

Strategy: A failed breakout

Matthew Smith, CFA

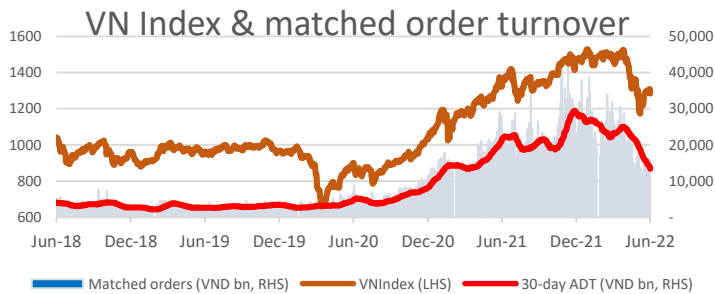
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Pressure at 1300 was confirmed last week. The VNI managed to close above 1300 on Wednesday and Thursday, but the mainboard failed to hold that level on Friday which saw a sharp selloff in the afternoon that pushed the market back to 1284, for a flat but ultimately disappointing WoW performance. Vietnam appears to be following the US bear market on Monday morning, which further confirms our view that June is unlikely to see a sharp upside reversal. Again, this is not necessarily bad news for patient investors as it presents the opportunity to accumulate quality stocks.



Index, Flows, and FX Performance

- **VNINDEX:** 1284 (-0.3% WoW / -14.3% YTD / -3.0% YoY)
- **VHINDEX:** 306 (-1.3% WoW / -35.3% YTD / -1.6% YoY)
- **UPCOM Index:** 94 (-0.5% WoW / -16.8% YTD / +7.5% YoY)
- **Average daily turnover:** US\$870 mn (+7.8% WoW)
- **Foreigners net bought** US\$49.5mn of three-index constituents
- **VND:USD rate:** 23,178 (+8bp WoW / -152bp YTD / -93bp YoY)

VN30 Components

Ticker	Closing price (VND K)	WoW chg	Cont to VN30 (WoW)	TTM PE (x)
ACB	25.2	-0.4%	-0.9	8
BID	33.8	-1.6%	-0.4	15
BVH	53.8	-0.7%	-0.1	22
CTG	27.1	-1.1%	-0.7	11
FPT	110.0	-3.5%	-9.6	22
GAS	118.7	-4.4%	-1.6	25
GVR	26.1	4.4%	0.6	25
HDB	25.9	2.0%	2.3	8
HPG	33.6	0.6%	1.6	5
KDH	41.0	0.4%	0.2	22
MBB	27.5	0.4%	0.7	8
MSN	117.0	3.7%	7.9	17
MWG	150.0	-1.4%	-3.6	22
NVL	77.0	-0.6%	-1.1	35
PDR	52.7	-1.9%	-0.8	19
PLX	45.0	3.4%	0.6	24
PNJ	120.7	-2.0%	-1.6	24
POW	15.0	11.1%	3.1	19
SAB	157.7	1.6%	0.6	26
SSI	27.9	-4.8%	-3.0	10
STB	21.9	3.5%	4.5	11
TCB	38.0	4.1%	11.4	7
TPB	29.7	-6.8%	-5.6	9
VCB	77.7	0.3%	0.3	16
VHM	68.3	-1.6%	-4.2	8
VIC	78.0	-1.0%	-3.1	--
VJC	127.7	0.6%	0.6	354
VNM	69.5	-1.1%	-2.1	16
VPB	30.9	0.5%	1.5	8
VRE	30.5	1.8%	1.5	77

Source: Bloomberg, Yuanta Vietnam. Pricing date: Jun 10, 2022.

The VNI's flat WoW performance modestly outperformed ASEAN peers (which were down -2-3% WoW), but valuations vs. growth remain highly attractive relative to the region. Breadth last week was negative for the VNI (170 gainers / 220 losers) but split even for the VN30 (15:15). Turnover remains well below peak levels but improved markedly WoW to reach US\$870mn in ADT, and foreigners were once again solid net buyers.

May New Accounts – Holy Moly! The VSD reports another 477K new trading accounts in May, far and away the highest monthly number in history, bringing total YTD new accounts to 1.4mn, up +3x YoY from what we thought had been an impressive number a year ago. It looks like Vietnam investors came back in force to buy the dip and catch the VNI's 10% recovery from May 17-31. This was not a credit-fueled surge, as from all accounts, margin positions have declined by 20-30% from the peak of 1Q22 (p.3-4).

Total accounts are now 5.6 million, but this does NOT mean that 5.6% of the population trades stocks. An undisclosed number of individuals hold multiple accounts (in their own or others' names) and an untold quantum of accounts are inactive. In addition, our adoption of Taiwan as a comparative has been widely copied but also misconstrued as indicating that c.90% of Taiwanese punt the stock market – sadly, this is inaccurate (p.4-5).

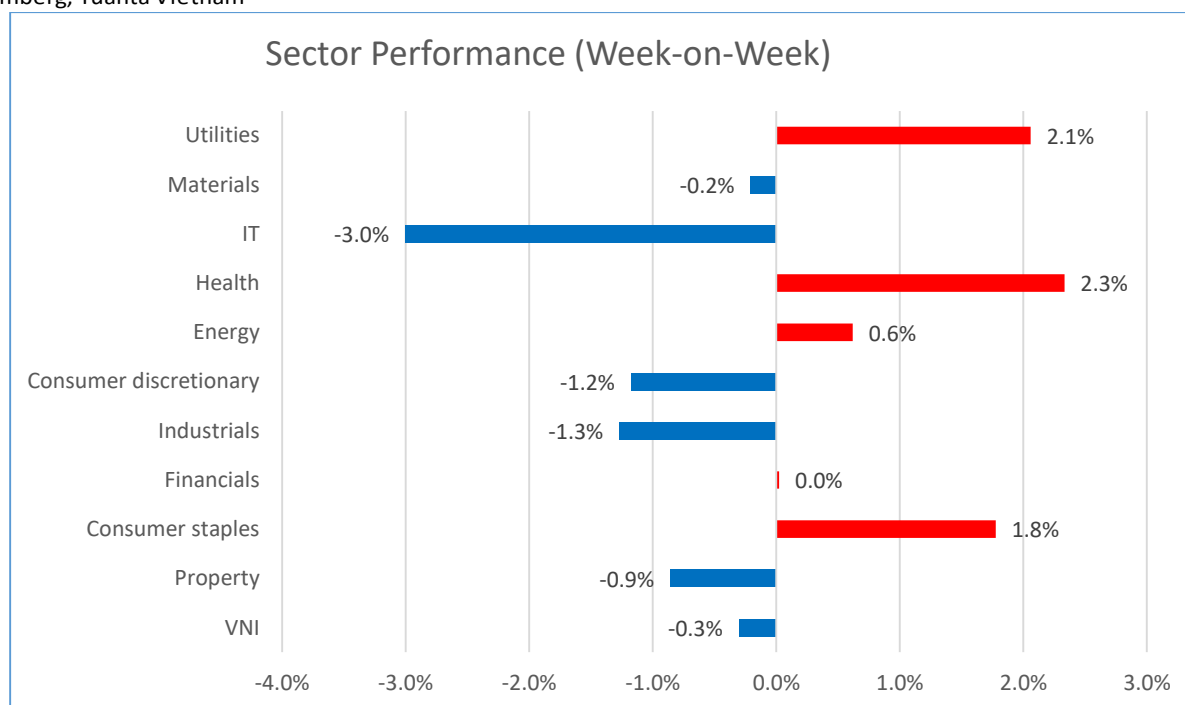
Stock Idea: BAF Agriculture (BAF VN, Not Rated): Binh Truong recently met with management at BAF, which is shifting away from its legacy low-margin animal feed business to becoming an integrated feed-farm-food (3F) pork supplier to Vietnam's growing and hungry middle class. The company targets 2022E PAT target growth of +25% YoY despite a -43% YoY reduction in revenue as it shifts toward meat production and away from animal feed as a proportion of total sales. At 18x TTM P/E, the valuation looks reasonable given underlying business growth and improved ROE (p.7-9).

Yuanta Vietnam Coverage Universe

Sector	Company	Stock code	Market cap (USDm)	3-month ADT (USDm)	Yuanta Rating	Current price (VND)	Target price (VND)	Up (down) side	2022E Dividend yield	12-m TSR*
Banks	Asia Commercial Bank	ACB VN	3,672	5.3	BUY	25,200	31,883	27%	0.0%	27%
	BIDV	BID VN	7,377	3.1	HOLD-Underperform	33,800	38,860	15%	1.3%	17%
	HD Bank	HDB VN	2,249	3.5	HOLD-Outperform	25,900	33,399	29%	0.0%	29%
	MB Bank	MBB VN	4,483	14.1	BUY	27,500	39,350	43%	0.0%	43%
	Sacombank	STB VN	1,781	18.0	BUY	21,900	28,860	32%	0.0%	32%
	Vietcombank	VCB VN	15,865	3.8	BUY	77,700	89,851	16%	2.2%	17%
	Vietnam Prosperity Bank	VPB VN	5,927	23.6	BUY	30,900	48,820	58%	0.0%	58%
Brokers	HCM City Securities	HCM VN	444	4.6	HOLD-Outperform	22,500	31,744	41%	8.4%	46%
	Saigon Securities	SSI VN	1,193	18.2	HOLD-Underperform	27,850	28,211	1%	2.5%	5%
	Viet Capital Securities	VCI VN	564	6.1	SELL	39,000	39,653	2%	4.2%	8%
	VNDirect Securities	VND VN	1,261	14.9	SELL	24,000	30,669	28%	5.7%	30%
Energy	PV POW	POW VN	1,516	8.2	SELL	15,000	12,157	-19%	2.0%	-17%
	PV NT2	NT2 VN	329	1.1	SELL	26,500	19,318	-27%	7.5%	-21%
	PCC1	PC1 VN	409	4.4	BUY	40,350	50,728	26%	0.0%	26%
Consumer	Masan Group	MSN VN	7,151	5.8	Suspended	117,000	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,262	5.5	BUY	120,700	92,085	-24%	2.1%	-22%
	Digiworld	DGW VN	524	4.6	Suspended	134,000	N/A	N/A	1.4%	N/A
Oil & GAS	PV Drilling	PVD VN	497	9.1	BUY	22,800	36,103	58%	3.1%	58%
Property	Kinh Bac City	KBC VN	1,130	9.1	BUY	45,500	51,600	13%	0.0%	15%
	Khang Dien House	KDH VN	1,136	2.3	BUY	40,950	61,300	50%	1.2%	51%
	Nam Long	NLG VN	709	8.8	HOLD-Outperform	42,900	55,500	29%	2.3%	31%
	Novaland	NVL VN	6,477	13.6	HOLD-Underperform	77,000	90,100	17%	0.0%	17%
	Vinhomes	VHM VN	12,831	12.8	BUY	68,300	108,100	58%	2.2%	58%
Transport	Airports Corp Vietnam	ACV VN	7,899	0.2	HOLD-Underperform	84,100	76,400	-9%	0.0%	-9%
Industrials	Dohaco	DHC VN	205	1.1	BUY	67,800	104,757	55%	3.7%	58%

*Notes: 1) TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends. 2) 3-month ADT refers to matched orders and does not include put-through blocks. 3) Stock ratings and pricing data is as of close on Jun 10 2022.

