



YUANTA REGIONAL INVESTMENT FORUM

Waiting for Godot, FTSE and MSCI

NOVEMBER 28, 2023

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CFA – Head of Vietnam Research

Yuanta Securities Network

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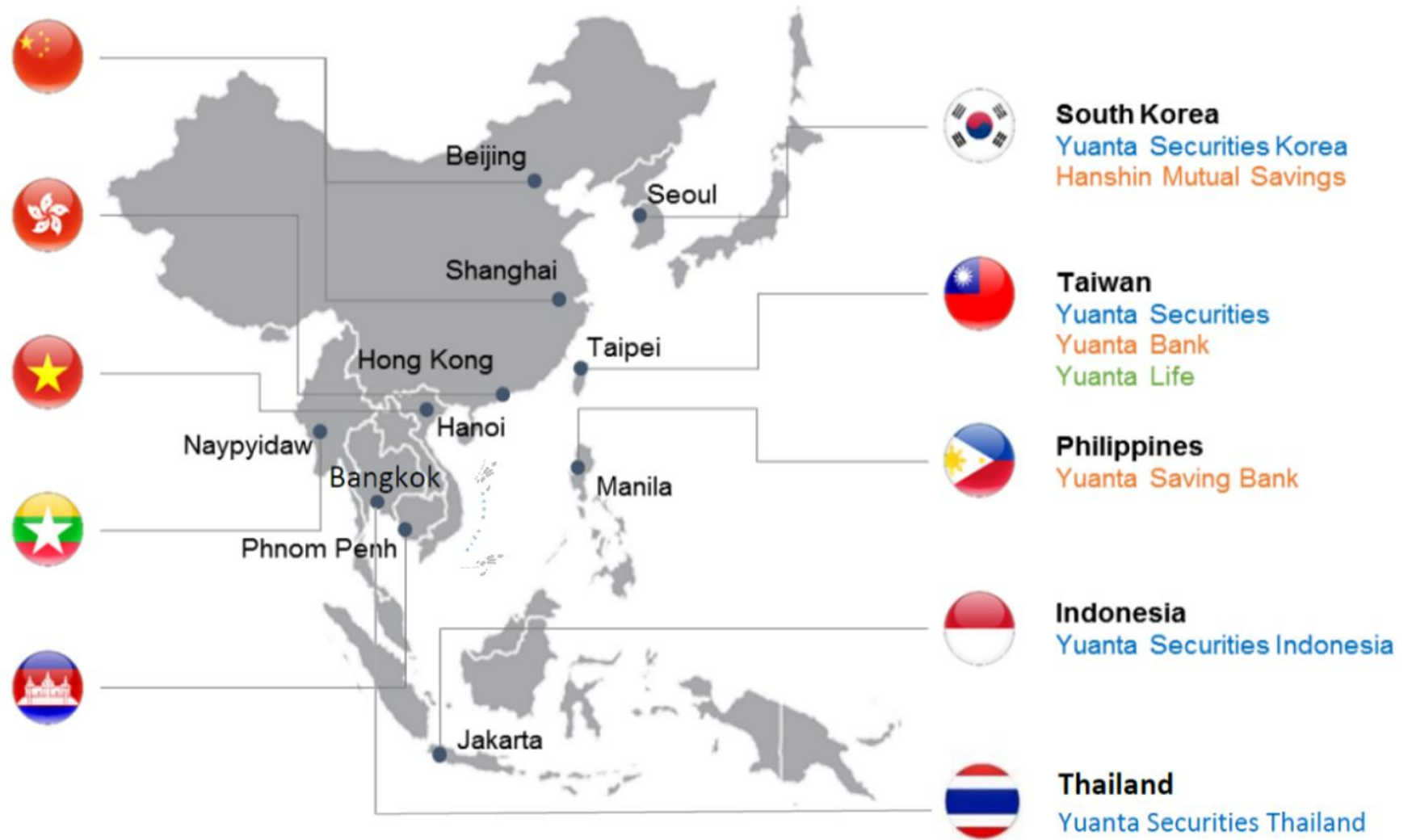
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Yuanta Securities Vietnam – Institutional Research

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	2023E Dividend yield	12-m TSR*
Banks	Asia Commercial Bank	ACB VN	3,529	5.7	BUY	22,050	28,510	29%	4.5%	34%
	BIDV	BID VN	9,098	1.8	HOLD-Underperform	43,650	42,780	-2%	0.0%	-2%
	HD Bank	HDB VN	2,181	5.6	BUY	18,300	22,390	22%	5.5%	28%
	MB Bank	MBB VN	3,835	7.1	BUY	17,850	25,260	42%	2.8%	44%
	Sacombank	STB VN	2,198	24.0	HOLD-Underperform	28,300	33,575	19%	0.0%	19%
	Vietcombank	VCB VN	19,805	4.3	BUY	86,000	99,420	16%	0.9%	17%
	Vietnam Prosperity Bank	VPB VN	6,277	12.2	BUY	19,200	25,540	33%	5.2%	38%
Brokers	HCM City Securities	HCM VN	554	8.1	BUY	29,400	33,805	15%	2.7%	18%
	Saigon Securities	SSI VN	1,977	36.4	BUY	32,000	32,187	1%	1.2%	2%
	Viet Capital Securities	VCI VN	757	11.0	BUY	42,000	45,580	9%	2.3%	11%
	VNDirect Securities	VND VN	1,069	24.2	BUY	21,300	24,019	13%	2.2%	15%
Energy	PV POW	POW VN	1,100	3.0	BUY	11,400	16,877	48%	0.0%	48%
	PV NT2	NT2 VN	289	0.7	SELL	24,350	19,318	-21%	8.2%	-12%
	PCC1	PC1 VN	332	4.4	BUY	25,900	34,123	32%	0.0%	32%
Consumer	Masan Group	MSN VN	3,643	5.4	Suspended	61,800	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,087	1.7	BUY	80,400	90,200	12%	1.7%	14%
	Digiworld	DGW VN	350	4.4	Suspended	50,800	N/A	N/A	0.0%	N/A
	FPT Digital Retail	FRT VN	573	2.8	BUY	102,000	100,607	-1%	1.0%	0%
Oil & GAS	PV Drilling	PVD VN	618	6.1	BUY	27,000	36,103	34%	2.6%	36%
Property	Kinh Bac City	KBC VN	992	12.5	BUY	31,350	38,300	22%	0.0%	22%
	Dat Xanh Group	DXG VN	503	16.3	BUY	20,000	40,500	103%	0.0%	103%
	Khang Dien House	KDH VN	1,034	2.0	HOLD-Underperform	31,400	35,500	13%	0.0%	13%
	Nam Long	NLG VN	584	3.7	HOLD-Underperform	36,900	37,800	2%	1.4%	4%
	Novaland	NVL VN	1,414	22.8	Coverage Suspended	17,600	-			
	Vinhomes	VHM VN	7,015	12.2	BUY	39,100	76,900	97%	0.0%	97%
	Vincom Retail	VRE VN	2,116	4.8	BUY	22,600	38,000	68%	0.0%	68%
Transport	Airports Corp Vietnam	ACV VN	6,189	0.2	HOLD-Underperform	69,000	76,400	11%	0.0%	11%
Industrials	Dohaco	DHC VN	130	0.6	BUY	39,150	63,571	62%	9.1%	72%
	Biwase	BWE VN	335	0.3	BUY	42,200	70,902	68%	4.7%	73%
Technology	FPT Corporation	FPT VN	4,772	10.1	BUY	91,200	120,740	32%	2.2%	35%

*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 Nov 24 2023

Source: Bloomberg, Yuanta Vietnam

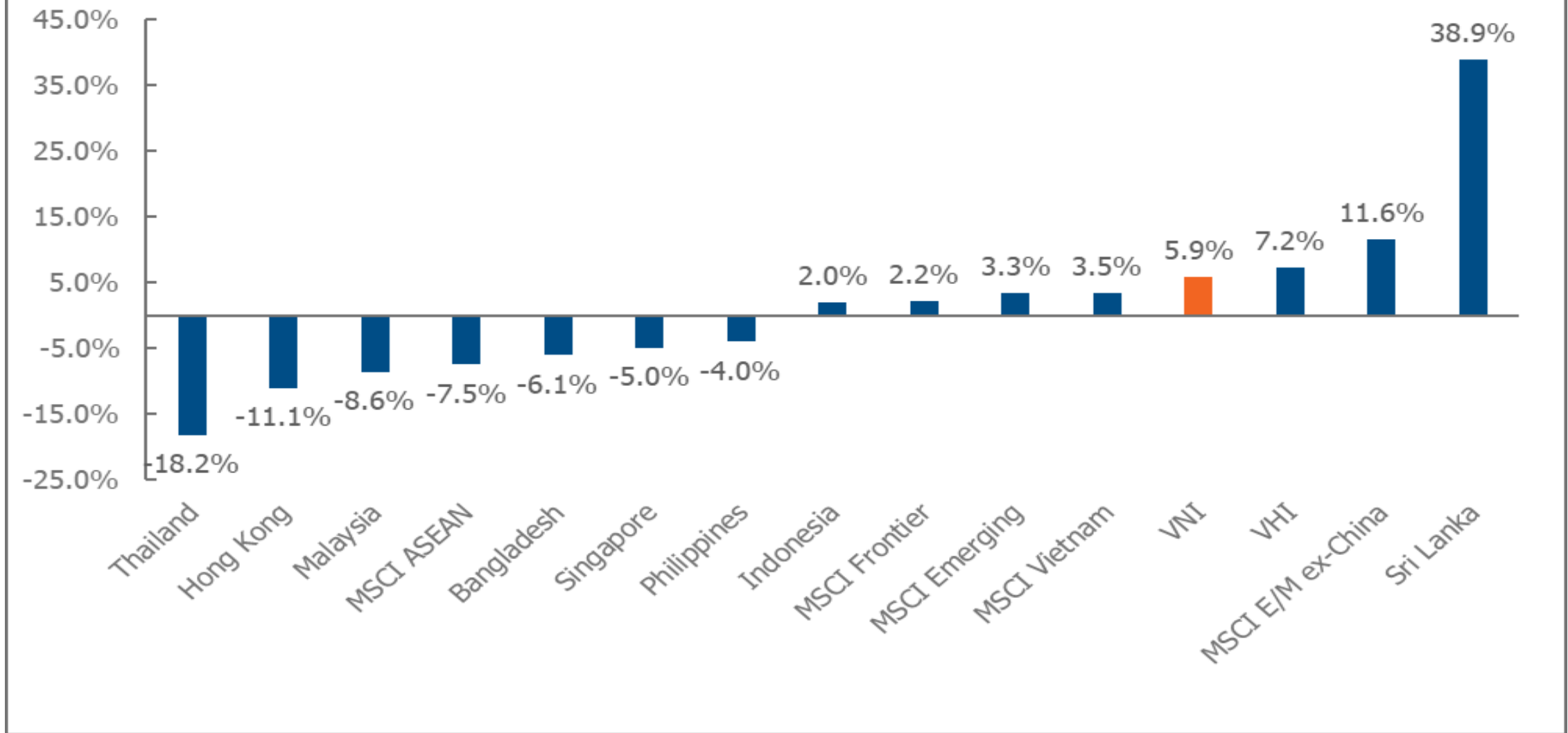
Top Picks

- 1) Banks – Stick with quality: ACB, MBB, HDB. Also, VCB if you don't mind paying the premium (which we think is deserved).
- 2) Property – VHM and KDH. But we don't anticipate a upswing in the property cycle until late 2024 (at the earliest). We also like VRE as a commercial real estate play.
- 3) Consumer – FRT, for the pharmacy retail business. PNJ (BUY) is interesting, but the working capital situation is an uncertainty .
- 4) Tech – FPT: If I could only own one VN stock, this would be it.
- 5) Energy – PC1 as a fundamental story, POW as a trade.
- 6) Industrials – PVD (offshore drilling), DHC (exports) & BWE (water supply).
- 7) Brokers – SSI & VCI: A tradable market proxy.

Bull market argument for 2024

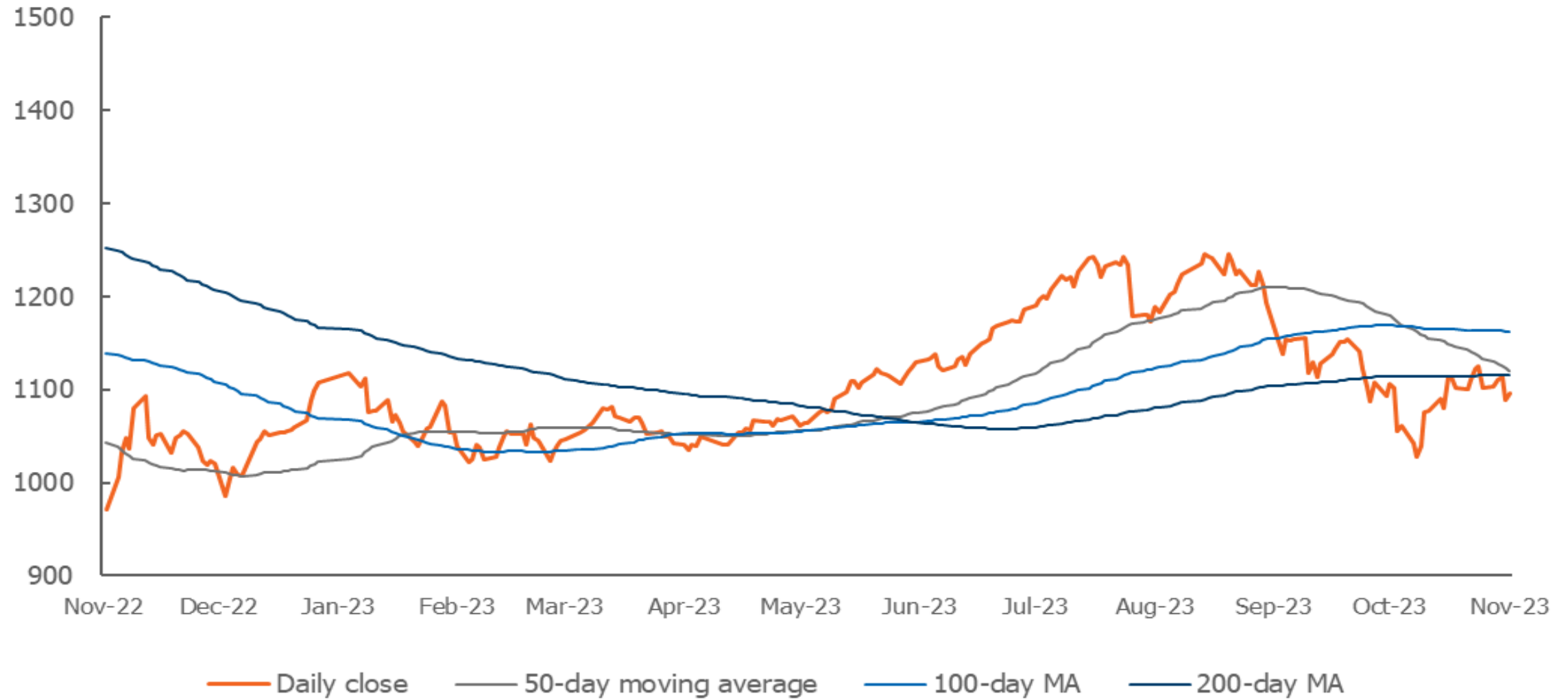
- 1) Recovery in financial liquidity – A series of policy rate cuts since March, and prudential policy loosening. 👍👍👍👍
- 2) Falling SOE bank deposit rates means a falling risk-free rate, *and* cheaper debt servicing costs. 👍👍👍👍
- 3) Positive technical momentum – is it sustainable? (you might not care, but 90% of this market cares). 👍👍👍👍
- 4) Valuations are reasonable, albeit not as cheap as they were.
- 5) Other issues: Corporate bond troubles are still there; listing of OTC corp bonds since July; US equity listings – SPAC vs. IPO (VNG is next). 👍👍👍👍 **except VNG – off the table**
- 6) **FTSE & MSCI upgrade – Could it actually happen?**

