.8%	10.2%	0.8	1.5%	0.8%	94.6	1.4
ASM	3,483	11,968	-13.0%	274	-71.5%	11.2%	1.6	5.2%	1.1%	16.3	0.7
FMC	2,916	5,087	-10.8%	302	-5.8%	9.7%	0.5	15.3%	8.7%	10.9	1.5
IDI	2,550	7,221	-8.9%	88	-84.4%	7.3%	1.4	2.7%	0.9%	35.0	0.8
CMX	862	2,043	-29.5%	73	-19.2%	15.6%	1.3	6.2%	1.6%	16.9	0.7
DAT	573	2,940	-1.8%	75	-6.7%	4.3%	1.0	9.3%	4.4%	7.7	0.7
ACL	602	1,117	-4.3%	12	-89.8%	14.9%	1.2	1.5%	0.7%	50.3	0.8
ABT	419	533	-13.6%	64	-0.6%	15.7%	0.3	13.3%	10.0%	6.5	0.9

Residential Real Estate Sector

Ticker	Market cap 31/01/2023	Revenue 2023	%YoY	Net profit 2023	%YoY	Profit margin 2023	D/E 2023	ROE 2023	ROA 2023	TTM P/E	TTM P/B
	VND bn	VND bn	%	VND bn	%	%	x	%	%	x	x
VHM	180,706	103,334	65.6%	33,287	14.1%	34.4%	1.5	20.5%	8.2%	5.4	1.0
NVL	32,567	4,759	-57.3%	685	-68.6%	28.9%	4.3	1.8%	0.3%	41.2	0.9
KDH	24,699	2,093	-28.1%	731	-32.5%	75.1%	0.7	5.8%	3.0%	34.0	1.8
PDR	20,687	618	-59.0%	682	-41.2%	88.0%	1.2	7.7%	3.1%	29.5	2.3
NLG	14,814	3,181	-26.7%	800	-7.5%	49.1%	1.1	8.7%	1.7%	31.4	1.6
DXG	13,333	3,706	-32.8%	155	-71.0%	45.7%	1.0	1.7%	0.6%	64.2	1.4
AGG	3,053	3,891	-37.1%	460	376.8%	25.1%	2.2	17.9%	1.7%	17.1	1.1

Oil & Gas Sector

Ticker	Market cap 31/01/2023	Revenue 2023	%YoY	Net profit 2023	%YoY	Profit margin 2023	D/E 2023	ROE 2023	ROA 2023	TTM P/E	TTM P/B
	VND bn	VND bn	%	VND bn	%	%	x	%	%	x	x
BSR	58,348	147,423	-11.8%	8,455	-42.4%	6.5%	0.5	15.6%	10.3%	6.7	1.0
PLX	43,962	274,253	-9.8%	3,052	60.4%	5.6%	1.7	12.1%	3.7%	15.6	1.7
PVS	17,541	19,349	18.2%	899	-4.8%	4.9%	1.0	7.2%	3.3%	20.3	1.4
PVD	15,314	5,812	7.0%	541	-449.1%	22.4%	0.5	3.8%	2.7%	27.1	1.1
OIL	10,332	102,669	-1.5%	628	-13.2%	3.8%	2.4	6.1%	1.7%	17.8	1.0

Steel Sector

Ticker	Market cap 31/01/2023	Revenue 2023	%YoY	Net profit 2023	%YoY	Profit margin 2023	D/E 2023	ROE 2023	ROA 2023	TTM P/E	TTM P/B
	VND bn	VND bn	%	VND bn	%	%	x	%	%	x	x
HPG	161,360	118,953	-15.9%	6,800	-19.5%	10.9%	0.8	6.8%	3.8%	23.8	1.6
HSG	14,106	32,806	-19.4%	814	-176.2%	9.7%	0.6	0.3%	0.2%	17.6	1.3
NKG	6,371	18,596	-19.4%	117	-194.2%	6.0%	1.3	2.2%	0.9%	54.5	1.2
POM	1,446	3,281	-74.8%	(961)	-11.0%	-1.8%	5.5	-45.8%	-9.0%	(1.4)	0.9
TLH	900	6,157	15.6%	4	-46.7%	2.5%	1.2	0.2%	0.1%	233.1	0.5
SMC	773	13,786	-40.5%	(919)	41.0%	0.5%	6.6	-72.6%	-12.2%	(0.9)	0.9
DTL	855	1,972	22.3%	(152)	-0.5%	-1.8%	1.7	-18.2%	-6.9%	(5.7)	1.1