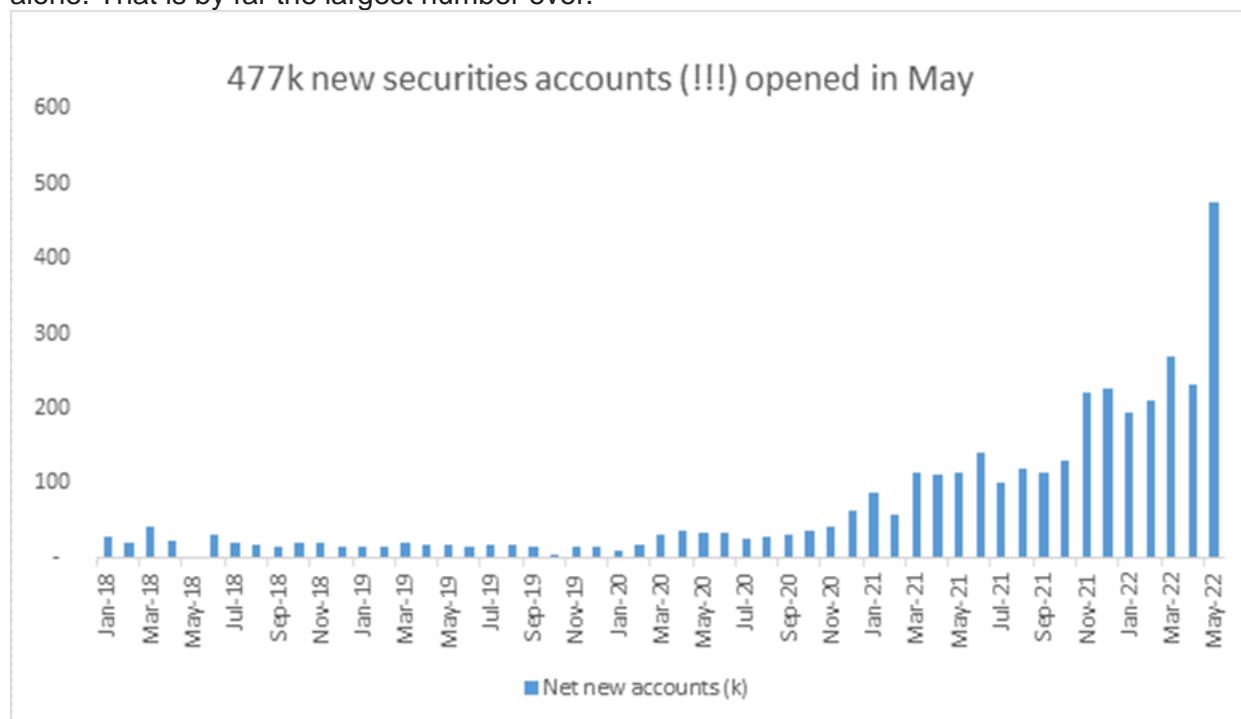
Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg (Jun 10)

New Trading Accounts in May: A Holy-Moly, WTF, Absolute Blowout Number

The VSD reports that the total number of securities trading accounts soared by 477K accounts in May alone. That is by far the largest number ever.



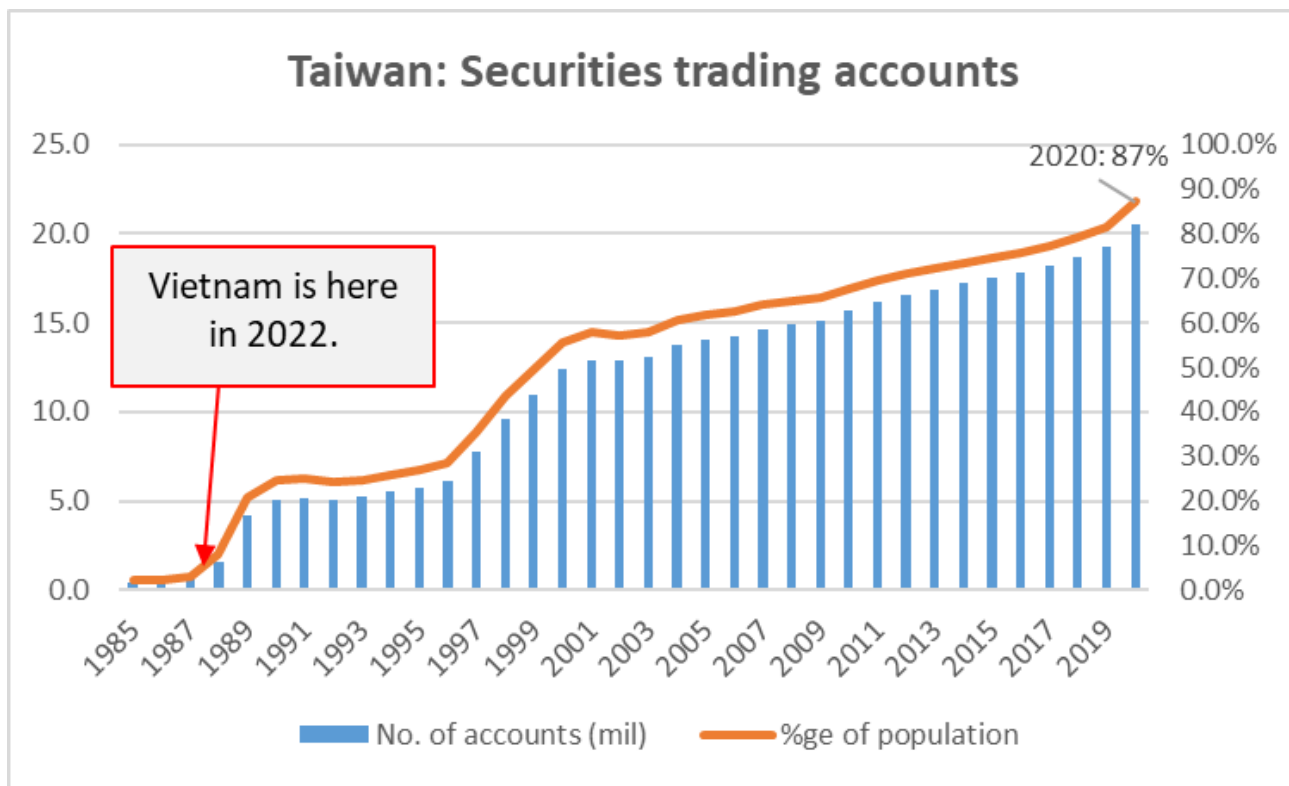
Source: Vietnam Securities Depository

As a result, some 1.4 million new accounts have been opened YTD, up 3x YoY, with the total number of accounts at 5.6 million.

Recall that the market tanked to below 1200 on May 13 and May 16, technically a two-day bear market (i.e., a 23% decline from the early January peak).

It looks like Vietnam investors came back in force to buy the dip and catch the VNI's 10% recovery from May 17-31. This was not a margin-driven surge, as from all accounts, margin lending has declined by 20-30% from the peak of 1Q22. All of this confirms our belief that there's a lot more to come in 2H22 for this market.

This does NOT mean that 5.6% of Vietnamese individuals have a stock market account. As a *mea culpa*, we have to take the blame for introducing the following chart into the narrative of the legion of Powerpoint presentations titled something like "Why you should invest in Vietnam".



Source: TWSE, Taiwan Economic Journal, Yuanta Vietnam

This chart illustrates how quickly a society at Vietnam’s stage of economic and capital markets development (roughly equivalent to Taiwan in the mid-1980s) mixed with a certain cultural predilection for the tail end of the risk-reward spectrum can develop a fascination with stock trading. This is what occurred in Taiwan in the second half of the 1980s, a five-year period in which the TWSE mainboard index soared (albeit not in a straight line) by roughly 13x.

This chart does not (NOT!) reveal that c.90% of the population of Taiwan has a stock trading account. Roughly 12% of Taiwan’s population is under the age of 15, so if we are to believe that one account is equivalent to one individual, then we would have to believe that 100% of the population over the age of 14 has a stock trading account – a ridiculous argument.

We included population in this chart as a gauge of stock account penetration for scale (Taiwan’s population of 23 million is less than a quarter of Vietnam’s today, and was only around 12 million in the 1980s). However, this does not mean that every parent is required to present their children with a stock account application on their 15th birthday. Such a happy circumstance would be most welcome from our perspective as employees of Taiwan’s largest retail broker, but allow us to clarify: That doesn’t actually happen.

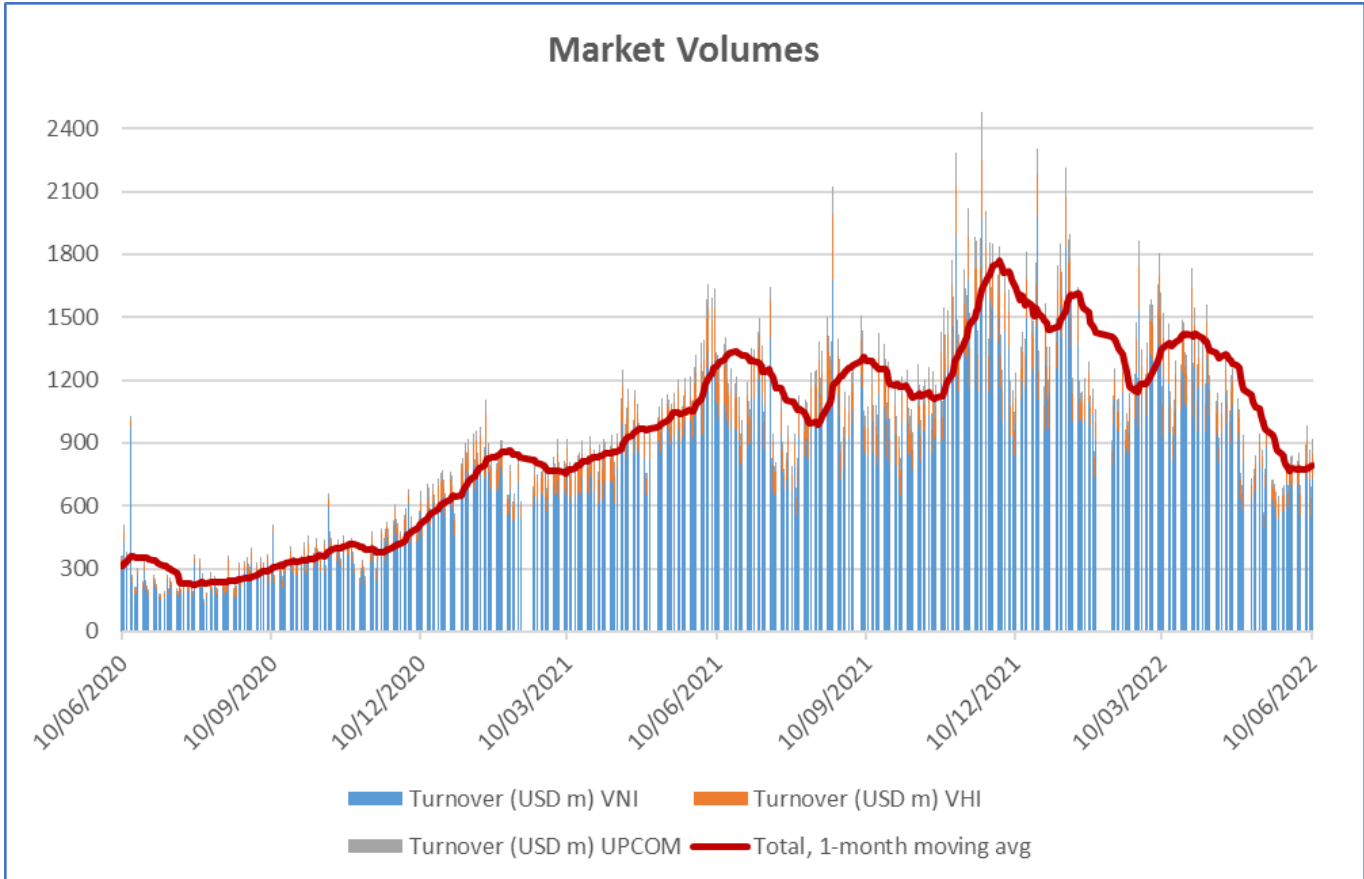
In reality, individuals open multiple accounts at multiple brokers, both in their own names, in the names of family members, and (back in the good old days) under “head account” names of individuals who existed only on paper. The total number of accounts today includes an untold quantum of such accounts, many of which are dormant (the odds are low that an individual who just lost their fortune punting on the market will bother to spend weeks of his or her (well, let’s face it, his) time closing down 40 brokerage accounts.

The percentage of Vietnam’s population with a stock trading account is less than 5.6% for the same reasons: individuals open multiple accounts, and as we have seen recently, not always in their own names. Additionally, the IPOs of state-owned and other enterprises likely inspired the opening accounts for one reason only: to sell ESOP shares. Such accounts might remain on the books but this doesn’t mean that they are active.