YTD market performance (USD terms)



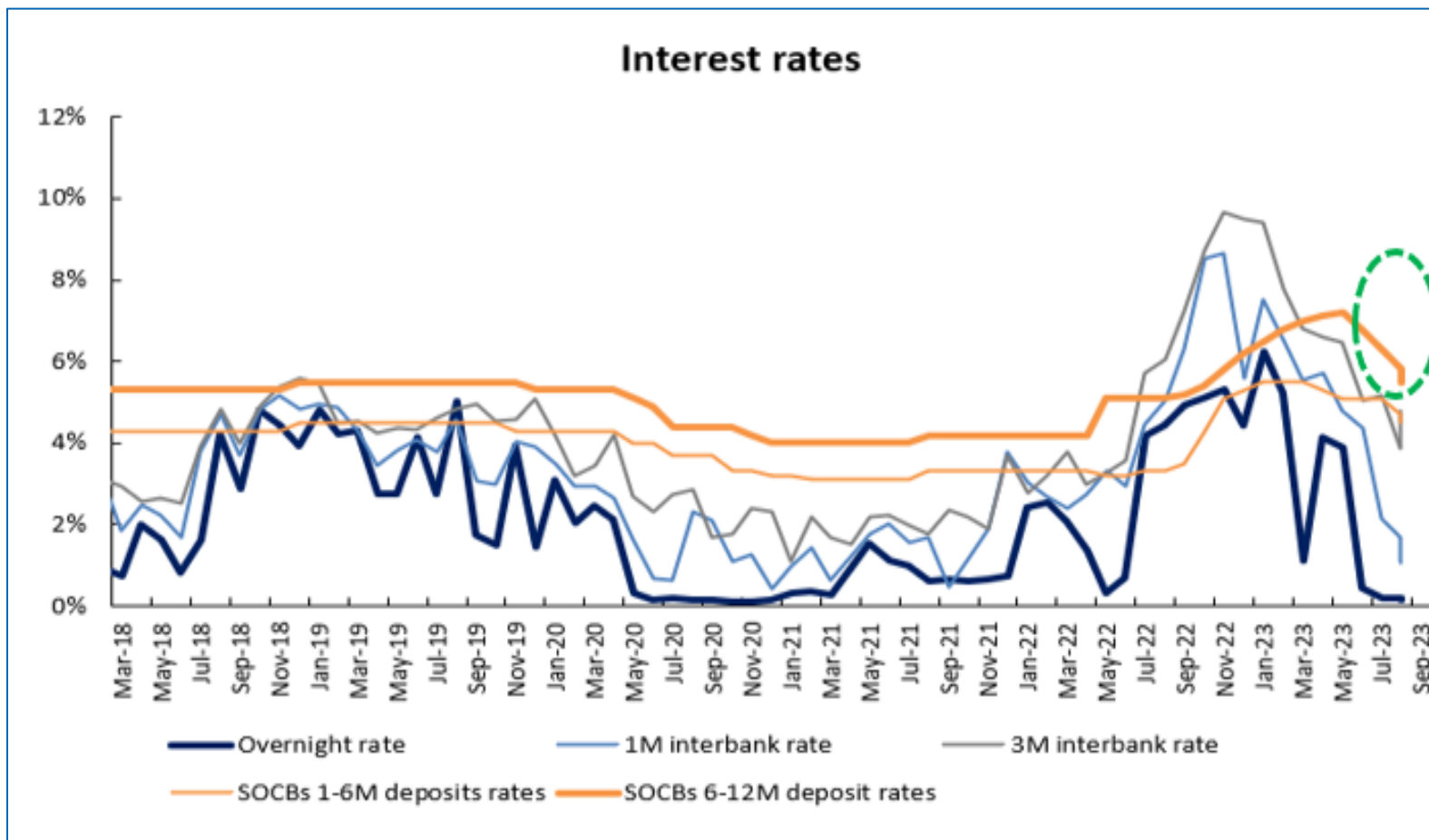
Source: Bloomberg, Yuanta Vietnam, Nov 24, 2023

The VN Index is now -1.8% below its MA-200 day.



Source: Bloomberg, Yuanta Vietnam, Nov 24, 2023

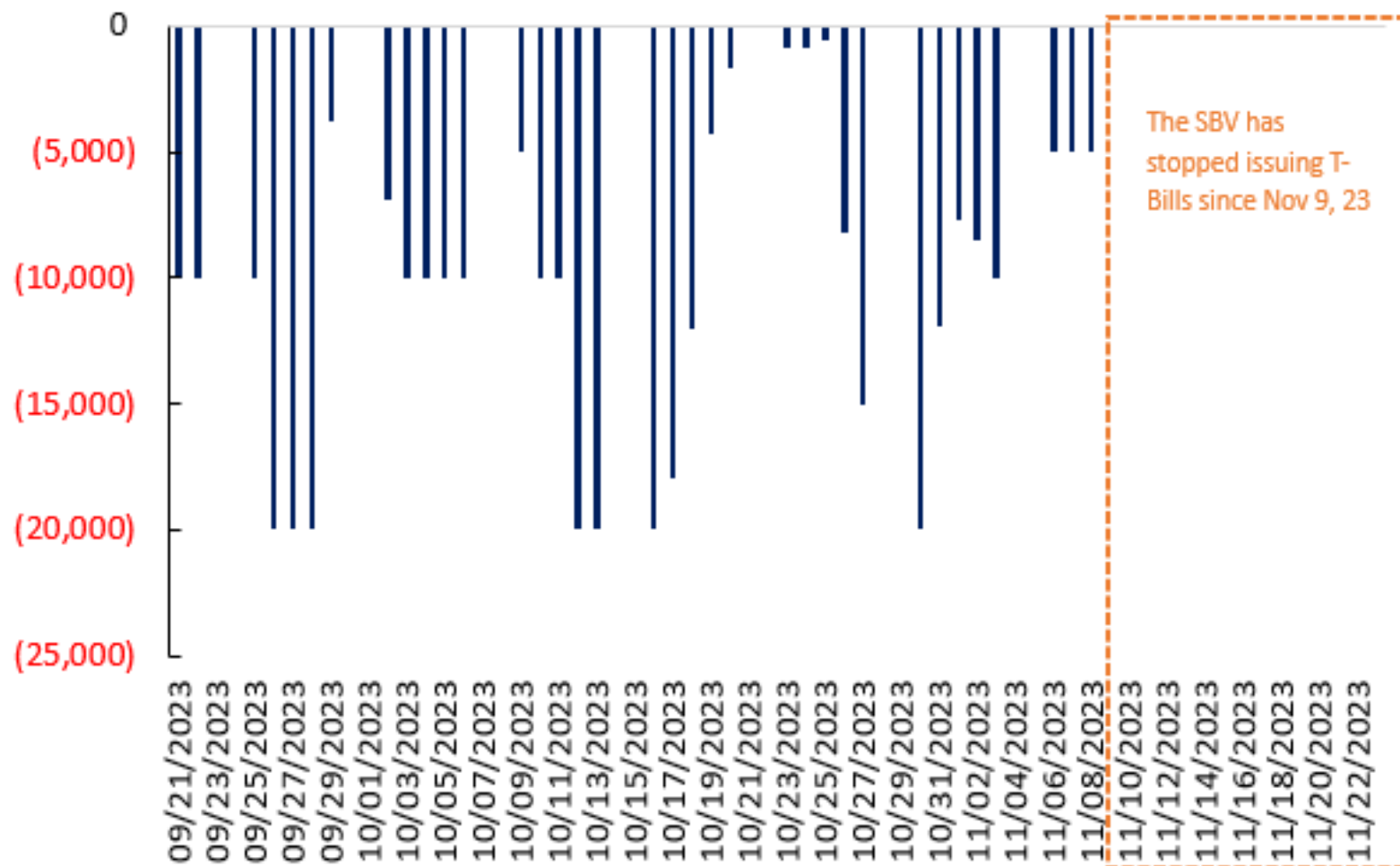
Financial liquidity has eased



- ***SOE bank deposits are the de-facto risk free rate for Vietnam (not govt bonds).***
- ***Lower deposit rates = lower discount rate = higher fair value P/E***
- ***Bank rates are also the benchmark for loan pricing, so this is not just an Ivory Tower discussion.***

Source: FiinPro, Yuanta Vietnam (Oct 20)

Financial liquidity has eased



- **Late Sept, the SBV issued short-term bills to defend the VND.**
- **In total, the SBV soaked up US\$9 billion in financial system liquidity in Sept 21 – Nov 8.**
- **VNI -11% in the same period.**
- **SBV stopped this activity since Nov 9, which is the key driver of the stock market's recovery since then.**

Source: SBV



BANK INDUSTRY

November/ 2023

Analyst: Tanh Tran

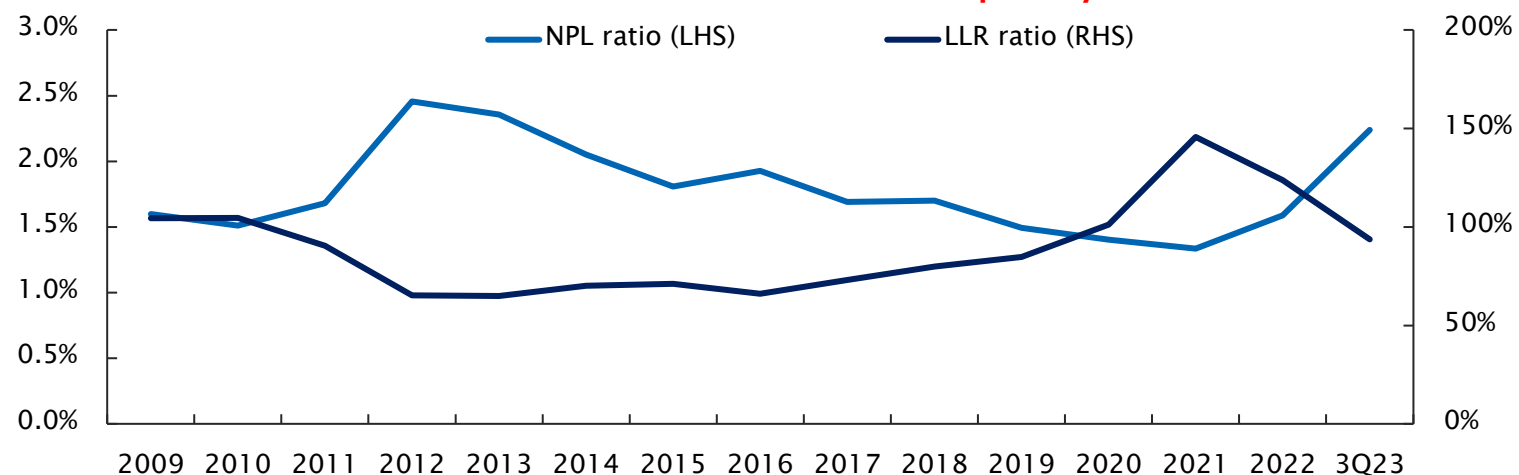
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Vietnam Bank Sector in 2023 and outlook 2024

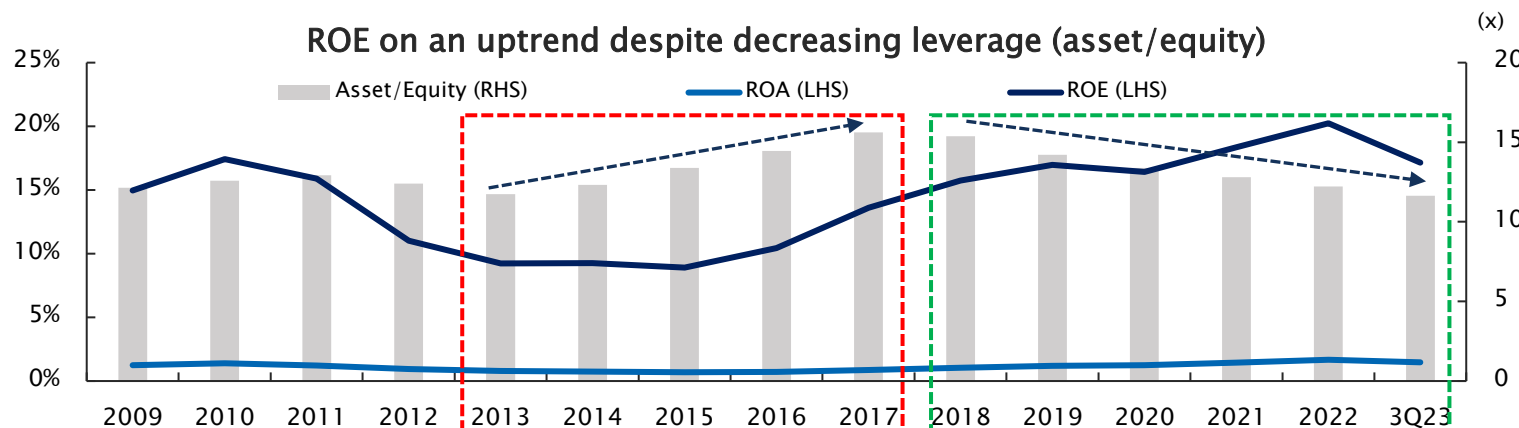
What happened in 2023?

