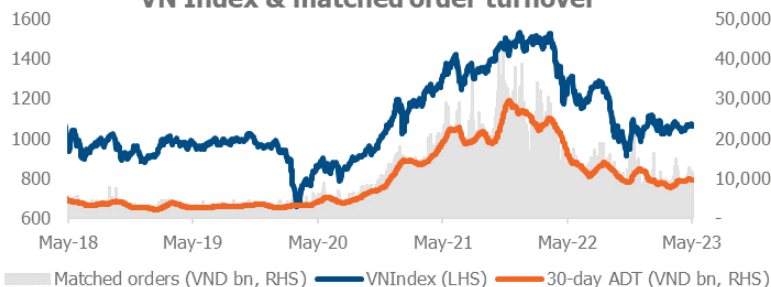


Strategy: FINI Selling – What’s Love Got To Do With It?

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The VNI posted a second straight week of almost exactly flat WoW VNI performance. However, market turnover has been gaining momentum with ADT again exceeding US\$600m last week, which is strong in the context of 2023. Despite the policy rate cut, the market appears to be consolidating under increased volumes at just under the 200-day moving average of 1081 and psychological resistance at 1100 points. By contrast, weekly foreign net selling was the highest since Oct 2022.

VN Index & matched order turnover


Index, Flows, and FX Performance

- **VNINDEX:** 1064 (-0.3% WoW / +5.6% YTD / -16.1% YoY)
- **VHINDEX:** 218 (+1.7% WoW / +6.0% YTD / -30.5% YoY)
- **UPCOM Index:** 81 (-0.6% WoW / +12.5% YTD / -15.1% YoY)
- **Average daily turnover:** US\$620 mn (-2.4% WoW)
- **Foreigners net sold US\$100.7mn** of three-index constituents
- **VND:USD rate:** 23,483 (-6bp WoW / +64bp YTD / -1.18% YoY)

VN30 Components

Ticker	Closing price (VND K)	WoW chg	Cont to VN30 (WoW)	TTM PE (x)
ACB	25.0	0.2%	1.9%	6
BCM	77.4	-0.6%	-0.3%	66
BID	43.4	-2.3%	-2.6%	11
BVH	43.6	-1.7%	-0.7%	20
CTG	27.8	-0.7%	-1.9%	8
FPT	83.1	0.4%	3.7%	16
GAS	93.7	-1.3%	-1.5%	12
GVR	17.2	5.8%	2.1%	21
HDB	19.5	0.5%	2.4%	6
HPG	21.1	-3.2%	-28.8%	184
MBB	18.5	-1.1%	-6.6%	5
MSN	72.0	-0.6%	-3.4%	47
MWG	38.2	-0.3%	-1.5%	21
NVL	13.0	-1.9%	-3.5%	36
PDR	13.4	0.4%	0.2%	10
PLX	37.7	0.1%	0.1%	26
POW	13.6	0.7%	0.8%	17
SAB	155.5	-3.2%	-4.7%	20
SSI	22.6	-1.5%	-4.8%	20
STB	27.2	-2.3%	-15.9%	9
TCB	29.9	0.8%	7.7%	5
TPB	23.7	0.9%	2.5%	6
VCB	92.0	-2.3%	-14.9%	14
VHM	55.0	1.7%	13.2%	7
VIB	21.1	-1.6%	-4.8%	5
VIC	52.0	-1.0%	-7.5%	26
VJC	98.1	-0.6%	-2.1%	--
VNM	67.1	-2.2%	-16.3%	19
VPB	19.2	-0.8%	-9.3%	11
VRE	27.7	-1.1%	-3.6%	18

Source: Bloomberg, Yuanta Vietnam. Pricing date: May 26, 2023.

Small caps outperformed, as evidenced by the +2ppt outperformance of the VHI. Small cap strength was also evident in the positive breadth of the mainboard VNI (239 weekly gainers / 129 losers) while the large-cap VN30 posted just 10 gainers / 20 losers. The divergence suggests a disparity of views among domestic individuals, who tend to focus on small caps, and institutional investors (i.e., foreigners), who mainly invest in large caps.

Foreign flows: What’s love got to do with it? FINIs net sold another US\$101mn last week. Foreigners have been persistent net sellers in 2Q, thus exhibiting the “sell in May” tactics that we had incorrectly expected to be adopted by domestic investors. This is somewhat confusing: admittedly, anecdotal evidence is subject to sample bias, but our discussions with foreign fund managers would suggest a more optimistic view. But FINIs can be a fickle bunch: foreigners are still net buyers of \$139mn YTD in 2023.

Interest rates: You better be good to me. Last week’s policy rate cut was quickly followed by reductions in the SOE banks’ 12-month time deposit rates. In our view, state-bank deposit rates are Vietnam’s de-facto risk free rate (not government bonds), and they are also commonly used as a basis for loan rates. A declining real rate differential has raised concerns about VND depreciation, but the currency remains strong and we aren’t particularly worried given that Fed hikes are mostly (not entirely) done already (p. 8-9).

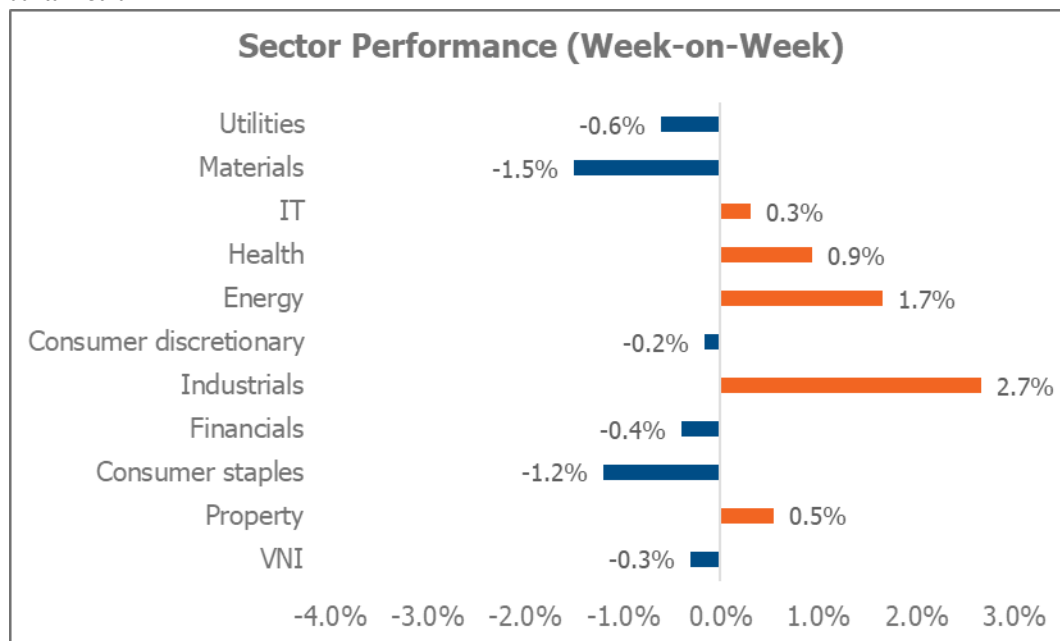
NLG: Simply the best play on the “affordable” housing segment. Analyst Tam Nguyen is cautious on 2023 presales – his forecast is -21% below NLG’s already-conservative guidance – as we assume that the property market cycle will turn up only in 2H24. But NLG offers a solid balance sheet, with cash coverage of S/T debt of 2.4x and net-debt-to equity of 10%. Critically, the LUR fee determination is set for all of NLG’s projects, which is a competitive advantage over peers beset by ongoing administrative bottlenecks. We reiterate HOLD-Outperform (p. 13-15).

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	3,596	4.6	BUY	25,000	27,958	12%	0.0%	12%
	BIDV	BID VN	9,350	1.4	HOLD-Underperform	43,400	38,860	-10%	1.0%	-9%
	HD Bank	HDB VN	2,089	1.7	BUY	19,500	23,510	21%	0.0%	21%
	MB Bank	MBB VN	3,563	5.7	BUY	18,450	25,480	38%	0.0%	38%
	Sacombank	STB VN	2,184	19.2	BUY	27,200	28,860	6%	0.0%	6%
	Vietcombank	VCB VN	18,543	2.7	BUY	92,000	93,230	1%	0.7%	2%
	Vietnam Prosperity Bank	VPB VN	5,475	11.7	BUY	19,150	22,060	15%	0.0%	15%
Brokers	HCM City Securities	HCM VN	514	5.9	BUY	26,400	29,957	13%	4.8%	18%
	Saigon Securities	SSI VN	1,440	17.1	BUY	22,550	26,092	16%	2.0%	18%
	Viet Capital Securities	VCI VN	631	7.5	BUY	34,000	47,656	40%	6.5%	47%
	VNDirect Securities	VND VN	827	13.7	BUY	15,950	26,539	66%	1.7%	68%
Energy	PV POW	POW VN	1,356	4.4	BUY	13,600	16,877	24%	0.0%	24%
	PV NT2	NT2 VN	403	0.8	SELL	32,900	19,318	-41%	6.1%	-35%
	PCC1	PC1 VN	335	1.8	BUY	29,100	50,728	74%	0.0%	74%
Consumer	Masan Group	MSN VN	4,366	3.5	Suspended	72,000	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,006	1.3	BUY	72,000	101,700	41%	2.6%	44%
	Digiworld	DGW VN	236	2.3	Suspended	33,100	N/A	N/A	5.6%	N/A
Oil & GAS	PV Drilling	PVD VN	565	3.9	BUY	23,850	36,103	51%	2.9%	54%
Property	Kinh Bac City	KBC VN	883	6.3	BUY	27,000	38,300	42%	0.0%	42%
	Dat Xanh Group	DXG VN	375	9.1	BUY	14,450	40,500	180%	0.0%	180%
	Khang Dien House	KDH VN	910	1.7	BUY	29,800	35,500	19%	0.0%	19%
	Nam Long	NLG VN	523	2.6	HOLD-Outperform	32,000	37,800	18%	1.6%	20%
	Novaland	NVL VN	1,076	10.7	Coverage Suspended	12,950	-			
	Vinhomes	VHM VN	10,200	3.9	BUY	55,000	108,100	97%	2.7%	99%
Transport	Airports Corp Vietnam	ACV VN	7,195	0.1	HOLD-Underperform	77,600	76,400	-2%	0.0%	-2%
Industrials	Dohaco	DHC VN	137	0.2	BUY	39,900	63,571	59%	6.3%	66%
	Biwase	BWE VN	370	0.1	BUY	45,000	70,902	58%	3.1%	61%