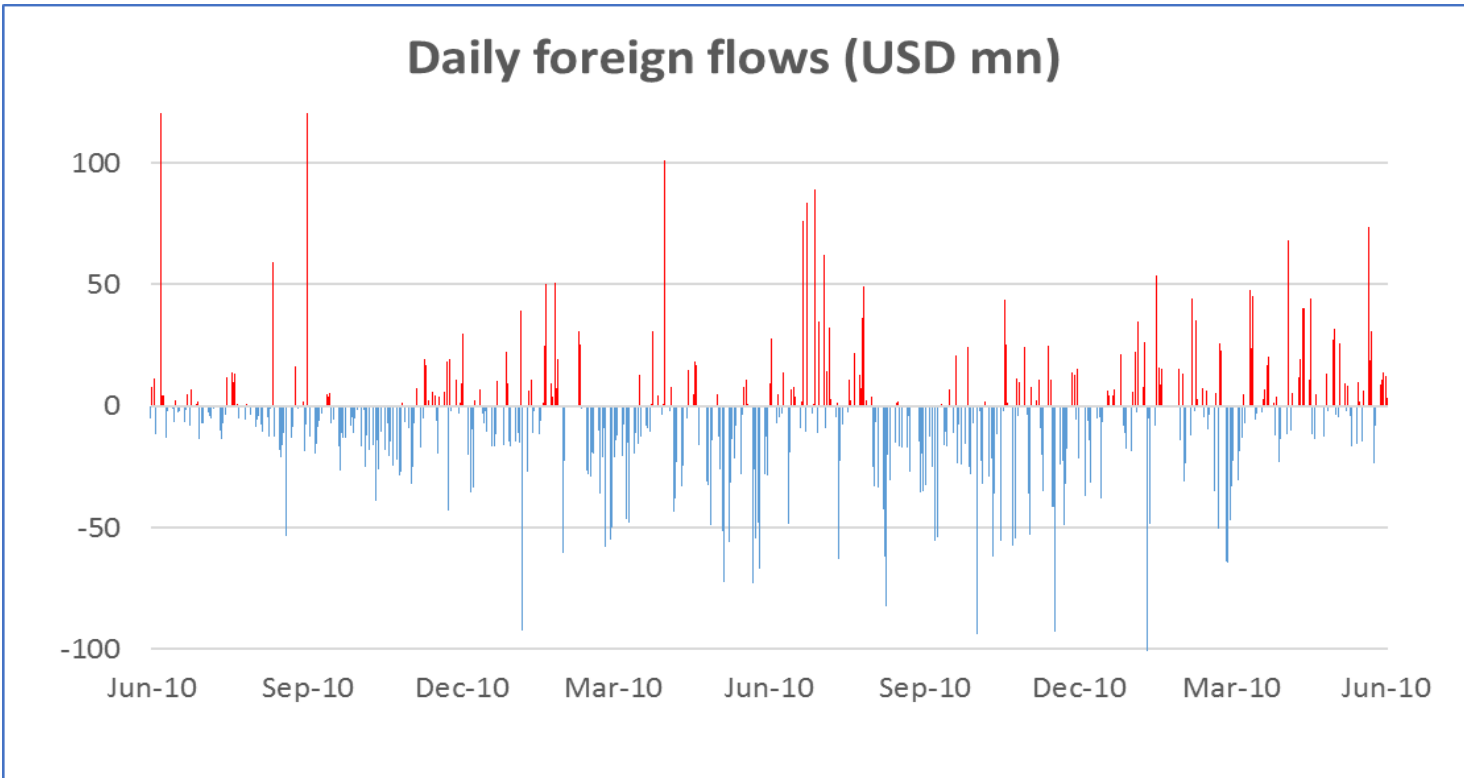
When the author arrived in Vietnam four years ago, discussions with bankers/brokers/investors indicated that roughly 200-300 thousand or 10-15% of stock accounts at that time (2.1 million) were active. Of course, that number is many

orders larger today. The number of accounts has since risen by 150% to reach 5.6 million, and even if most of the original 2.1 million accounts from 2018 remain dormant, the additional 3.5 million accounts are probably mostly active given that the act of opening an account indicates the intention to use it.

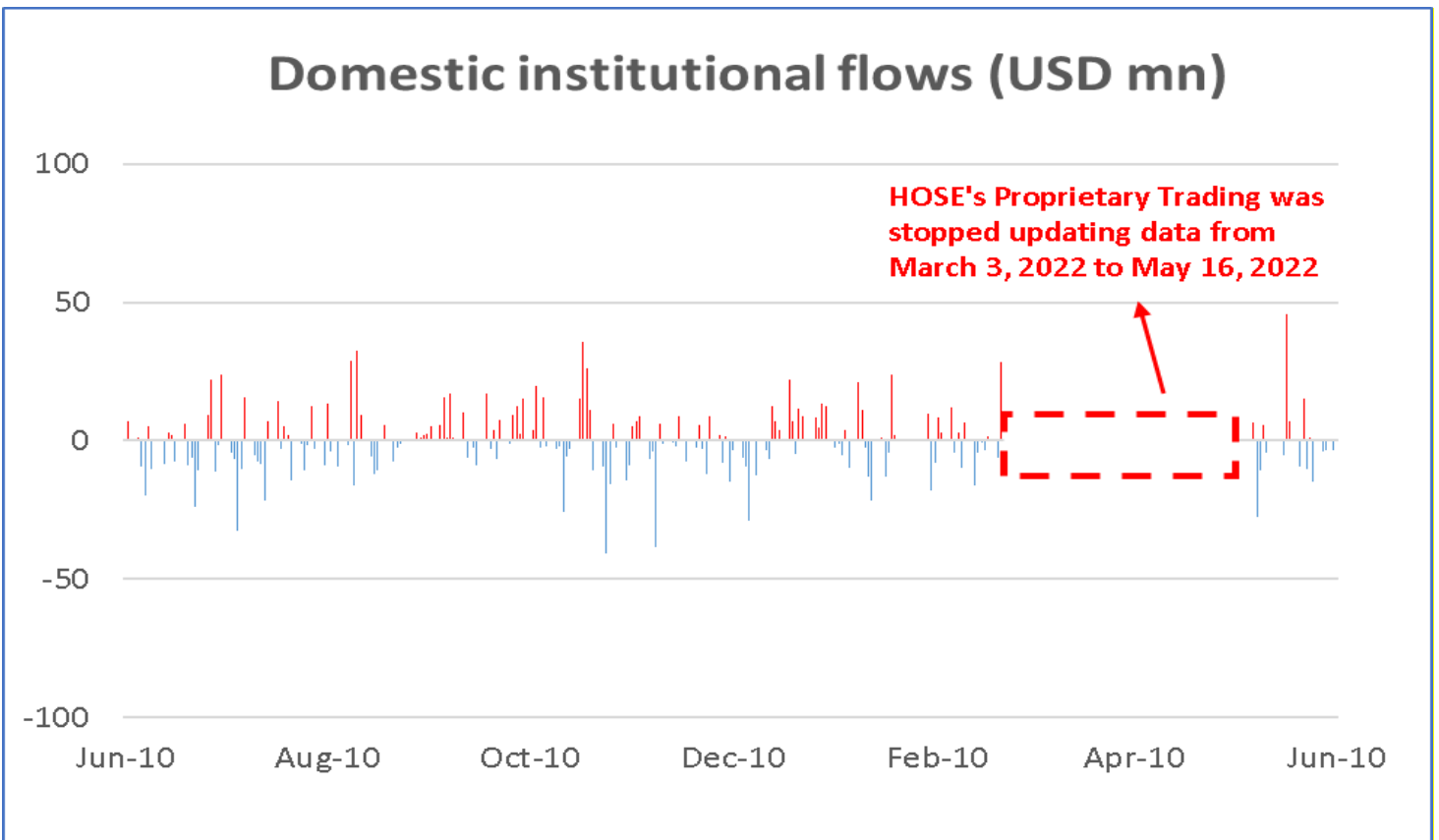
Unfortunately, we lack clarity on the real stock market trading account penetration rate in Vietnam, but it is very likely to be far south of 5.6% of the population. According to the consensus of NGO and multilateral bank employees who get paid to write about commercial banking inclusion, around 70% of Vietnam's population lacks access to a bank account, meaning a 30% penetration rate. We assume that number probably understates the situation, but let's call it 40%. Although securities trading accounts are far less important from a developmental standpoint, it would be interesting to see such analysis applied to securities accounts.



Source: FiinPro, Yuanta Vietnam (Jun 10)



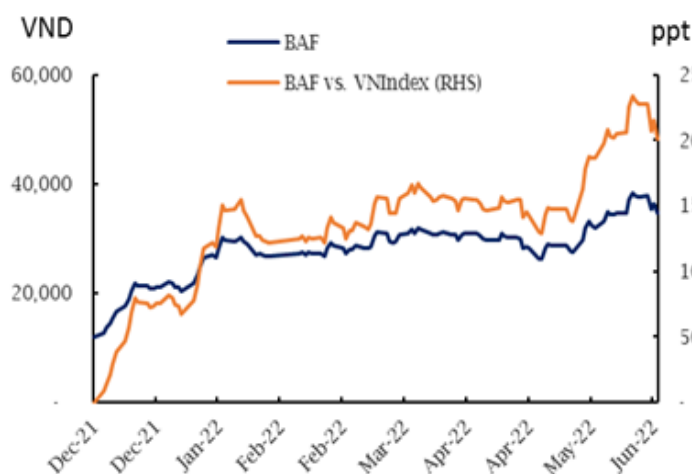
Source: FiinPro, Yuanta Vietnam (Jun 10)



Source: FiinPro, Yuanta Vietnam (Jun 10)

Stock Idea – BAF Agriculture (BAFVN, Not Rated)

Welcome to the Meat-verse. We recently met with management at BAF, which is rapidly transitioning from its legacy low-margin animal feed business to becoming an integrated feed-farm-food (3F) pork supplier to Vietnam's growing and hungry middle class.

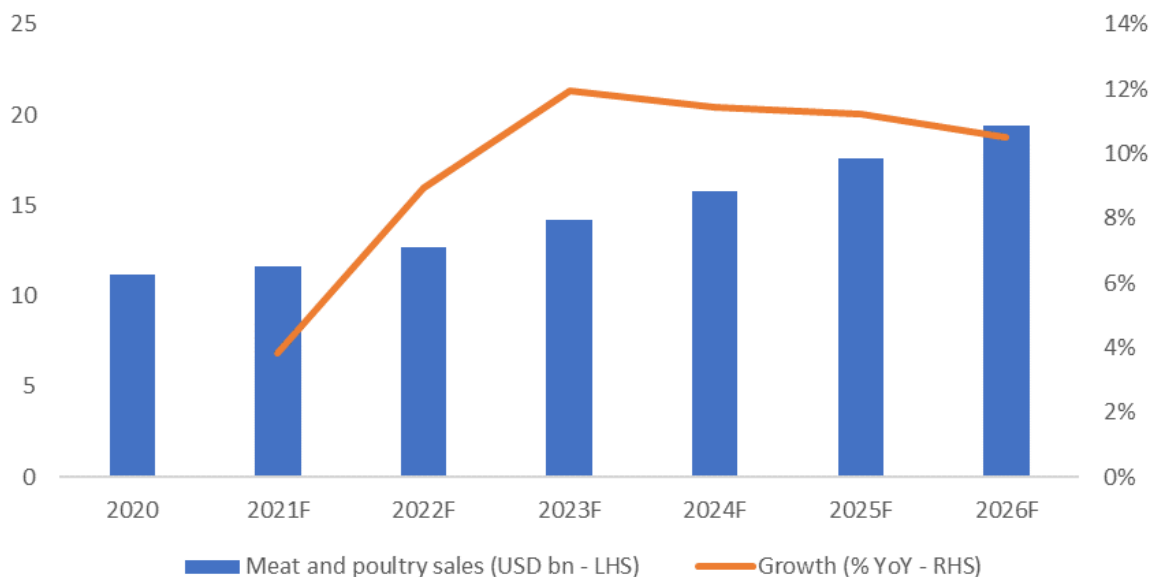


Market cap	US\$214mn
6M avg. daily turnover	US\$3.5mn
Outstanding shares	144mn
Free float	80.4%
FINI ownership	0.6%
Major shareholders	40.1%
TTM P/E	18.0x
Current P/B	1.7x
Trading platform	HOSE
FOL Room	48.4%

The company targets 2022E PAT target growth of +25% YoY despite a -43% YoY reduction in target revenue, as it emphasizes meat production and de-emphasizes animal feed as a proportion of total sales. At 18x TTM P/E, the valuation appears reasonable given growth in the underlying business and improved ROE (despite reduced leverage).

Company profile: A feed-farm-food (“3F”) pork producer, BAF ranks 5th in Vietnam in terms of pig herd size with 130k hogs. In addition, BAF operates 14 farms across the country and two feed plants to ensure sufficient supply.