- Declined NIM (*low credit growth, lower loan yields but higher COF*)
- Deteriorated asset quality
- Reduced ROE

Deteriorated Asset quality



Declined ROE in 2023, but should improve in 2024

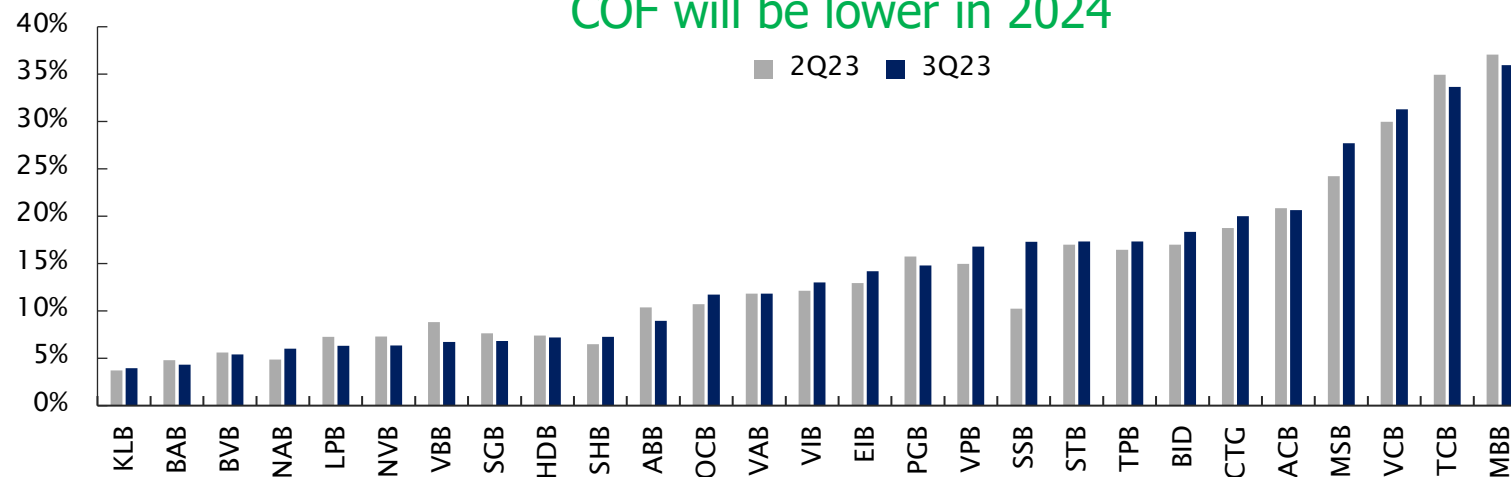


Vietnam Bank Sector in 2023 and outlook 2024

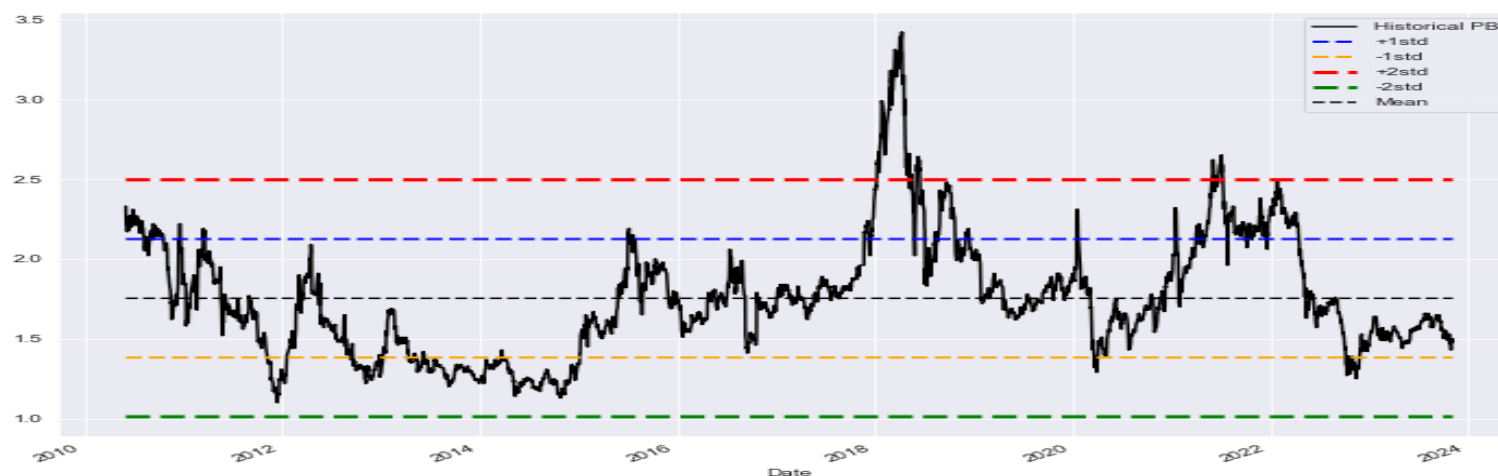
What to expect in 2024?

- Credit growth to recover
- NIM to improve given lowered COF
- Attractive valuation

Improved CASA ratio in 3Q23 ...
COF will be lower in 2024

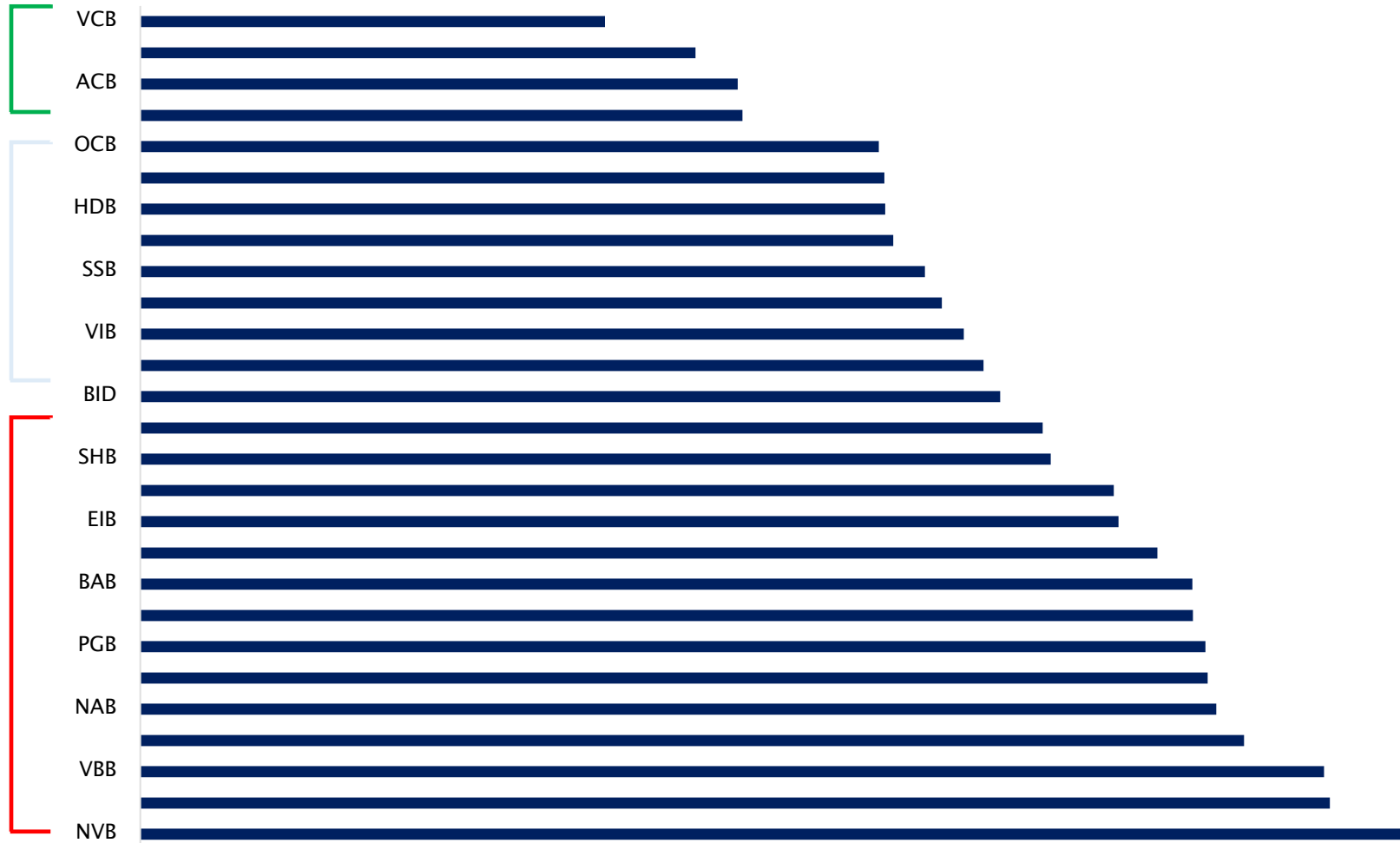


Valuation is attractive



VIETNAM BANKING SECTOR

CAMEL Scores



Source: Yuanta Vietnam



RESIDENTIAL REAL ESTATE INDUSTRY

The Darkness is Over

November/ 2023

Analyst: Tam Nguyen

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Tracking Market Sentiment:

HOUSING DEMAND



- ☑ Demographic profile, ☑ Low living space per capita, ...

FIRST-HOME BUYER CONFIDENCE



- ☑ A lower mortgage rate.

INVESTORS



- ➔ New borrowings, mortgage rate is 7.8-10.5% p.a., mark a 2.4 ppt decrease from the peak
- ➔ Existing loans, mortgage rate is generally range in 10-12% p.a which is 1.5 ppt lower than the peak

SPECULATORS



- ☐ However, income outlook is gloomy.

SUPPLIER CONFIDENCE



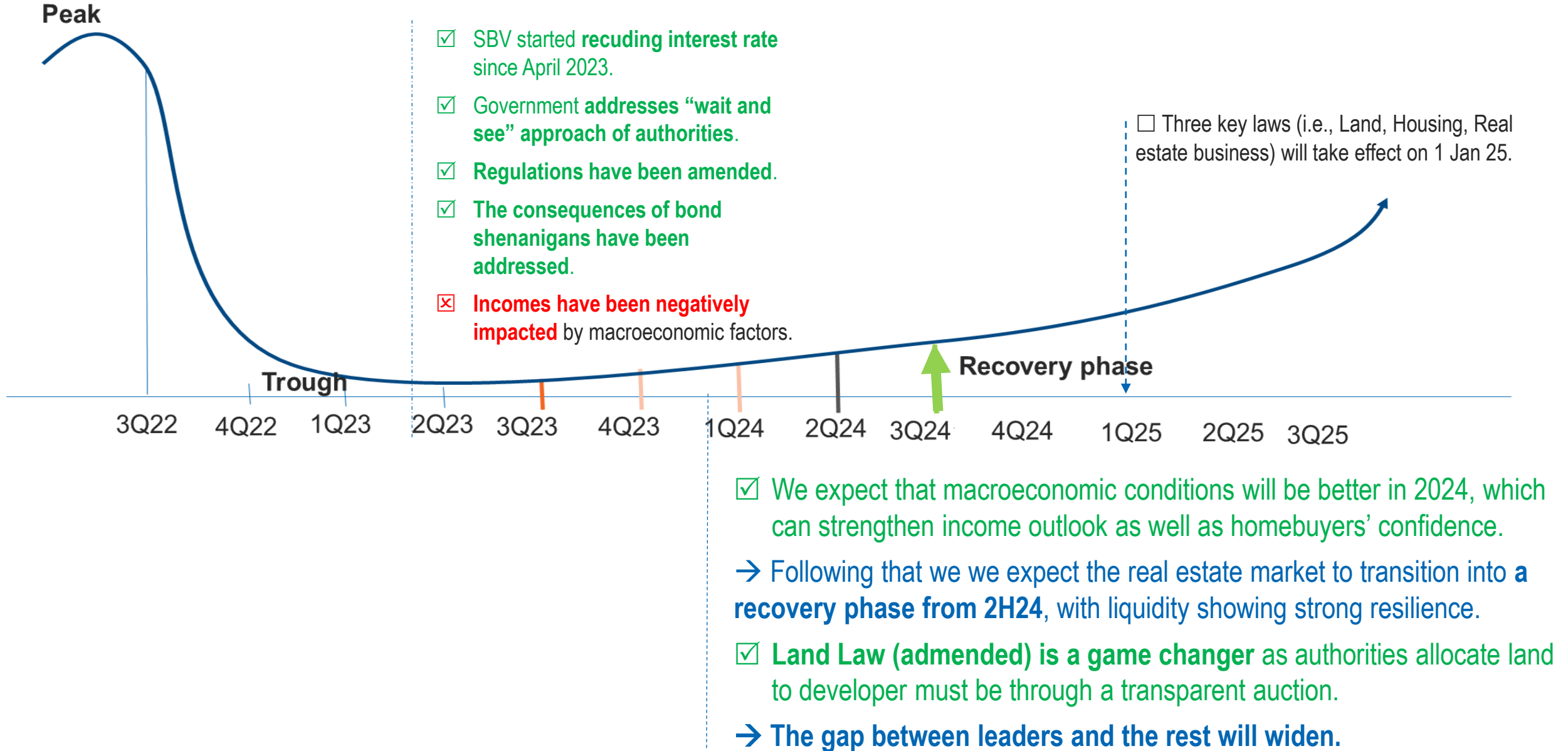
- ☑ A lower borrowing cost from banks (i.e., 9.5-12% p.a.) but only a modest recovery in the bond market.
- ☑ Some developers have cautiously resumed launching new units since 1H23.
- ☑ Government efforts to address administrative issues are progressing, and the results are positive. However, they have not met the expectations of developers.
- ☑ Their market surveys indicate a weakness in purchasing power.