*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 May 26 2022

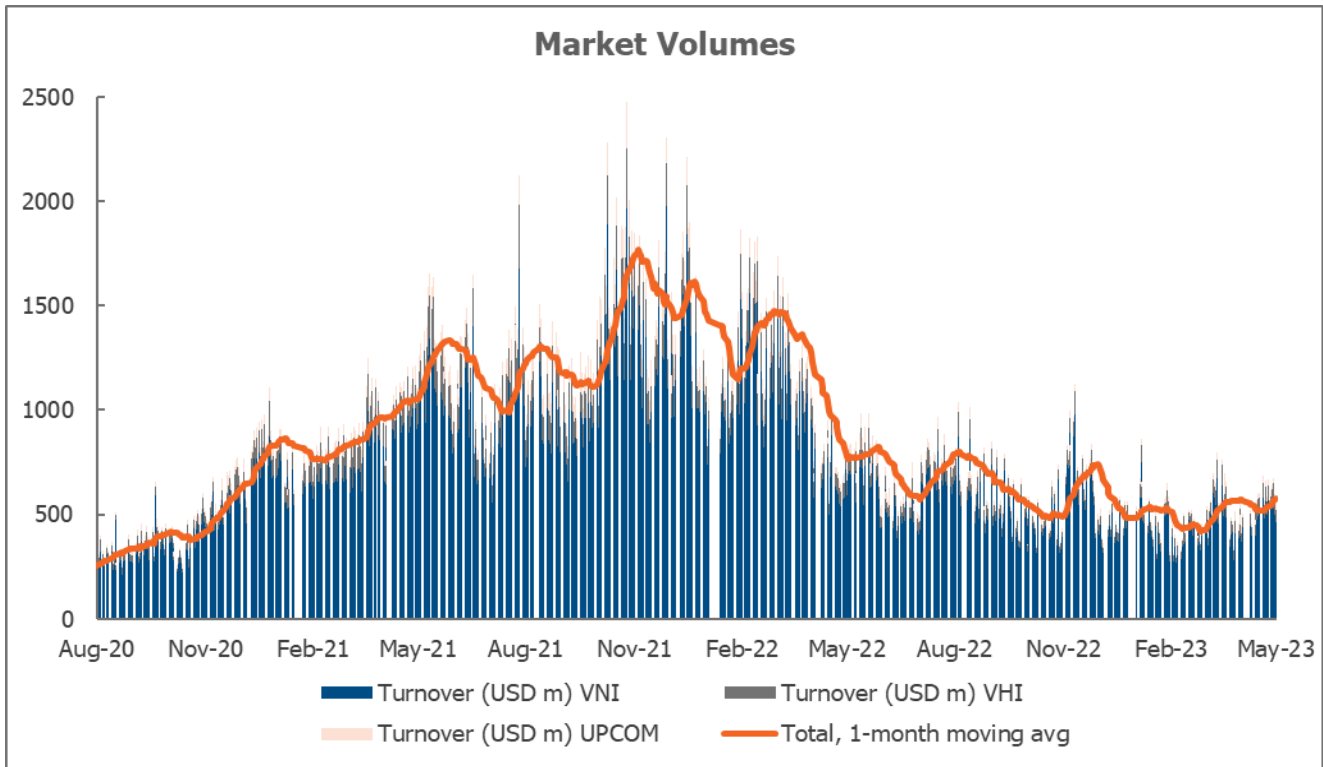
Source: Bloomberg, Yuanta Vietnam



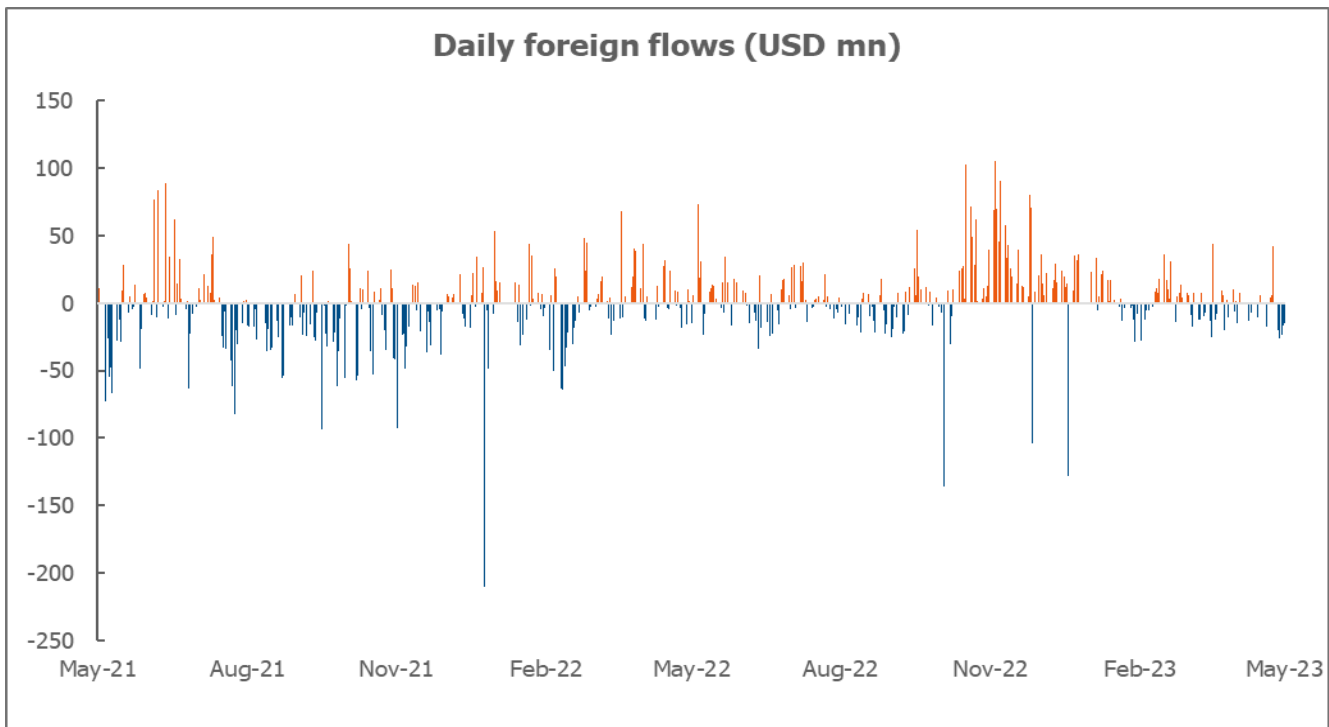
Source: Bloomberg (May 26)

People think my life has been tough, but I think it has been a wonderful journey. The older you get, the more you realize it's not what happens, but how you deal with it.

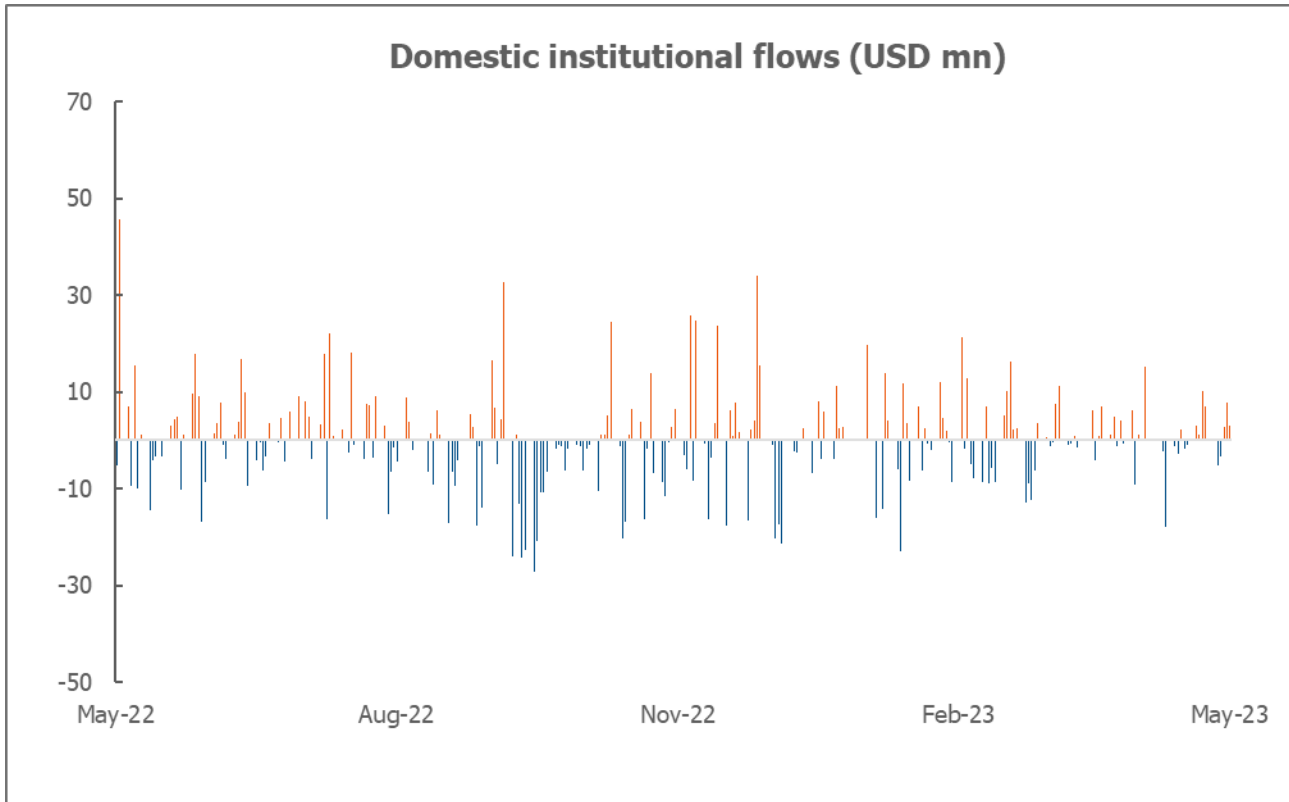
—Tina Turner (1939-2023)



Source: FiinPro, Yuanta Vietnam (May 26)

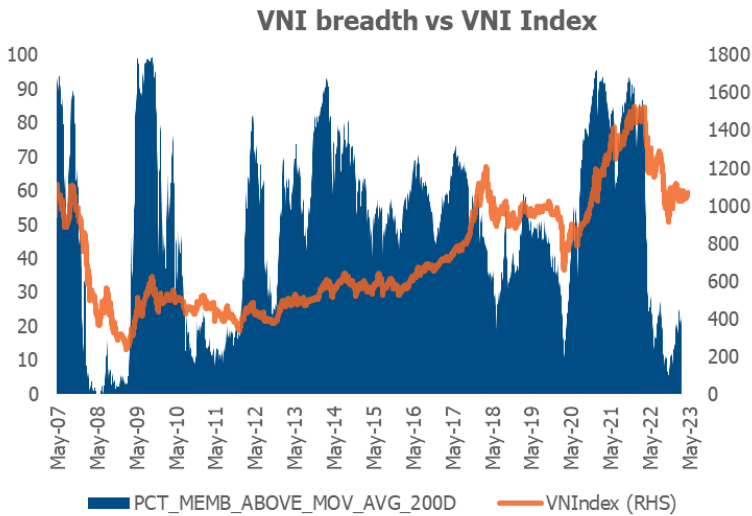


Source: FiinPro, Yuanta Vietnam (May 26)



Source: FiinPro, Yuanta Vietnam (May 26)

Weekly breadth was positive on VNINDEX but negative on VN30



Source: Bloomberg, Yuanta Vietnam (May 26)

