

Strategy Monthly: Chasing Rabbits

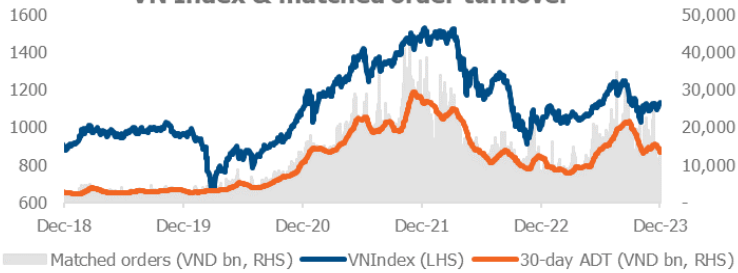
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Vietnam closed out the year in style with the VNI tracing out a +3.3% MoM increase, with full-year LCY gains of +12.2% YoY and a USD increase of +9.3% YoY. As such, the VNI lagged most of Asia in December but was at the top of the regional pack in terms of full-year stock gains. Our index target for 2024 is 1298, implying +15% upside. This is based on assumed mid-teen EPS growth and no PE rerating from the current level, which is egregiously low given the sharp drop in domestic interest rates. Admittedly (and hopefully), long-awaited market reforms could provide tremendous upside to our conservative expectation.

VN Index & matched order turnover



Monthly Index Performance

- **VNINDEX:** 1130 (+3.3% MoM / +12.2% YTD / YoY)
- **VHINDEX:** 231 (+2.2% MoM / +12.5% YTD / YoY)
- **UPCOM Index:** 87 (+2.4% MoM / +21.5% YTD / YoY)
- **Average daily turnover:** US\$763mn (-4% MoM)
- **Foreigners net sold US\$415.8mn** in Dec.
- **VND:USD rate:** 24,270 (-4bp MoM / -262bp YTD / YoY)

VN30 Components

Ticker	Closing price (VND K)	MoM chg	Cont to VN30 (MoM)	TTM PE (x)
ACB	23.9	8.9%	13%	6
BCM	62.9	8.1%	0%	130
BID	43.4	11.7%	2%	12
BVH	39.5	1.3%	0%	17
CTG	27.1	3.0%	1%	8
FPT	96.1	4.6%	8%	20
GAS	75.5	-1.3%	0%	14
GVR	21.2	6.0%	0%	35
HDB	20.3	12.8%	9%	7
HPG	28.0	5.3%	8%	87
MBB	18.7	4.8%	5%	5
MSN	67.0	10.7%	8%	117
MWG	42.8	11.2%	10%	91
PLX	34.5	-1.7%	0%	13
POW	11.3	0.0%	0%	17
SAB	63.0	-3.1%	0%	20
SHB	10.8	0.0%	0%	5
SSB	23.9	5.8%	3%	17
SSI	32.8	4.8%	3%	25
STB	28.0	1.6%	2%	7
TCB	31.8	7.8%	10%	6
TPB	17.4	2.4%	1%	7
VCB	80.3	-5.2%	-5%	14
VHM	43.2	4.6%	5%	5
VIB	19.6	4.8%	2%	6
VIC	44.6	6.8%	6%	39
VJC	108.0	5.9%	3%	--
VNM	67.6	1.0%	1%	19
VPB	19.2	0.5%	1%	12
VRE	23.3	5.4%	2%	13

Source: Bloomberg, Yuanta Vietnam. Price date: Dec 29, 2023

Near-term momentum indicators are a mixed bag – but this is an improvement from the negative momentum of the past several months. Given the abysmal technical factors of end-November, we were pleasantly surprised at the solid gains, lack of panic sell-off days, steady ADT, and strong finish during the last week of December. Monthly FINI net selling soared to a two-year high, but the market rose anyway as domestic investors – largely retailers – picked up the slack.

Our VNI target for 2024 remains 1298, implying +15% upside. We think this is reasonably conservative assuming mid-teen percentage EPS growth and no PE rerating. Of course, the advent of the KRX system and – more speculatively – the potential for a regulatory fix to the prefunding issue could mean substantial upside to our base case. On the ground in HCMC, we are feeling a tad more optimistic than our 2024 index target might imply – but hope is a crummy strategy, and betting on deregulation is a mug's game.

Stock of the month: KDH – Tam Nguyen upgraded KDH to BUY as a solid story amid the carnage of the property development sector. KDH is well positioned for an eventual property market recovery – likely in 2025 – given its solid financial position and brand among homebuyers. Financial prudence is freedom because it allows KDH to time its business decisions optimally, while its urban HCMC projects are progressing despite the well-flagged – and persistent – administrative frictions confronting the industry. Tam's new target price of VND36.2k implies +21% TSR (see pages 17-20).

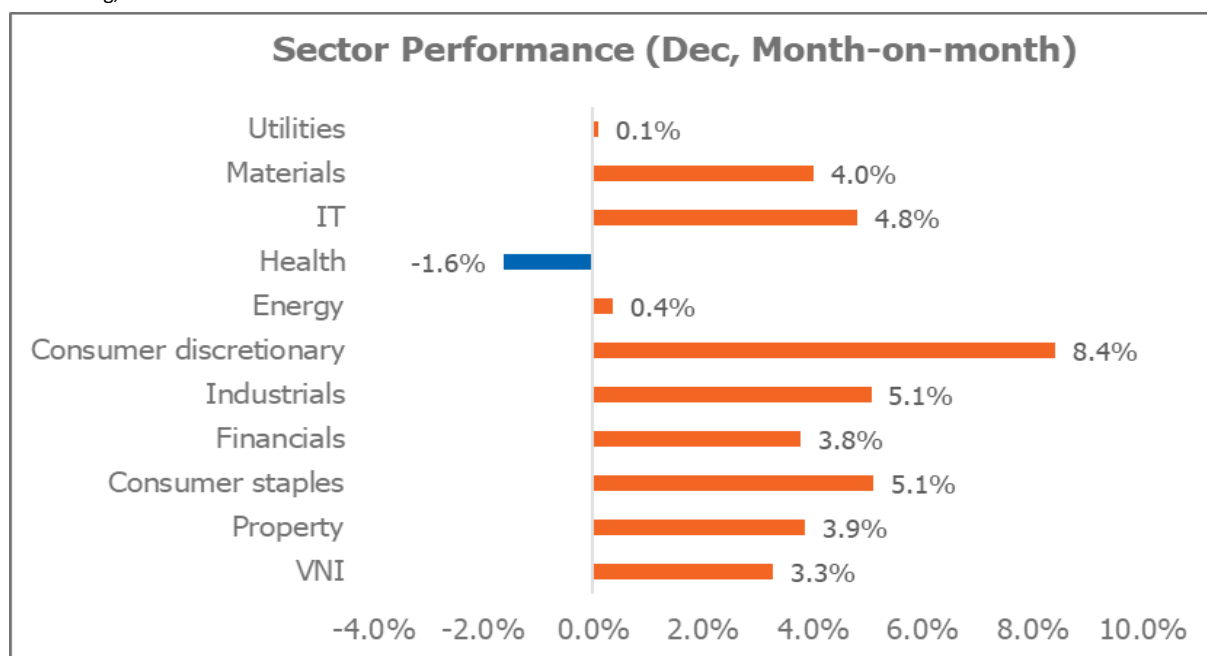
Macro: 2023 GDP scraped the goalpost but managed to exceed 5% and thus within our forecast range. 4Q23 GDP expansion of +6.7% YoY indicates that momentum continues to improve, albeit off a low base. Industrial indicators remain mixed, but we expect this to pick up moderately in 2024. Retail receipts were up by +9.6% YoY in 2024, but the impulse provided by the resurgence of international tourist arrivals will soften in 2024. Please see pages 28-37 for Binh Truong's analysis of the latest data.

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	3,826	5.4	BUY	23,900	28,510	19%	4.2%	23%
	BIDV	BID VN	10,196	1.6	HOLD-Underperform	43,400	37,963	-13%	0.0%	-13%
	HD Bank	HDB VN	2,420	6.0	BUY	20,300	22,390	10%	4.9%	15%
	MB Bank	MBB VN	4,008	5.4	BUY	18,650	25,260	35%	2.7%	38%
	Sacombank	STB VN	2,172	19.5	HOLD-Underperform	27,950	33,575	20%	0.0%	20%
	Vietcombank	VCB VN	18,496	3.8	BUY	80,300	99,420	24%	1.0%	25%
	Vietnam Prosperity Bank	VPB VN	6,278	9.2	BUY	19,200	25,540	33%	5.2%	38%
Brokers	HCM City Securities	HCM VN	644	7.4	BUY	34,200	33,805	-1%	2.3%	1%
	Saigon Securities	SSI VN	2,026	29.6	BUY	32,800	32,187	-2%	1.1%	-1%
	Viet Capital Securities	VCI VN	771	10.6	BUY	42,750	45,580	7%	2.3%	9%
	VNDirect Securities	VND VN	1,117	21.3	BUY	22,250	24,019	8%	2.1%	10%
Energy	PV POW	POW VN	1,086	2.3	BUY	11,250	16,877	50%	0.0%	50%
	PV NT2	NT2 VN	291	0.5	SELL	24,500	19,318	-21%	8.2%	-13%
	PCC1	PC1 VN	369	3.5	BUY	28,800	34,123	18%	0.0%	18%
Consumer	Masan Group	MSN VN	3,951	5.3	Suspended	67,000	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,162	2.1	BUY	86,000	90,200	5%	1.6%	6%
	Digiworld	DGW VN	360	3.3	Suspended	52,300	N/A	N/A	0.0%	N/A
	FPT Digital Retail	FRT VN	601	2.1	BUY	107,000	100,607	-6%	0.9%	-5%
Oil & GAS	PV Drilling	PVD VN	648	6.0	BUY	28,300	36,103	28%	2.5%	30%
Property	Kinh Bac City	KBC VN	1,004	9.7	BUY	31,750	38,300	21%	0.0%	21%
	Dat Xanh Group	DXG VN	568	14.0	BUY	19,350	40,500	109%	0.0%	109%
	Khang Dien House	KDH VN	1,034	1.8	HOLD-Underperform	31,400	35,500	13%	0.0%	13%
	Nam Long	NLG VN	581	3.2	HOLD-Underperform	36,650	37,800	3%	1.4%	5%
	Novaland	NVL VN	1,370	15.3	Coverage Suspended	17,050	-	-	-	-
	Vinhomes	VHM VN	7,752	10.9	BUY	43,200	76,900	78%	0.0%	78%
	Vincom Retail	VRE VN	2,182	3.9	BUY	23,300	38,000	63%	0.0%	63%
Transport	Airports Corp Vietnam	ACV VN	5,921	0.2	HOLD-Underperform	66,000	76,400	16%	0.0%	16%
Industrials	Dohaco	DHC VN	126	0.4	BUY	38,000	63,571	67%	9.4%	77%
	Biwase	BWE VN	328	0.3	BUY	41,200	70,902	72%	4.9%	77%
Technology	FPT Corporation	FPT VN	5,030	8.7	BUY	96,100	120,740	26%	2.1%	28%

*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 Dec 29 2023

Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg (Dec 29)

“When you don’t know what you’re talking about, it’s hard to know when you’re finished”.