MARKET SENTIMENT



- ☑ Asking prices in secondary market are 15-30% lower than their peak levels, which has started attracting the interesting of homebuyers, who have healthy financial status.
- ☑ In 3Q23, both the new unit launched and take-up rate have gradually improved QoQ.
- ☑ In 3Q23, total transaction across the entire country and state revenue from real estate have significantly increased by 40% QoQ.

Property Outlook:



Stock Picks

Investment thesis:




VINHOMES
BUY
Target price: VND 76.6K
Upside: +97%

- A leader in the property sector + strong execution capabilities + a healthy balance sheet.
- Significantly benefit from recent and upcoming regulatory amendments, especially in landbank expansion.
- Owning a landbank of 177mn sqm + is expanding its landbank by an additional 5 projects, (~18mn sqm).
- VHM is trading at P/B ratio of 1.0x, VHM offers minimal downside risk and substantial long-term upside potential



VINCOM RETAIL
BUY
Target price: VND 38K
Upside: +68%

- A leader in the commercial real estate sector, is a proxy on the multiyear expansion of Vietnam's commercial property market.
- Unparalleled competitive advantages such as a prime mall portfolio and exceptional execution capabilities, which poised to drive its growth in the next decade.
- A strong leasing revenue momentum to be driven by 1) the top-down growth of retail spending power in Vietnam and 2) multi-year expansion of VRE's gross floor area.

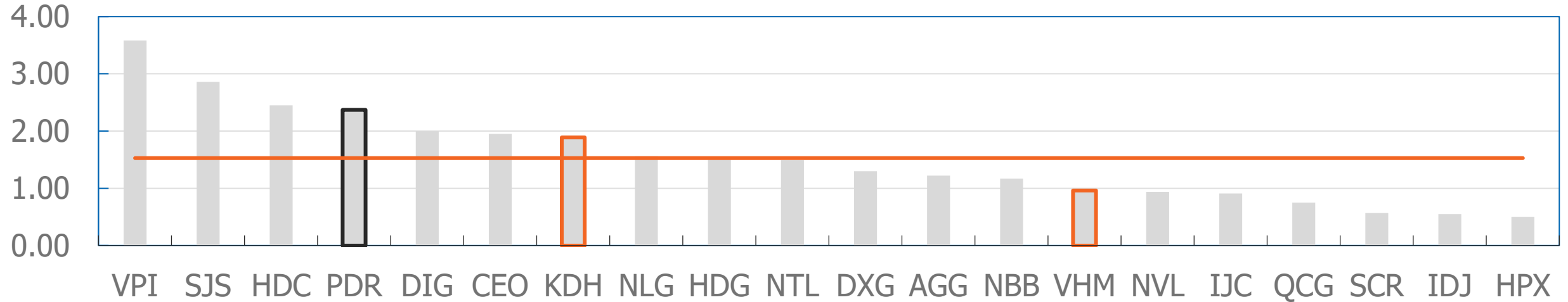


KDH
HOLD-UPF
Target price: VND 31.9K
Upside: +2%

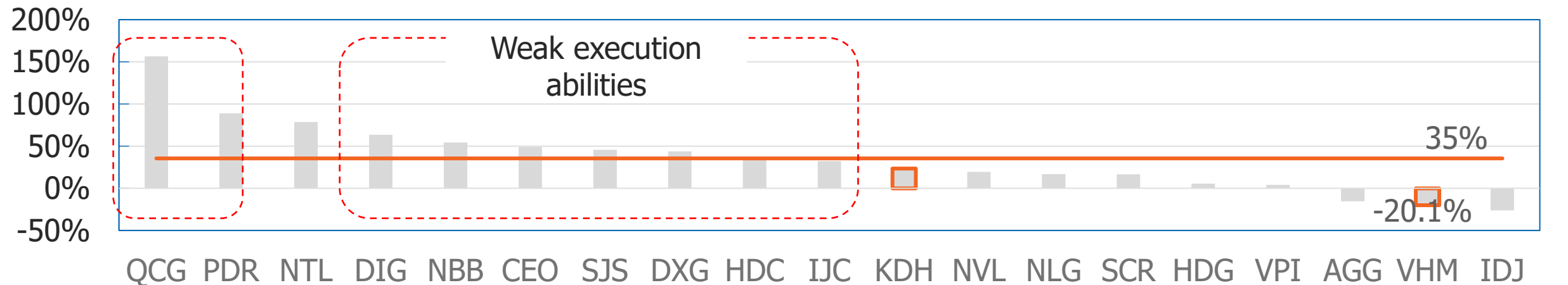
- Competitive advantages in terms of its landbank (650ha in HCMC) + strong brand reputation.
- Adopting a prudent approach in both financial and operational practices → KDH mitigates potential risks.
- KDH has just disclosed positive developments in legal processes for all its pipeline projects and a new landbank (above 5ha in Thu Duc city). **We believe these developments contribute to an upside potential in KDH share prices.**

Property Stocks Ride The Waves Of Expectations And Fears

Price to book ratio



YTD performance (%)





CONSUMER INDUSTRY

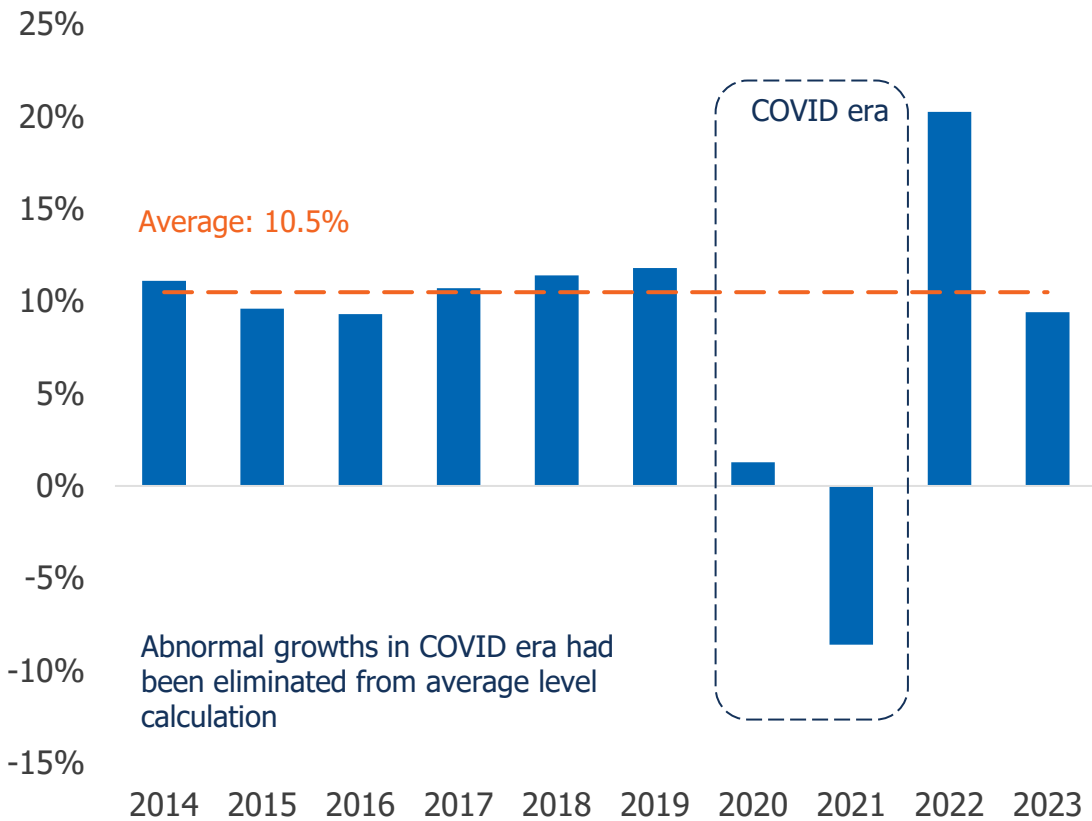
November/ 2023

Analyst: Di Luu

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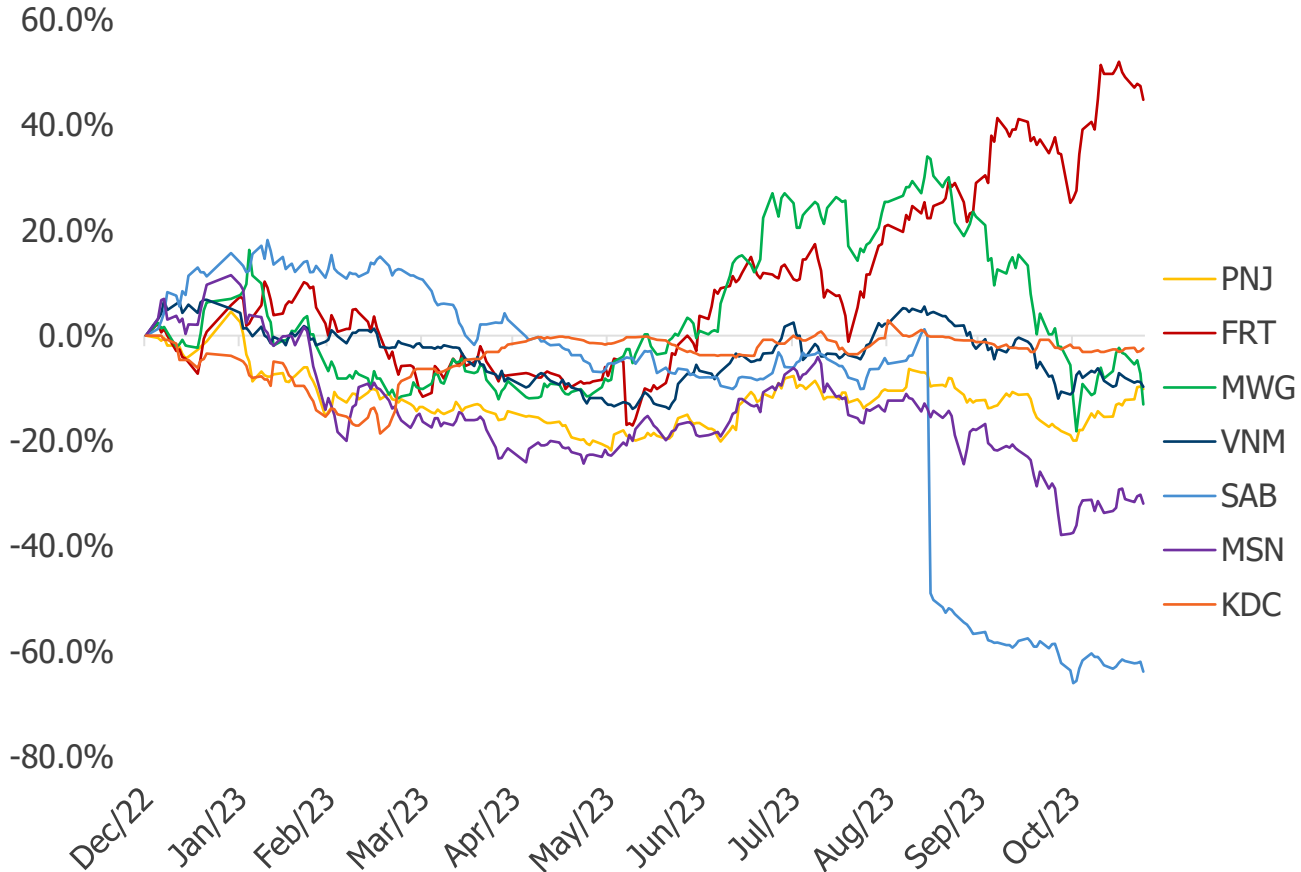
Consumer stocks have been affected due to economic slowdown