Brokerage Sector

Ticker	Market cap 31/01/2023	Market share HOSE 2023	Total Assets 2023	Net Revenue 2023	%YoY	Net profit 2023	%YoY	D/E 2023	ROE 2023	ROA 2023	TTM P/E	TTM P/B
	VND bn	%	VND bn	VND bn	%	VND bn	%	x	%	%	x	x
HCM	19,992	5.3%	17,911	2,903	-25.6%	842	-21.2%	1.2	8.3%	4.0%	21.9	2.5
SSI	51,570	10.4%	69,241	7,158	13.0%	2,849	35.0%	2.0	10.1%	3.8%	22.8	2.3
VCI	18,769	4.5%	17,255	2,472	-21.7%	570	-46%	1.3	7.1%	3.1%	39.0	2.6

VND	26,549	7.0%	41,742	6,561	-3.9%	2,482	43.6%	1.5	13.0%	5.0%	13.4	1.6

Source: FiinPro-X, TVS Research

Appendix 2: The Law on Credit Institutions amended in 2024

Content	The Law on Credit Institutions 2010, amended in 2017 / Current regulations	The Law on Credit Institutions amended in 2024	TVS Assessment
Definition of Related Party		Specifically, detail and supplement definitions. For example, types of banks, conditions regarding subsidiaries of credit institutions, controlling companies, specialized and comprehensive financial companies, bulk withdrawals, indirect ownership Expanding the scope of related parties to include individuals - subsidiaries of credit institutions and their subsidiaries; subsidiaries of subsidiaries of the same parent company or credit institution; grandparents, aunts, uncles, nieces, nephews, and other family relationships	Expanding the scope of related parties will help improve transparency in providing information, managing and supervising ownership limitation ratios, and credit provision as regulated.
Ownership Disclosure		Additional regulations on the provision of information by related parties of Board of Directors members, Board of Supervisors members, Audit Committee members, General Director (Director), Deputy General Director (Deputy Director), and equivalent positions	Improving the transparency of information helps reduce issues related to "cross-ownership
	Shareholders owning 5% or more of the charter capital of credit institutions require prior approval from the State Bank	Shareholders owning 1% or more of the charter capital of credit institutions need to provide information about themselves and related parties to the credit institution	

Content	The Law on Credit Institutions 2010, amended in 2017 / Current regulations	The Law on Credit Institutions amended in 2024	TVS Assessment
Ownership Limitation	• One shareholder as an individual **may not own more than 5% of the charter capital** of a business entity • A shareholder who is an organization may **not own more than 15% of the charter capital** of a credit institution, except for some cases specified in the law • Shareholders and related persons of those shareholders **may not collectively own shares exceeding 20% of the charter capital** of a credit institution except for specific provisions specified by law • Significant shareholders of a financial institution and related persons of those **shareholders may not collectively own shares amounting to 5% or more of the charter capital** of another financial institution	• A shareholder **shall not own more than 5% of the charter capital of a business entity** • A shareholder as an organization **shall not own more than 10% of the charter capital** of a business entity, except for some instances stipulated otherwise in the law • Shareholders and related persons of those shareholders **shall not collectively own shares exceeding 15% of the charter capital** of a credit institution, except for some instances stipulated otherwise in the law • Significant shareholders of a business entity and related persons of those shareholders **shall not own shares amounting to 5% or more** of the charter capital of another business entity • The foreign ownership ratio at Vietnamese credit institutions is implemented according to government regulations.	Reducing risks when a group of shareholders owns a significant share can influence the credit assessment, lending process, and policymaking for loans with organizations and individuals related to the shareholder group.
Insurance Agency Activities of Insurance Companies	Commercial banks are authorized to delegate, receive delegation, and act as agents in banking, insurance business, and asset management activities, following the regulations of the SBV.	Credit institutions are allowed to conduct insurance agency activities under the laws on insurance business, consistent with the scope of insurance agency activities regulated by the SBV governor. Managers, executives, and	Create a legal framework and transparency for insurance agency activities of credit institutions, protecting customers of banks.