Meat and Poultry sales in Vietnam (VND tn)



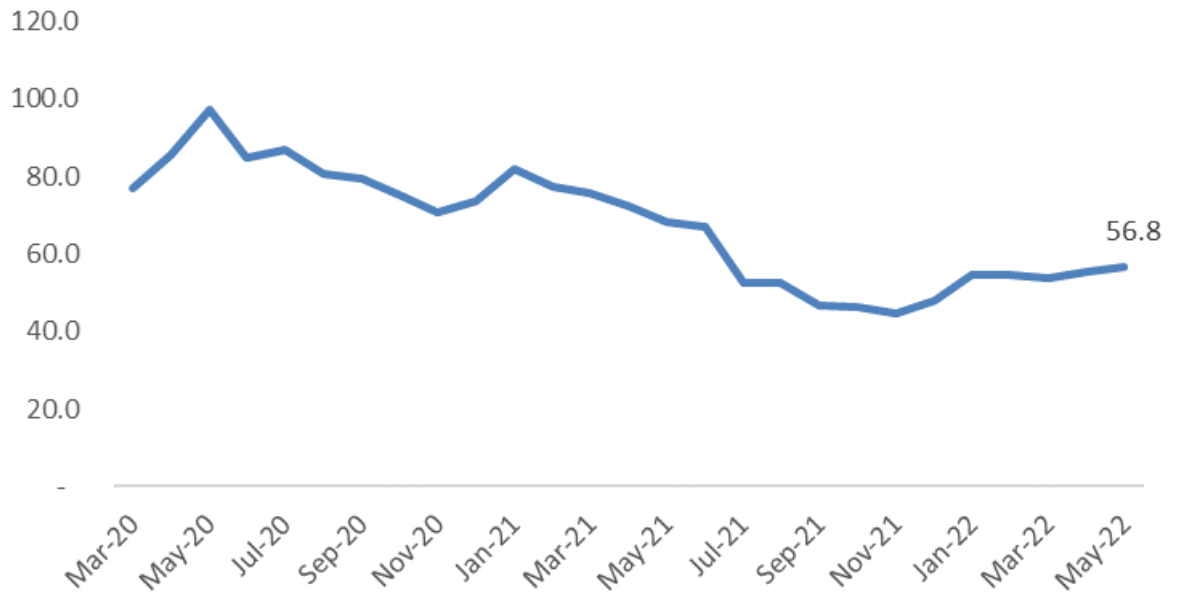
Source: Fitch Solutions, Yuanta Vietnam

Adopting a Feed-Farm-Food (3F) Strategy. BAF’s fully integrated 3F business model allows it to ensure the stability and quality of its feed inputs and meat products. This is a key advantage over small household farms, which are sensitive to disease, feed price fluctuations, and breeding stock availability.

Aggressive capacity expansion plan. BAF is currently expanding its 1) bran production by +77% to reach 460.000 MT in 2Q22; 2) herd size to 2.5mn hogs by 2025 (from 130k at end-2021), and 3) distribution network to 100 SIBA Food stores by end of 2022 (from 49 stores now) – BAF owns 49% of the SIBA Food chain. Management believes that the expansion will help capture market share from household farms.

Pork price

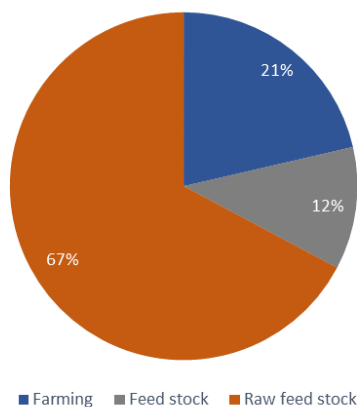
Pork price in Southern of Vietnam (k VND per kg)



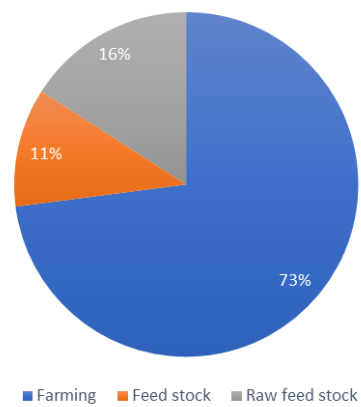
Source: Feedin.me, Yuanta Vietnam

2022F Guidance: Profit after tax to increase by +25% YoY but revenue to decline by -43% YoY. The disparity is attributable to the company’s move to reduce the proportion of low-margin feed in the revenue mix. High-margin farming should account for 21% of total revenue in 2022, reaching VND 1,272bn (+67% YoY), up from 7.3% of total revenue in 2021. Thus, BAF sets its PAT target at VND 402bn, up by +25% YoY.

Guidance for 2022E revenue mix



Guidance for 2022E PAT mix

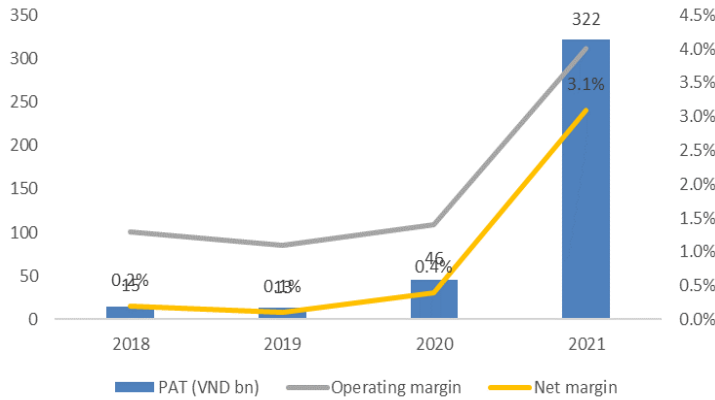


Source: BAF annual report, Yuanta Vietnam

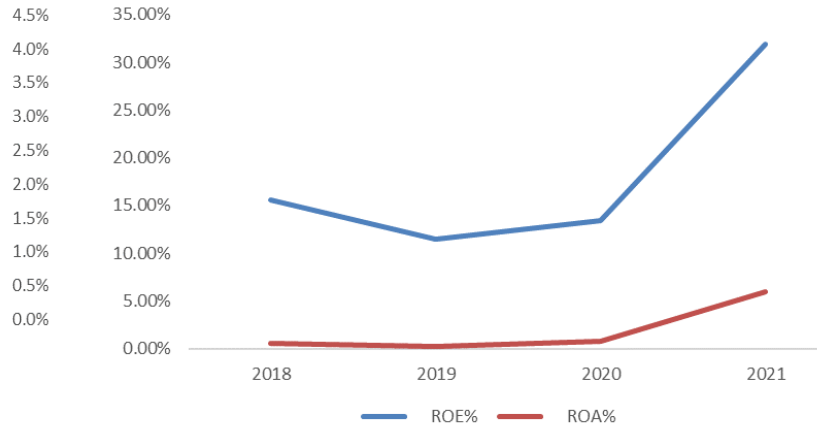
Source: BAF annual report, Yuanta Vietnam

Food spending growth is projected to accelerate in 2022. According to Fitch Solutions, food spending in Vietnam should grow by +8.1% YoY this year, up from +3.4% in 2021 on rising income and the solid economic climate. Fitch forecasts meat and poultry sales in Vietnam to expand by +10.8% CAGR in 2021-2026.

Profit margin has soared...



... driving increased ROA and ROE



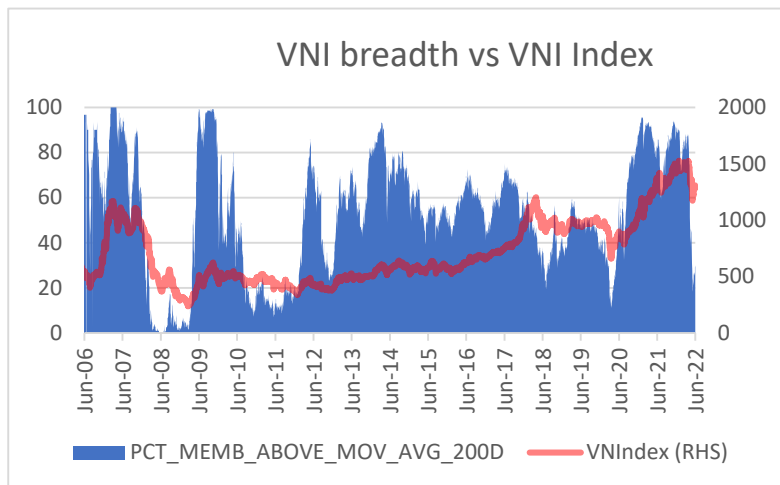
Source: BAF annual report, Yuanta Vietnam

Source: BAF annual report, Yuanta Vietnam

Valuation appears reasonable. BAF is trading at TTM PER of 18x, which is higher than the regional peer median of 14x. The valuation premium may be justified by its outstanding profitability (with ROE of 31.9% in 2021), 2022F PAT growth guidance of +25% YoY, and its aggressive expansion plan to fuel growth in the years ahead.

Please access the link for our complete report: <https://yuanta.com.vn/wp-content/uploads/2022/06/20220328-BAF-company-visit-edited.pdf>

Weekly breadth was neutral on VN30 but negative on VNIndex



VN 30 breadth			
	WoW	MoM	YTD
Gainers	15	14	6
Losers	15	16	24

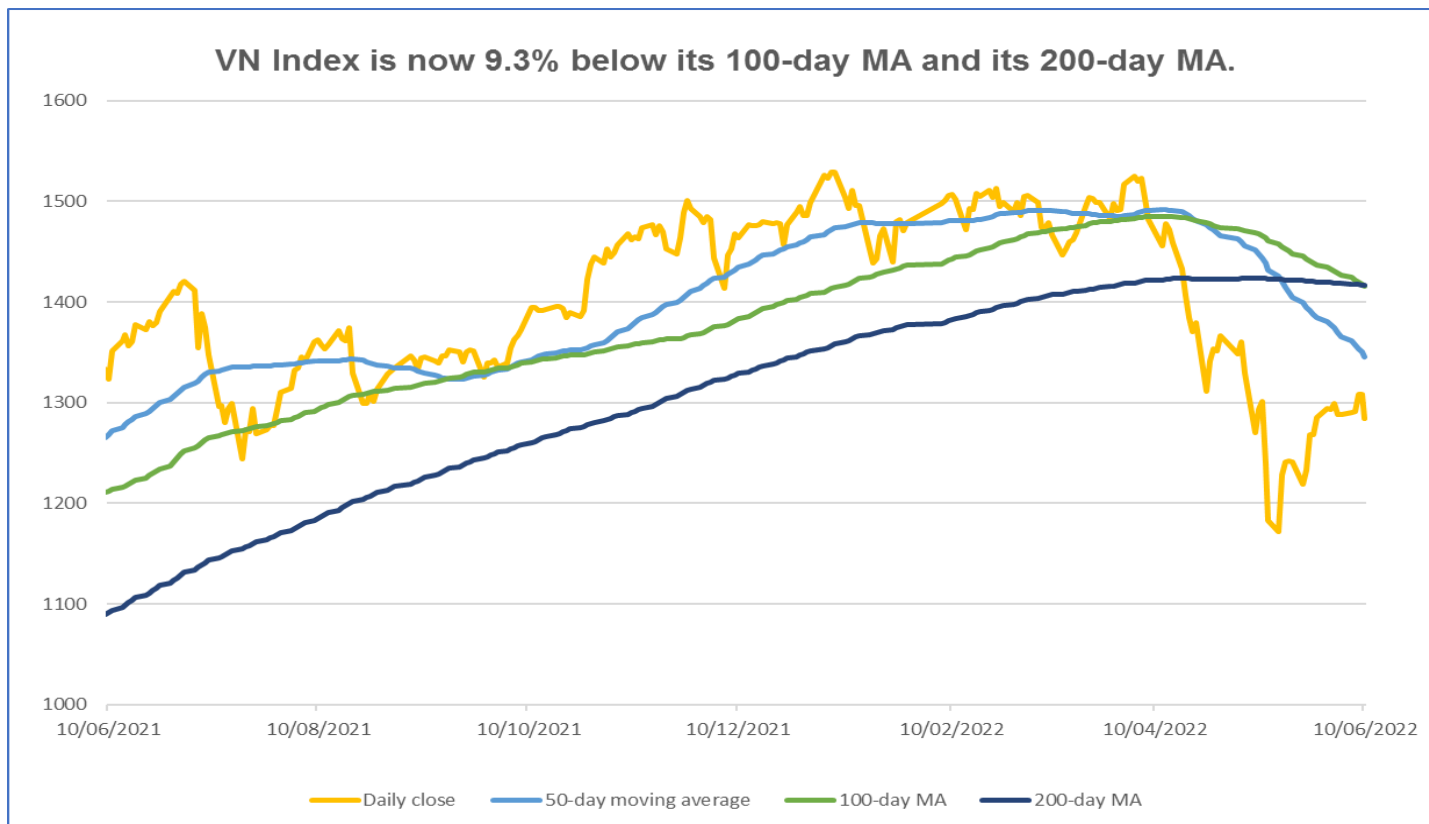
Source: Bloomberg (Jun 10)