Total retail sales growth in first 10 months



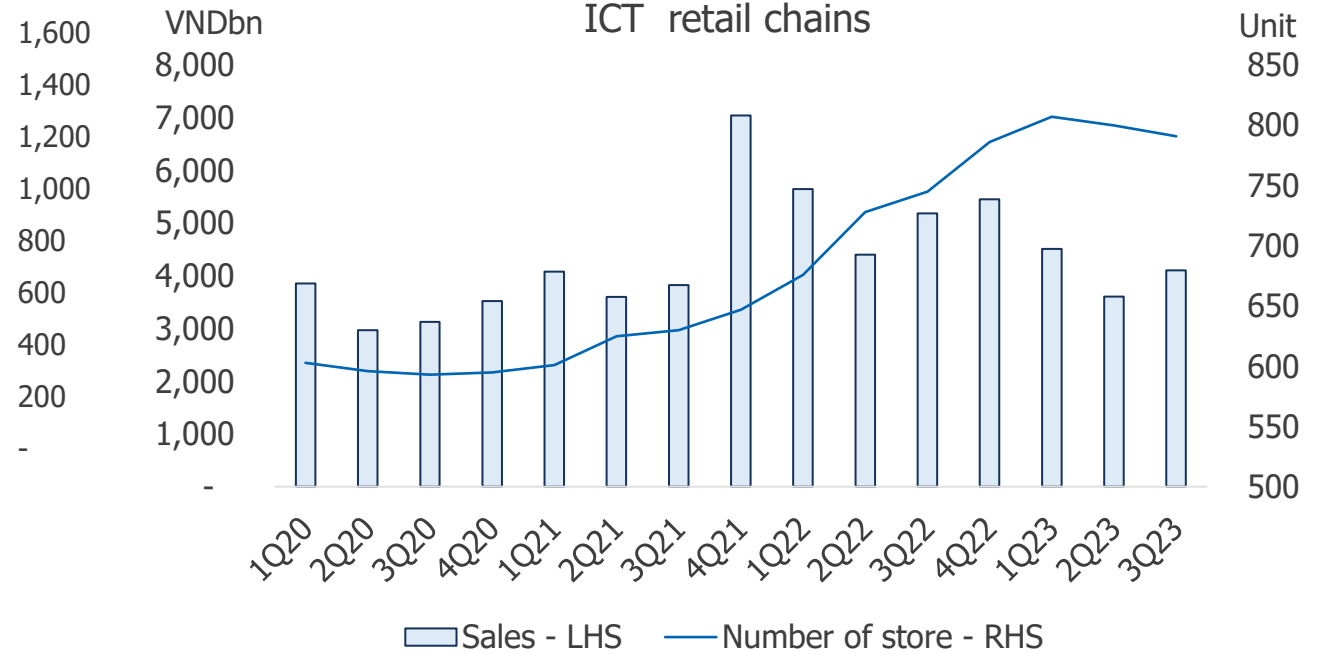
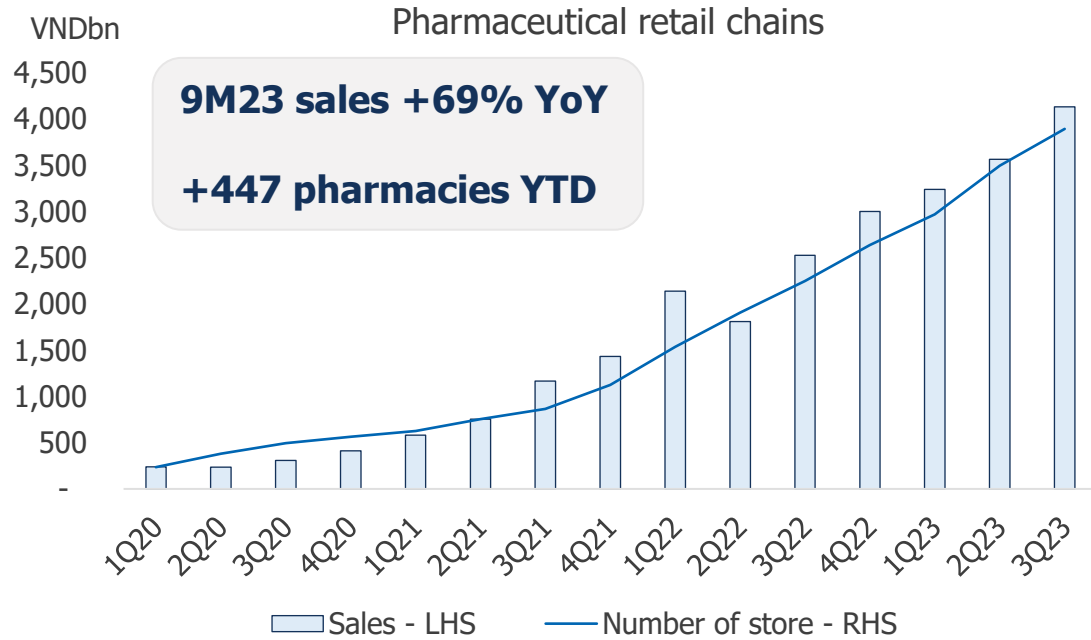
Source: GSO

Performance of consumer stocks (YTD)



Source: Fiinpro, Yuanta Vietnam (data as of Nov 23)

FRT – Pharmaceutical retail chain is a key growth driver



Source: Company data, Yuanta Vietnam



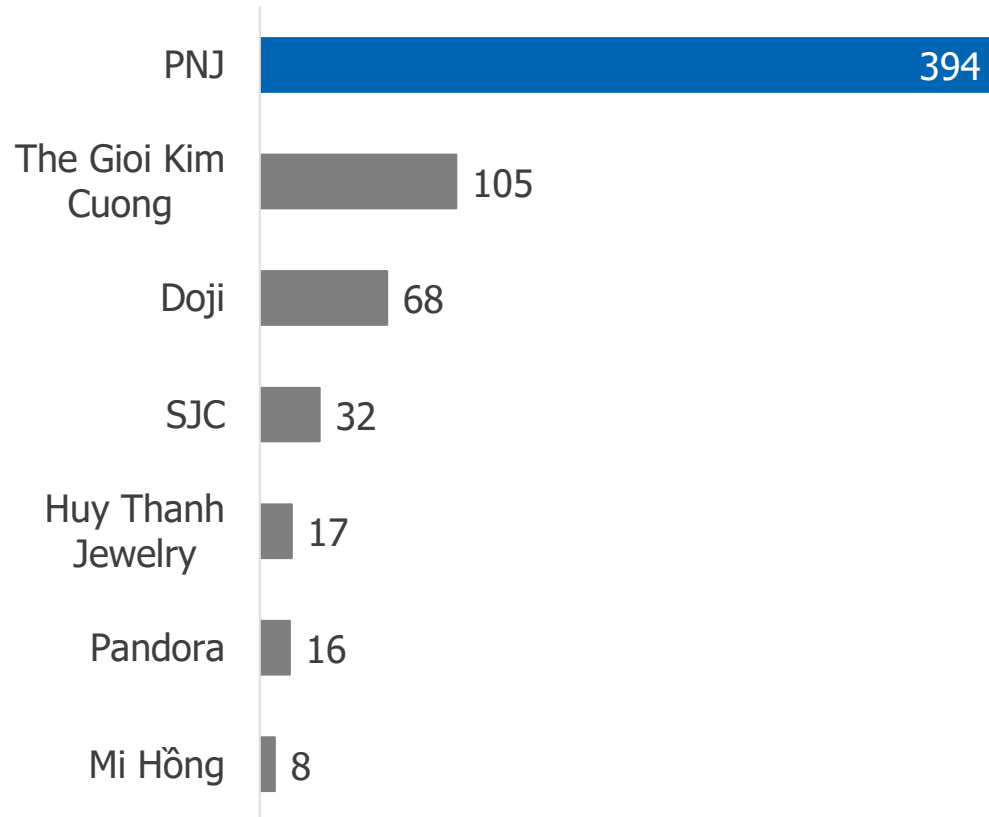
Pharmacies & Vaccination centers



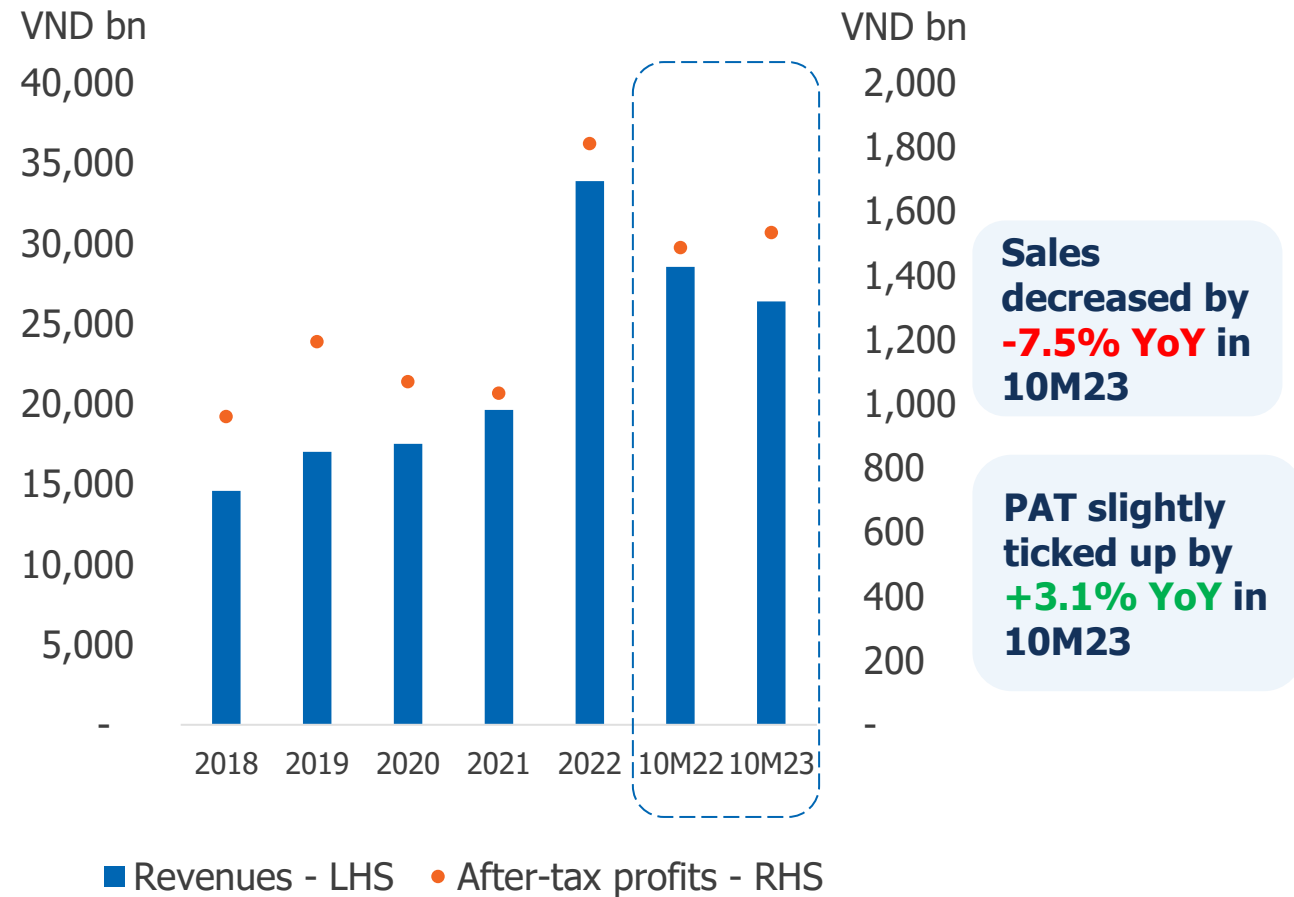
The launching as a MNVO in 2024

PNJ – Leading jewelry retail chain in Vietnam

Vietnam jewelry retail chains
(number of stores)



Profit growth returned to positive territory in 10M23



Source: Company data, Yuanta Vietnam



ENERGY AND TECHNOLOGY INDUSTRIES

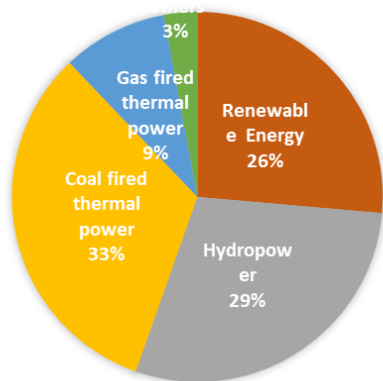
November/ 2023

Analyst: Binh Truong

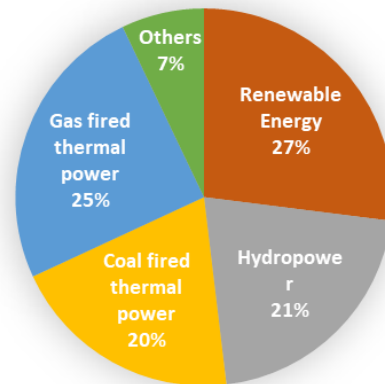
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Energy Sector: Excellent exposure to Vietnam Thirst of Energy

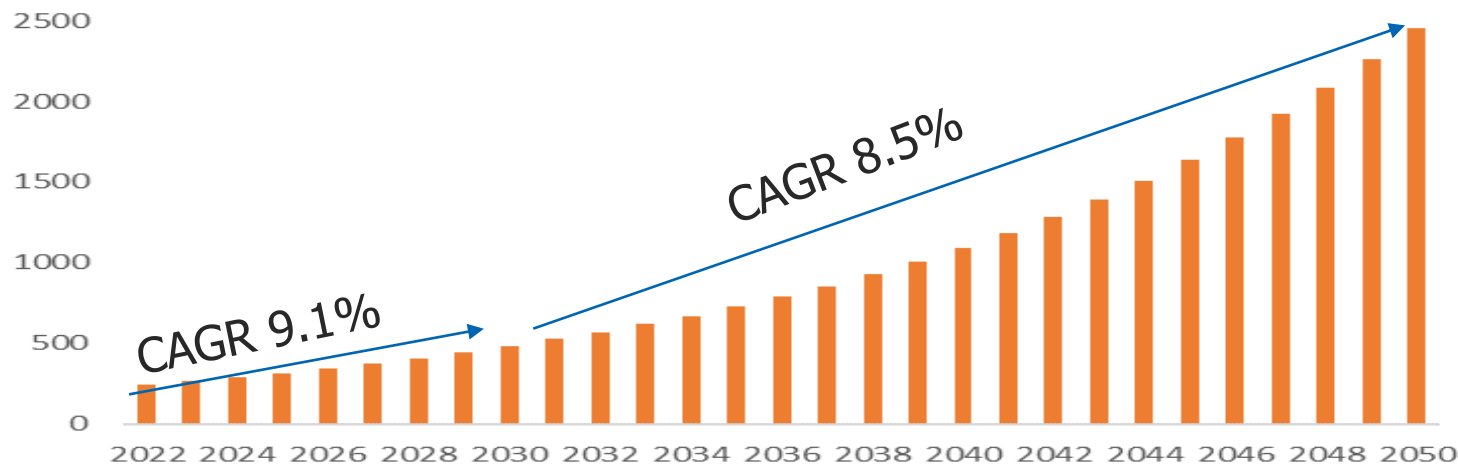
Installed capacity power mix by 2022



Installed capacity power mix by 2030



Electricity demand (bn kWh)