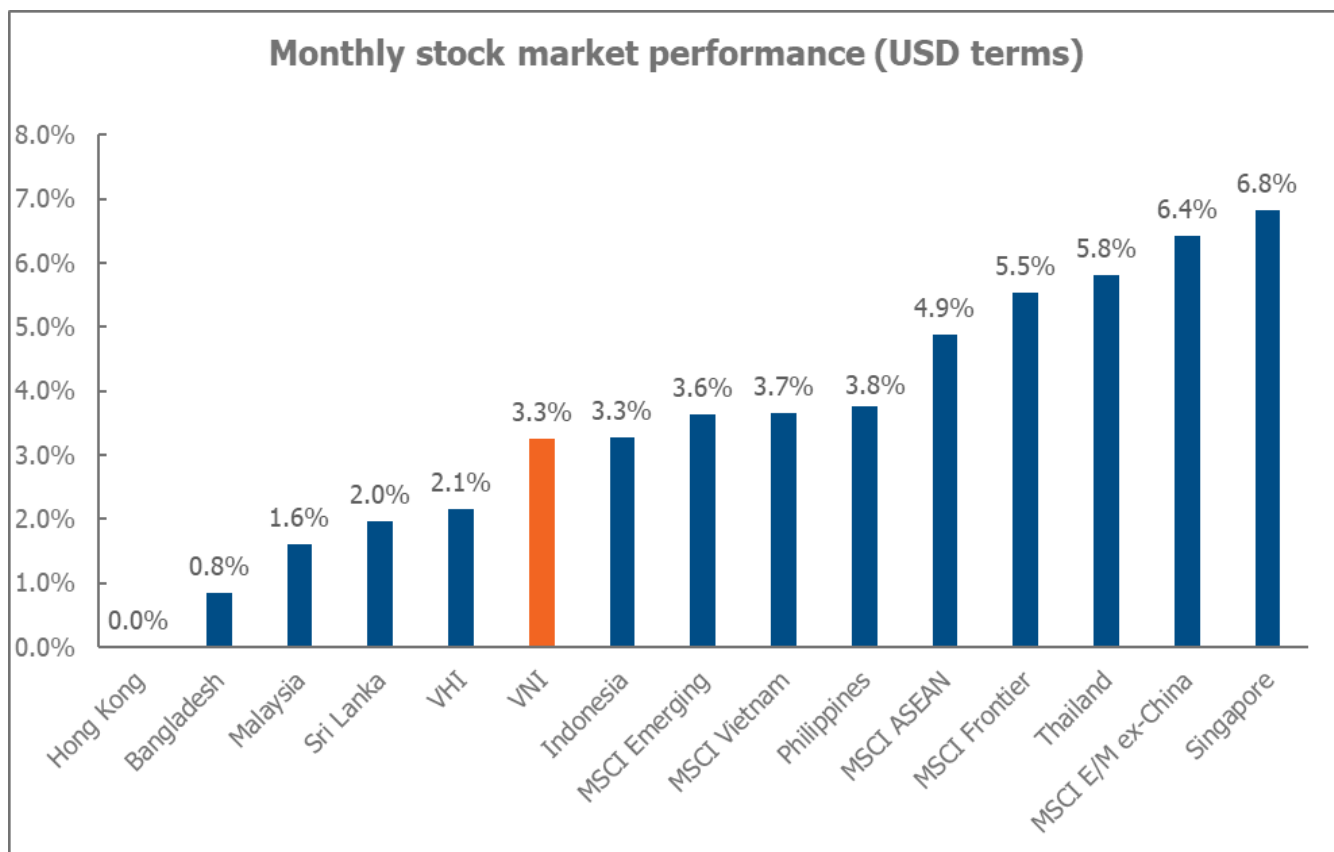
— Tommy Smothers (1937-2023)

Fundamentals vs. Technicals: 2023 wasn’t as bad as may have felt

Vietnam stocks closed out the year in style with the mainboard VNI tracing out a +3.3% MoM increase.

The VNI was only a middling performer (+3.3% MoM) in December vs. the much stronger share price performance exhibited by regional neighbors Singapore (+6.8%) and Thailand (+5.8%), MSCI E/Ms ex-China (+6.4%), of which Vietnam is not a component; and MSCI Frontier Index (+5.5%), where Vietnam ranks as the biggest player.

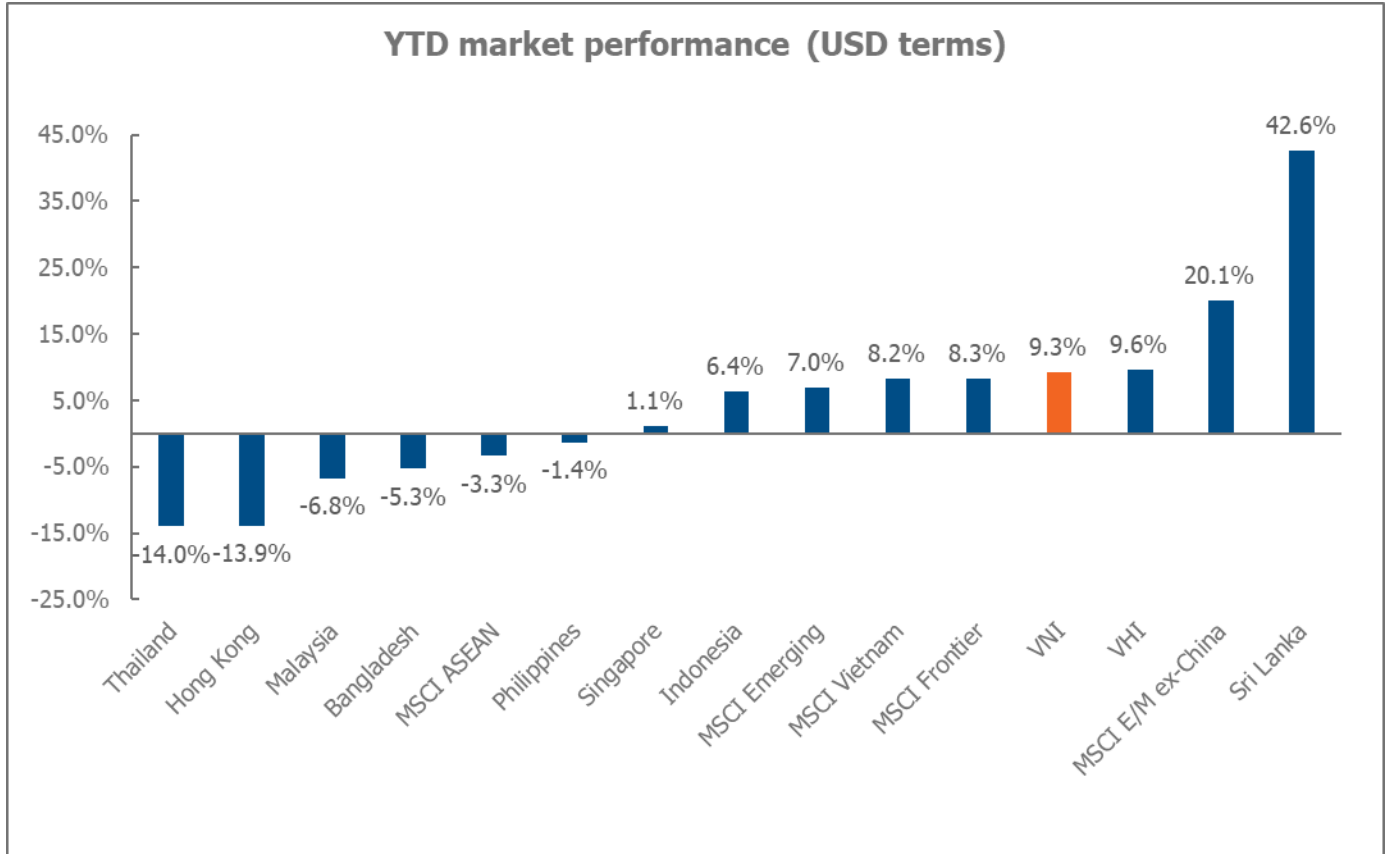
Note that all these figures are USD-denominated returns, as the flattish (-4bp MoM) December performance of the Vietnam dong was not a divergent factor during the last month of the year from the index’s LCY gain. The VNI frequently deviates from the MSCI Vietnam Index because of the substantial differences in components and weightings – mostly a function of excluding the full-FOL large caps from the global indexes – but MSCI Vietnam was up by +3.7% MoM in December, outperforming the broader mainboard by +0.4ppt in USD terms.



Source: Bloomberg

However, Vietnam outperformed most of its peers on a full-year basis (“peers” defined by southeast Asian markets) in 2023, with a +9.3% YoY gain in US dollar terms, substantially better than the -14% losses in both Thailand and Hong Kong and the single digit percentage declines in the other ASEAN markets. The VND’s full-year 2.6% depreciation obviously dented its US dollar returns in 2023, but this phenomenon was quite widespread given the strength of the US dollar during the year.

Interestingly, MSCI E/M ex-China managed a +20% gain, which (without having run the numbers) we assume is due to the very powerful returns that investors enjoyed in Taiwan, India, and even South Korea.



Source: Bloomberg, Yuanta Vietnam (data is as of Dec 29)

Near-term momentum indicators are a mixed bag – but this is an improvement from the negative momentum of the past several months. As a reminder, after tracing out a confirmed double top pattern in August and September, the VNI broke down through its major support levels under a series of high-volume selloff days and an unwinding of margin positions. The selldown was precipitated by interbank liquidity tightening – specifically SBV bills issuance to shore up the VND during the September-November period.

In short, the early (Oct-Nov) 4Q technical indicators were unambiguously scary. They included:

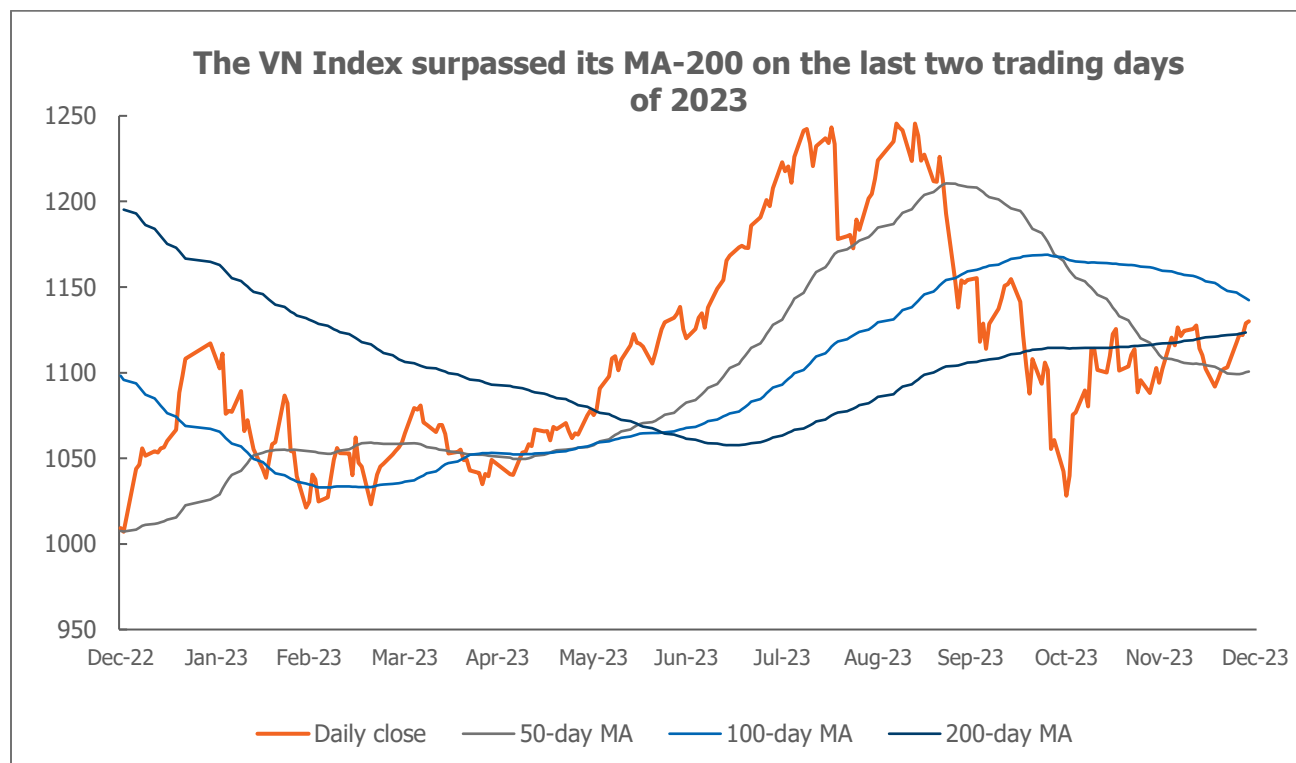
- 1) **The VNI broke down below its 200-day moving average** on October 18 (a US\$1 billion trading day), so the 200-day MA that used to represent support now represents resistance at just above 1100 points.
- 2) **The 50-day MA has broken down through the 100-day moving average** on October 30 -- sort of a mini-Death Cross, and just in time for Halloween. The 50-day MA still has another c. -3.7% downside before it reaches the 200-day MA, so a classic “Death Cross” is not likely to happen until late November or early December. Hopes and prayers that Santa Claus forbids such a thing from happening.
- 3) **Turnover was typically anemic in this period – except on panic selling days, when it soared.** This bearish phenomenon occurred consistently starting from August.
- 4) **The Death Cross cometh** – The VNI’s 50-day moving average broke down through the 200-day moving average on November 28.

- 5) **November 30 saw the VNI break down under 1100 points**; admittedly, not a particularly meaningful level from a fundamental perspective, but falling below big psychological numbers is always a worry in a market that is 85-90% driven by retail investor flows.