VNI breadth			
	WoW	MoM	YTD
Gainers	170	163	97
Losers	220	229	294

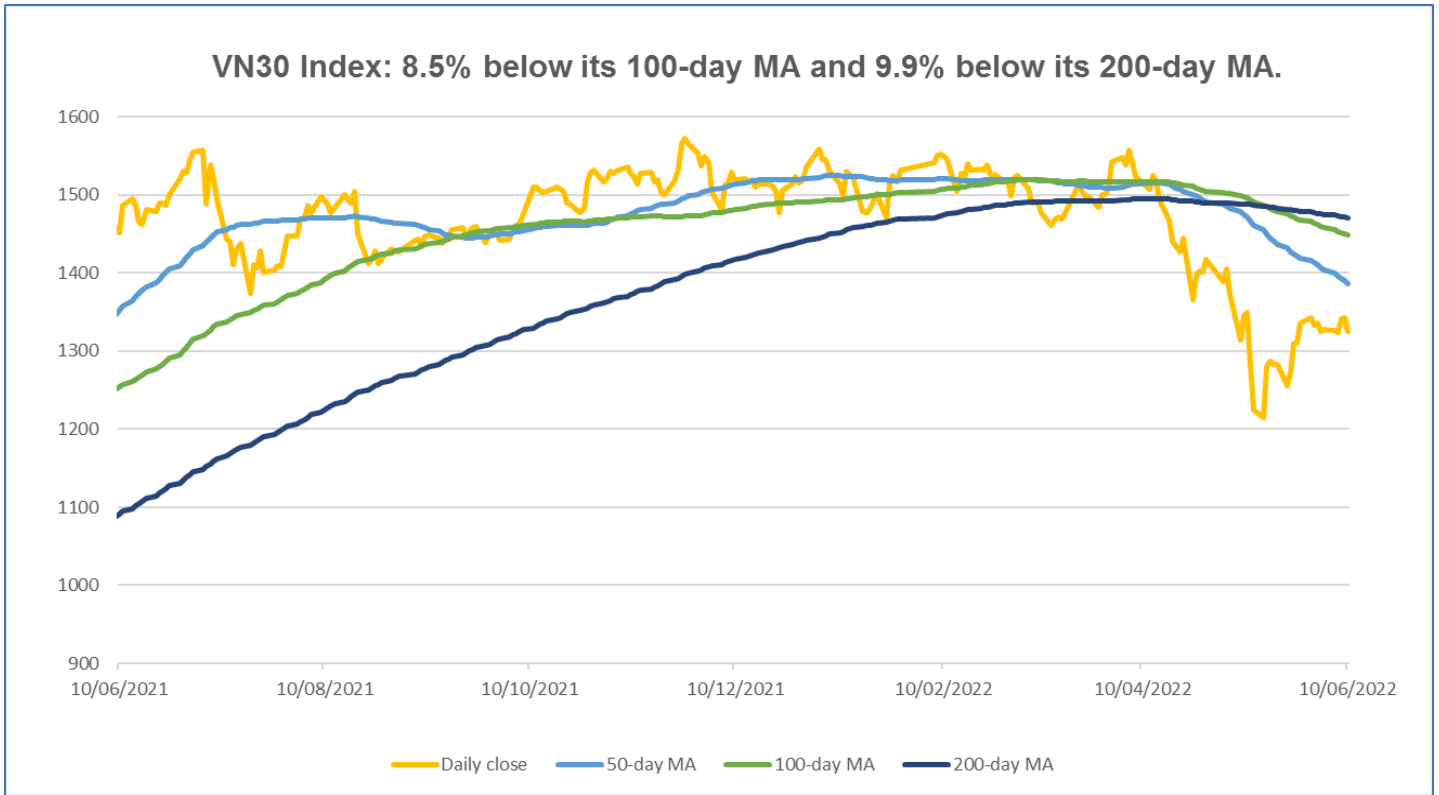
Source: Bloomberg (Jun 10)

Source: Bloomberg, Yuanta Vietnam (Jun 10)

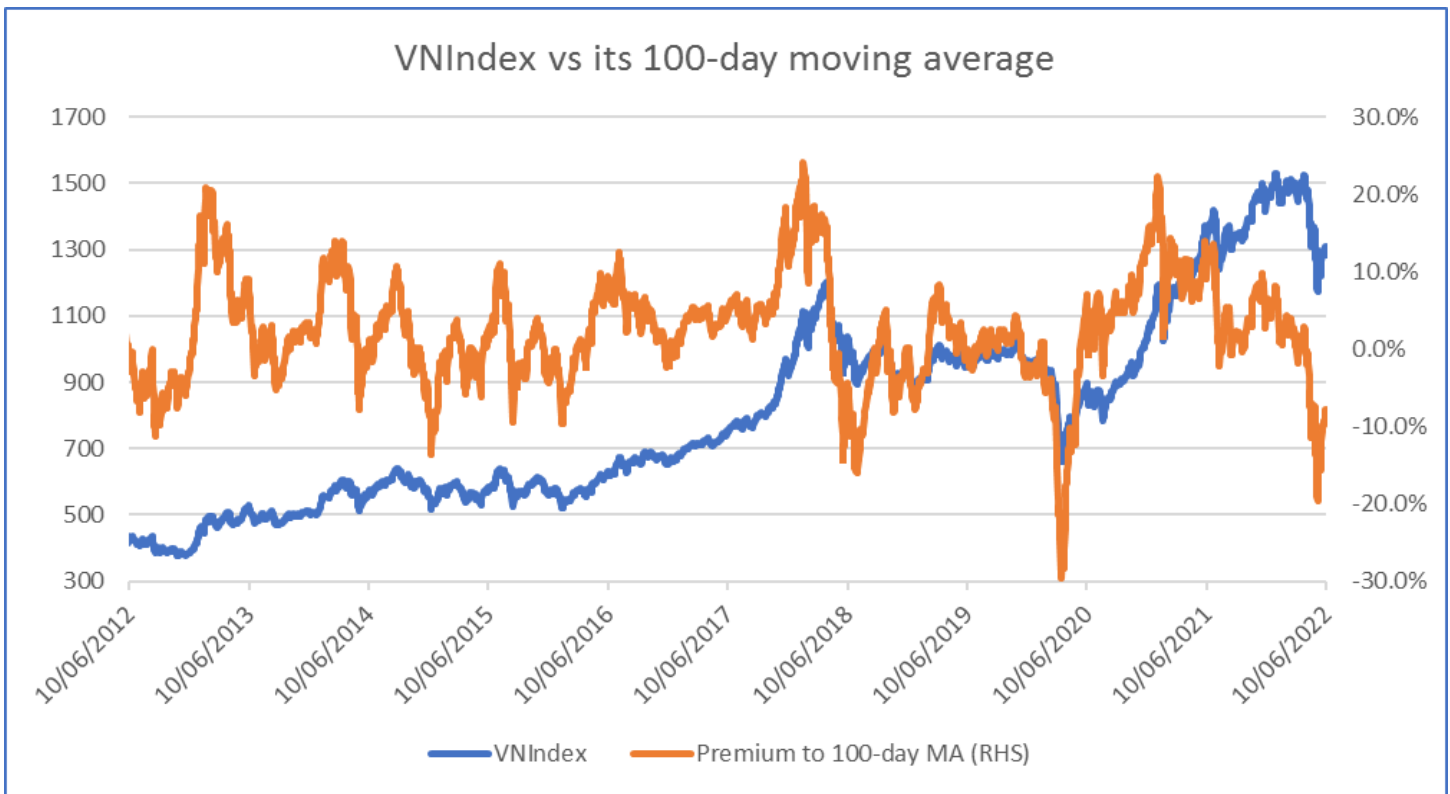
Source: Bloomberg, Yuanta Vietnam



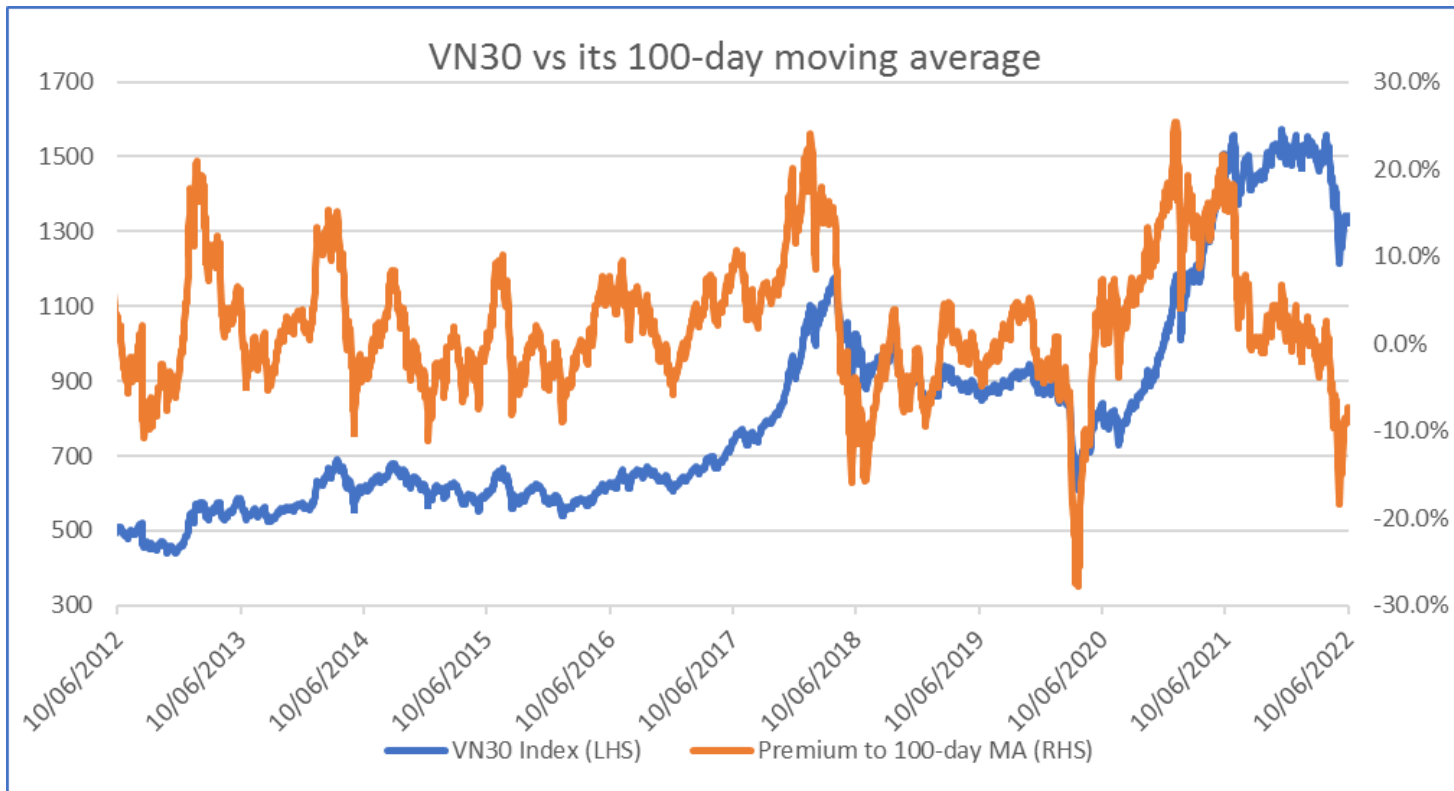
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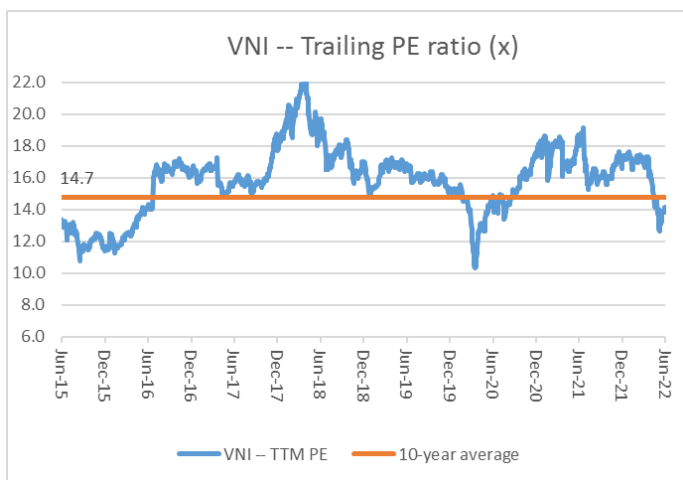


Source: Bloomberg, Yuanta Vietnam



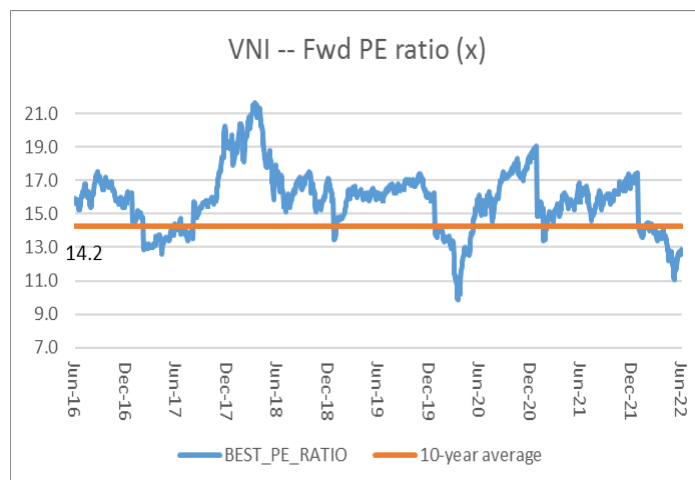
Source: Bloomberg, Yuanta Vietnam

The VNI's trailing 12-m PE multiple is now just 14x, well below the 15x historical mean