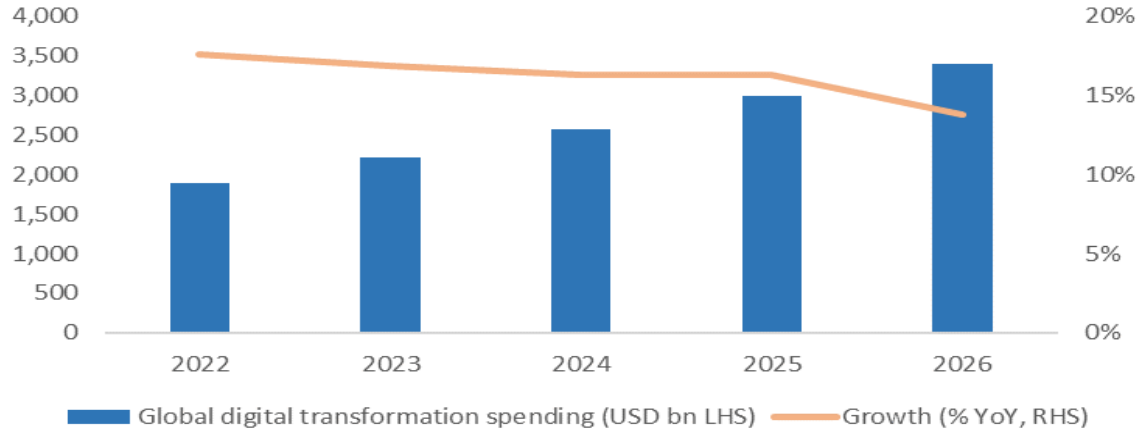


- **Renewable energy is prioritized under PDP8 and COP26.**
- **Electricity demand should grow at 9.1% CAGR in 2021-2030 and 8.5% CAGR in 2031-2050.**
- **Massive investment in energy system: USD 134.7bn in 2021-2030; USD 399-523bn in 2031-2050.**
- **Our top pick: PC1 (BUY), POW (BUY)**

Source: PDP8, Yuanta Vietnam

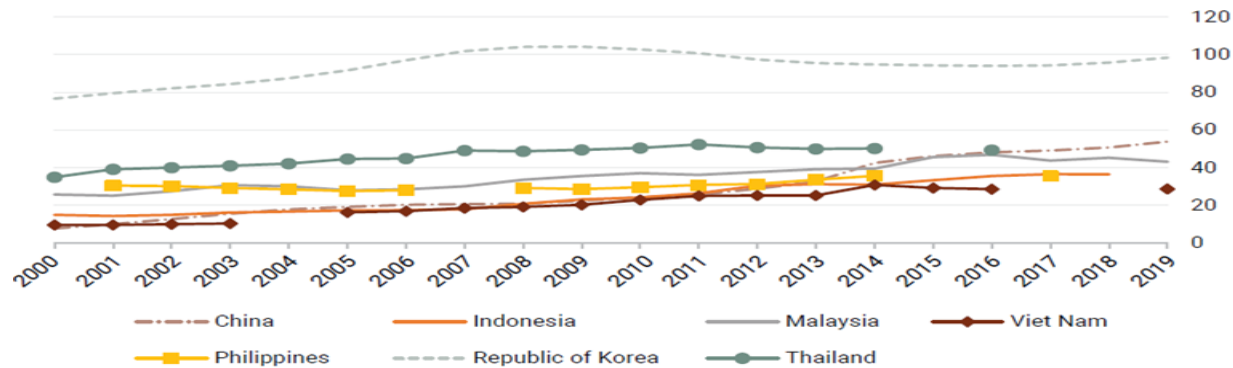
Technology & Education: Ample room for growth

Global digital transformation spending growth at double digit



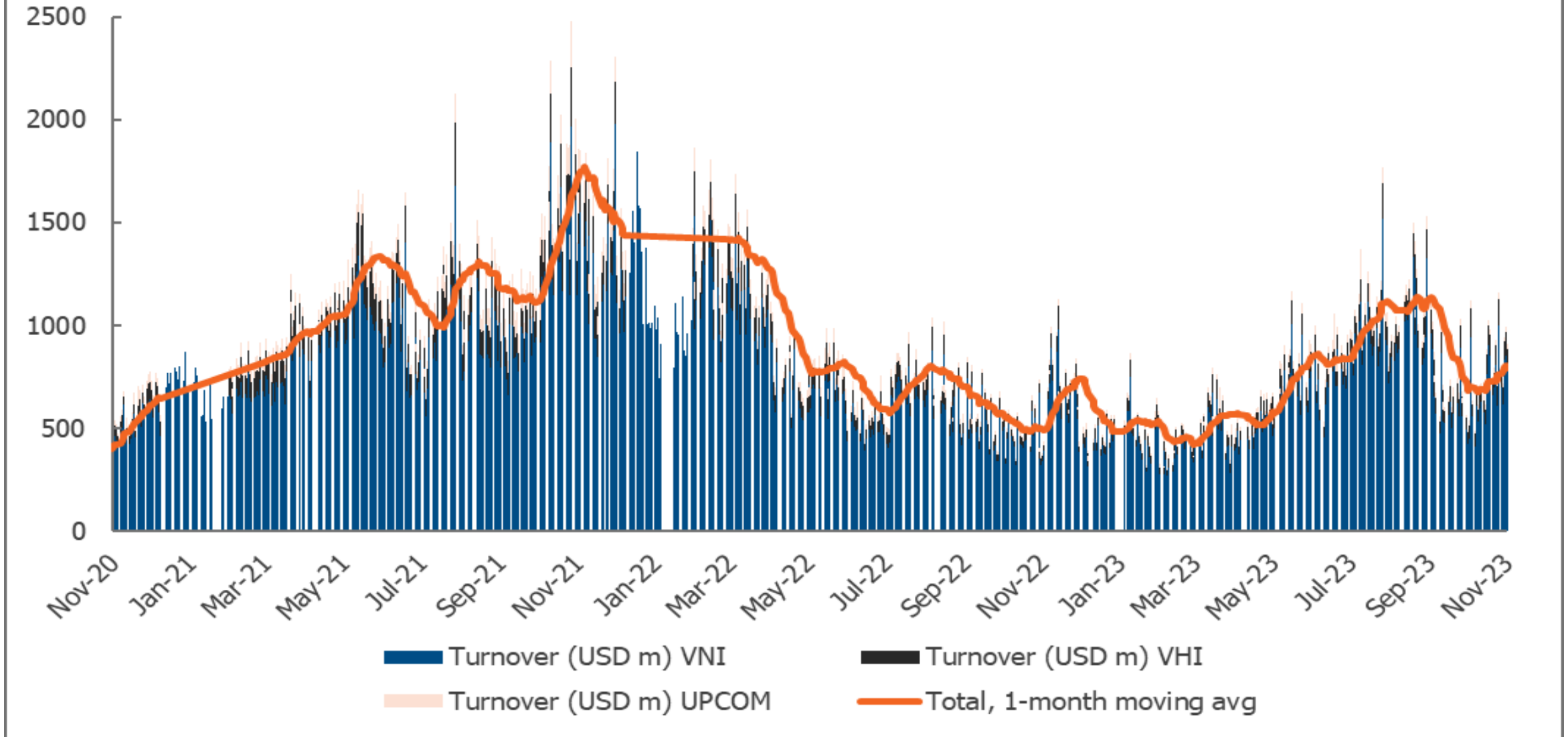
- ***IT spending is projected to increase by 8.6% YoY in 2024 to reach USD 5.04tn.***
- ***Global DX spending will reach USD3.4 trillion in 2026, ~CAGR of 16.3% 2022-2026.***
- ***Education ample room for growth. Vietnam's GER in tertiary education only 28.6% in 2019, far below regional peers.***
- ***Top pick: FPT (BUY, TP VND 120,740).***

Figure 2.2. Tertiary Education GER in Vietnam and Selected Countries, 2000–19
percent



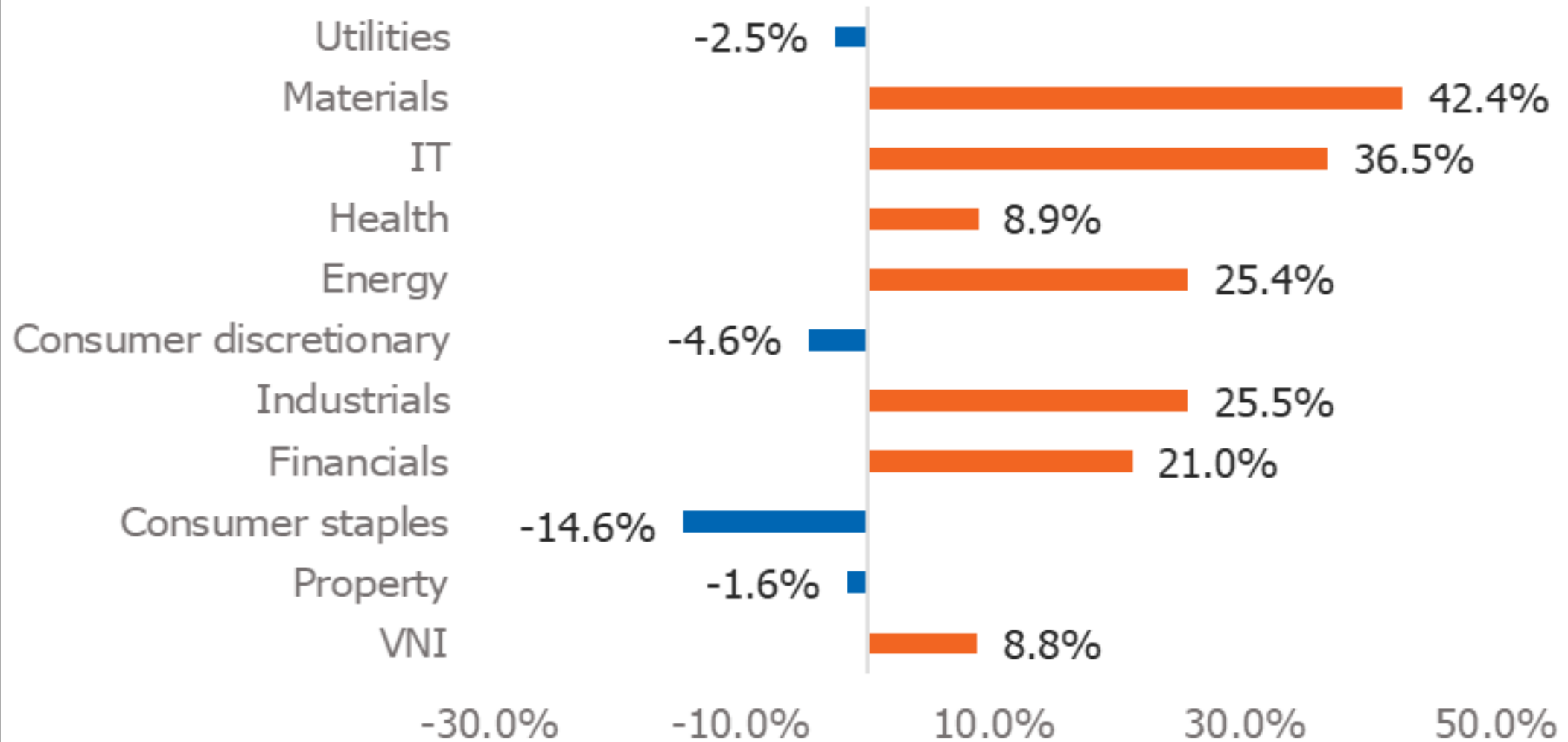
Source: IDC, World Bank, Yuanta Vietnam

Market Volumes



Source: FiinPro, Bloomberg, Yuanta Vietnam (Nov 24)

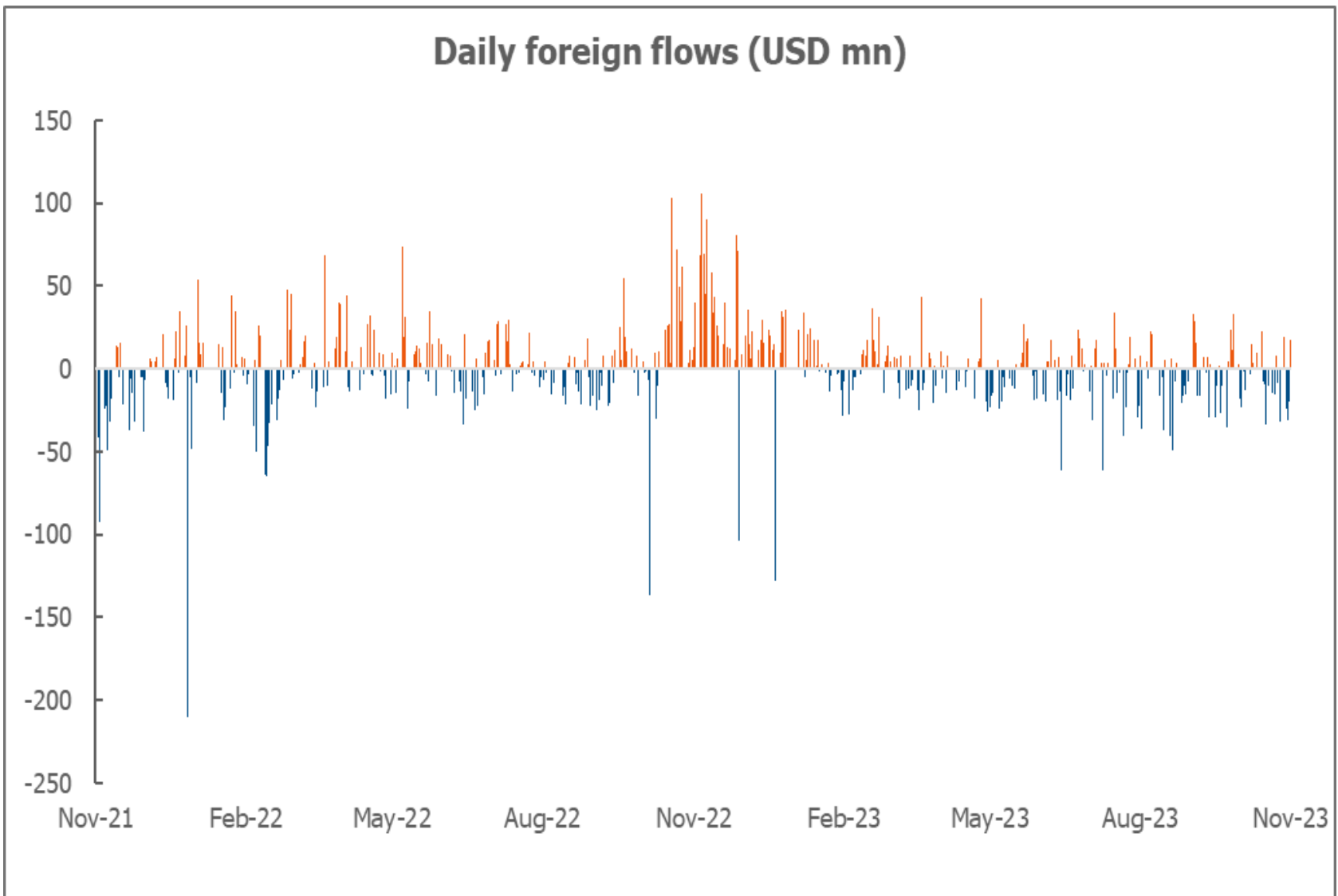
Sector Performance -- YTD through Nov 24