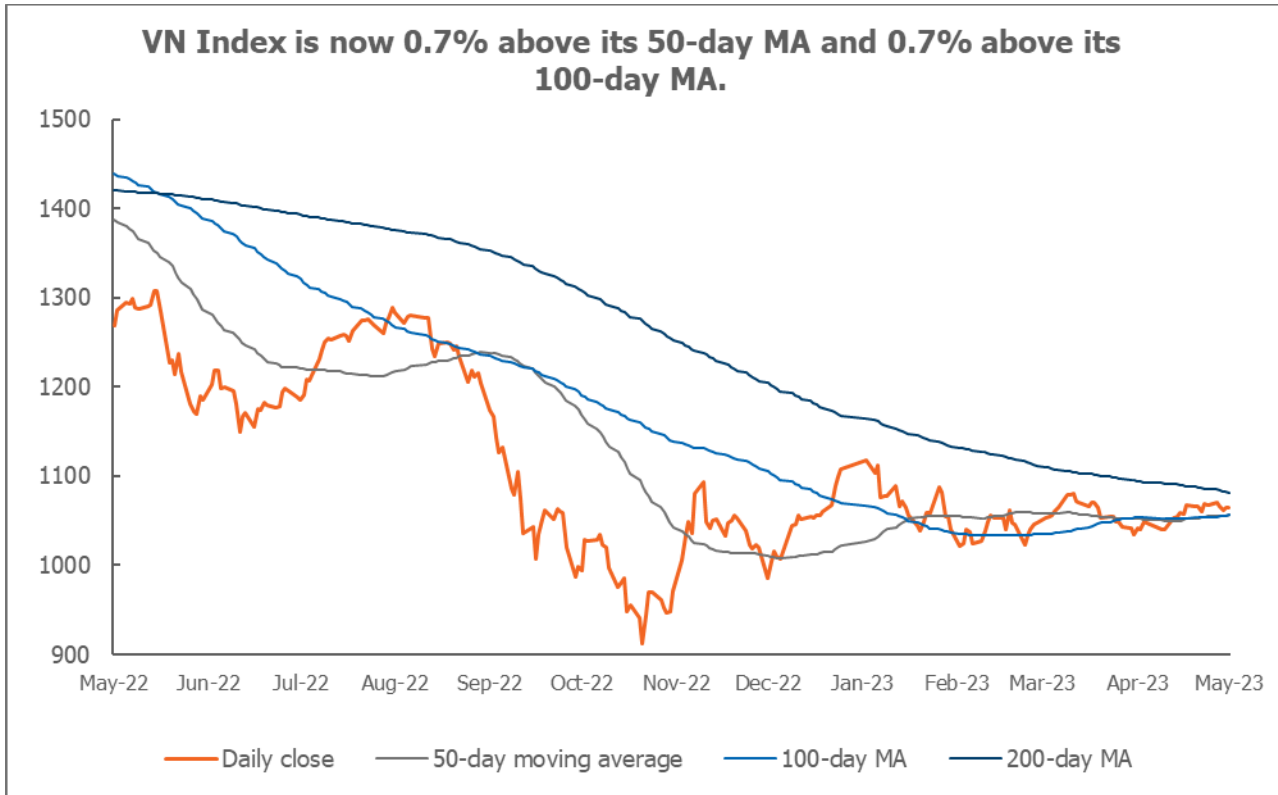
VN 30 breadth			
	WoW	MoM	YTD
Gainers	10	19	19
Losers	20	11	11

Source: Bloomberg (May 26, 2023)

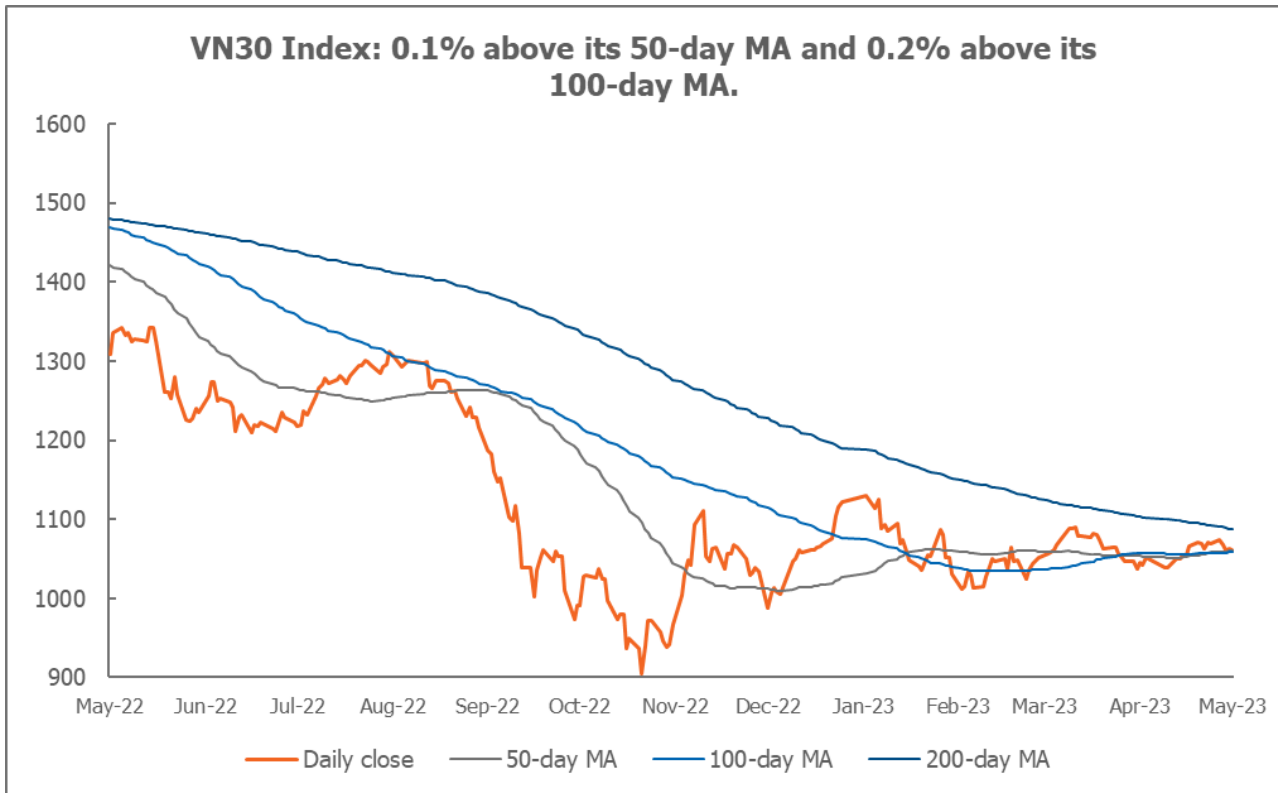
VNI breadth			
	WoW	MoM	YTD
Gainers	239	269	274
Losers	129	112	113

Source: Bloomberg (May 26, 2023)