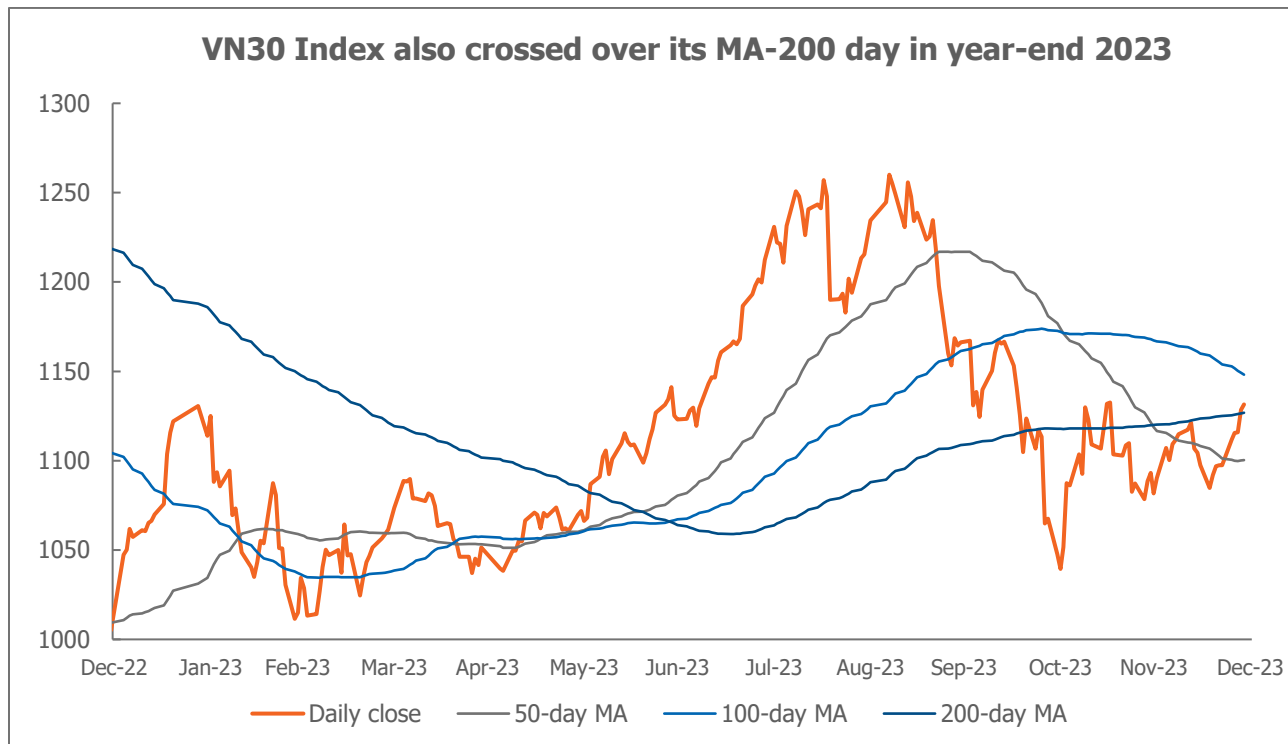
All of the above had us feeling decidedly nervous heading into December. In this context, the VNI's +3.3% gain during the month was a positive and very welcome surprise.

And at this point, the technical indicators look less pessimistic than they did a month ago.

- 6) **The volume patterns (i.e., massive turnover on sell-off days since August) have become less obviously negative** in December. Admittedly, this one may be a stretch given that there weren't any major selloff days during the month. Daily turnover exceeded US\$1bn exactly twice – on December 5 (US\$1.2bn) when the VNI fell by -0.4% DoD and on December 8 (US\$1.3bn) when it rose by +0.3% DoD.
- 7) **Boring is good.** The mainboard's daily fluctuations only exceeded +1% twice (with daily turnover averaging US\$640mn in these two days) and -1% once (Dec 13, when the market fell a whopping -1.2% DoD but turnover was high at US\$881 million). In the context of October and November, a period of boredom in December was a good outcome.
- 8) **The breakdown of the moving averages has reversed, at least for now.** Specifically, the 50-day and 200-day moving averages have flattened and are starting to tick higher since Christmastime (which is no holiday here).
- 9) **Moreover, the VNI itself broke out above its 50-day MA on December 21 – and then went on to poke back above the 200-day moving average on December 28**, where it remained for the last two trading days of the year. Granted, the 100-day MA is still falling precipitously, but overall it was an impressive yearend performance (not exactly a Santa Claus rally, but we'll take it).



Source: Bloomberg, Yuanta Vietnam

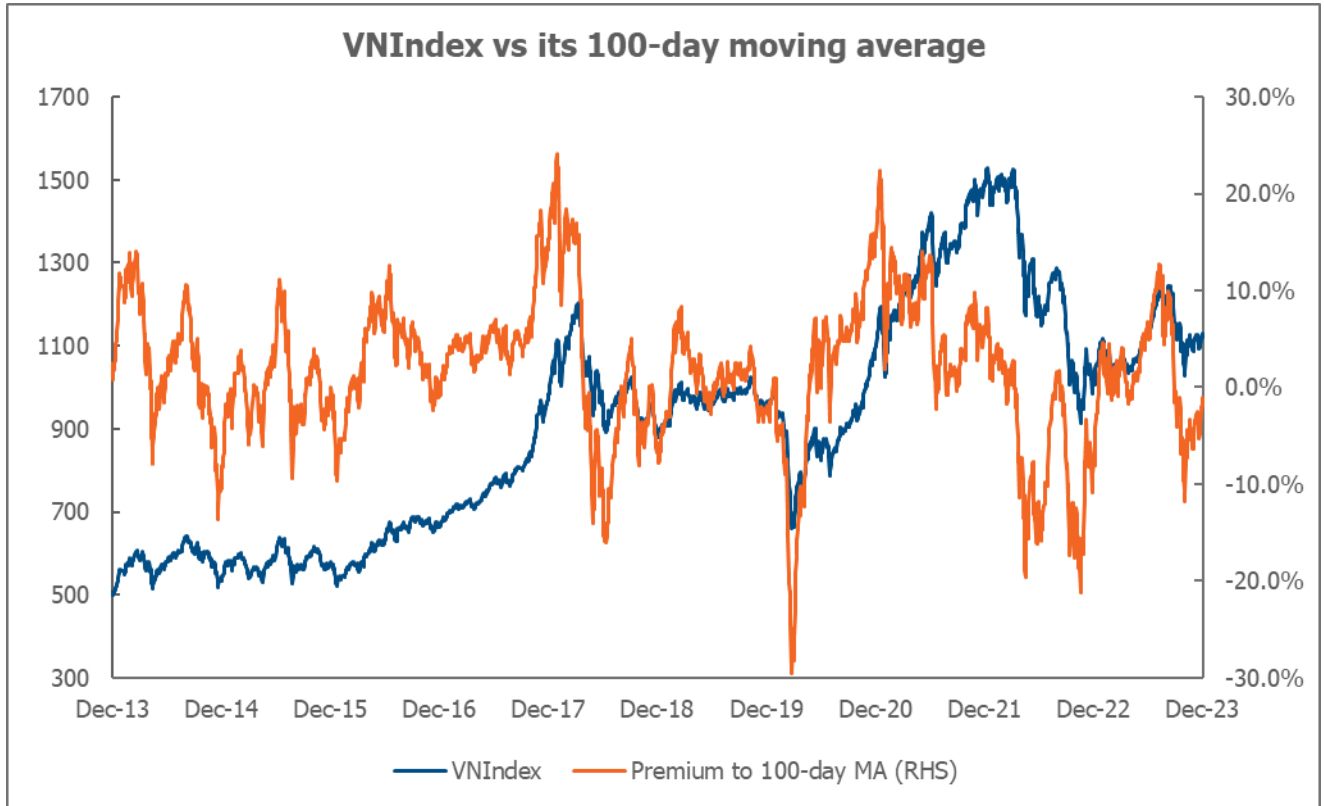


Source: Bloomberg, Yuanta Vietnam

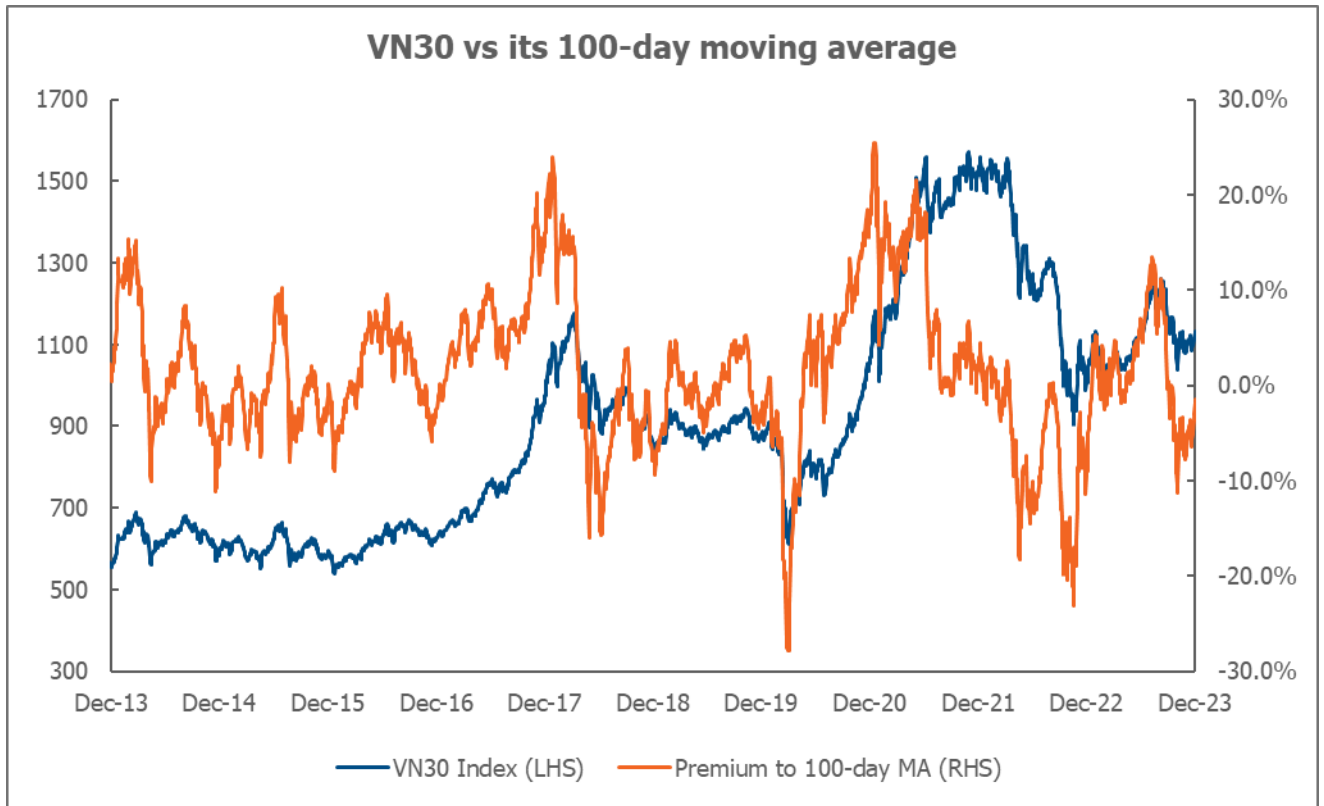
The VNI's +2.4% WoW increase in the final days of 2023 provided an extra kicker to the mainboard's total gains of 12.2% in 2023, after trading in a yearly range of 1011-1255 – the tightest high-low spread in percentage terms since boring old 2019. VND depreciation meant that the market's USD-denominated gains were slightly lower at +9.3% YoY, but this still scores higher than most of our regional peers. At the peak in September, the VNI was just 3.5% below our 2023 target of 1300. Maybe it's just the holidays, but we have decided to score that one as a win.