Source: Bloomberg, Yuanta Vietnam (Nov 24)

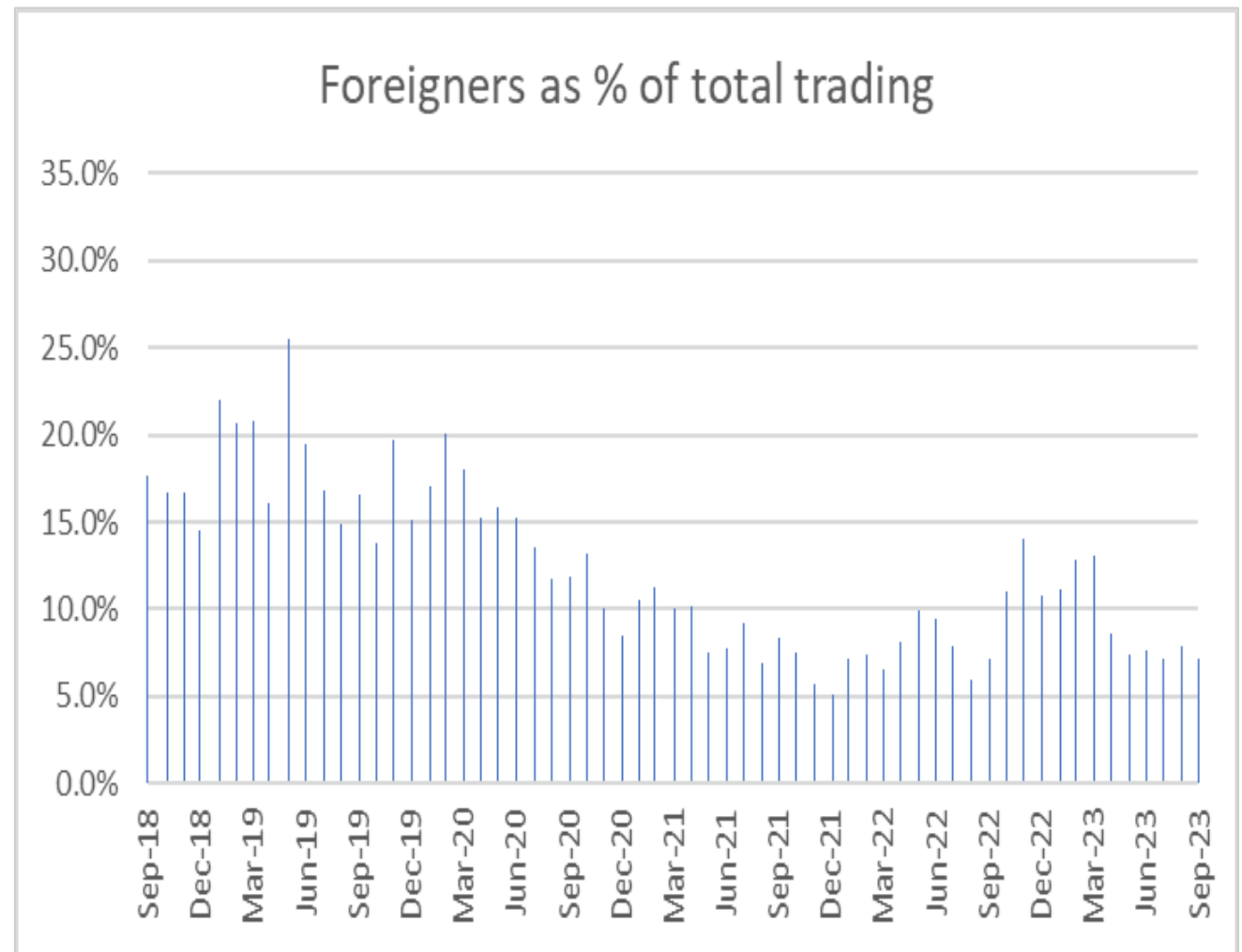
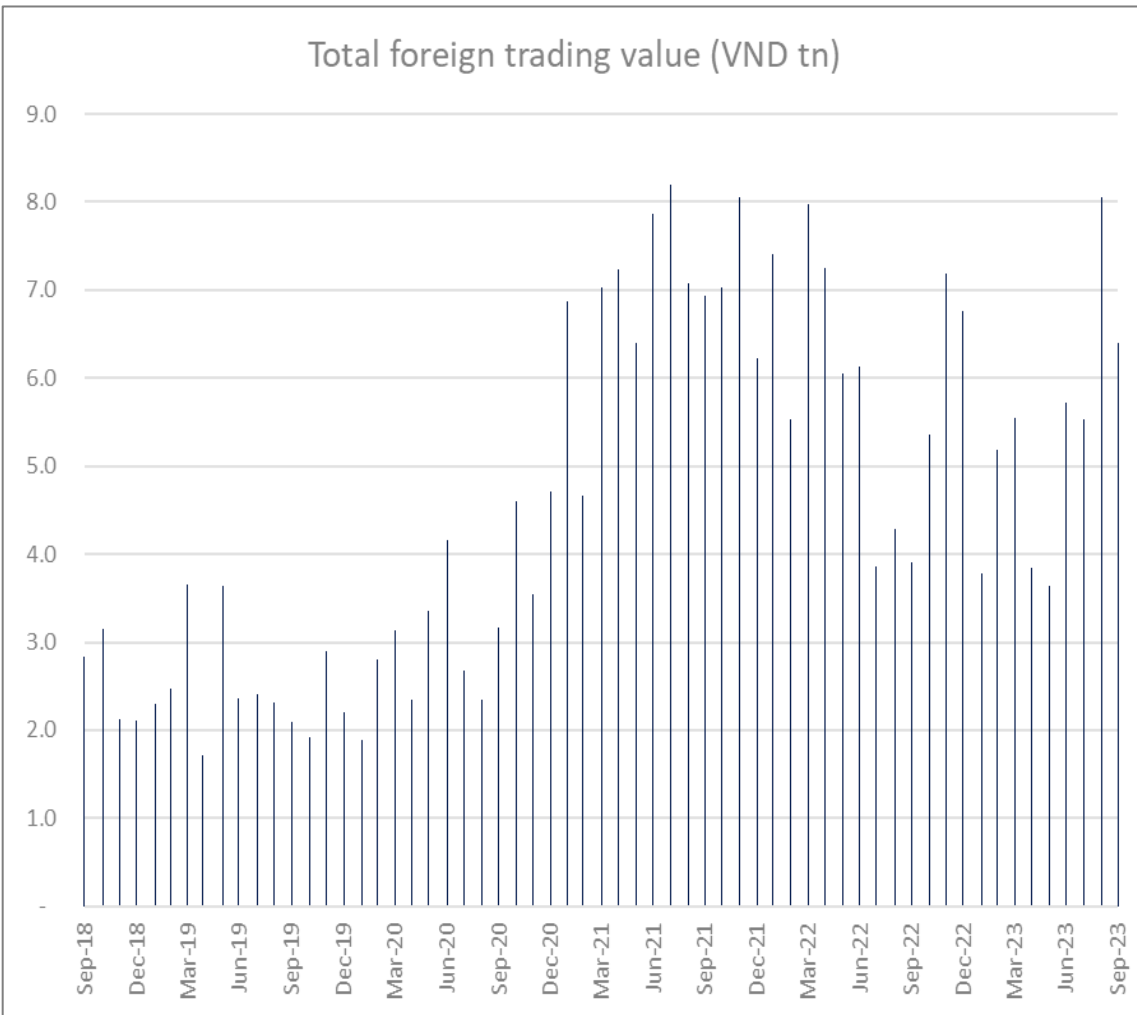
Foreign flows – It's complicated

Daily foreign flows (USD mn)



- ***Foreigner investors are 99% institutional investors.***
- ***Foreigners net bought US\$498 million in 1Q23...***
- ***But then net sold persistently starting from since Apr 1.***
- ***Total YTD: Net FINI outflows of US\$508 million (to Nov 24).***
- ***Broad bearishness or fund-specific flows?***
- ***FINIs net bought US\$118mn of brokerage stocks in 1H23.***

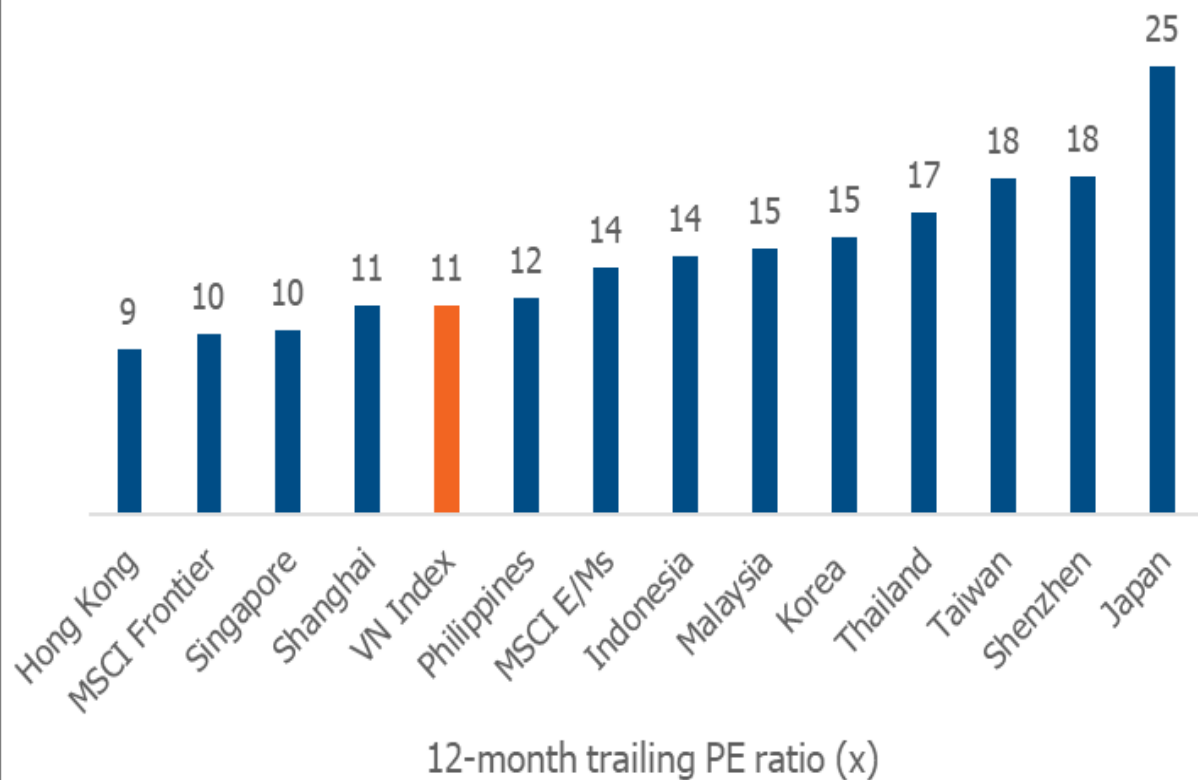
Foreign flows – Steady at US\$100-150mn, c.2-3x the levels of 2018 – but lower in percentage terms.