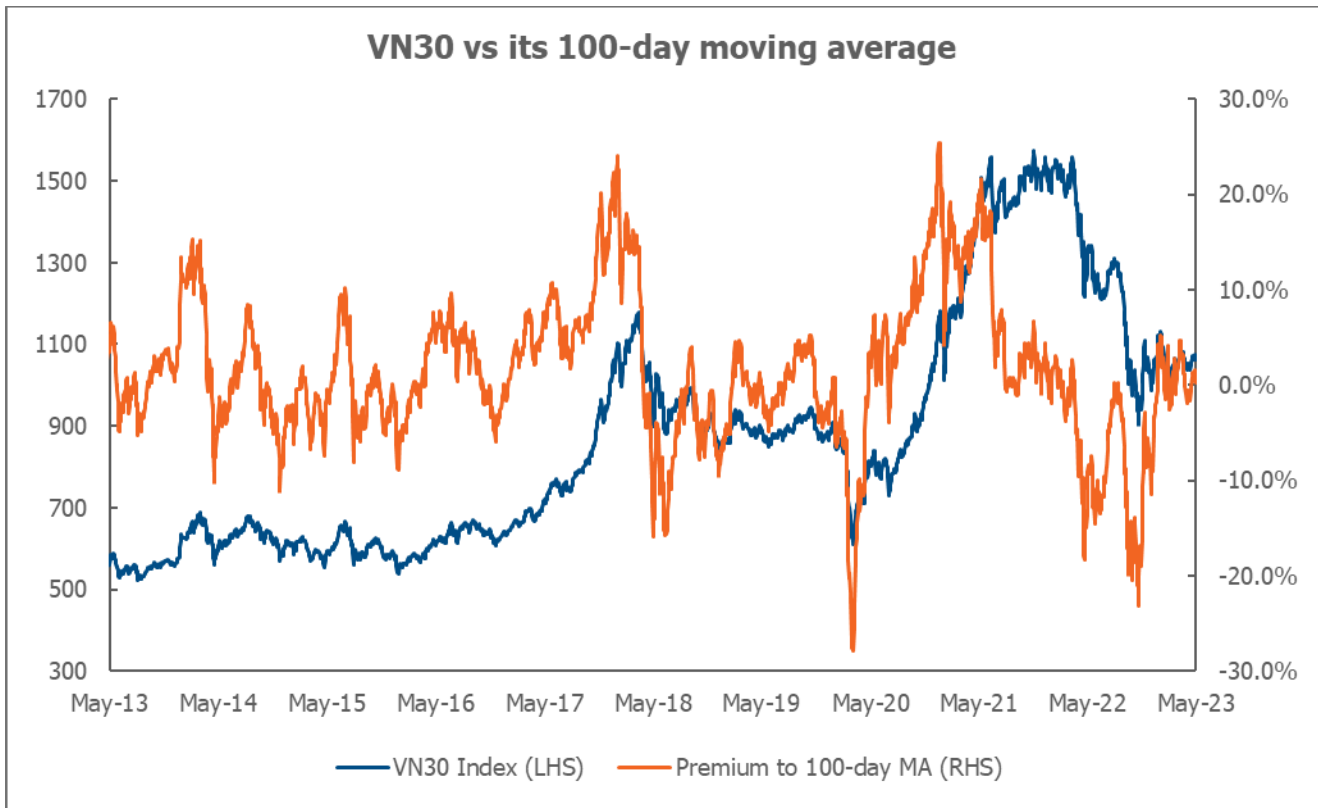
Source: Bloomberg, Yuanta Vietnam



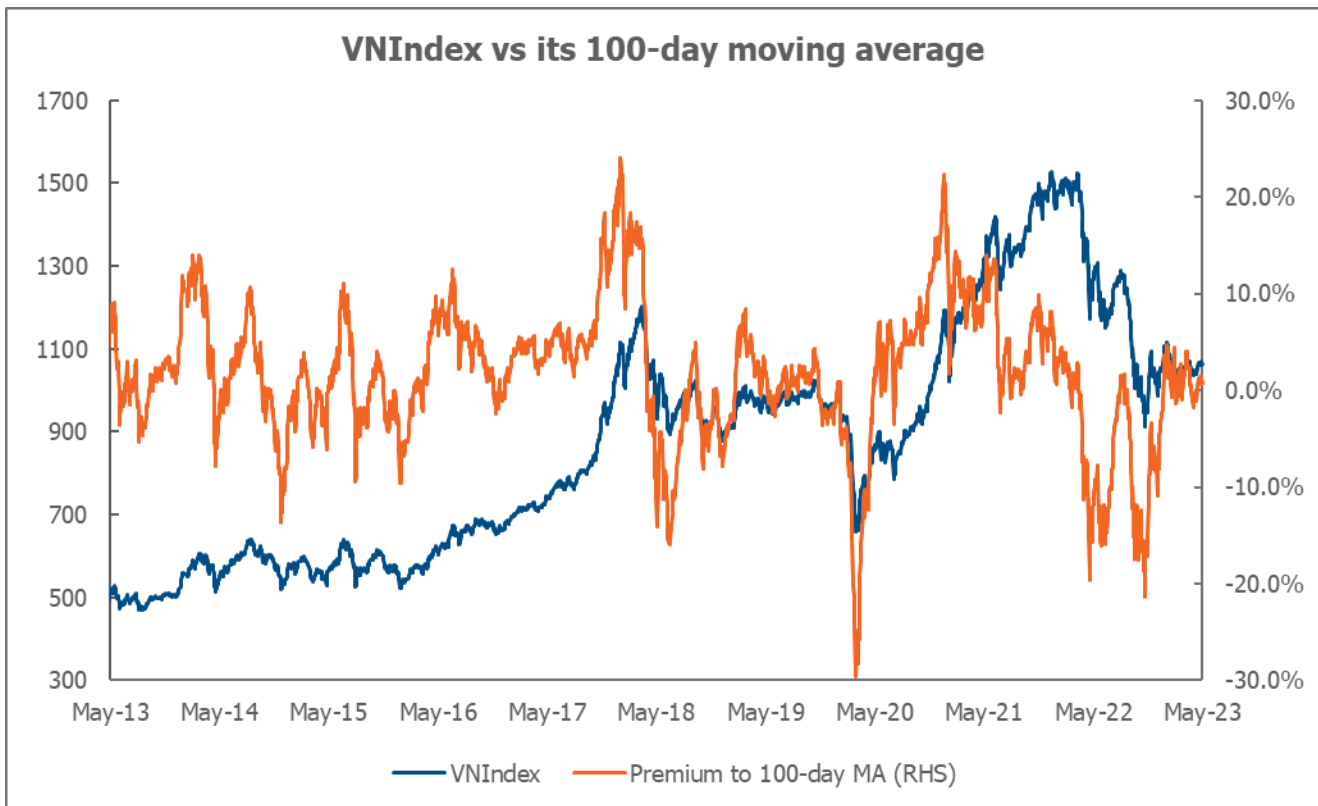
Source: Bloomberg, Yuanta Vietnam



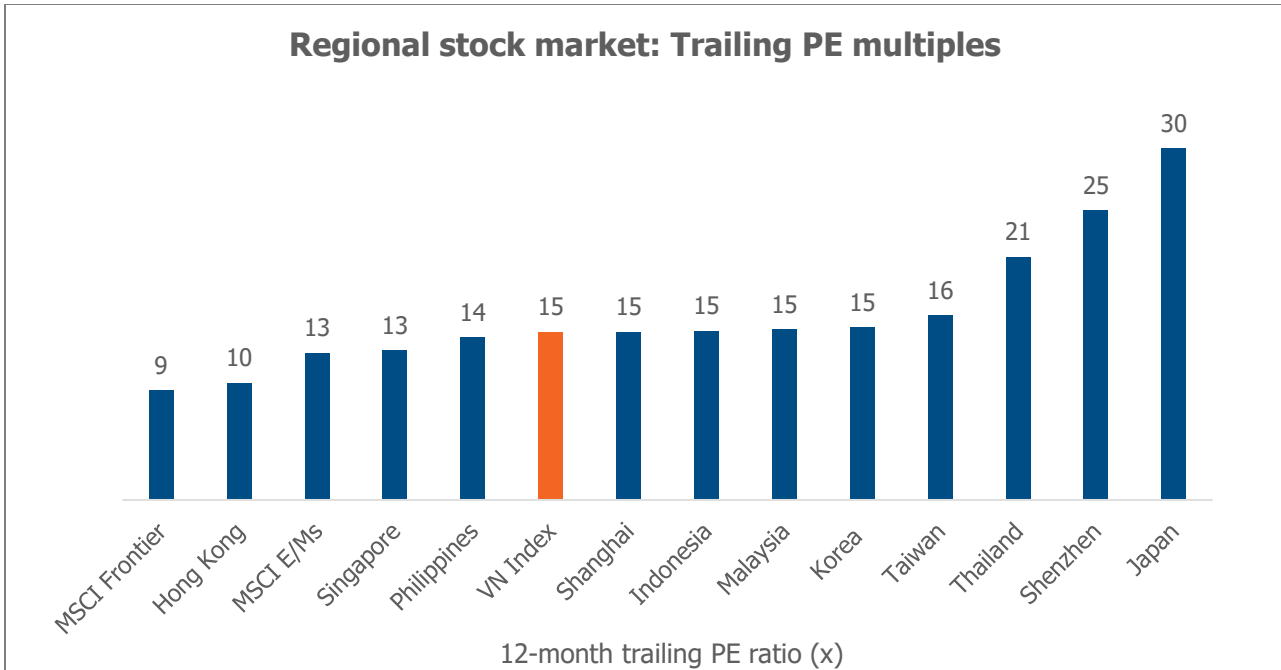
Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg, Yuanta Vietnam

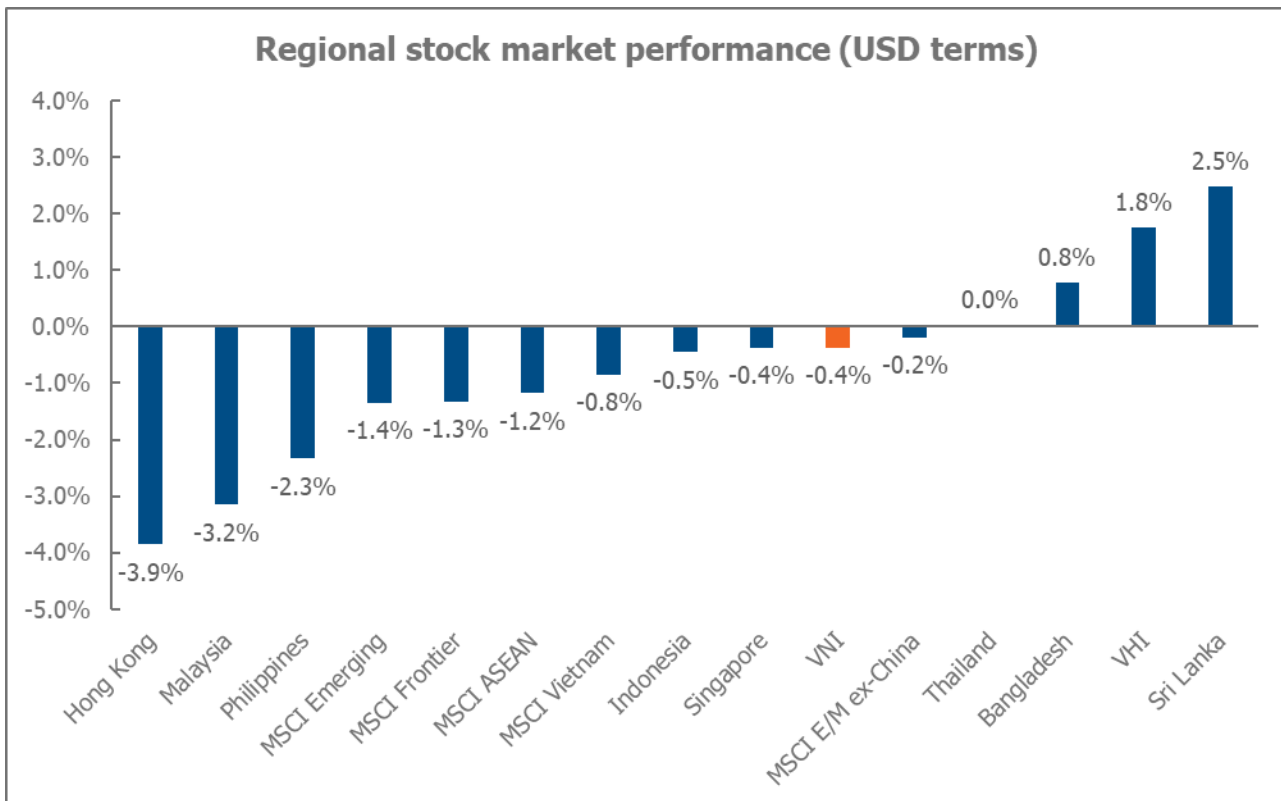


Source: Bloomberg, Yuanta Vietnam



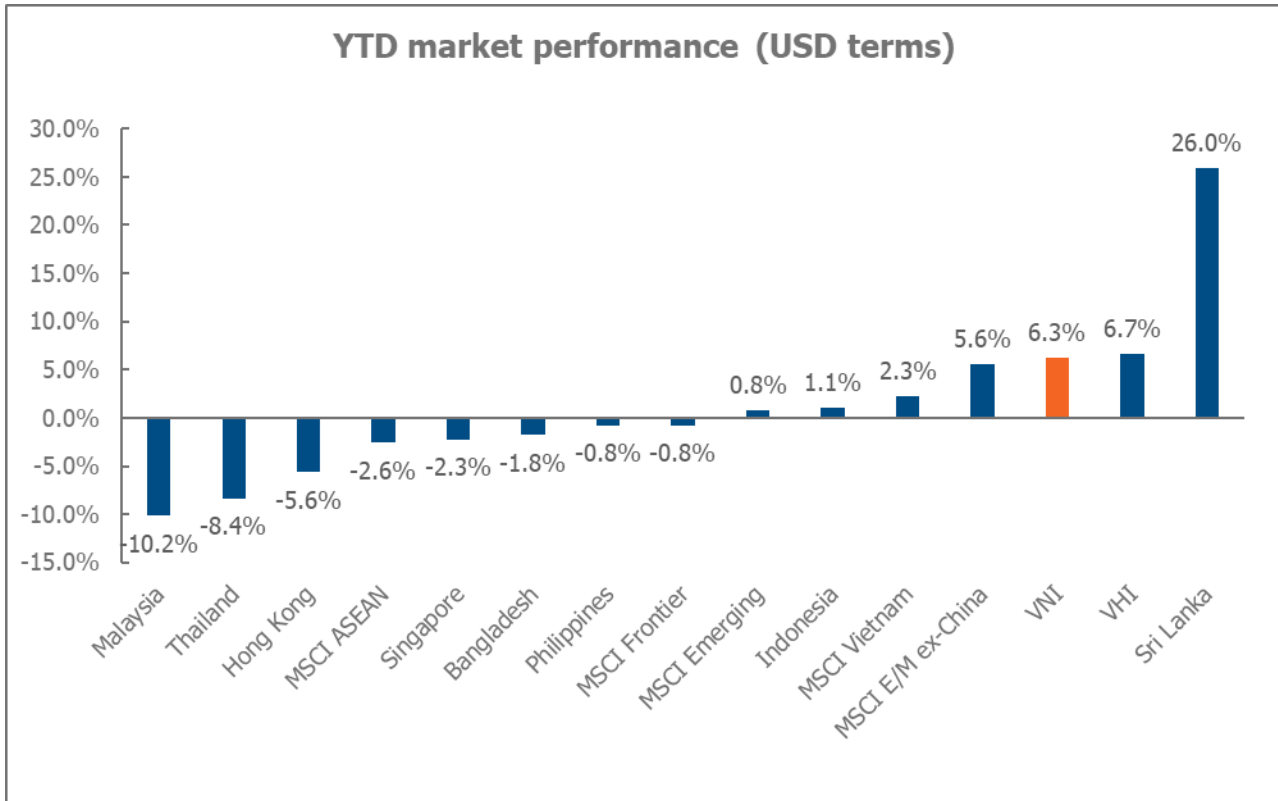
Source: Bloomberg, Yuanta Vietnam (May 26)

The VNI was down by -0.4% WoW (in USD terms)...