<table>
<tr><th>Content</th><th>The Law on Credit Institutions 2010, amended in 2017 / Current regulations</th><th>The Law on Credit Institutions amended in 2024</th><th>TVS Assessment</th></tr>
<tr><td></td><td></td><td>employees of credit institutions and foreign bank branches are not obligated to sell non-compulsory insurance products alongside providing banking products and services in any form.</td><td></td></tr>
<tr><td>Credit limitation</td><td>The total outstanding credit limit for a subject, whether it is a subsidiary company, subsidiary of a financial leasing company of a credit institution, or a credit institution holding a controlling stake, is ≤ 10% of the credit institution's equity; for all subjects, it is ≤ 20% of the credit institution's equity.</td><td>The total outstanding credit limit for a subject, whether it is a subsidiary company, subsidiary of a financial leasing company of a credit institution, or a credit institution holding a controlling stake, is ≤ 10% of the credit institution's equity; for all subjects, it is ≤ 15% of the credit institution's equity.</td><td>Limiting lending to "backdoor" entities and companies within the same ecosystem.</td></tr>
<tr><td>Limiting the credit provision ratio</td><td>The total outstanding credit limit for a customer is ≤ 15% of the equity of the commercial bank, foreign bank branch, people's credit fund, or microfinance institution; the total outstanding credit limit for a customer and related parties is ≤ 25% of the equity of the commercial bank, foreign bank branch, people's credit fund, microfinance institution.</td><td>The maximum total outstanding credit limit based on equity for a customer, a customer and related parties of a credit institution, credit cooperative, foreign bank branch, people's credit fund, or microfinance institution decreases according to the following schedule:
<table>
<tr><th></th><th>With one customer</th><th>With one customer and related personnel</th></tr>
<tr><td>1/7/2024 – 1/1/2026</td><td>14%</td><td>23%</td></tr>
</table></td><td>Reducing the risk of concentrated lending for credit institutions. Applying a gradually decreasing maximum credit limit over time, by 1-2% per year, allows credit institutions time to develop and diversify their customer portfolios.</td></tr>
</table>

Content	The Law on Credit Institutions 2010, amended in 2017 / Current regulations	The Law on Credit Institutions amended in 2024	TVS Assessment
		1/1/2026-1/1/2027 13% 21%	
		1/1/2027-1/1/2028 12% 19%	
		1/1/2028-1/1/2029 11% 17%	
		From 1/1/2029 10% 15%	
	The total outstanding credit limit for a customer is **≤ 25% of the equity** of non-bank credit institutions; the total outstanding credit limit for a customer and related parties is **≤ 50% of the equity** of non-bank credit institutions.	The total outstanding credit limit for a customer is **≤ 15% of the equity** of non-bank credit institutions; the total outstanding credit limit for a customer and related parties is **≤ 25% of the equity** of non-bank credit institutions.	
Handling non-performing loans and collateral assets	Credit institutions are allowed to hold real estate for debt resolution purposes, with a maximum period of 03 years from the decision date to handle non-performing assets, which are real estate properties intended for sale, transfer, or repurchase.	Credit institutions are allowed to hold real estate for debt resolution purposes, with a maximum period of 5 years from the decision date to handle non-performing assets, which are real estate properties intended for sale, transfer, or repurchase.	Based on the actual situation, credit institutions are allowed to have additional time to handle non-performing assets, which are real estate properties.
		Specific regulations on the activities of selling bad debts and collateralized assets of bad debts of credit institutions; buying and selling bad debts of asset management companies, debt collection, and handling debts;	Providing a legal framework for financial institutions and debt trading organizations to carry out activities such as selling bad debts, transferring NPLs, etc.,