Source: FiinPro, Bloomberg, Yuanta Vietnam

Moderately cheap valuations

Regional stock market: 2023E PE multiples

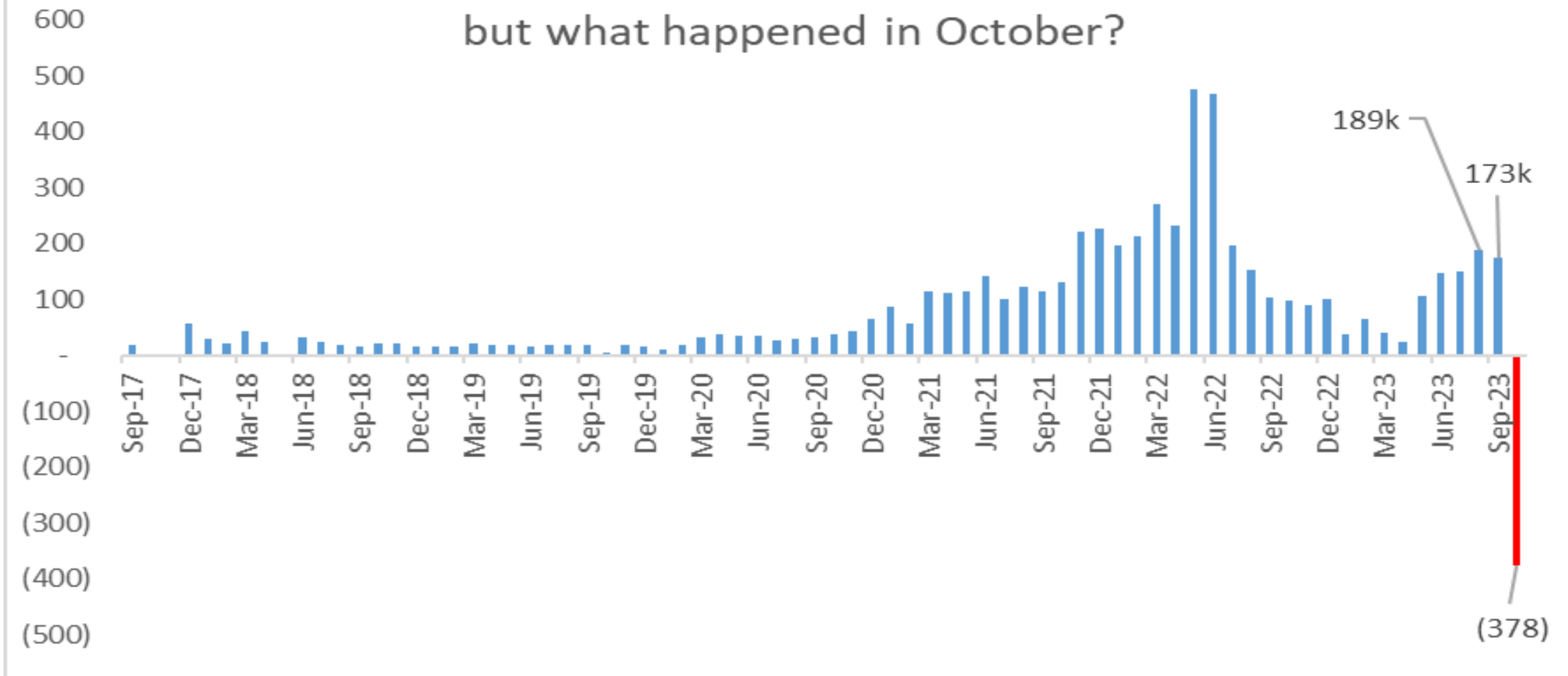


VNI -- Fwd PE ratio (x)



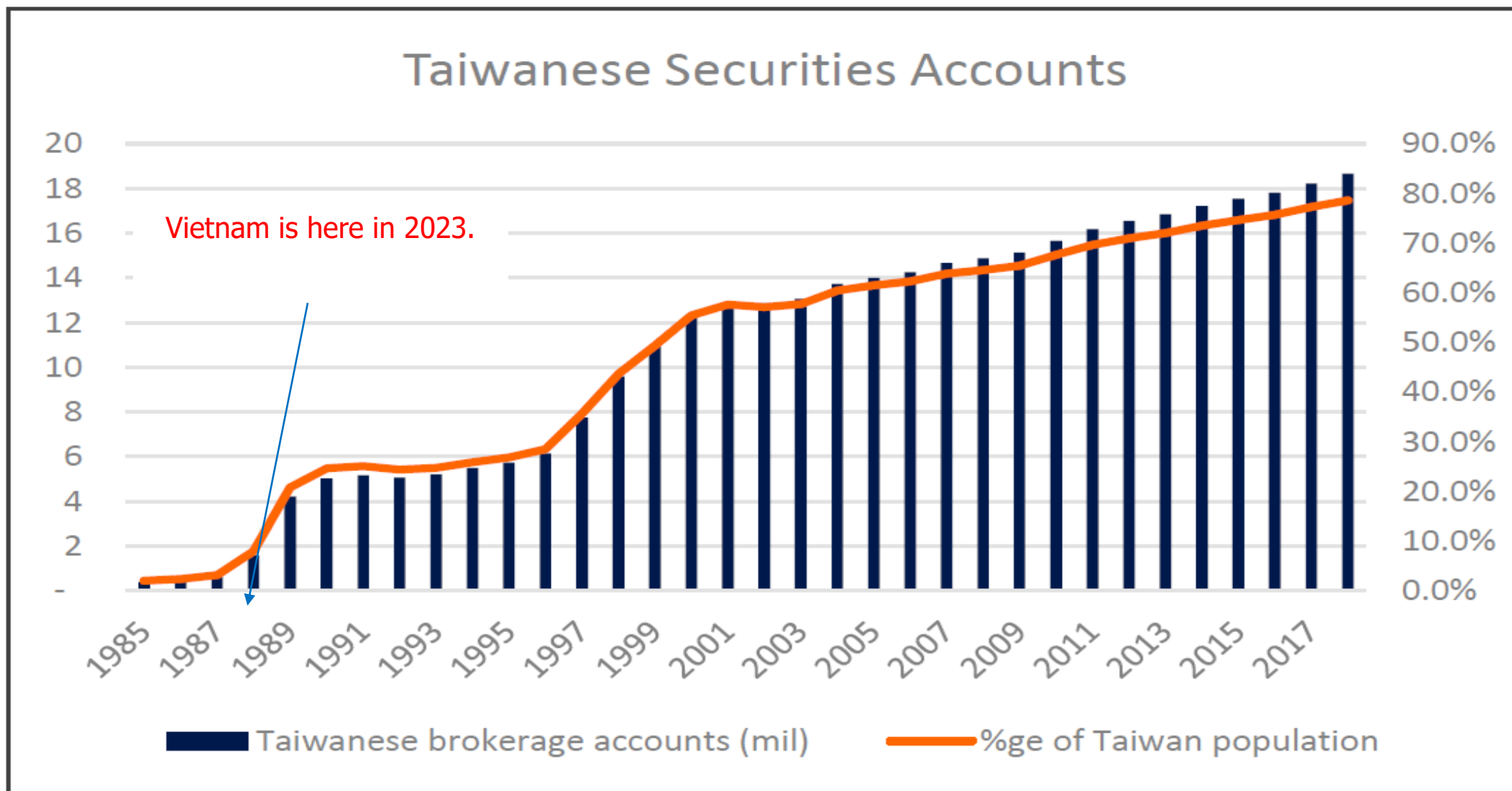
Source: Bloomberg, Yuanta Vietnam

New securities accounts opened in 9M23 reached 548k, but what happened in October?



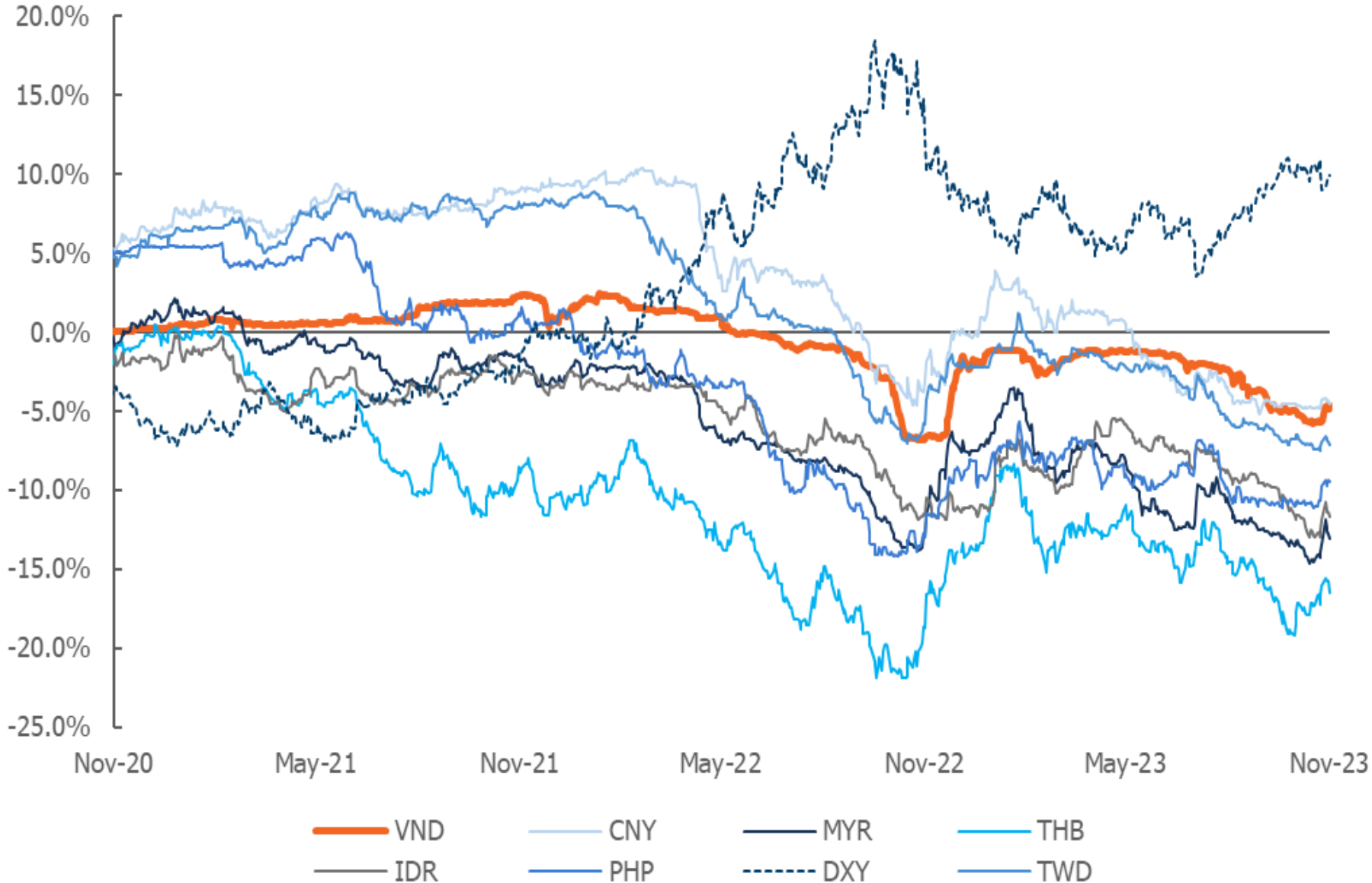
- **After closing down 545k fake accounts at MBS in October, the total number is now 7.4 million.**
- **Real new accounts in Oct were 168k, so the official net monthly change was a decline of 378k accounts.**

Will history repeat?



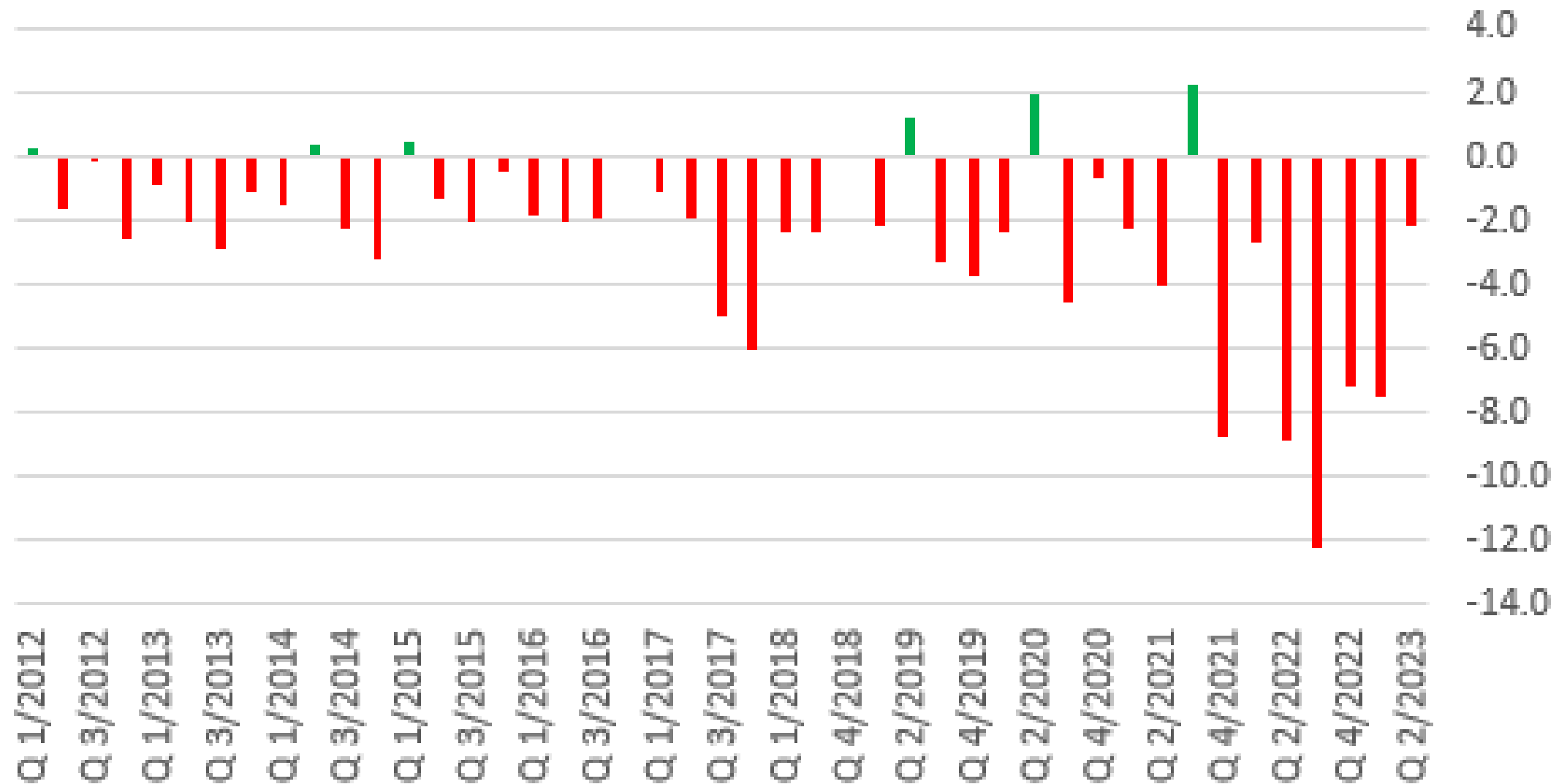
Source: TWSE, DGBAS, Yuanta Vietnam

The VND has been a low-volatility currency in recent years



- ***SBV has managed the currency for stability over the past decade.***
- ***VND has depreciated by -2.8% YTD (Nov 10).***
- ***US: "Vietnam is not a currency manipulator".***
- ***VND fell by -0.84% in the week after Biden's visit (Sep 11-15)***
- ***Expect an average -2ppt YoY depreciation over the long haul.***

BoP – Net errors and omissions



Source: Fiiipro

Thank You!

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