Source: Bloomberg, Yuanta Vietnam (May 26)

... but +6.3% YTD in USD terms



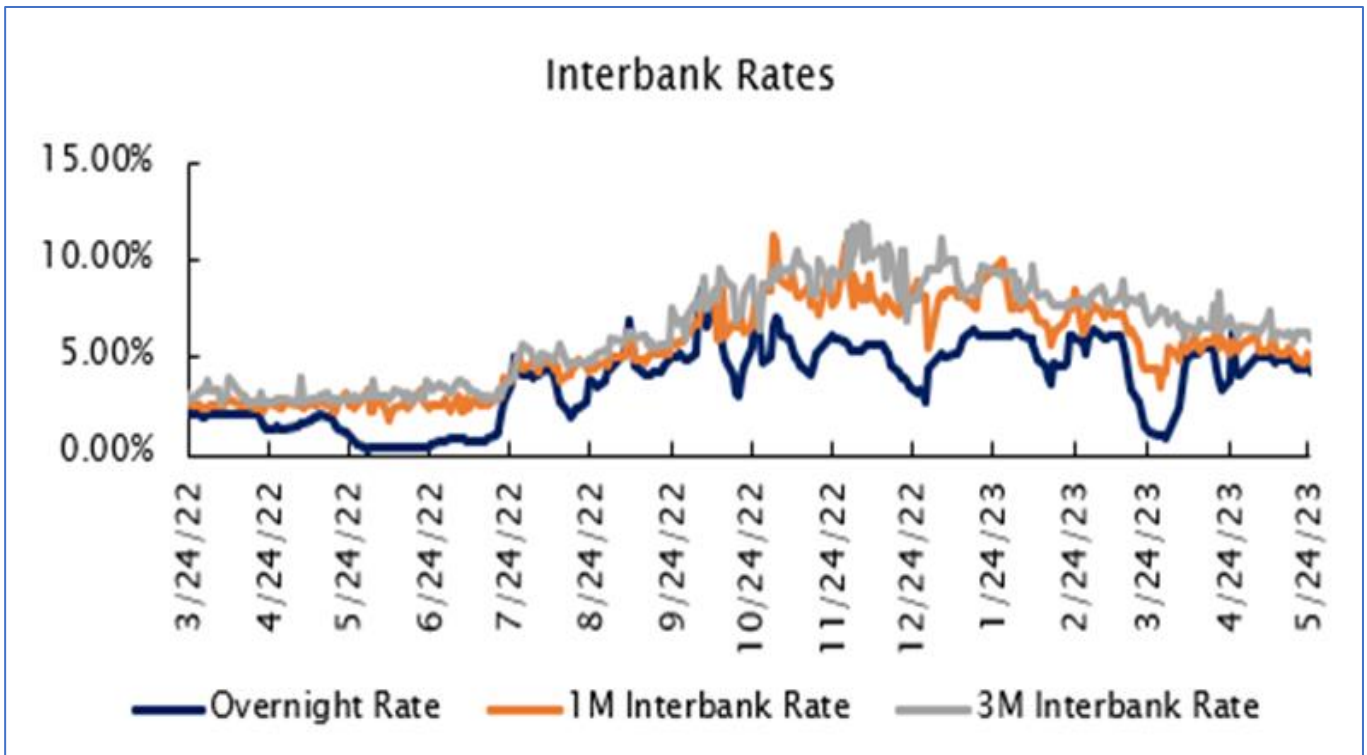
Source: Bloomberg, Yuanta Vietnam (May 26)

SBV policy rate cut: Impact on the banks

- **The SBV announced another policy rate cut** effective May 25. This is after the central bank reduced policy rates in [March](#) and [April](#) of 2023.
- **The SBV cut several policy rates by -50bps:** 1) the refinancing rate is cut by -50bps to 5.0%/year, 2) the cap on term deposits of 1M to less than 6M is reduced by -50bps to 5.0%/year, and 3) the overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments is lowered by -50bps to 5.5%/year.
- **Other policy rates remain unchanged.** The rediscount rate remains at 3.5%/year. The SBV had reduced this rate rates by -100bps in mid-Mar 23. The cap on deposit rates for demand and term deposits of less than 1M remains at 0.5%/year, which was already cut by -50bps on Apr 23.
- **Our view:**
- **Reduced rates will help lower the cost of funds for banks**, which gives banks room to lower loan yields to support borrowers. **In addition, term deposits will be less attractive** due to lower interest rates, which may drive an increase in CASA, further reducing the funding costs for banks.
- **Decreased rates can also partly alleviate the debt burden for borrowers**, thereby reducing provisioning pressure for banks.
- For more details, please access here: https://yuanta.com.vn/wp-content/uploads/2023/05/Bank_Sector_Third-Policy-rate-cut_May-23.pdf

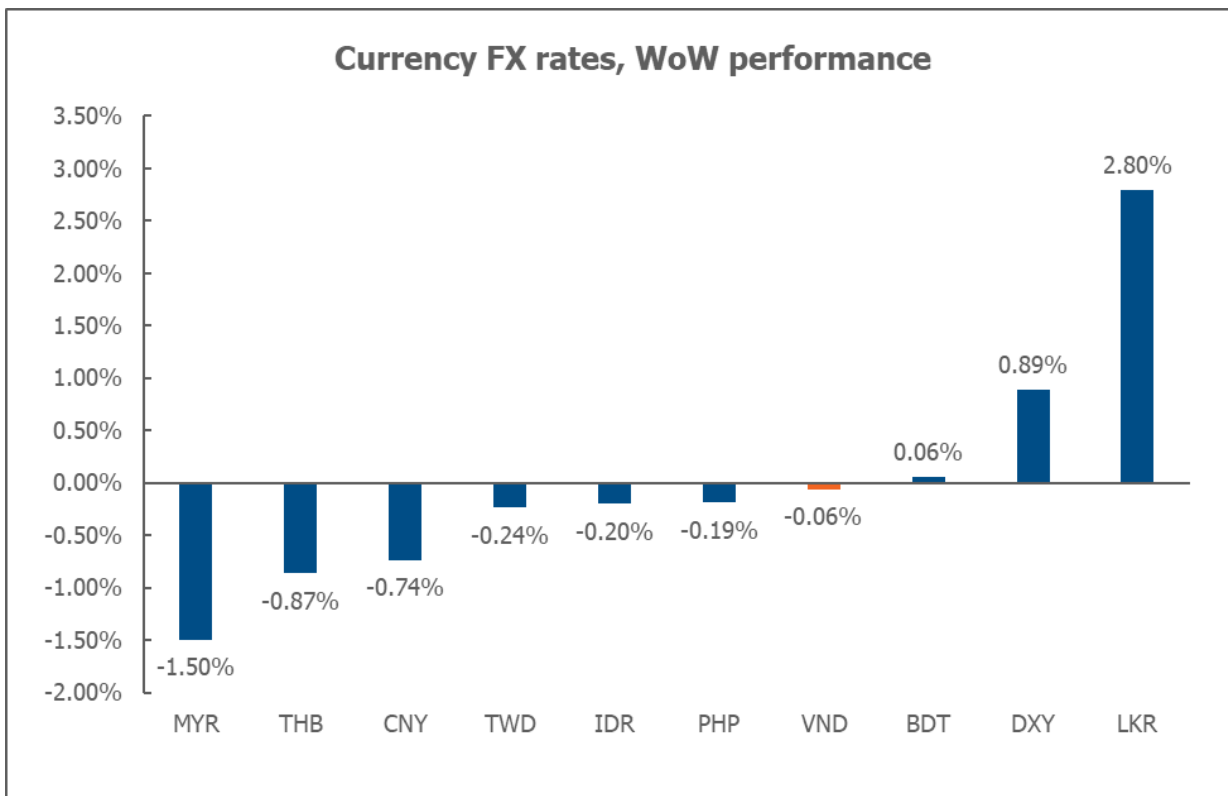
Bank system liquidity

- Interbank liquidity improved this week, especially after the SBV's rate cut decision on May 23.
- The overnight rate decreased -52bps WoW to 4.35% on May 24.

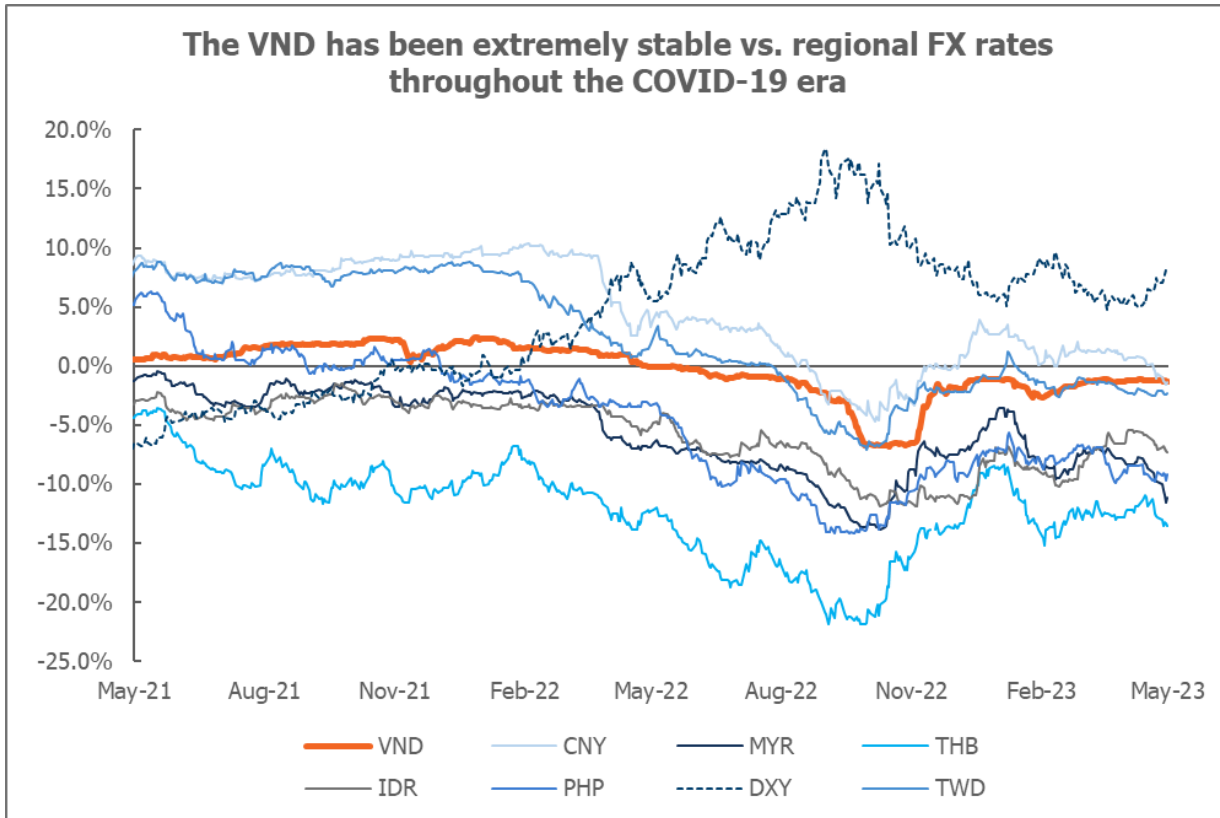


Source: SBV

Regional currencies: VND was down -6bps last week



Source: Bloomberg (May 26)