See the links below for a walk down Memory Lane of our weekly (ex-Christmas) strategy reports over the past month:

- **Death Cross vs. Santa Claus: Who Will Win? – Dec 4** *(It stretches our creative power to put lipstick on a death cross, but the market seems to have taken this one with a collective shrug)* <https://yuanta.com.vn/wp-content/uploads/2023/12/Weekly-Dec-4.pdf>
- **Fairy Tale of the HOSE med – Dec 11** *(a surprisingly solid rebound for the VNI – More to come?)* <https://yuanta.com.vn/wp-content/uploads/2023/12/Weekly-Dec-11.pdf>
- **When Those Blue Snowflakes start falling – Dec 18** *(FINIs are on pace to net sell US\$1bn -- or more? -- in 2023)* <https://yuanta.com.vn/wp-content/uploads/2023/12/Weekly-Dec-18-1.pdf>
- **Scraping the Post, But Still a Goal – Jan 2** *(A pleasantly strong ending to the year brings 2023 VNI performance to a regional high)* <https://yuanta.com.vn/wp-content/uploads/2024/01/Weekly-2-Jan.pdf>



Source: Bloomberg, Yuanta Vietnam

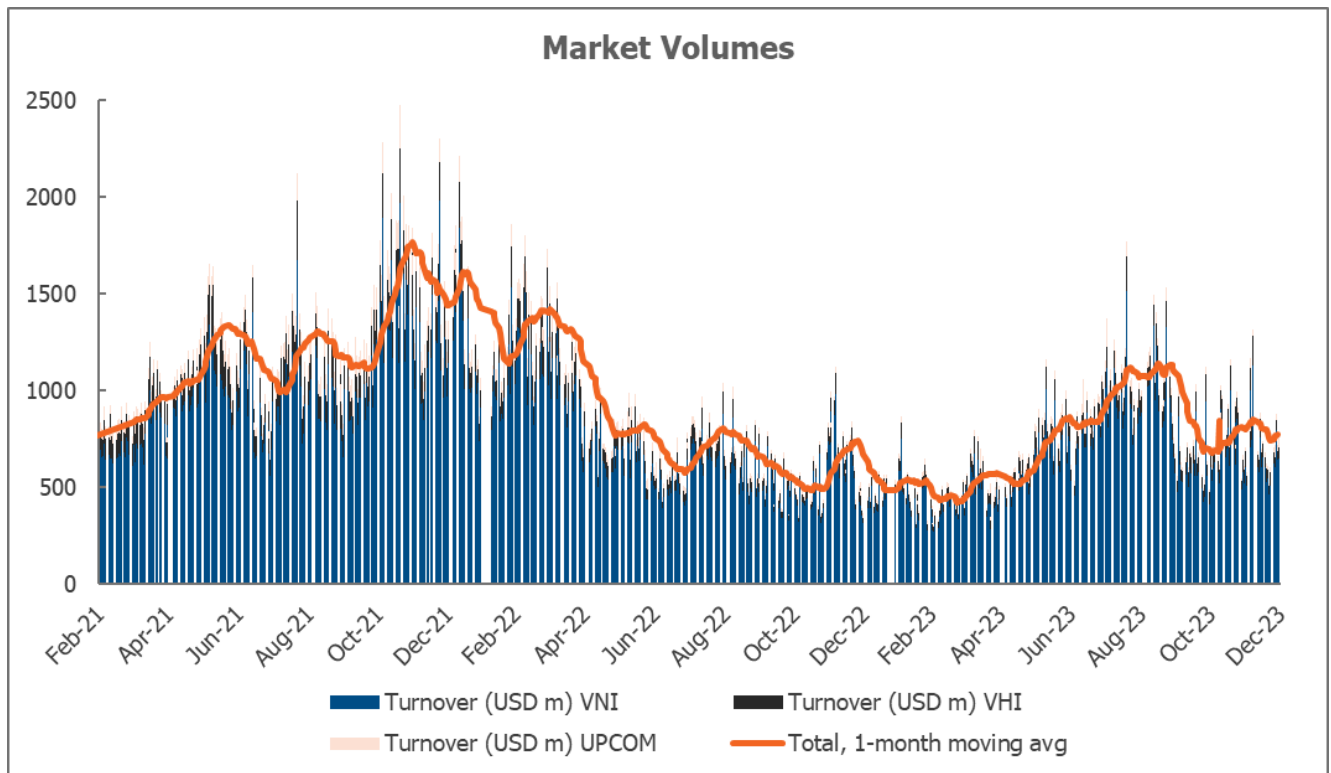


Source: Bloomberg, Yuanta Vietnam

ADT remained strong in December, and the daily volumes were at least neutral – in the sense that the huge spikes on panic selloff days that we have seen since August were absent during the last month of 2023. Monthly ADT of US\$763 million was down just -4% MoM from November and slightly higher than the 4Q23 ADT figure of US\$748 million and full-year 2023 ADT of US\$738 million.

If you have been reading our research over the past five months, you will perhaps remember that one of our main concerns has been the pattern of spiking volumes whenever the market hits a panic sell-off, whereas volumes have been weak on the flat-to-modestly-rising days. This situation emerged starting in mid-August, at the first peak of the market’s double top of Aug-Sep 2023. In a positive technical sign, we find no evidence that this trend persisted in December – although there were no major selloff days during the month so it’s difficult to form solid conclusions.

The reasonably solid volumes in December – when volumes typically drop off even though Christmas is not an official holiday -- are a positive signal of investor sentiment, in our view.



Source: FiinPro, Bloomberg, Yuanta Vietnam (Dec 29)

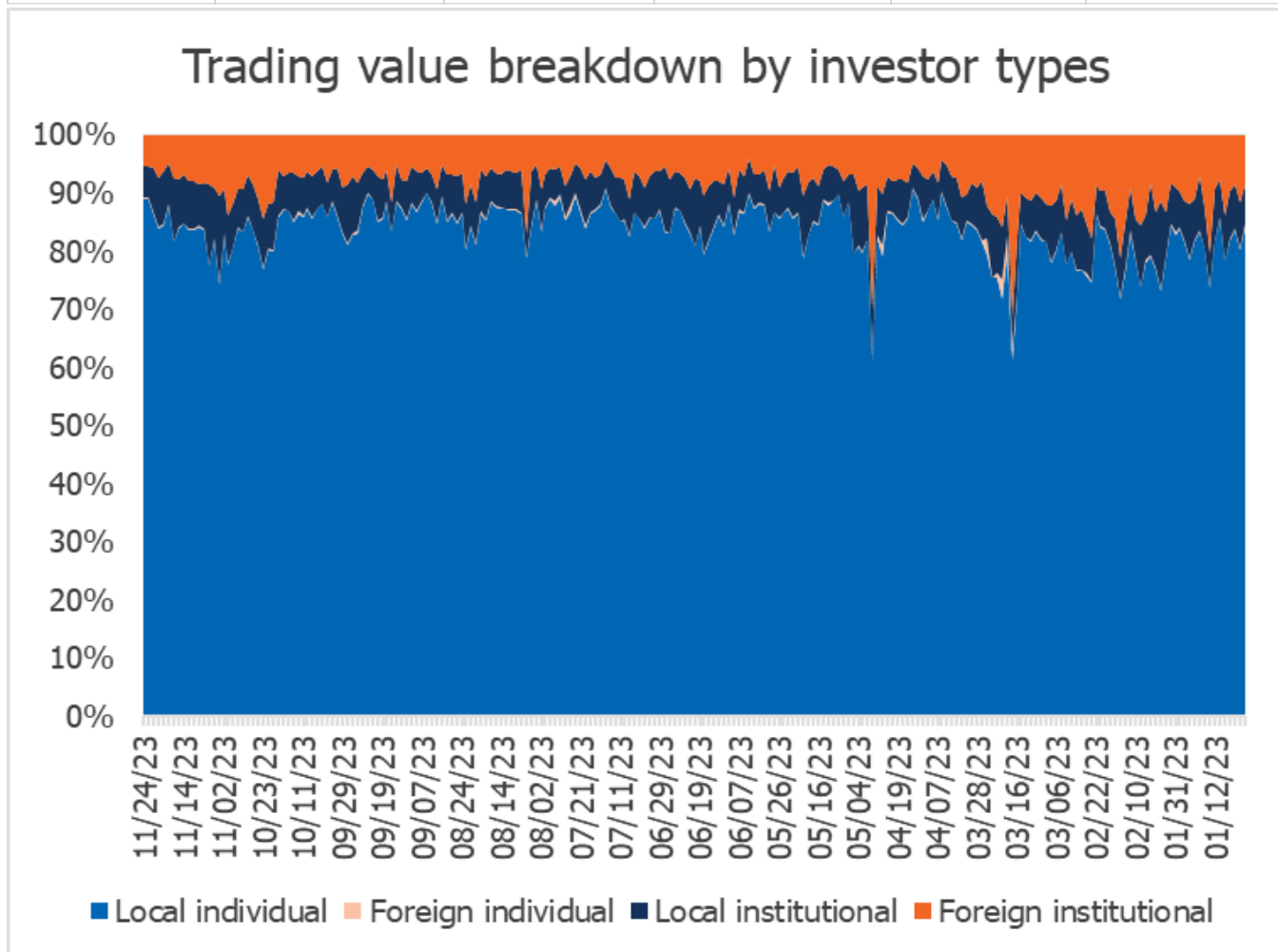
In case it’s not obvious, Vietnam remained very much a retail investor-driven market in 2023.

Total trading during the year declined by 13% in VND terms as the aggregate amount of transactions in 2023 was VND7.6 quadrillion (and we aren’t sure what the abbreviation for “quadrillion” is so we’ll leave it there). More crucially, domestic individuals accounted for 84.3% of total transactions during the year, which was down slightly from 84.7% in 2022.

Aggregate foreign institutional trading declined by -11% YoY to reach VND631 trillion (c.\$26 billion) on a full-year basis. FINIs thus accounted for 8.3% of total trading in 2023, up slightly from 8.1% in 2022. Domestic institutions (prop trading, mostly) accounted for 7.1% of total transactions in 2023, and the remaining (and *de-minimis*) 0.3% of total trading was attributable to foreign individuals.

Total trading value (VNDbn)	Local individual	Foreign individual	Local institutional	Foreign institutional	Total
2022	7,359,172	22,750	594,788	706,912	8,683,621
2023	6,393,661	21,825	541,521	630,965	7,587,972
	-13%	-4%	-9%	-11%	-13%

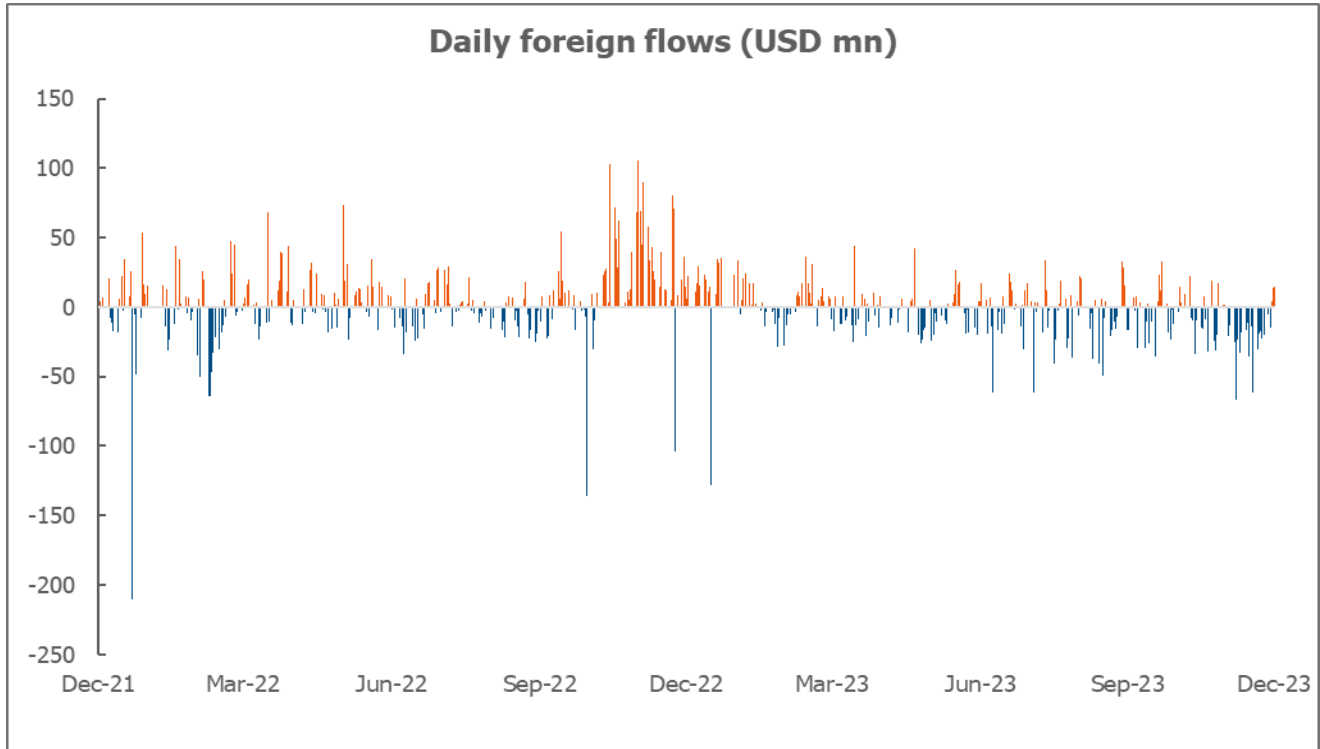
Average trading value (VNDbn)	Local individual	Foreign individual	Local institutional	Foreign institutional	Total
2022	29,356	91	2,374	2,825	34,646
2023	25,677	88	2,175	2,534	30,474



Source: FiinPro, Yuanta Vietnam

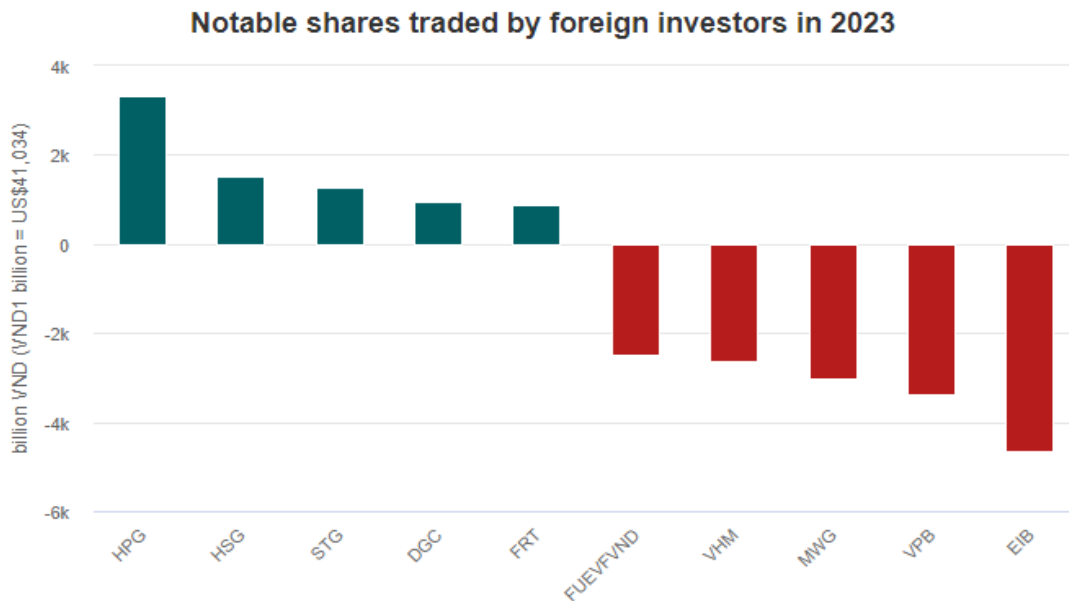
Foreign investors net sold a whopping US\$416 million of Vietnam stocks in December, the ninth straight month of FINI net selling and the biggest monthly outflow since May 2021.