Content	The Law on Credit Institutions 2010, amended in 2017 / Current regulations	The Law on Credit Institutions amended in 2024	TVS Assessment
		buying and selling bad debts with collateral assets such as land use rights, assets attached to land, assets attached to land formed in the future; transfer of collateral assets; and priority order of payment when handling collateral assets of bad debts.	helps expedite the process of handling distressed assets and bad debts of banks.
Early intervention for credit institutions	Cases to consider and decide on early intervention for credit institutions. • Failure to maintain the solvency ratio continuously for 3 consecutive months; • Failure to maintain the capital adequacy ratio continuously for 6 consecutive months; • Being rated below the average level as stipulated by the SBV	Cases to consider and decide on early intervention for financial institutions: • Accumulated losses ≥ 15% of the value of charter capital, granted capital, and reserve funds in the latest audited financial statements or according to the findings of inspections or audits by the competent State authority, and violation of the minimum capital adequacy ratio as prescribed. • • Being rated below the average level as stipulated by the Governor of the SBV. • Violating the prescribed liquidity ratio for 30 consecutive days. • Violating the prescribed minimum capital adequacy ratio for 6 consecutive months. • Experiencing a mass withdrawal of funds and reporting to the State Bank of Vietnam.	Early prevention of systemic risks to the banking system

Content	The Law on Credit Institutions 2010, amended in 2017 / Current regulations	The Law on Credit Institutions amended in 2024	TVS Assessment
	Early interventions for credit institutions: increasing capital, enhancing liquidity, reducing operating costs, salaries and bonuses, not distributing profits, strengthening risk management... Scenarios to end early interventions: Credit institutions remedy conditions leading to early intervention or are placed under special supervision.	Additional requirements and restrictions include suspending certain business activities showing signs of violation, as well as taking action against executives engaging in illegal activities or causing significant risks to the bank's operations. More specific regulations are outlined regarding the development, updating, and approval of remediation plans. In particular, the draft also stipulates measures to support financial institutions that are subject to early intervention, helping them recover their business. For example, relaxing the compliance timeline for certain limits and ratios. Financial institutions regularly report to regulatory authorities on the implementation status of remedial measures. Additional cases for early intervention termination: Financial institutions are reorganized through merger, consolidation, or the State authority decides to dissolve or bankrupt the financial institution according to regulations.	
Special control	Circumstances that put banks under special supervision:	Situations subject to being placed under special control measures	

Content	The Law on Credit Institutions 2010, amended in 2017 / Current regulations	The Law on Credit Institutions amended in 2024	TVS Assessment
	• Loss, or risk of unable pay or risk of default, as stipulated by the SBV; • The accumulated losses of the financial institution exceed 50% of the equity capital and reserves recorded in the most recent audited financial statements; • Failure to maintain the prescribed capital adequacy ratio for 12 consecutive months or a capital adequacy ratio lower than 4% for 6 consecutive months; • Poor ratings for 2 consecutive years as per SBV regulations.	include: • Financial institutions subject to early intervention fail to submit a recovery plan to the SBV or do not adjust the recovery plan according to the written request of the SBV; • During the implementation period of the remedial plan, if a financial institution that is subject to early intervention is unable to execute the remedial plan. • Exceeding the deadline for implementing the remedial plan without successfully addressing the conditions requiring early intervention. • Experiencing large-scale withdrawals with the potential to jeopardize the safety of the financial institution system. • The capital adequacy ratio of financial institutions is lower than 4% for six consecutive months. • Financial institutions dissolved are unable to fully repay debts during the asset liquidation process.	
		Mandatory Transfer of Banking Ownership (MTBO) Support measures for MTBO-receiving credit institutions include selling non-performing loans (NPLs) without collateral or with	

Content	The Law on Credit Institutions 2010, amended in 2017 / Current regulations	The Law on Credit Institutions amended in 2024	TVS Assessment
		incomplete legal documentation to debt trading organizations; waiving interest on refinancing loans, special loans from the State Bank of Vietnam, supported by MTBO-giving credit institutions, receiving deposits or loans, purchasing debt, and foreign direct investment projects in Group 1, etc. <u>The rights of credit institutions receiving Compulsory Asset Transfers (CAT) include:</u> Excluded from the calculation of capital adequacy ratios are: not consolidating the financial statements of the participating credit institutions (PCIs) receiving mandatory capital contribution (MCC), not including PCIs receiving MCC in the exclusion criteria for capital adequacy ratios, excluding credit granted to credit institutions eligible for MCC when calculating ratios, limits as prescribed, reducing the risk-weighted assets by 50%, not subject to restrictions on the ratio of purchases, investments in corporate bonds, and issuing shares to foreign investors.	

Source: FiinPro-X, TVS Research

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Rating system

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield. Definitions of equity rating key:

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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