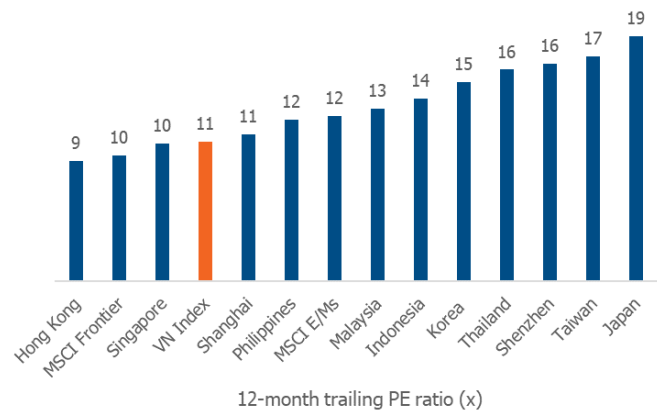
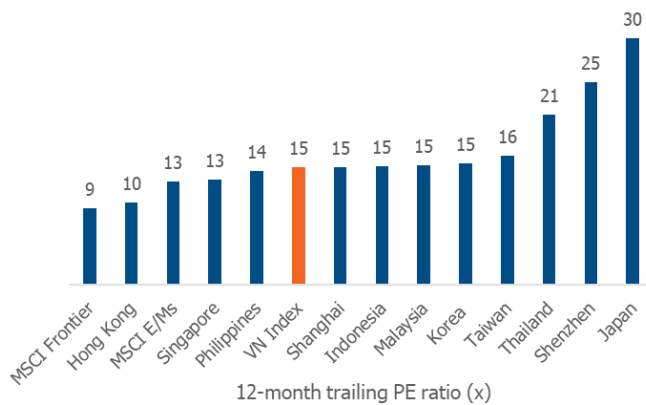
Source: Bloomberg (May 26)

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

...but forward P/E is well below the ASEAN median, and even cheaper than HK now

Regional stock market: Trailing PE multiples

Regional stock market: 2023E PE multiples

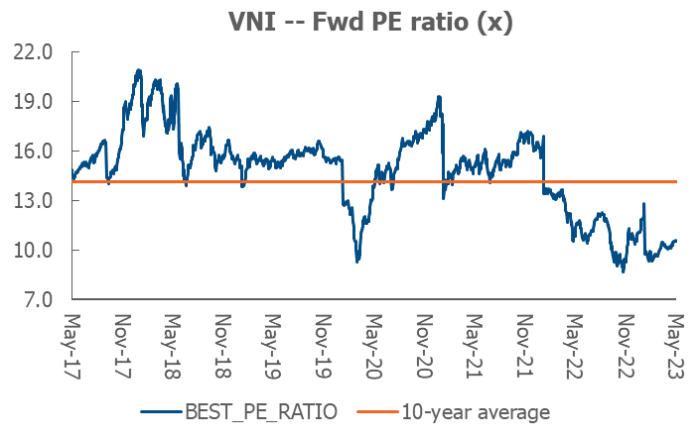
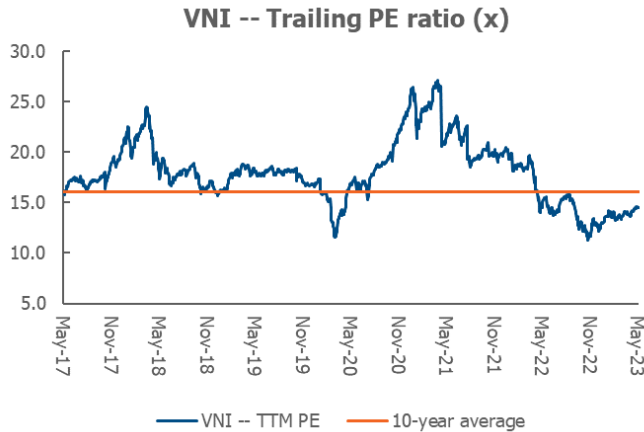


Source: Bloomberg, Yuanta Vietnam (May 26)

Source: Bloomberg (2023E consensus PE), Yuanta Vietnam (May 26)

The VNI's trailing PE ratio is now 14.5x.

The mainboard's 2023E PE is now 10.5x, based on Bloomberg consensus.

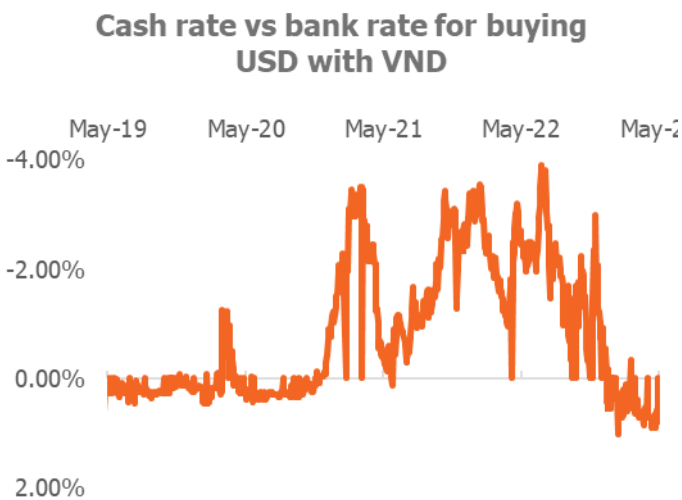


Source: Bloomberg, Yuanta Vietnam

Source: Bloomberg (2023E consensus PE), Yuanta Vietnam

US dollar cash premium to the official bank rate has evaporated

...as the official rate has fallen sharply, especially in the last two weeks.

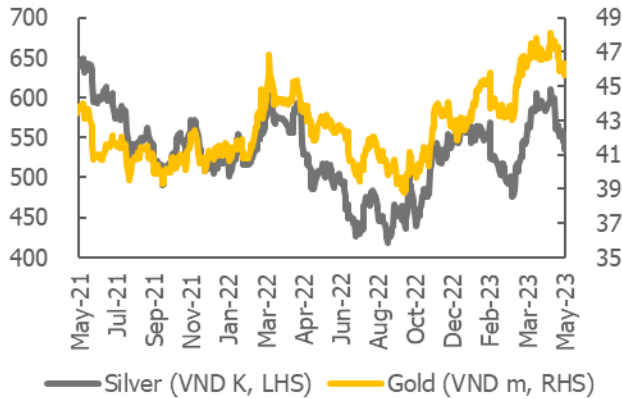


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

Source: FiinPro, Yuanta Vietnam

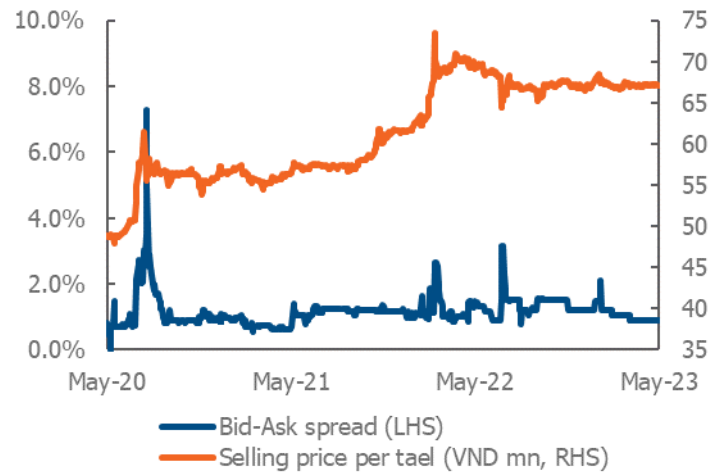
Global precious metals may be bottoming vs. the USD (and thus, the VND too).

Precious metals in VND terms



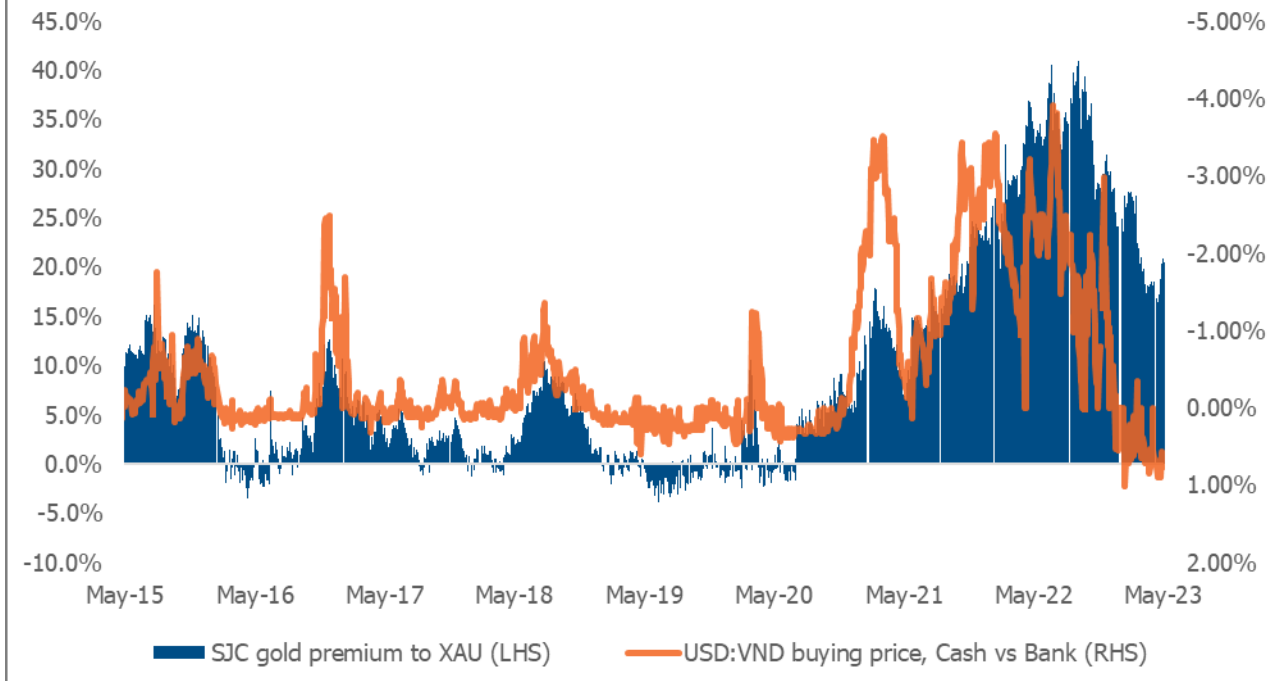
Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

SJC gold premium remains high, but bid-ask spreads have come down.



Source: FiinPro, Yuanta Vietnam

USD cash demand increases when the gold arbitrage trade emerges.

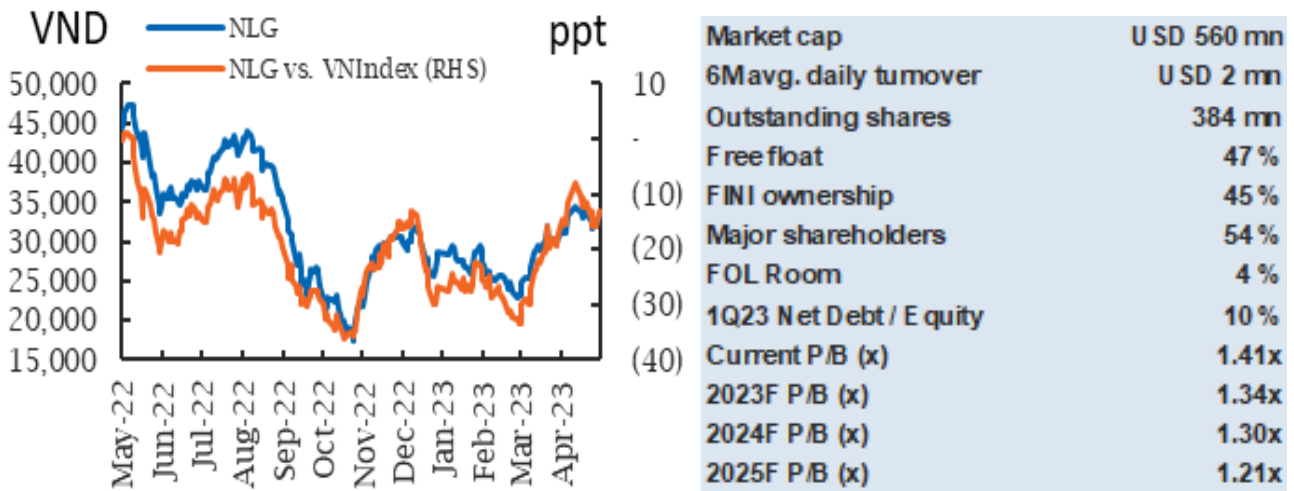


Source: FiinPro, Bloomberg, Yuanta Vietnam (May 26)

NLG (HOLD-Outperform): LUR fees are set, limiting the downside risk

Simply the best play on the “affordable” low- and mid-end segment of the residential property market, NLG offers a very solid balance sheet with limited regulator risk – two factors that allow it to stand out among peers.