Source: Bloomberg, Yuanta Vietnam (Jun 10)

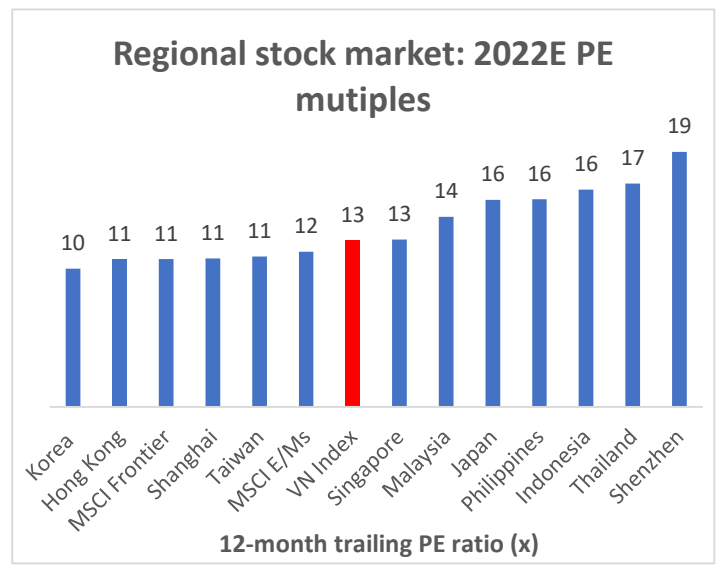
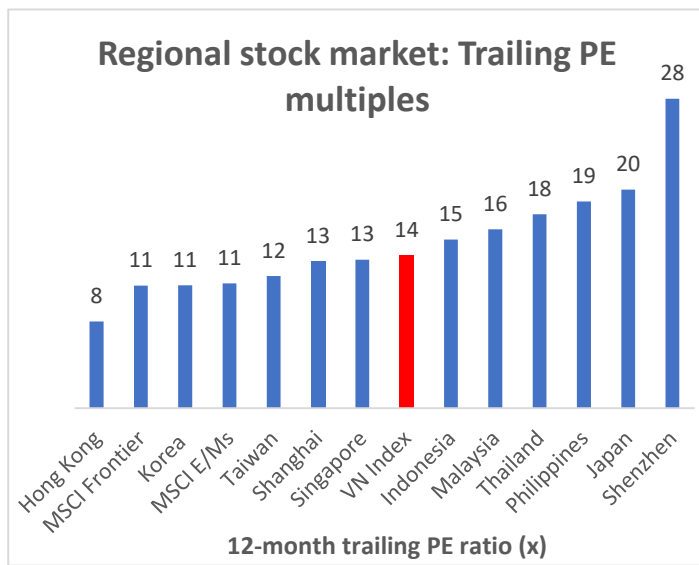
...while the forward PE multiple is just 13x, resulting in a GARP-friendly PEG ratio of just 0.5x.



Source: Bloomberg (2022E consensus PE), Yuanta Vietnam (Jun 10)

Vietnam stocks are now basically in line with the region on a trailing P/E basis...

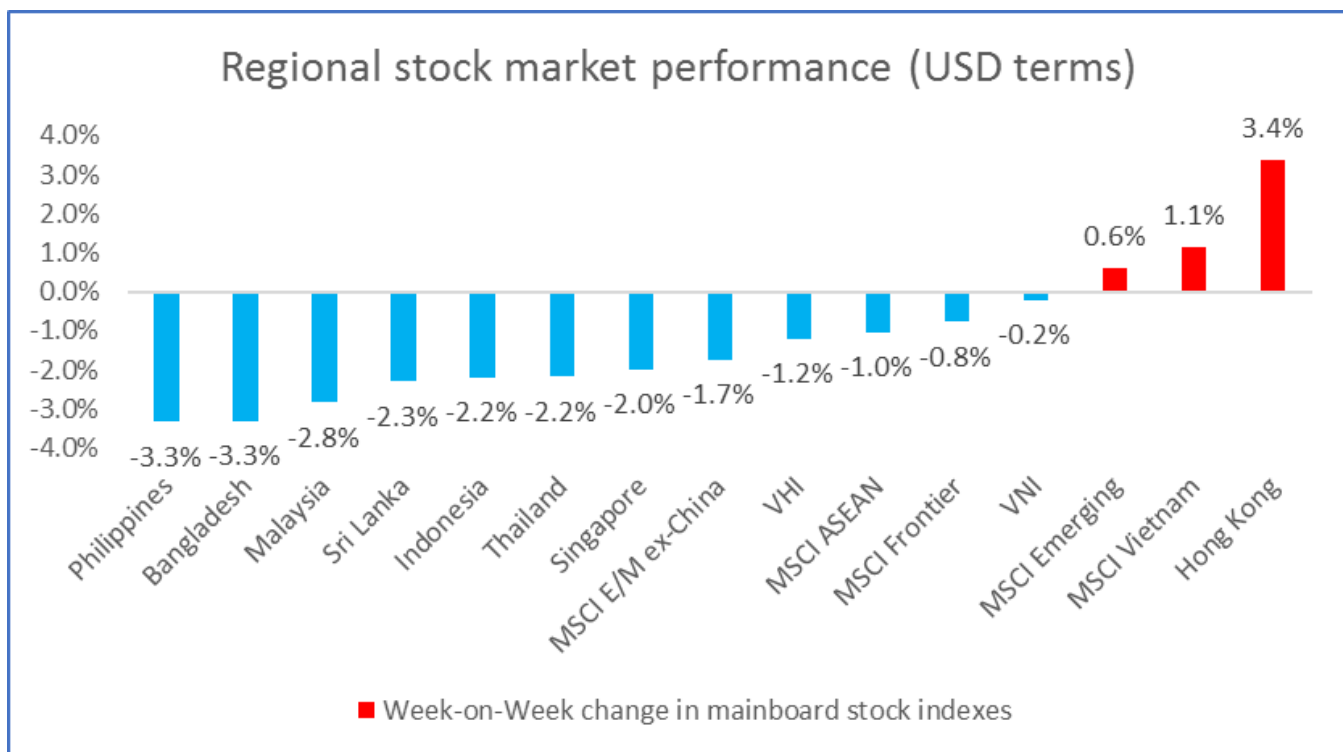
...Forward P/E is also at roughly the ASEAN median, while Northeast Asia is cheaper



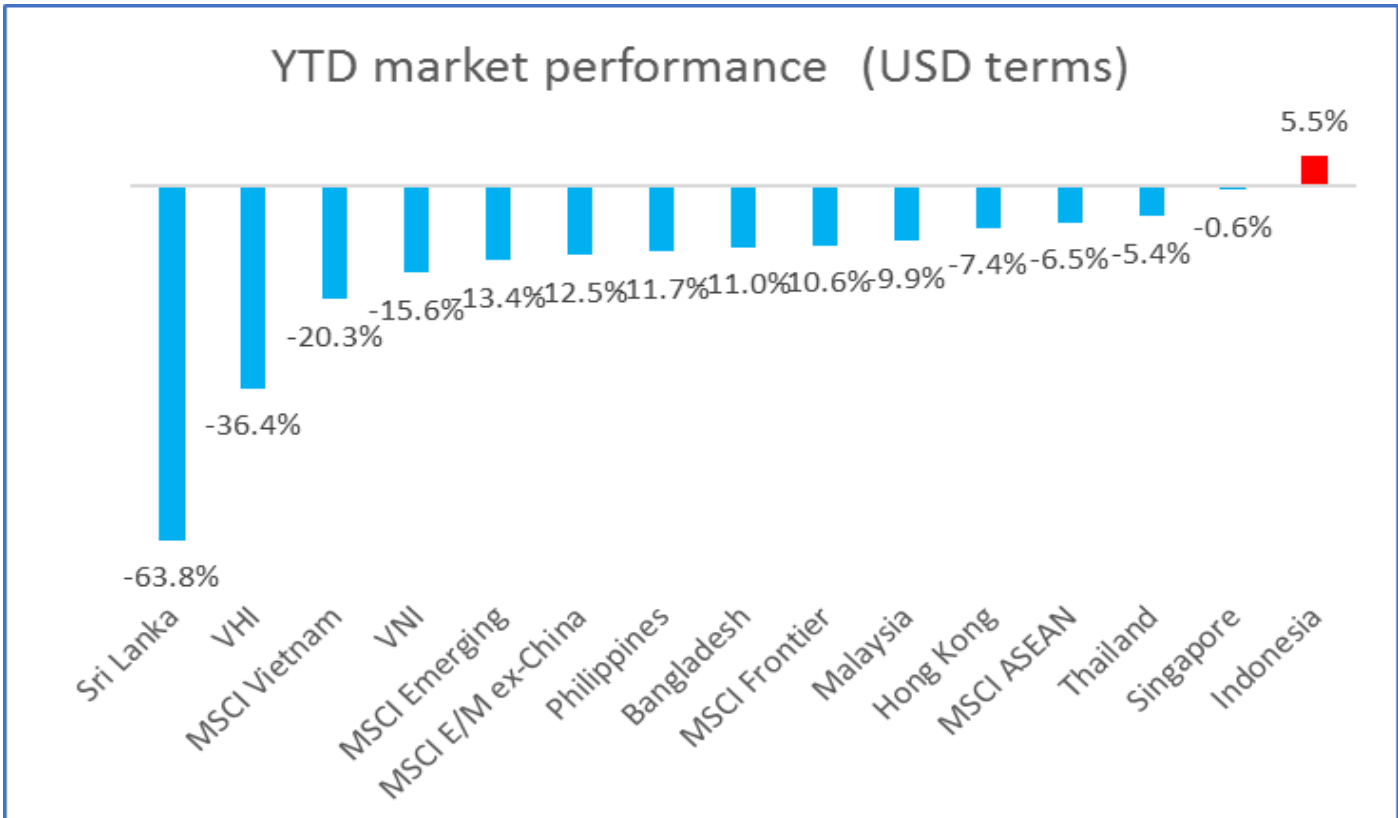
Source: Bloomberg, Yuanta Vietnam (Jun 10)

Source: Bloomberg (2022E consensus PE), Yuanta Vietnam (Jun 10)

VNI outperformed the region last week

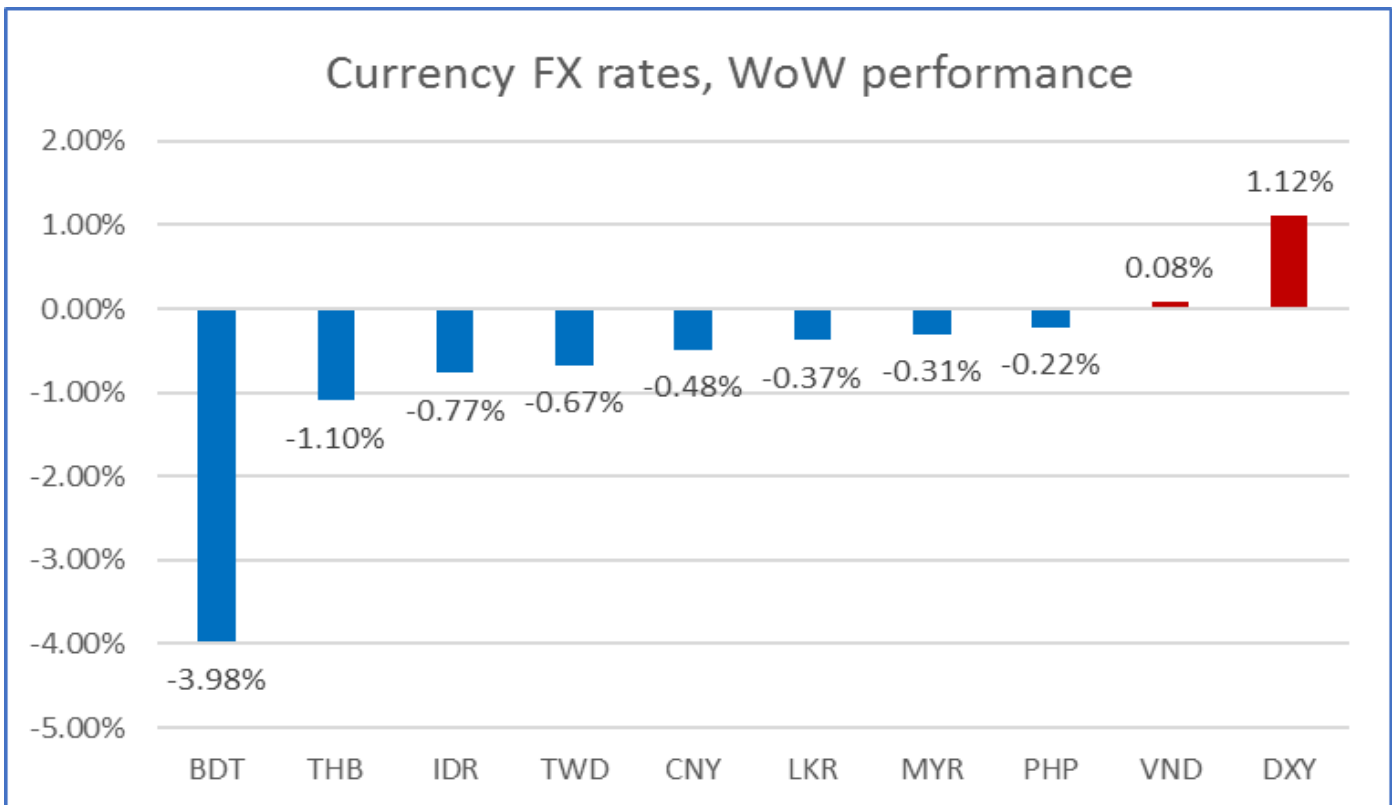


Source: Bloomberg, Yuanta Vietnam (Jun 10)