Heading into the Christmas break (hey -- it was a break for me), the pace of December's foreign selloff led us to conclude that FINI net selling would probably exceed US\$1 billion in 2023 – but surprisingly to us, foreigners turned into net buyers in the last week of December, so full-year net selling came to US\$942 million – almost half (44%) of which occurred during December alone.



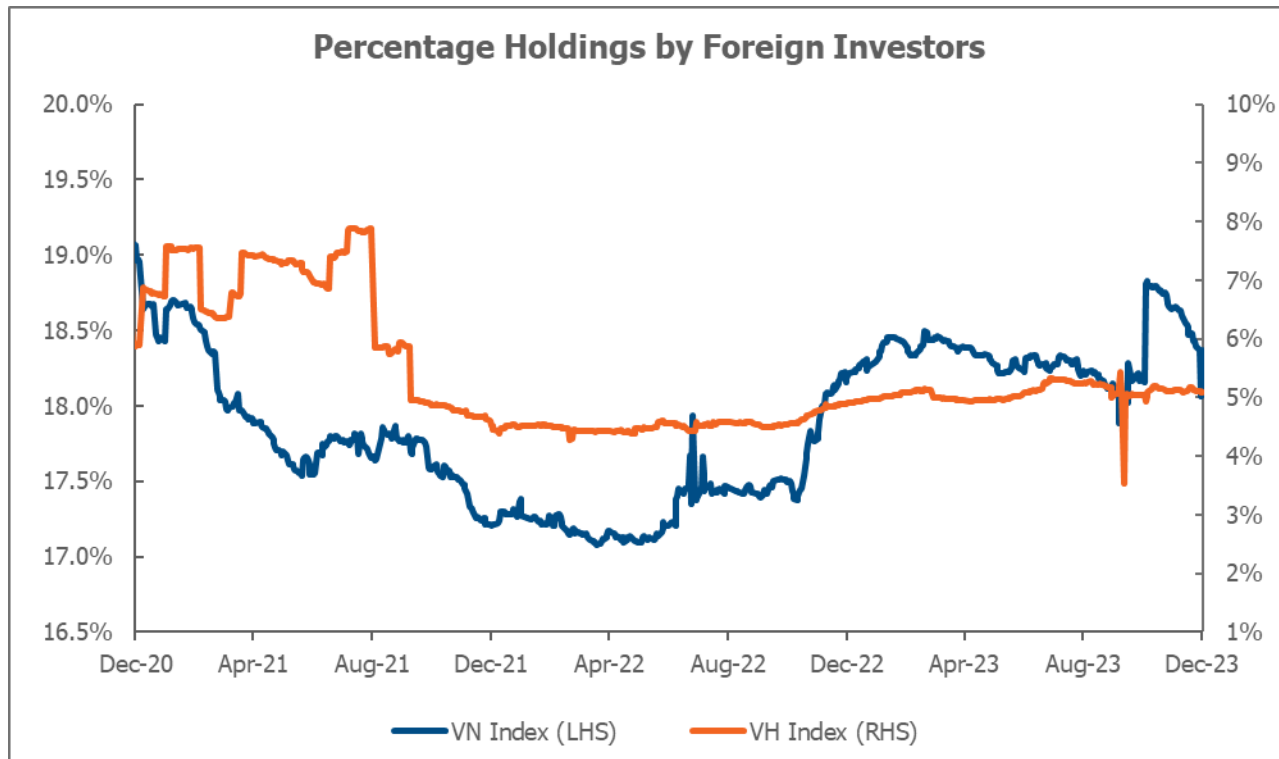
Source: FiinPro, Yuanta Vietnam (Dec 29)

Did foreigners suddenly become more bearish in December than they already were previously?
 It's unclear, but we suspect that the stepped-up selling toward yearend was driven by a combination of portfolio window dressing by foreign funds and/or the more specific (and hopefully one-off) desire for tax optimization by Thai investors ahead of changed capital gains tax rules there.



Source: Cafef.vn

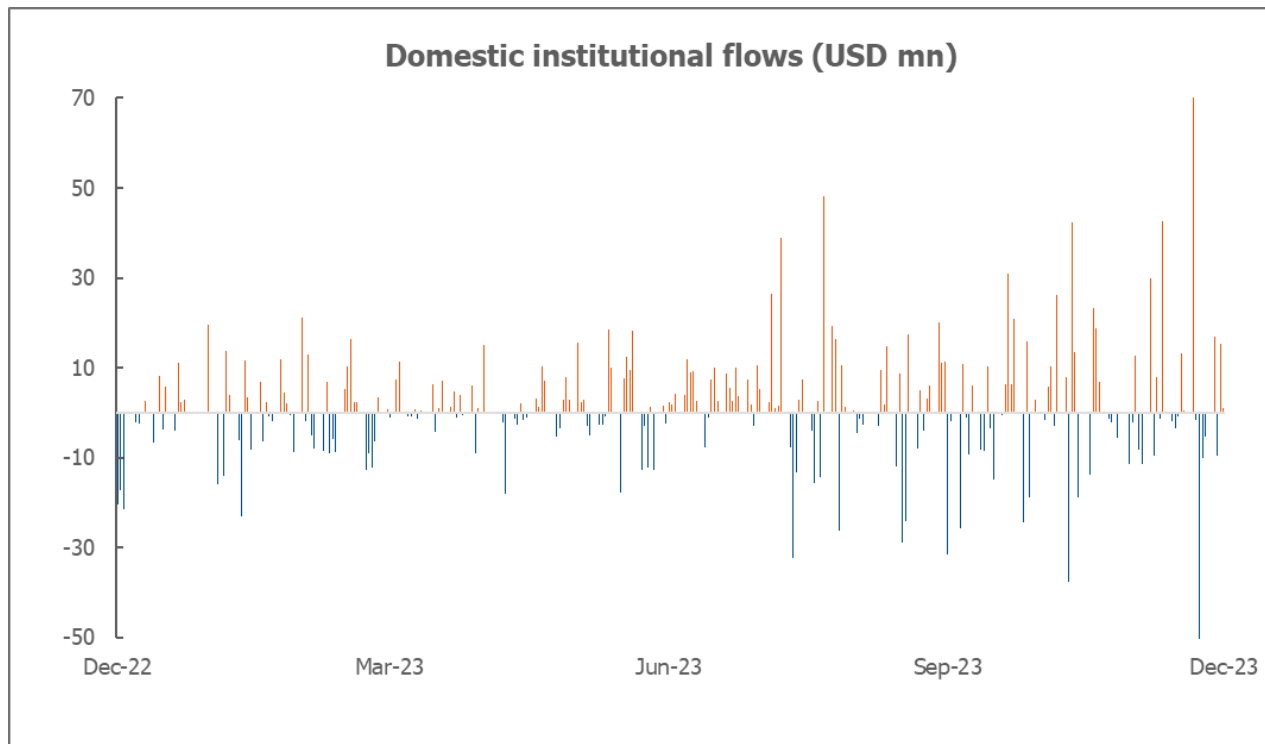
On the other hand, foreigners haven't suddenly shifted to net buyers in the first few days of 2024, so there may be more of this to come. But the aggregate amounts of foreign net selling are still relatively low. As at the end of December, foreign investors held 18.37% of listed shares on the HOSE, down 33bps from ownership of 18.65% at the start of the year.



Source: FiinPro, Yuanta Vietnam (Dec 29)

By contrast, domestic institutions – largely proprietary trading desks – were strong net buyers in both December and the full year of 2023. Prop traders net bought US\$81 million of stocks in December alone, which offset just 19% of the foreign selling in the entire market during the month. On a full-year basis, proprietary desks added US\$373 million to their stock holdings, a more substantial offset of 40% of total foreign selling during the year.

No signs of broad-based window dressing here, as domestic institutions were better buyers right up to the last trading day of the year. Following widespread capital raising, brokers have plenty of balance sheet, are less inclined than previously to hold cash (given lower bank deposit rates), and are likely well positioned for what they may expect to be a pre-Tet share price rally.



Source: FiinPro, Bloomberg, Yuanta Vietnam (Dec 29)

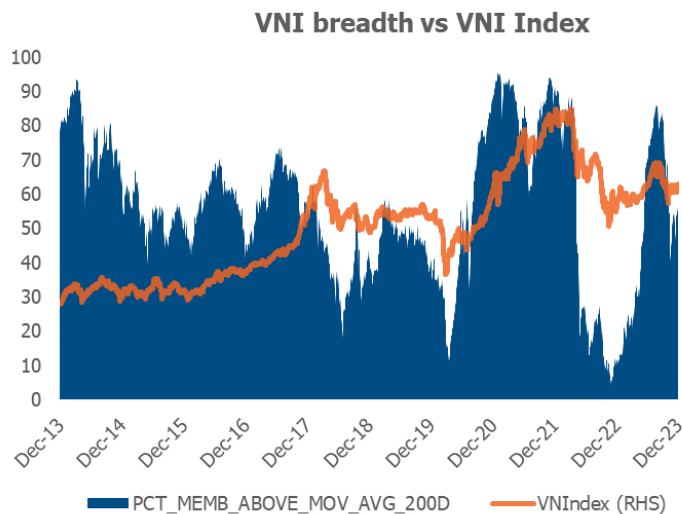
Monthly market breadth shifted back to positive in December with 73% of VNI components posting share price gains during the month (271 gainers / 101 losers). The components of the VN30 Index – all large caps, if you’re not familiar – were 80% higher (24 gainers out of 30 stocks).

By contrast, breadth was more positive on a full-year basis for the broad VNI at 73% (i.e., 277 YoY gainers / 103 YoY losers) **than it was for the VN30 members** (19 gainers / 11 losers in 2023, a 63%-37% split). In this context, it was another solid year for small- and mid-caps whereas large caps were more of a mixed bag.

As of the end of the year, approximately half of VNI constituents were trading above their 200-day moving averages, as illustrated in the chart at bottom left. Notably, this figure peaked at 87% on August 2, which in retrospect may have provided a signal of overheating – the market exhibited the first of its double top in mid-August before correcting, rising again to a yearly peak in mid-September, and then taking a dive in Oct-Nov.

The yearend level of c.50% provides no such signal, in our view. Interpretations of this may differ, but we are applying a glass-half-full judgement to suggest that the market is at least no longer overheating and therefore well positioned for further gains in 2024, driven by cheap valuations, reduced interest rates, and an overall improved (albeit far from ideal) operating environment.

Monthly stock breadth was positive on both VN30 and VNIndex



Source: Bloomberg, Yuanta Vietnam (Dec 29)

VN 30 breadth

	WoW	MoM	YTD
Gainers	28	24	19
Losers	1	4	11

Source: Bloomberg (Dec 29)

VN Index breadth

	WoW	MoM	YTD
Gainers	275	271	277
Losers	87	101	103

Source: Bloomberg (Dec 29)

Source: Bloomberg

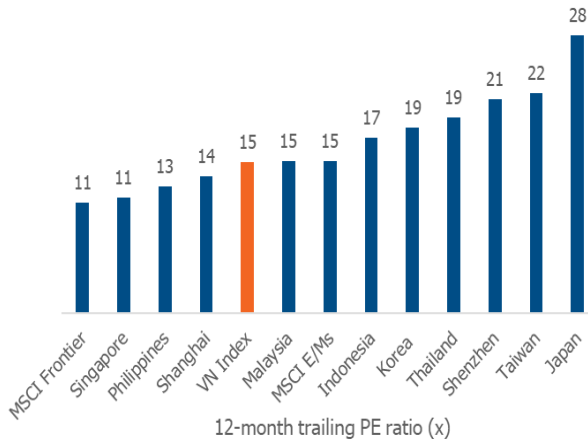
Valuations – Cheap, but so what? Over the course of 2023, the “dirt cheap” PE valuations of 4Q22-1Q23 gradually gave way to higher and less attractive multiples. The VNI had traded down to below 9x 2023 P/E during the panic selloff of 4Q22, but as recently as end-August that figure had risen (along with share prices) to 12x 2023E P/E.