Property Analyst Tam Nguyen reiterates his HOLD-Outperform recommendation on the stock after refreshing his model and cutting his previous (admittedly stale) target price to VND37,800, which implies +17.5% 12-month total shareholder returns.



Source: Bloomberg, FiinPro, Yuanta Vietnam

A tough year for presales. NLG guides for 2023 contracted presales value of VND 9,430bn (-7% YoY), largely attributable to Ehome, Ehome-S (where the profit margin is capped at 10%), and Flora. By contrast, NLG plans to launch just 256 Valora units in 2023. We are more conservative than NLG’s management on 2023 presales given our view that the market downcycle will not end until 2024, so our presales forecast is VND 7,455 bn (-27% YoY).

Fig 3: Presales improved in April

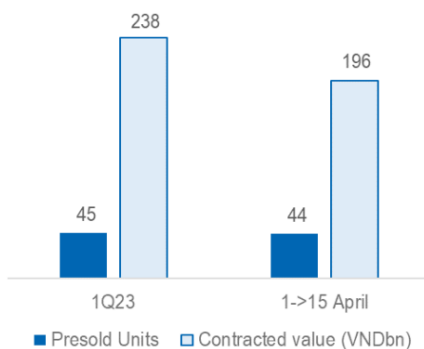
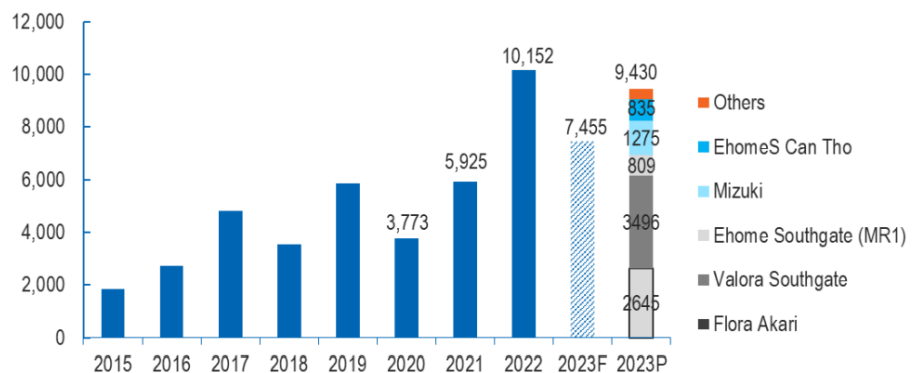


Fig 4: NLG guides for a decline in presales in 2023

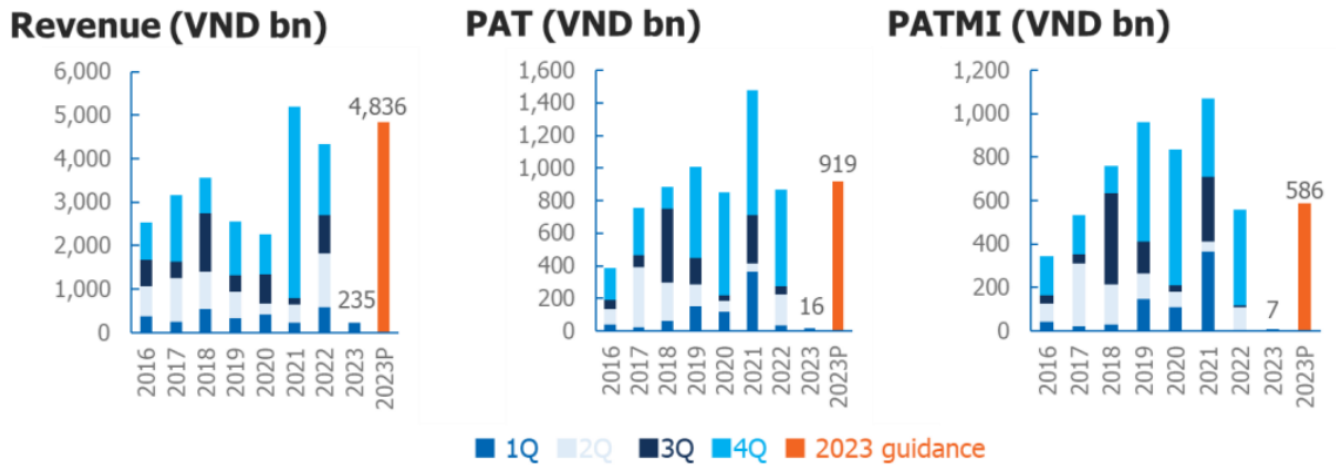


Source: Company data, Yuanta Vietnam

But NLG’s 2023 earnings targets are achievable due to its solid presales performance over the past two years. Presales value in 2021 was VND 5,295bn (+40% YoY) and that of 2022 was VND 10,152bn (+73% YoY). As a result, NLG is positioned to realize profits upon delivery of units at Akari City, Mizuki,

Southgate, and Izumi. NLG also expects VND240bn in gains from the sale of a commercial property asset, and management is confident that they can complete all the necessary paperwork to recognize c.VND250bn in profit from divesting another 25% stake in Paragon Dai Phuoc.

Fig 1: NLG's revenue and earnings



Source: Company data, Yuanta Vietnam

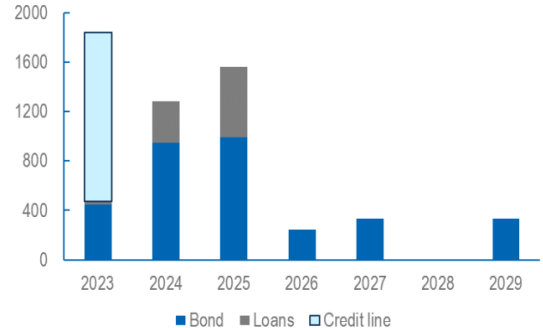
NLG maintains a prudent financing strategy, with a high cash-to-short-term borrowing ratio and low overall leverage that partly insulates it from the ongoing recessionary phase (and financing crisis) in the overall real estate market.

Fig 11: NLG: Financial leverage



Source: Company data, Yuanta Vietnam

Fig 12: Debt is predominantly long-term



This provides shareholders with a degree of safety and stability relative to more leveraged property developer stocks. Furthermore, NLG could further shore up its financial position by selling an additional 10-15% stake in Izumi City and 50% of Waterpoint phase 2; these possible divestments could generate USD 200-250mn of revenue, according to management.

Fig 10: Top 20 developers: Key credit metrics as at 1Q23

1Q23	VHM	NVL	DIG	PDR	KDH	DXG	NLG	CEO	HDG	VPI	SJS	HPX	HDC	SCR	IJC	AGG	IDJ	QCG	NBB	NTL	Sector
Liability to Asset <70%	0.50	0.81	0.36	0.60	0.41	0.50	0.45	0.40	0.52	0.64	0.62		0.57	0.44	0.38	0.61	0.27	0.54	0.73	0.18	0.60
Net debt to equity <1	0.19	1.29	0.30	0.39	0.42	0.37	0.10	0.19	0.79	0.92	0.58		0.86	0.35	0.20	0.20	-0.01	0.13	1.48	-0.02	0.42
Cash coverage of short-term >1	0.47	0.18	0.48	0.10	1.74	0.35	2.36	0.56	0.67	0.32	0.07		0.10	0.15	0.24	1.41	8.27	0.09	0.01	100.00	0.37

Source: Company data, Yuanta Vietnam

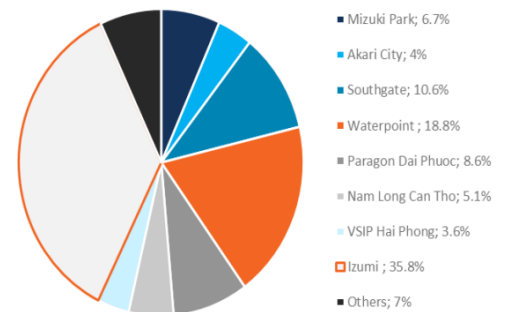
Crucially, NLG has obtained LUR fee determinations for all its projects, which mitigates the risks associated with potential revisions to LUR fee regulations.

Fig 13: Valuation summary

No	Project	Ownership rate	Valuation approach	Development NPV (VND bn)	Effective NPV (VND bn)	Proportion (%)
1	Mizuki Park	50%	DCF	2,088	1,044	6.7%
2	Akari City	50%	DCF	1,245	623	4.0%
3	Southgate	65%	DCF	2,547	1,656	10.6%
4	Waterpoint	100%	MV	2,945	2,945	18.8%
5	Paragon Dai Phuoc	50%	DCF	2,694	1,347	8.6%
6	Nam Long Can Tho	100%	DCF	794	794	5.1%
7	VSIP Hai Phong	100%	DCF	562	562	3.6%
8	Izumi	65%	DCF	8,650	5,623	35.8%
9	Others				1,094	7.0%
Total project NPV					15,688	
Cash and cash equivalent*					4,281	
Total borrowing					-5,605	
NAV (VND billion)					14,364	
Number of shares (billion share)					0.38	
Target price (VND/share)					37,800	