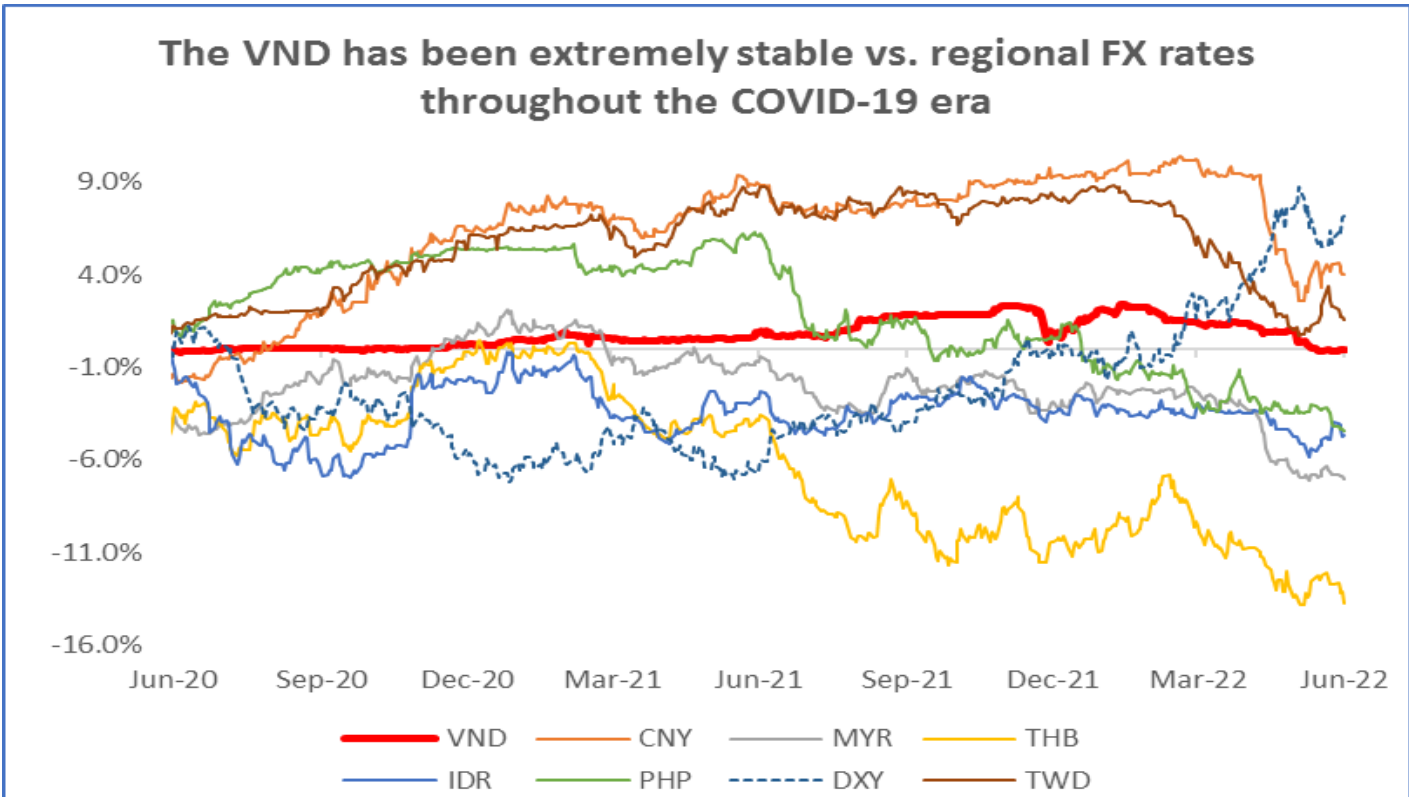


Source: Bloomberg, Yuanta Vietnam (Jun 10)

Regional currencies: VND was up +8bp last week



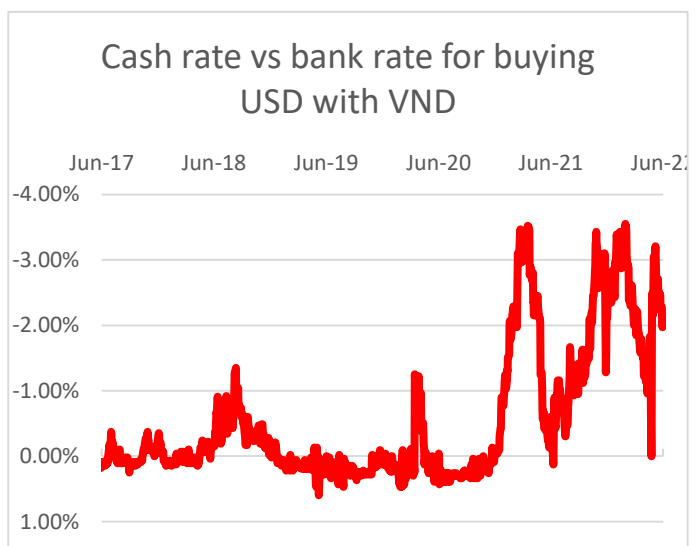
Source: Bloomberg (Jun 10)



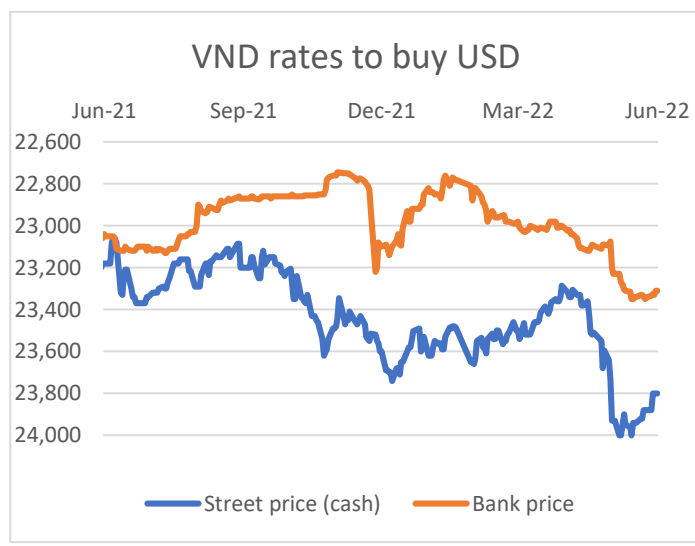
Source: Bloomberg (Jun 10)

US dollar cash premium has declined.

The cash premium remains well below the peak.

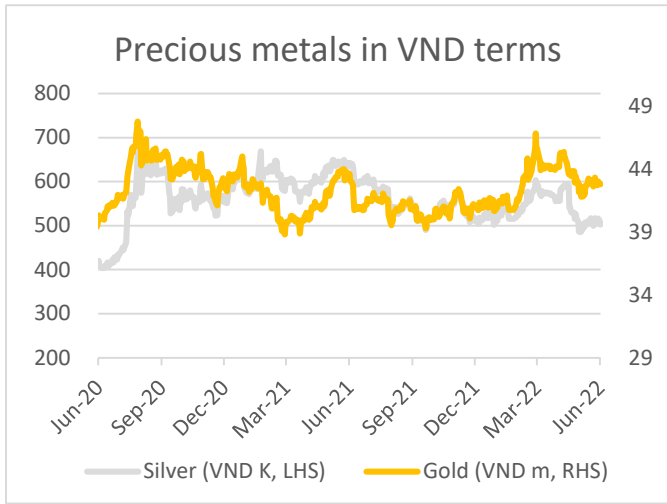


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.



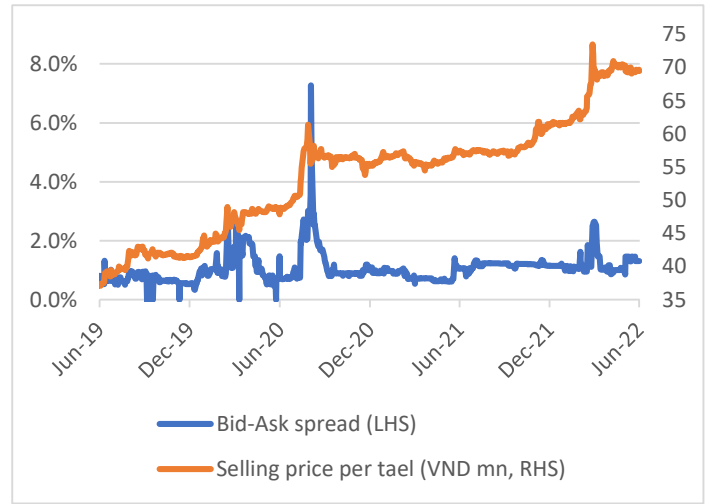
Source: FiinPro, Yuanta Vietnam

Global precious metals prices are soaring on Russia-Ukraine.



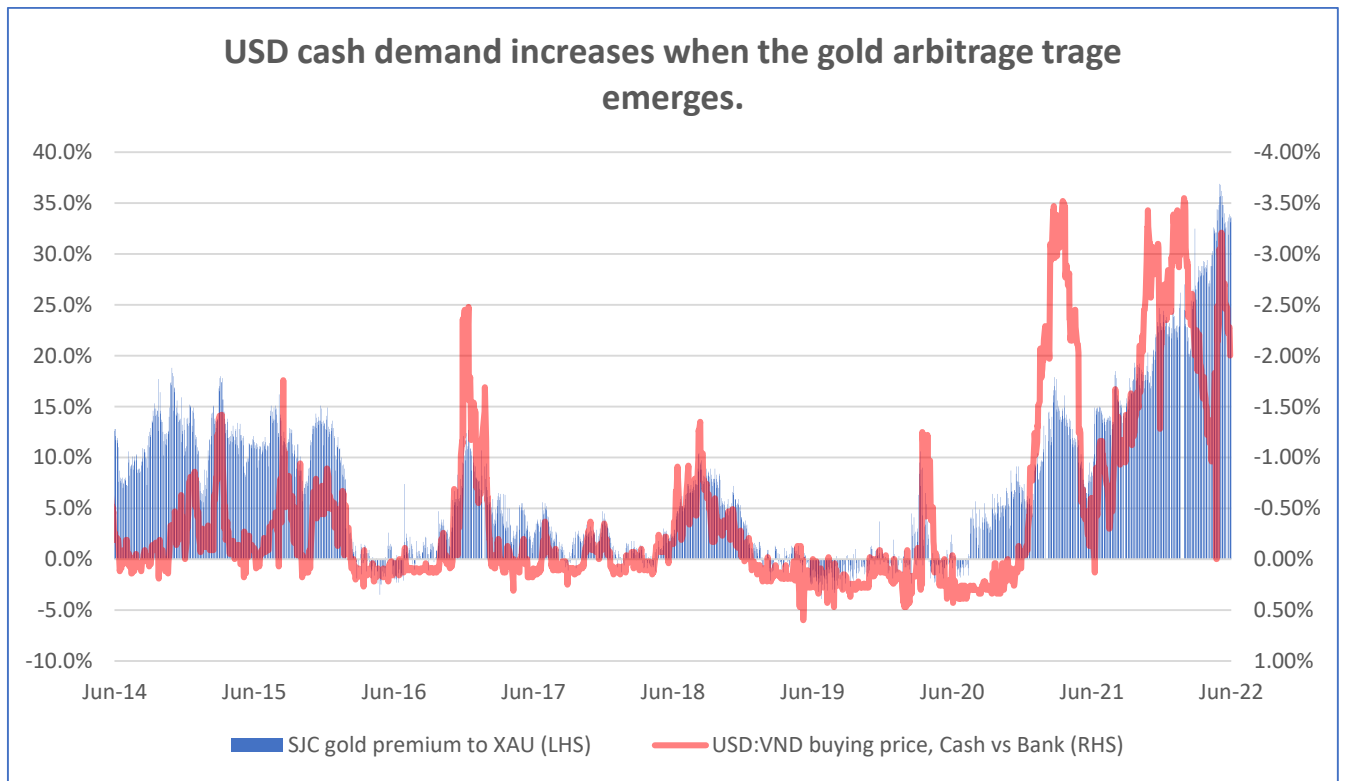
Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

SJC gold premium and bid-ask spread reflects this global volatility.