As of end-2023, the VNI is trading around 9x forward PE (i.e., 2024E). This once again appears to be screamingly cheap. We believe that 2024E earnings forecasts are perhaps stretched – for the banks, even with flat NIMs, provisioning pressures are likely to weigh on earnings growth; while expectations for the property sector remain naively aggressive given the extremely low presales performance across the industry.

Even so, we still think that low- to mid-teen percentage growth in EPS should be achievable, in which case the VNI is still cheap at around 9-10x 2024E PE.

Vietnam stocks are not as cheap vs. the region as they used to be, on trailing P/E basis...

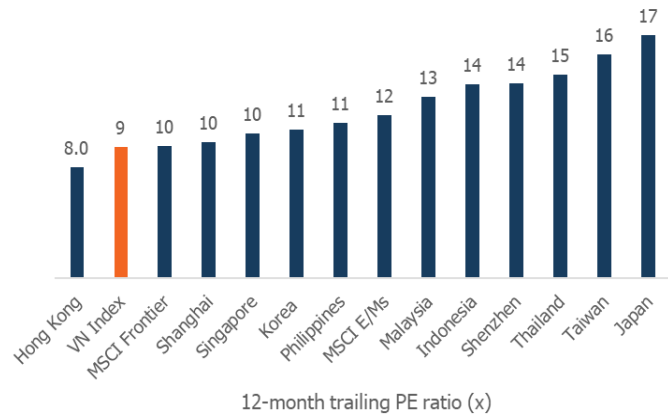
Regional stock market: Trailing PE multiples



Source: Bloomberg, Yuanta Vietnam (Dec 29)

... but the 9x 2024E PE is inarguably cheap, even assuming that EPS expectations are too high.

Regional stock market: 2024E PE multiples



Source: Bloomberg (2024E consensus PE), Yuanta Vietnam (Dec 29)

This is a compelling valuation opportunity, in our view. But valuation alone is never a catalyst. Liquidity inflows are needed to drive a proper rerating of the market. We haven't factored this into our 1298 index target, which assumes EPS growth alone with no dramatic improvement in the market's PE multiple. In theory, low domestic interest rates should help to provide a boost to stock valuations, but academic arguments about discount rates are perhaps even less compelling as a stock market driver in a market that is so heavily dominated by retail investors.

More interestingly, the reduced cost of VND – specifically, plummeting mortgage rates – should shore up property market confidence in the longer term. We expect the property upcycle to start eventually, but think it only happens in 2025 – and the market consensus is likely to adopt this view over the next two months as the finalized 2023 earnings and 2024E guidance emerge from the developers. But even so, the reduced cost of debt should also help to boost consumer confidence in the Year of the Dragon.

The VNI's trailing PE ratio is close – but slightly below – its historical mean.

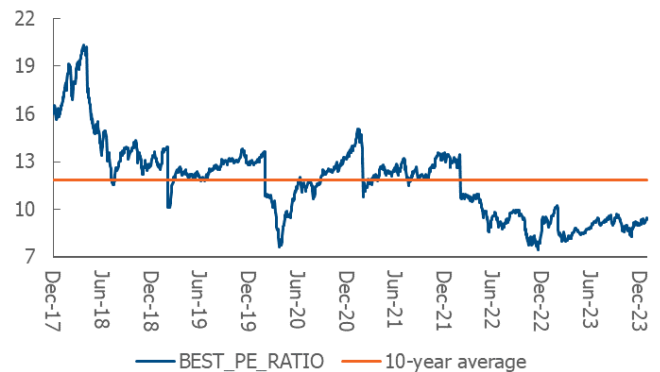
VNI -- Trailing PE ratio (x)



Source: Bloomberg, Yuanta Vietnam

But the mainboard's 2024E PE is now 9.4x, based on Bloomberg consensus.

VNI -- 2024E PE ratio (x)

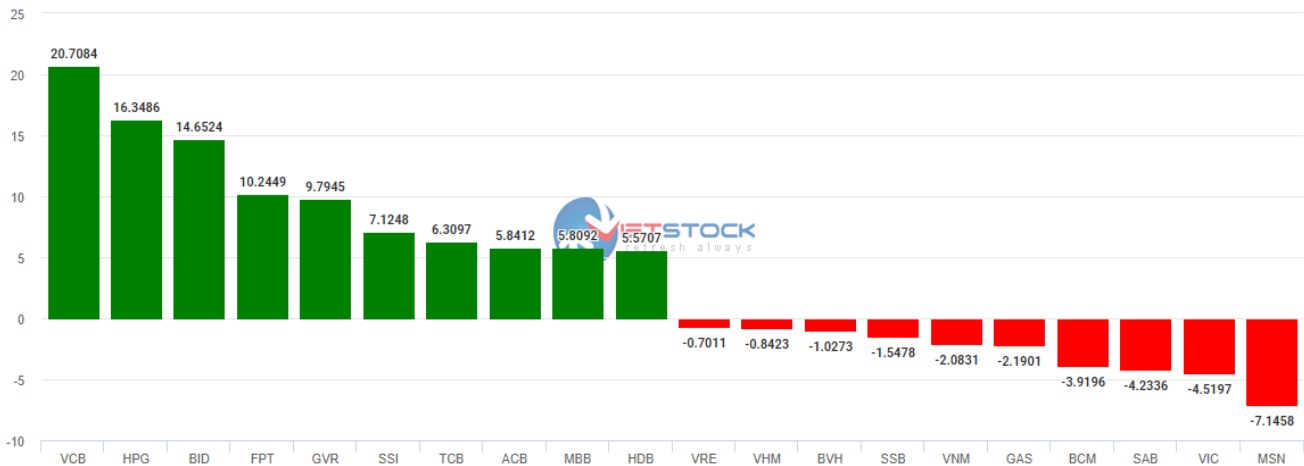


Source: Bloomberg (2024E consensus PE), Yuanta Vietnam

As stated above, market breadth was more positive for the large caps than it was for the wider market in December. VN30 components included 24 members that rose MoM in December, with two stocks unchanged MoM and only three declining MoM.

Large cap outperformance in December was led by ACB (+9% MoM), MWG (believe it or not, up +11% MoM), TCB (+8%), HDB (+13%), FPT (+5%), HPG (+5%), and MSN (+11%). The losers of the month were all just marginally lower – SAB (-3%), GAS (-1%), and PLX (-2%).

Top stocks affect the market index VN-Index from 01/01/2023 to 12/31/2023



Source: Vietstock.vn

...but breadth was more positive for the VNI components than it was for the narrow VN30 on a full year basis in 2023. The large caps saw 19 gainers vs 11 losers, for a positive rate of 63%. By contrast, the VNI comprised 277 winners vs 103 decliners, so gainers made up a higher percentage at 73%.

In terms of weighted contribution to the index, the biggest large cap winners of 2023 were FPT (+47% YoY), HPG (+55%), SSI (+93% (!!!) and our tireless brokerage analyst's top BUY call in the sector), ACB (+31%), and HDB (+54%). Notable decliners were MSN (-28% YoY), SAB (-23%), VIC (-17% after a roller coaster ride that saw the shares jump at midyear), VHM (-10%), and VRE (-11%).

For the record, MWG, which appeared to enjoy a near-demigod status among foreign institutions in years past, but which has very much fallen out of somebody's favor and currently sports 39 million open FOL shares that you can buy in the market at market price, limped in with a +1% YoY gain in 2023.

As discussed previously, your humble author has been a buyer of this one on my personal trading account – on the view that the market is extrapolating the pain of 2023 as continuing forever, when my personal view is that the business operations will turn up eventually – and probably in 2024. Notably, this is not a view that is shared throughout our research bullpen, let alone the sales desk, but that's what makes a market.

VN30 large caps: Share price performance in Dec

Ticker	Closing price (VND K)	MoM chg	Contribution to VN30 Index performance in Dec	YTD chg	Contribution to VN30 Index performance in 2023
ACB	23.9	8.9%	13%	30.6%	11%
BCM	62.9	8.1%	0%	-20.9%	0%
BID	43.4	11.7%	2%	26.7%	1%
BVH	39.5	1.3%	0%	-13.2%	0%
CTG	27.1	3.0%	1%	11.1%	1%
FPT	96.1	4.6%	8%	47.0%	21%
GAS	75.5	-1.3%	0%	-7.5%	0%
GVR	21.2	6.0%	0%	56.4%	1%
HDB	20.3	12.8%	9%	54.1%	9%
HPG	28.0	5.3%	8%	55.3%	21%
MBB	18.7	4.8%	5%	28.6%	6%
MSN	67.0	10.7%	8%	-28.0%	-5%
MWG	42.8	11.2%	10%	0.7%	0%
PLX	34.5	-1.7%	0%	10.7%	0%
POW	11.3	0.0%	0%	5.6%	0%
SAB	63.0	-3.1%	0%	-23.4%	-1%
SHB	10.8	0.0%	0%	28.1%	4%
SSB	23.9	5.8%	3%	-12.6%	-2%
SSI	32.8	4.8%	3%	92.5%	13%
STB	28.0	1.6%	2%	24.2%	5%
TCB	31.8	7.8%	10%	23.0%	7%
TPB	17.4	2.4%	1%	28.4%	3%
VCB	80.3	-5.2%	-5%	18.5%	4%
VHM	43.2	4.6%	5%	-10.0%	-2%
VIB	19.6	4.8%	2%	32.5%	4%
VIC	44.6	6.8%	6%	-17.1%	-4%
VJC	108.0	5.9%	3%	-1.4%	0%
VNM	67.6	1.0%	1%	-7.5%	-2%
VPB	19.2	0.5%	1%	12.6%	6%
VRE	23.3	5.4%	2%	-11.4%	-1%

Source: Bloomberg, Yuanta Vietnam, Pricing date: Dec 29, 2023

KDH Upgrade: Standing Firm in a Tough Market

We upgraded our recommendation on KDH to BUY in Tam Nguyen’s report of December 20.

KDH is well positioned for an eventual property market recovery – likely in 2025 – given its solid financial position and brand among homebuyers. Management’s financial prudence has been especially beneficial during the recent adverse conditions given that it allows KDH to optimally time major business decisions. In addition, KDH’s projects are exhibiting steady progress despite the well-flagged (and ongoing) administrative bottlenecks afflicting the wider industry.

Upgrade to BUY with target price of VND36.2k, implying +21.5% TSR. We increase our target price by +13%, after marking to market of Nguyen Thu and recently disclosed project in HCMC’s Binh Trung Ward.

Share price performance relative to VN



Market cap	USD 1,014 mn
6M avg. daily turnover	USD 2.52 mn
Outstanding shares	799 mn
Free float	35.86%
FINI ownership	38.78%
Major shareholders	44.14%
FOL Room	10.22%
3Q23 Net Debt / Equity	0.34x
Current P/B (x)	1.80x
2023F P/B (x)	1.82x
2024F P/B (x)	1.79x
2025F P/B (x)	1.74x

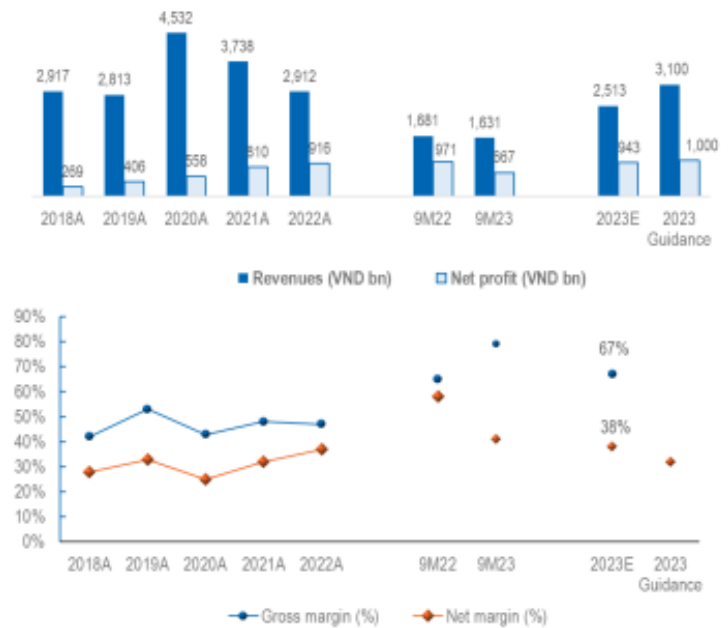
Sources: KDH, Bloomberg, Yuanta Vietnam

Company profile: KDH is a HCMC-focused developer with major projects in Districts 2 & 9 as well as Binh Tan and Binh Chanh Districts. The company’s c. 613ha of landbank is a key competitive advantage given the supply constraints in Vietnam’s largest city. Although historically focused on townhouses and villas, KDH has launched three apartment projects (e.g., the Jamila, Safira, and Lovera Vista) since 2018.