Source: Company data, Yuanta Vietnam

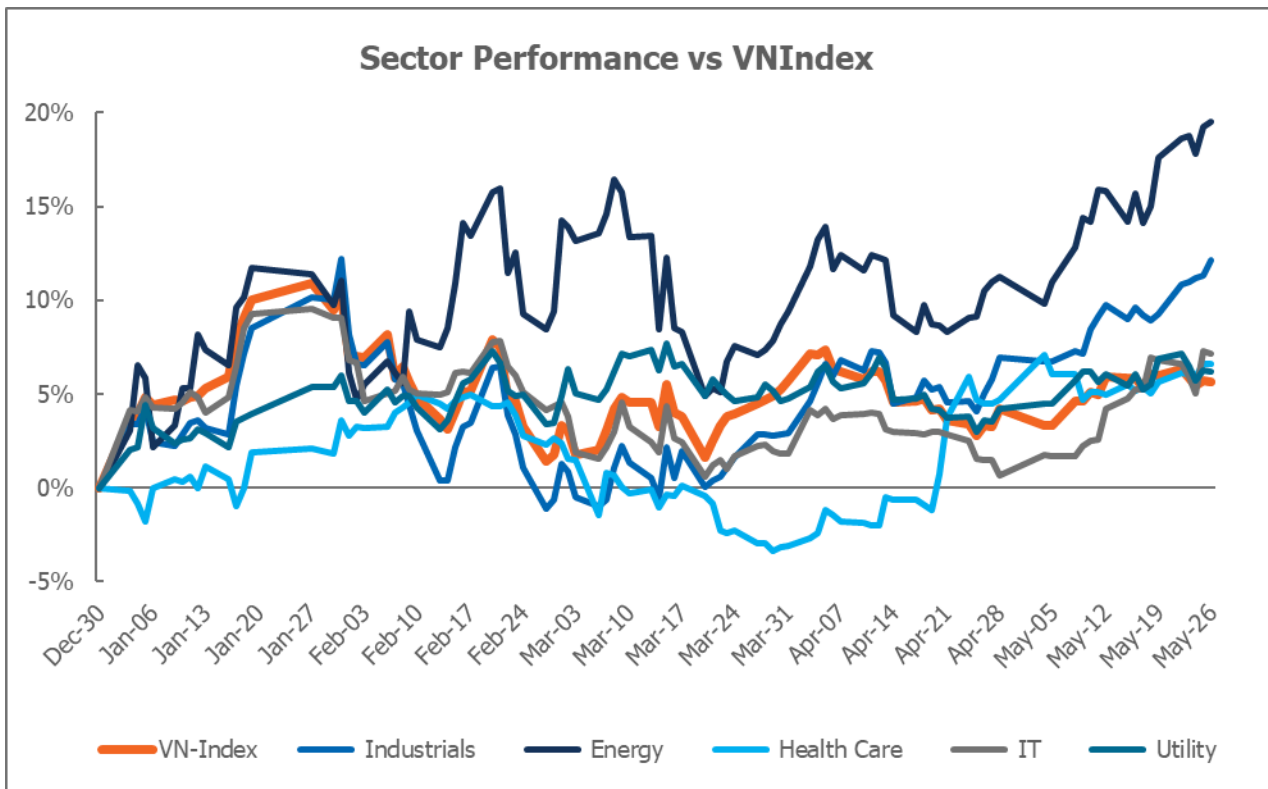
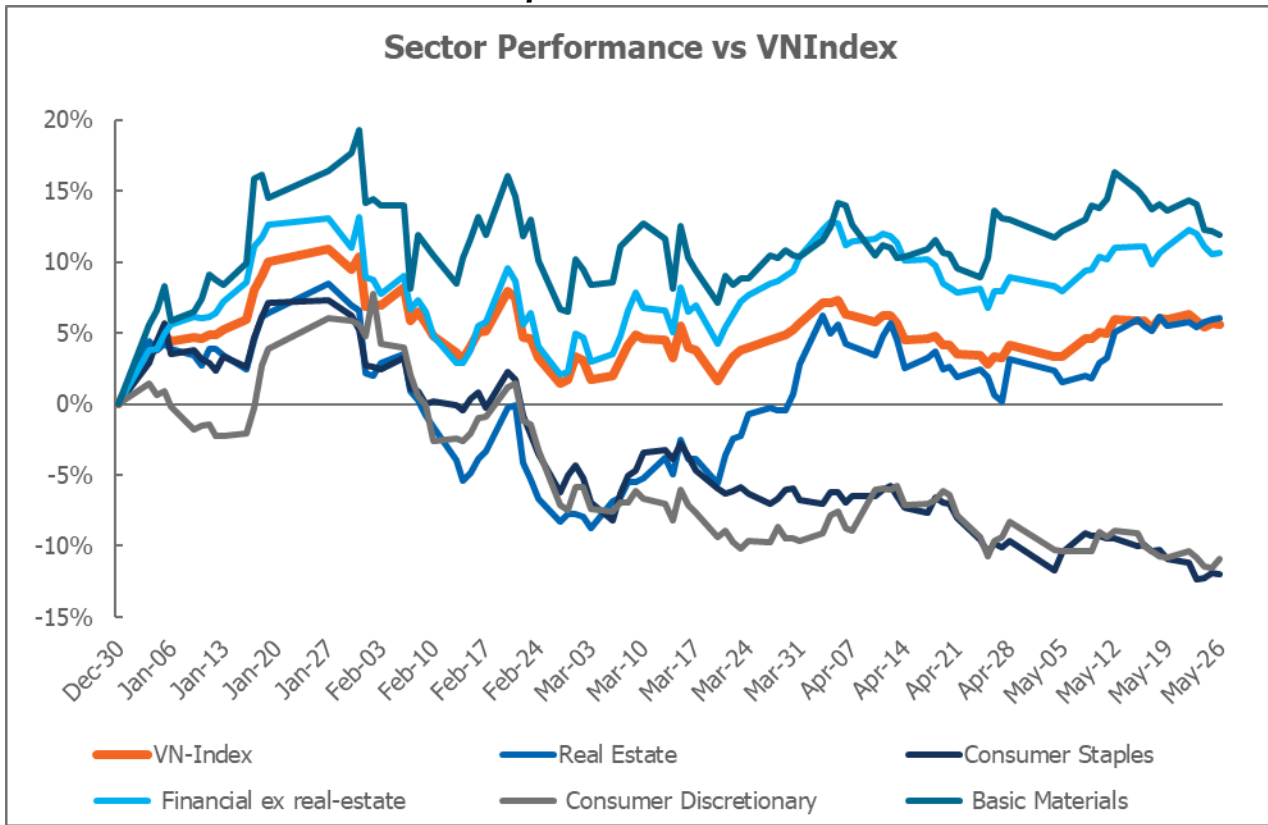
Fig 14: NPV breakdown by project



We reiterate our HOLD-Outperform recommendation on NLG. Our new fair value estimate of VND 37,800 per share implies 17.5% TSR. This is -32% below our prior target, which was admittedly stale. This price target cut is driven by (1) an extended project development timeline due to our revised expectation of the market recovery to occur in 2H24, (2) the application of discounted ASP assumptions given that the market remains mired in a recessionary phase, and (3) an increase our assumptions for SG&A costs.

Please see this link for Tam’s complete report: <https://yuanta.com.vn/wp-content/uploads/2023/05/NLG-Update-2023-LUR-fees-are-set-limiting-the-downside-risk-1.pdf>

Sector performance YTD



Source: Bloomberg (May 26)

Yuanta Universe: Valuations and ratings

Sector	Stock Code	PER (x)			EPS Growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E
Banks	ACB VN	7.1	5.5	5.3	24.6	29.5	3.6	0.3	0.2	1.5	1.5	1.4	1.1	23.5	26.6	23.8	2.0	2.5	2.6
	BID VN	25.1	16.1	12.7	50.3	56.3	26.3	0.5	0.3	0.5	2.6	2.3	2.0	10.5	14.8	16.3	0.7	0.9	1.0
	HDB VN	6.4	5.5	5.1	15.1	15.8	8.7	0.4	0.4	0.6	1.3	1.2	1.0	21.8	22.6	21.7	1.9	2.0	2.1
	MBB VN	4.8	4.3	4.0	39.1	11.1	7.8	0.1	0.4	0.5	1.2	1.1	0.9	22.6	24.8	22.7	2.4	2.8	2.9
	STB VN	16.7	14.5	12.2	30.5	15.1	19.0	0.5	1.0	0.6	1.5	1.4	1.2	9.5	9.8	10.5	0.7	0.8	0.8
	VCB VN	21.9	17.3	12.3	23.9	27.1	40.2	0.9	0.6	0.3	4.0	3.1	2.5	19.6	20.1	22.5	1.6	1.8	2.1
	VPB VN	7.4	7.0	7.7	(39.2)	5.8	(9.3)	n/a	1.2	n/a	1.6	1.3	1.1	16.9	19.2	14.9	2.4	2.9	2.2
Brokers	HCM VN	9.5	9.3	9.0	109.5	2.4	2.7	0.1	3.9	3.4	1.6	1.5	1.3	19.5	16.9	15.9	6.2	4.7	3.9
	SSI VN	6.6	9.3	9.2	49.8	(28.8)	1.4	0.1	n/a	6.3	1.6	1.4	1.2	22.5	18.5	14.0	6.2	6.8	6.5
	VCI VN	7.7	7.3	7.1	(3.1)	5.4	2.9	n/a	1.3	2.5	1.7	1.5	1.4	22.9	22.7	20.9	8.8	8.8	8.3
	VND VN	6.3	6.9	5.8	212.3	(7.4)	17.9	0.0	n/a	0.3	1.7	1.6	1.3	34.9	27.0	25.6	8.7	7.4	8.1
Energy	PVD VN	522.8	15.6	8.3	(89.7)	3,245.0	88.4	n/a	0.0	0.1	0.7	0.7	0.7	0.1	4.6	8.8	0.1	3.2	5.7
	NT2 VN	20.7	16.1	14.5	(25.3)	28.7	11.1	n/a	0.6	1.3	2.5	2.5	2.5	15.9	17.5	17.7	7.4	9.6	10.4
	PC1 VN	10.4	7.9	6.7	(6.8)	31.3	17.8	n/a	0.3	0.4	1.1	1.0	0.8	12.6	13.6	14.1	4.7	5.1	6.4
Consumer	MSN VN	13.6			22.9	20.9	4.2	0.6	0.6	0.6	1.8	1.6	1.4	14.5	15.2	13.7	8.0	8.9	8.2
	PNJ VN	17.3	9.4	8.1	(3.4)	68.4	16.2	n/a	0.1	0.5	2.7	2.3	2.1	17.2	23.2	26.5	11.2	13.9	15.6
	DGW VN	7.3	6.2		8.5	17.8	(100.0)	0.9	0.3	n/a	1.3	1.3	1.3	18.4	18.4	18.4	7.1	7.1	7.1
Oil & GAS	POW VN	18.8	17.8	12.7	(25.0)	5.6	40.0	n/a	3.2	0.3	1.3	1.1	1.1	5.8	5.9	7.6	3.4	3.5	4.7
Property	KBC VN	9.2	4.8	3.5	230.0	91.0	40.0	0.0	0.1	0.1	1.2	1.0	0.8	14.0	22.0	26.0	6.0	10.0	12.0
	DXG VN	7.4	9.6	4.9	(303.0)	(22.0)	97.0	n/a	n/a	0.1	1.0	0.9	0.8	14.0	9.0	15.0	6.0	4.0	6.0
	KDH VN	15.9	19.4	27.8	(9.0)	(18.0)	(30.0)	n/a	n/a	n/a	1.9	1.8	1.8	13.0	10.0	6.0	9.0	6.0	4.0
	NLG VN	10.3	23.8	21.0	1.0	(57.0)	13.0	10.3	n/a	1.6	1.2	1.4	1.3	15.0	6.0	7.0	8.0	3.0	3.0
	NVL VN	-	-	-	(41.7)	18.3	53.3	n/a	-	-	-	-	-	10.0	10.6	14.8	2.3	2.4	3.4
	VHM VN	6.2	5.2	4.8	8.5	19.0	8.4	0.7	0.3	0.6	1.6	1.3	1.0	31.0	28.0	25.0	14.0	14.0	14.0
Transport	ACV VN	19.6			28.8			0.7	n/a	n/a	3.4	3.2	2.9	20.2	11.0	12.6	11.3	5.2	5.3
Industrials	DHC VN	5.7	5.9	5.6	25.4	(3.4)	6.6	0.2	n/a	0.8	1.6	1.4	1.3	31.1	25.6	23.9	20.6	12.7	10.1
	BWE VN	13.5	11.5	9.2	46.1	17.0	24.9	0.3	0.7	0.4	2.2	1.9	1.7	20.4	18.8	20.6	8.6	8.6	10.6

Stock ratings and pricing data is as of close on May 26 2022

Source: Bloomberg, Yuanta Vietnam

Appendix A: Important Disclosures

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