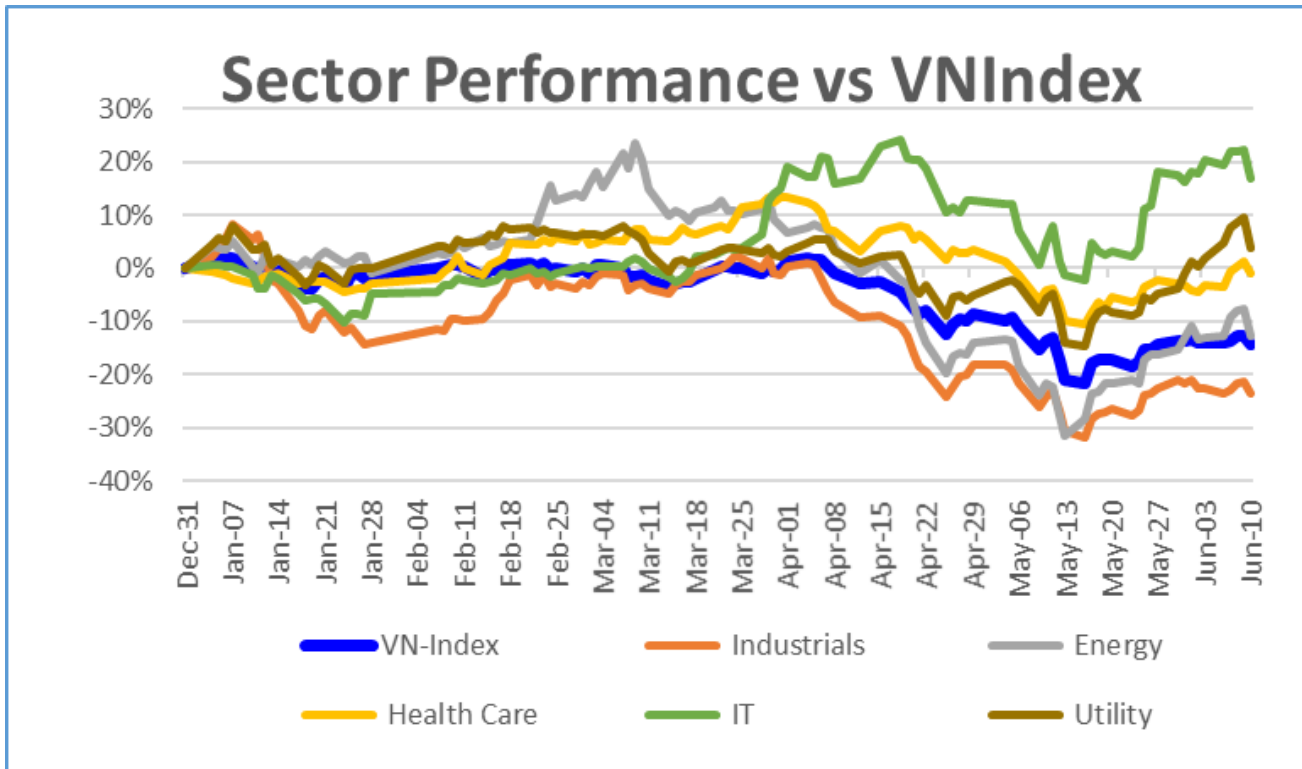
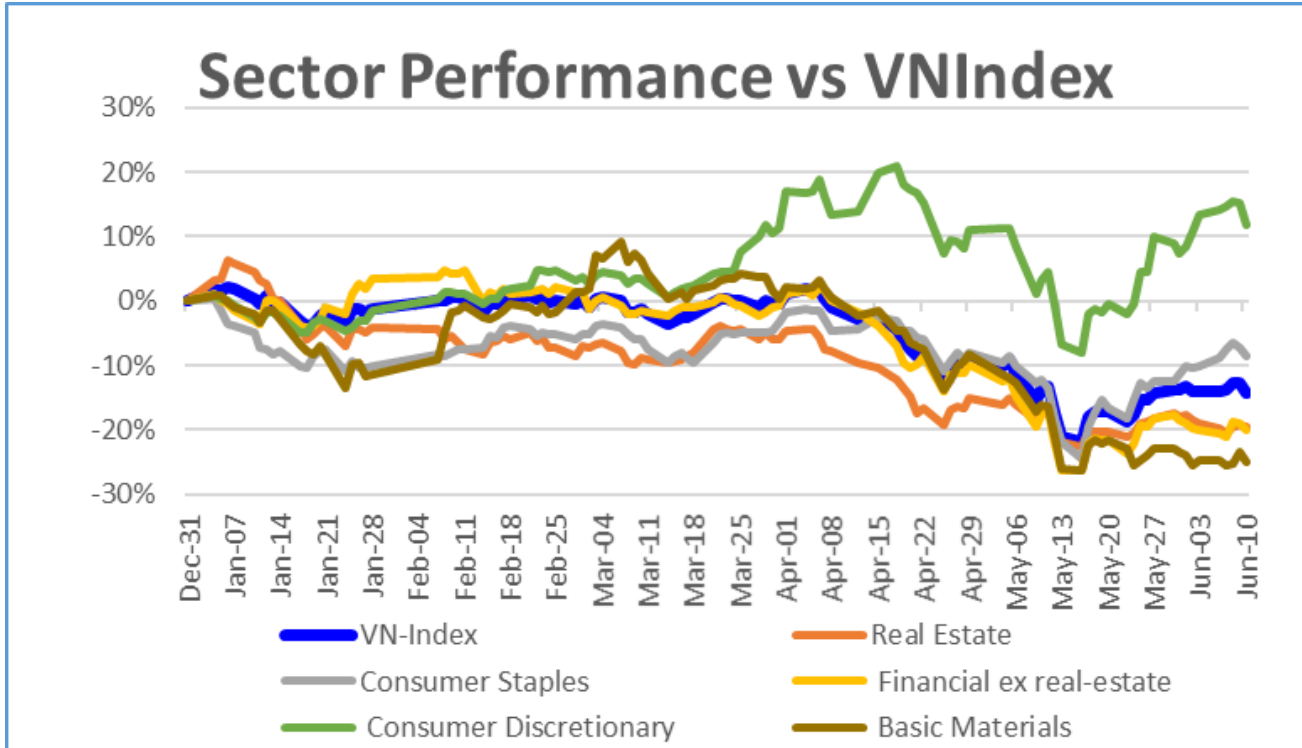
Source: FiinPro, Yuanta Vietnam

USD cash demand increases when the gold arbitrage trade emerges.



Source: FiinPro, Bloomberg, Yuanta Vietnam (Jun 10)

Sector performance YTD



Source: Bloomberg (Jun 10)

Yuanta Universe: Valuations and ratings

Sector	Stock Code	PER (x)			EPS Growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
Banks	ACB VN	9.0	7.4	5.9	28.3	21.2	21.2	0.3	0.3	0.2	1.5	1.5	1.2	24.0	23.0	22.9	1.9	2.0	2.2
	BID VN	29.4	19.5	12.5	(22.6)	50.3	50.3	n/a	0.4	0.2	1.7	2.0	1.7	7.4	10.5	14.8	0.5	0.7	0.9
	HDB VN	9.8	8.9	6.8	(27.9)	9.7	30.8	n/a	0.9	0.2	1.7	1.6	1.3	18.8	20.5	21.1	1.7	1.8	2.0
	MBB VN	9.2	7.4	6.7	8.5	24.1	10.9	1.1	0.3	0.6	1.6	1.7	1.4	18.4	21.4	21.5	1.9	2.4	2.7
	STB VN	17.5	13.5	11.7	10.6	30.5	15.1	1.7	0.4	0.8	1.4	1.2	1.1	8.1	9.5	9.8	0.6	0.7	0.8
	VCB VN	17.5	13.3	10.3	(0.6)	31.4	29.4	n/a	0.4	0.3	3.1	2.6	2.2	18.8	21.0	22.9	1.4	1.7	1.9
	VPB VN	7.3	9.1	6.9	26.1	(19.9)	31.0	0.3	n/a	0.2	1.4	1.8	1.4	21.9	16.9	19.9	2.6	2.4	3.5
	Brokers	HCM VN	12.9	7.8	6.8	18.7	66.9	13.3	0.7	0.1	0.5	1.5	1.5	1.4	12.1	23.8	21.4	5.3	8.2
	SSI VN	12.3	17.7	15.5	21.0	(30.7)	14.8	0.6	n/a	1.0	1.7	2.0	1.9	13.1	13.9	12.7	4.0	4.2	4.2
	VCI VN	8.6	11.9	9.3	9.5	(28.2)	27.5	0.9	n/a	0.3	1.4	2.6	2.2	17.0	23.2	25.8	9.0	11.5	12.5
	VND VN	7.6	5.3	8.9	75.7	44.1	(40.9)	0.1	0.1	n/a	1.3	1.8	1.6	19.7	31.7	19.8	5.1	9.0	6.2
Energy	PVD VN	54.2	499.8	14.9	(1.3)	(89.7)	3,245.0	n/a	n/a	0.0	0.7	0.7	0.7	1.3	0.1	4.6	0.9	0.1	3.2
	NT2 VN	12.5	16.7	13.0	(17.1)	(25.3)	28.7	n/a	n/a	0.5	1.8	2.0	2.0	11.6	15.9	17.5	9.0	7.4	9.6
	PC1 VN	13.4	14.4	10.9	34.7	(6.8)	31.3	0.4	n/a	0.3	1.3	1.5	1.3	11.9	12.6	13.6	5.3	4.7	5.1
Consumer	MSN VN	27.1	22.0		(9.6)	22.9	20.9	n/a	1.0		3.4	3.0	2.6	13.5	14.5	15.2	7.0	8.0	8.9
	PNJ VN	29.7	22.7	17.0	(5.8)	31.1	33.5	n/a	0.7	0.5	7.5	5.1	4.2	25.9	20.7	23.4	12.0	14.8	16.9
	DGW VN	32.0	29.5	25.1	23.3	8.5	17.8	1.4	3.5	1.4	5.8	5.2	5.2	18.9	18.4	18.4	7.1	7.1	7.1
Oil & GAS	POW VN	17.8	15.5	14.5	(18.0)	14.8	6.8	n/a	1.0	2.1	1.1	1.2	1.0	6.8	7.4	7.6	3.8	4.5	4.6
Property	KBC VN	14.8	11.5	8.1	(54.0)	230.0	91.0	n/a	0.4	0.1	2.4	2.0	1.8	3.0	14.0	22.0	1.0	6.0	10.0
	KDH VN	20.4	29.8	18.5	19.0	(31.0)	61.0	1.1	n/a	0.3	3.0	3.1	3.0	15.0	11.0	17.0	9.0	6.0	10.0
	NLG VN	13.9	14.4	13.6	(31.0)	(3.0)	5.0	n/a	n/a	2.7	2.2	1.5	1.6	13.0	12.0	12.0	7.0	6.0	7.0
	NVL VN	19.5	32.9	27.8	12.0	(41.7)	18.3	1.6	n/a	1.5	3.0	2.2	2.0	14.0	10.0	10.6	3.0	2.3	2.4
	VHM VN	8.4	7.7	6.5	25.8	8.5	19.0	0.3	0.9	0.3	2.7	2.0	1.6	37.0	31.0	28.0	14.0	14.0	14.0
Transport	ACV VN	27.3	21.2		8.3	28.8		3.3	0.7	n/a	4.4	3.7	3.4	18.8	20.2	11.0	11.4	11.3	5.2

Stock ratings and pricing data is as of close on Jun 10 2022.

Source: Bloomberg, Yuanta Vietnam



Appendix A: Important Disclosures

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