Weak P&L results YTD... 9M23 PAT decreased by -31% YoY to VND 667bn. The weak profit was attributed to two key factors: (1) one-off gains of VND412bn were far lower than in previous years, and (2) the company has launched only one project during the ongoing market slump: The Classia.

Fig 1: KDH's 9M 2023 P&L results (VND bn)

INCOME STATEMENT (VND'bn)	9M22	9M23	YoY (%)	2023 guidance
Net sales	1,678	1,624	-3%	3,100
Cost of sales	(593)	(343)		
Gross Profit	1,085	1,281	18%	
Selling expenses	(61)	(104)	70%	
General and admin expenses	(162)	(153)	-6%	
Operating profit/(loss)	862	1,024	19%	
Financial income	8	33		
Financial expenses	(52)	(87)	67%	
Gain/(loss) from joint ventures	b	-		
Net other income/(expenses)	411	(14)		
Profit/(loss) before tax	1,228	956	-22%	
Income tax expenses	(258)	(288)		
Net profit/(loss) after tax	971	667	-31%	1,000
Minority interests	(13)	12		
Attributable to parent company	983	655	-33%	



Note: A one-off income of VND 412bn was recognized as an other income item. This includes: 1) VND 269bn of non-cash bargain purchase gains related to its VND 868bn acquisition of 85% of Phuoc Nguyen JSC, a holding company with a project in Thu Duc City, and 2) VND 164bn in contract compensation fees.

Source: Company data, Yuanta Vietnam

...but the P&L does not include VND 1.1tn in pretax gains on divestment of 49% stakes in two subsidiaries, because these projects are still consolidated in the financial statements. As such, the divestment gains appear on KDH's balance sheet, but not on its income statement. Factoring in these divestment gains, 9M23 PBT would increase from VND956bn (a decrease of -22% YoY) as reported on the P&L to VND 2.1 trillion (an increase of +70% YoY).

Fig 2: KDH's M&A deals

Timeline	Subsidiaries	Event	Old stake (%)	New stake (%)	Value (VND bn)	Gain/Loss (VND bn)
6-Jun-23	Doan Nguyen	Transferring a 49% stake in Doan Nguyen to a foreign partner.	99.7%	50.9%	1,520.7	256.0
5-Apr-23	Binh Trung Moi	Transferring a 49% stake in Binh Trung Moi to a foreign partner.	99.9%	51.0%	1,661.1	874.7
5-Apr-23	Binh Trung	Contributing the Binh Trung Dong project as capital for the establishment of Binh Trung Moi LLC.			A project	
15-Mar-23	Phuoc Nguyen	KDH bought an additional 14.8% stake at Phuoc Nguyen.	84.9%	99.7%	230.8	-10.8
26-Jul-22	Phuoc Nguyen	KDH bought an additional 15.25 million shares of Phuoc Nguyen, valued at VND 248 billion, representing c. 25% stake.	60.0%	84.9%	248.0	122.6
3-Mar-22	Phuoc Nguyen	KDH bought 60% stake Phuoc Nguyen, KDH has control over Doan Nguyen as Doan Nguyen is fully owned by Phuoc Nguyen	0.0%	60.0%	620.0	269.3
29-Sep-21	Nguyen Thu	Nam Phu bought 39.96mn Nguyen Thu share	0.0%	100.0%	419.6	198.5
22-Jun-20	Nam Phu	KDH bought an additional 48% stake at Nam Phu	51.0%	99.0%	9.8	0.2
						1,710.5

Source: Company data, Yuanta Vietnam

We expect 2023 revenues to fall by -14% YoY, reaching VND 2,513 bn and fulfilling 81% of the company's revenue guidance. However, we forecast full-year PAT of VND 986 bn (-9% YoY), which would achieve 99% of PAT guidance.

Well-placed to capitalize on the eventual market recovery. We believe that KDH is the most active developer in HCMC in terms of completing administrative procedures, as it has already achieved full administrative approvals for The Privia and construction permits for Emeria and Clarita.

Fig 3: KDH pipeline projects

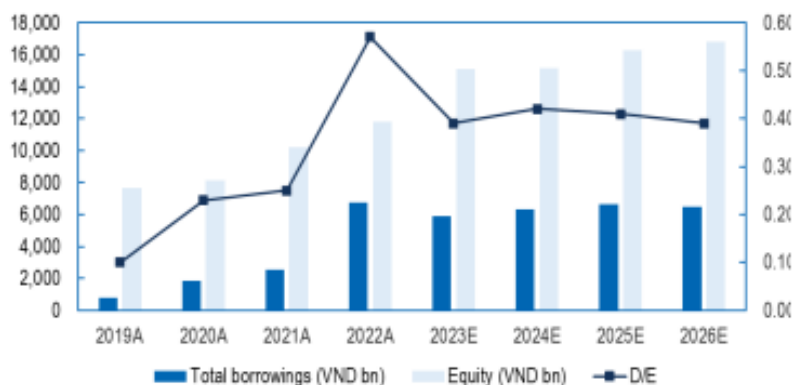
No	Project's Name	Location	Total area (hectares)	Before	2019	2020	2021	2022	2023	2024	2025	2026	After
1	Jamila	Thu Duc City	1.7	2Q17									
2	SaFira	Thu Duc City	2.7	4Q18	2Q19								
3	Lovera Vista	Binh Chanh Dist	1.8		3Q19								
4	Verosa Park	Thu Duc City	8.1		3Q19								
1	The Classia	Thu Duc City	4.4				3Q21*						
2	The Privia	Binh Tan Dist	1.8					3Q22*					
3	Clarita	Thu Duc City	5.7						4Q23*				
4	Emeria	Thu Duc City	6.0						4Q23*				
5	Le Minh Xuan IP (expansion phase)	Binh Chanh Dist	109.9										
6	The Solina (11A Residence)	Binh Chanh Dist	16.4										
7	Tan Tao residential area	Binh Tan Dist	330										
8	Phong Phu 2	Binh Chanh Dist	132.9										
9	A project in Binh Trung Dong	Thu Duc City	6										
Total			613.1										

Note: * The time when the project was started building.

Source: Company data, Yuanta Vietnam

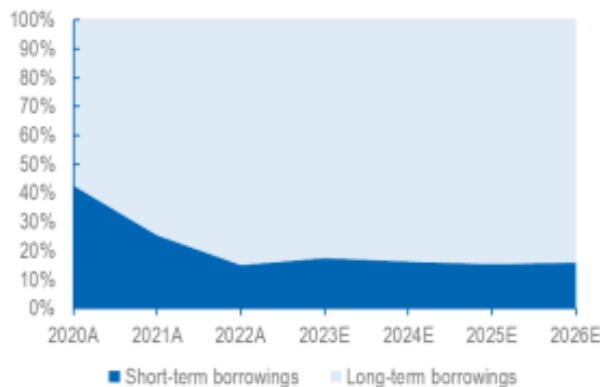
KDH's prudent financial strategy sustains the business during adverse times. Its low debt load, evidenced by net debt-to-equity of just 0.17x, potentially allows for increased debt financing if needed. Additionally, its high cash-to-short-term-borrowings ratio of 5.6x indicates that it should be readily able to meet near-term obligations. Financial strength allows KDH to optimally time major business decisions such as self-funded expansion or favorably priced M&A.

Fig 7: Financial leverage



Source: Company data, Yuanta Vietnam

Fig 8: Debt is predominantly long-term



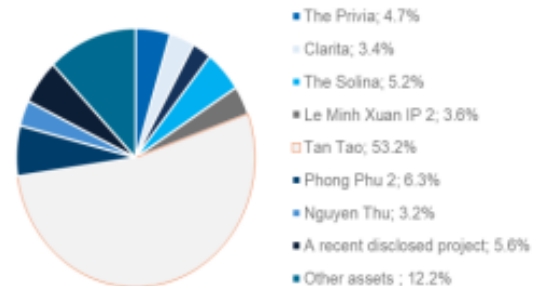
Upgrade to BUY from the previous HOLD-Underperform recommendation. Our new fair value estimate of VND 36,200 per share implies 21.5% TSR. Our new target represents a +13% increase from our [previous NAV-per-share estimate](#), primarily driven by marking to market the values of Nguyen Thu and a recently disclosed 5-6ha project in Binh Trung Ward, HCMC. Our mark-to-market assessments are based on the valuations of two recent divestments in which KDH sold project stakes to a foreign partner.

Fig 12: Valuation summary

No	Project	Ownership rate	Valuation approach	NPV	Effective NPV	Proportion (%)
1	The Privia	100.0%	DCF	1,497	1,497	4.7%
2	Clarita	51.0%	DCF	417	1,087	3.4%
3	Emeria	51.0%	DCF	342	812	2.6%
4	The Solina	100.0%	DCF	1,630	1,630	5.2%
5	Le Minh Xuan IP 2	100.0%	DCF	1,126	1,126	3.6%
6	Tan Tao	100.0%	DCF	16,830	16,830	53.2%
7	Phong Phu 2	100.0%	MV	2,009	2,009	6.3%
8	Nguyen Thu	100.0%	MV	1,020	1,020	3.2%
9	A recent disclosed project	100.0%	MV	1,763	1,763	5.6%
10	Other assets	100.0%	MV	6,648	3,865	12.2%
Total project NPV				31,639		
Cash and cash equivalent				2,338		
Total borrowing				-4,984		
NAV				28,993		
Number of shares				0.80		
Fair Value				36,200		

Source: Company data, Yuanta Vietnam

Fig 13: NPV breakdown by project



Please access the link for our complete report: <https://yuanta.com.vn/wp-content/uploads/2023/12/KDH-Company-update-Stand-Firm-Stand-Proud-Amid-Challenges.pdf>

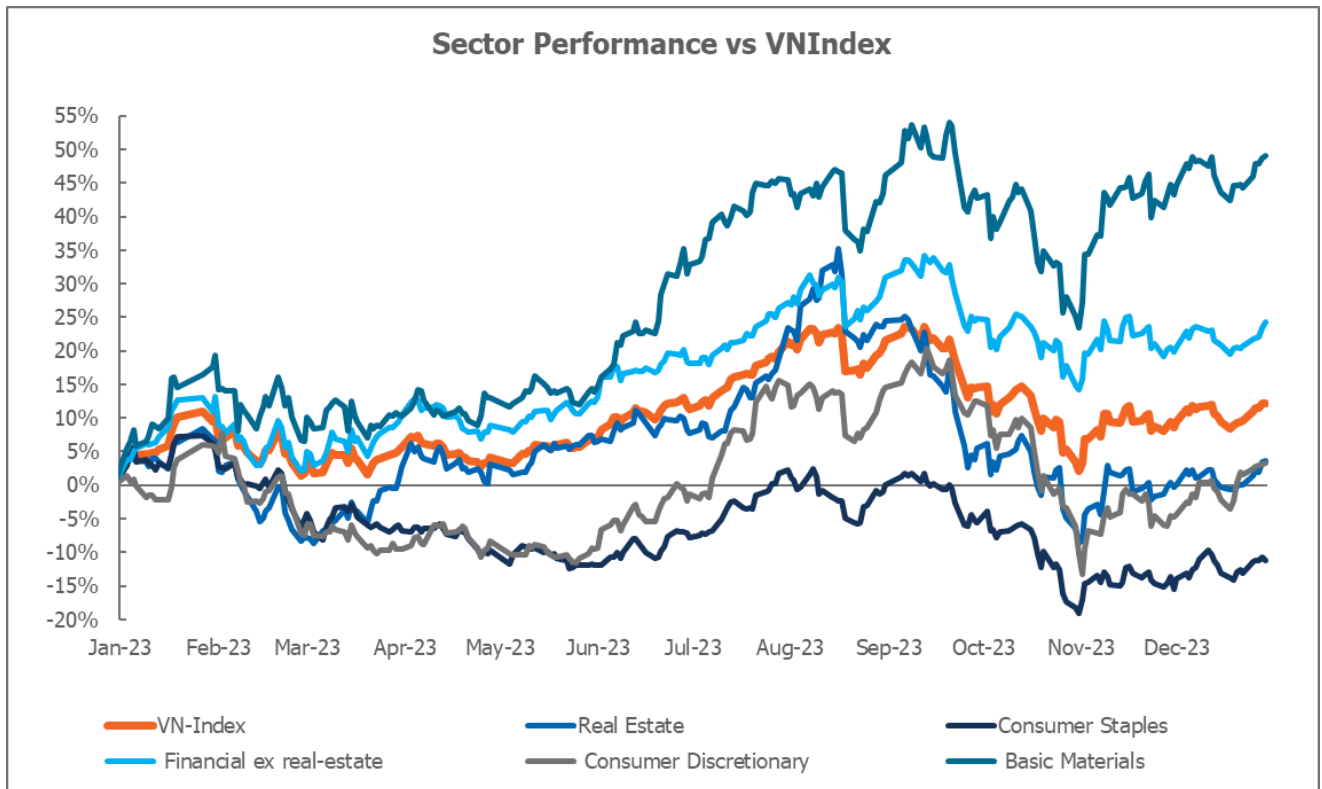
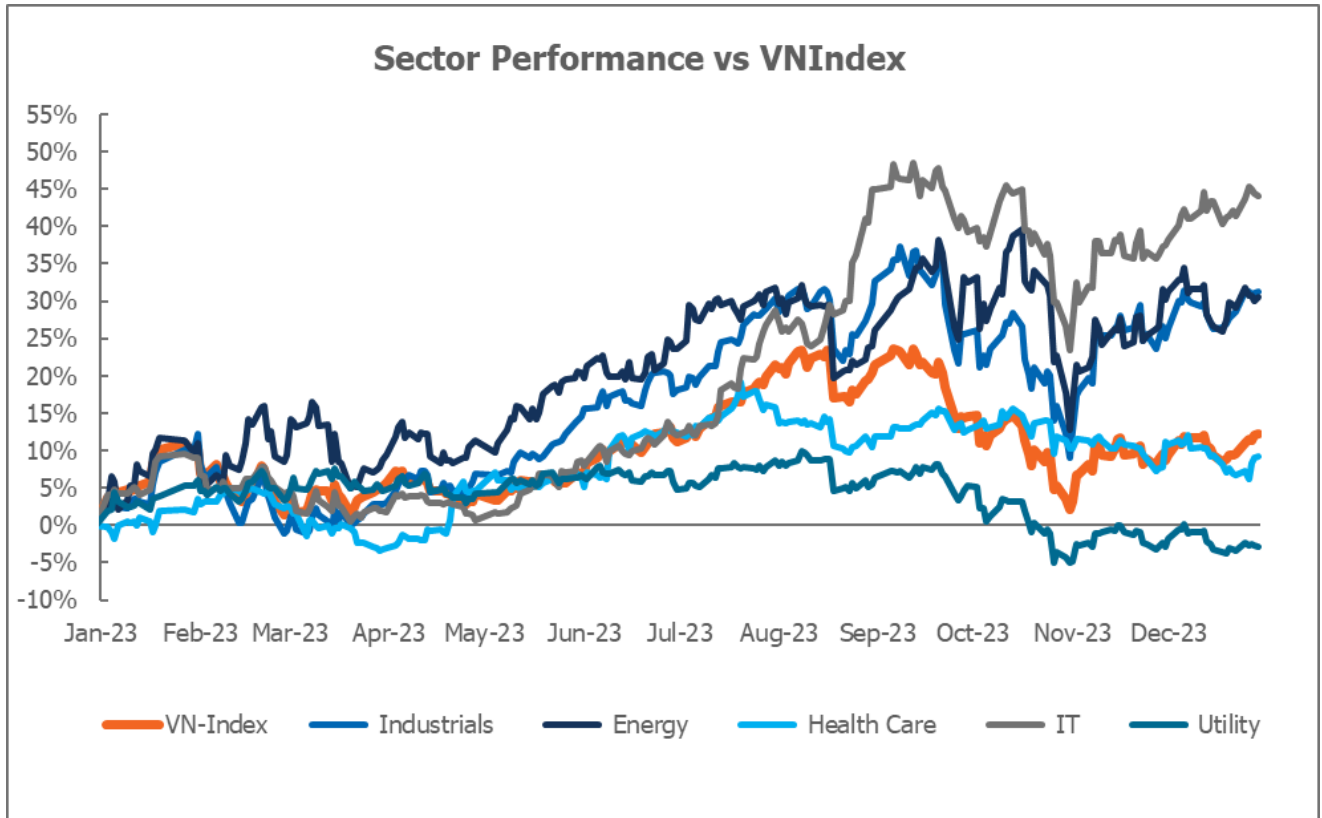
INCOME STATEMENT (VND'bn)	2021A	2022A	2023E	2024E	2025E	2026E
Net sales	3,738	2,912	2,513	3,475	4,218	6,349
Cost of sales	(1,945)	(1,529)	(796)	(2,038)	(2,426)	(3,562)
Gross Profit	1,792	1,383	1,717	1,437	1,792	2,787
Selling expenses	(201)	(103)	(110)	(159)	(197)	(286)
General and admin expenses	(183)	(220)	(207)	(251)	(263)	(306)
Operating profit(loss)	1,408	1,060	1,400	1,027	1,332	2,105
Financial income	20	18	91	96	94	95
Financial expenses	(72)	(82)	(165)	(159)	(149)	(164)
Gain/(loss) from joint ventures	-	-	-	-	-	-
Net other income/(expenses)	184	412	54	58	58	58
Profit(loss) before tax	1,540	1,408	1,380	1,020	1,335	2,094
Income tax expenses	(335)	(327)	(394)	(204)	(267)	(419)
Net profit(loss) after tax	1,205	1,081	986	816	1,068	1,675
Minority interests	(2)	21	(2)	(104)	(164)	(417)
Attributable to parent company	1,203	1,102	984	712	904	1,258
EPS basis reported, VND	1,871	1,537	1,232	891	1,131	1,574
EPS fully diluted, VND	1,871	1,537	1,232	891	1,131	1,574

FINANCIAL RATIO	2021A	2022A	2023E	2024E	2025E	2026E
Growth (%)						
Revenue, growth	-18%	-22%	-14%	38%	21%	51%
Operating income, growth	-9%	-25%	32%	-27%	30%	58%
PBT, growth	6%	-9%	-2%	-26%	31%	57%
EPS, growth	-9%	-18%	-20%	-28%	27%	39%
Total Assets, growth	3%	51%	10%	4%	10%	10%
Equity, growth	25%	15%	29%	2%	4%	5%
Profitability (%)						
Gross Profit Margin	48%	47%	68%	41%	42%	44%
Operating Profit Margin	38%	36%	56%	30%	32%	33%
Net Margin	32%	37%	39%	23%	25%	26%
RDE	13%	10%	7%	5%	7%	10%
ROA	9%	6%	4%	3%	4%	6%
ROIC	14%	10%	8%	5%	7%	10%
Efficiency (x)						
Receivable Turnover	0.97x	0.81x	0.63x	1.31x	1.45x	1.81x
Inventory Turnover	0.26x	0.15x	0.05x	0.11x	0.13x	0.19x
Payable Turnover	1.43x	2.17x	0.74x	1.90x	1.25x	0.93x
Liquidity (x)						
Current ratio	6.48x	6.01x	6.85x	6.79x	5.10x	3.90x
Quick Ratio	2.72x	2.36x	1.37x	1.54x	1.33x	1.21x
Financial Structure (x)						
Total liabilities/Equity	0.40x	0.83x	0.56x	0.59x	0.70x	0.78x
Total liabilities/Total Assets	0.29x	0.45x	0.36x	0.37x	0.41x	0.44x
Debt/Equity	0.25x	0.57x	0.39x	0.41x	0.42x	0.38x

Source: Company data, Yuanta

BALANCE SHEET (VND'bn)	2021A	2022A	2023E	2024E	2025E	2026E
Total assets	14,348	21,629	23,725	24,716	27,213	29,995
Current Assets	13,399	20,601	22,474	22,954	25,729	27,817
Cash & cash equivalents	1,365	2,752	1,797	2,518	3,471	4,763
ST investment	69	44	57	51	54	53
Accounts receivable	4,182	5,303	2,653	2,653	3,184	3,821
Inventories	7,748	12,441	17,022	17,682	18,947	19,077
Other current assets	35	61	45	50	73	103
Long-term Assets	949	1,028	1,251	1,762	1,484	2,178
Long-term trade receivables	76	71	51	75	93	135
Net fixed assets	40	81	86	91	96	101
LT investment	14	14	15	16	17	18
LT assets other	819	862	1,009	1,580	1,278	1,924
Total Resources	14,348	21,629	23,725	24,716	27,213	29,995
Total Liabilities	4,129	9,837	8,590	9,207	11,161	13,101
Advances from customers	157	968	988	952	2,609	4,609
Accounts payable	155	108	60	148	179	261
ST debts	648	1,028	1,028	1,028	1,028	1,028
Other ST liabilities	1,105	1,302	1,204	1,253	1,229	1,241
Long term debt	1,905	5,743	4,896	5,285	5,638	5,452
Other LT debt	159	668	414	541	478	510
Shareholder's equity	10,219	11,792	15,165	15,509	16,052	16,894
Paid in capital	6,429	7,168	7,990	7,990	7,990	7,990
Share premium	1,177	1,312	1,312	1,312	1,312	1,312
Retained earnings	2,342	2,779	3,492	3,732	4,111	4,536
Other equity	237	297	297	297	297	297
Minority interest	35	237	2,074	2,178	2,342	2,759
CASH FLOW (VND'bn)	2021A	2022A	2023E	2024E	2025E	2026E
Begin cash of the year	1,836	1,365	2,752	1,797	2,518	3,471
Net profit before tax	1,540	1,408	1,380	1,020	1,335	2,094
Adjustments	7	(273)	(165)	(159)	(140)	(164)
Change in Working Capital	(3,563)	(2,959)	(2,520)	(27)	(571)	714
Cash from Operations	(2,016)	(1,824)	(1,305)	834	615	2,644
Capital Expenditures	(49)	(63)	(5)	(5)	(5)	(5)
Investments	0	0	(14)	5	(4)	-
Change in other	(50)	43	2,329	(378)	221	(656)
Cash from investments	(99)	(20)	2,310	(378)	212	(661)
Dividend Paid	0	0	-	-	-	-
Proceeds from issue of shares	936	230	823	0	0	0
Net change in debt	707	3,000	(877)	419	353	(186)
Change in other	0	0	(1,906)	(154)	(227)	(505)
Cash from financing	1,643	3,230	(1,968)	265	126	(691)
Effect of FX differences	0	0	1	2	3	4
Net change in Cash	(472)	1,386	(955)	721	953	1,292
Ending cash balance	1,365	2,752	1,797	2,518	3,471	4,763

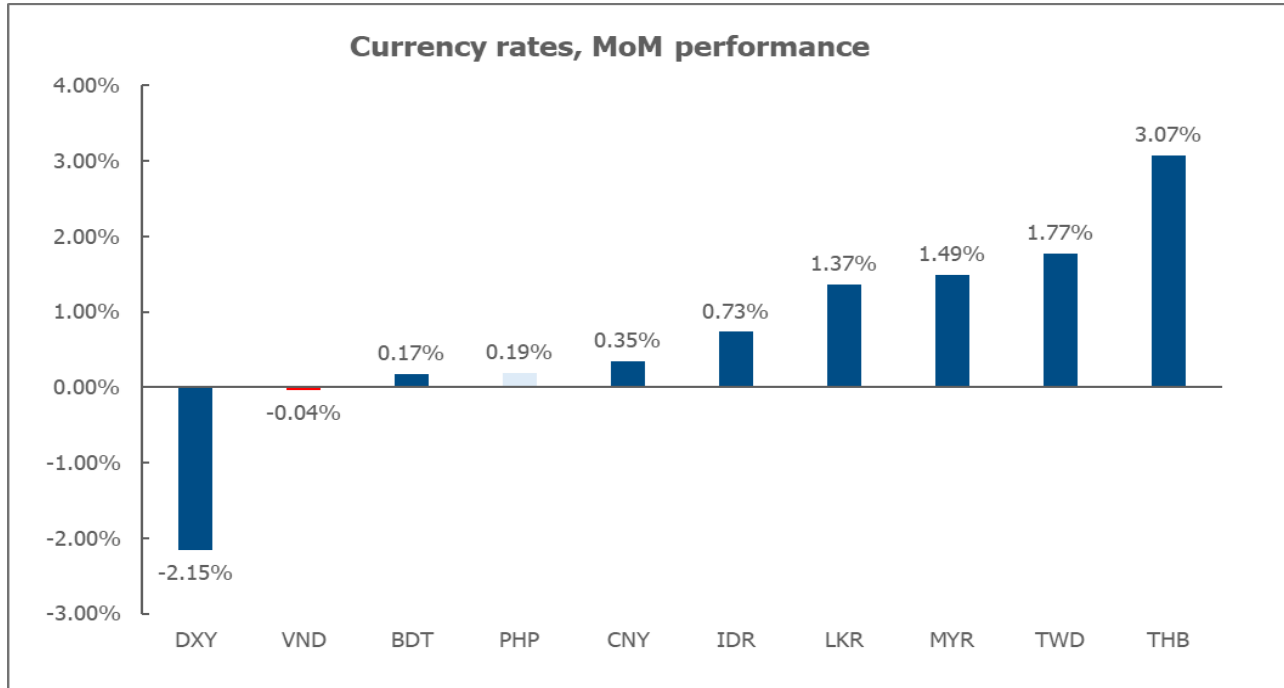
Sector performance YTD



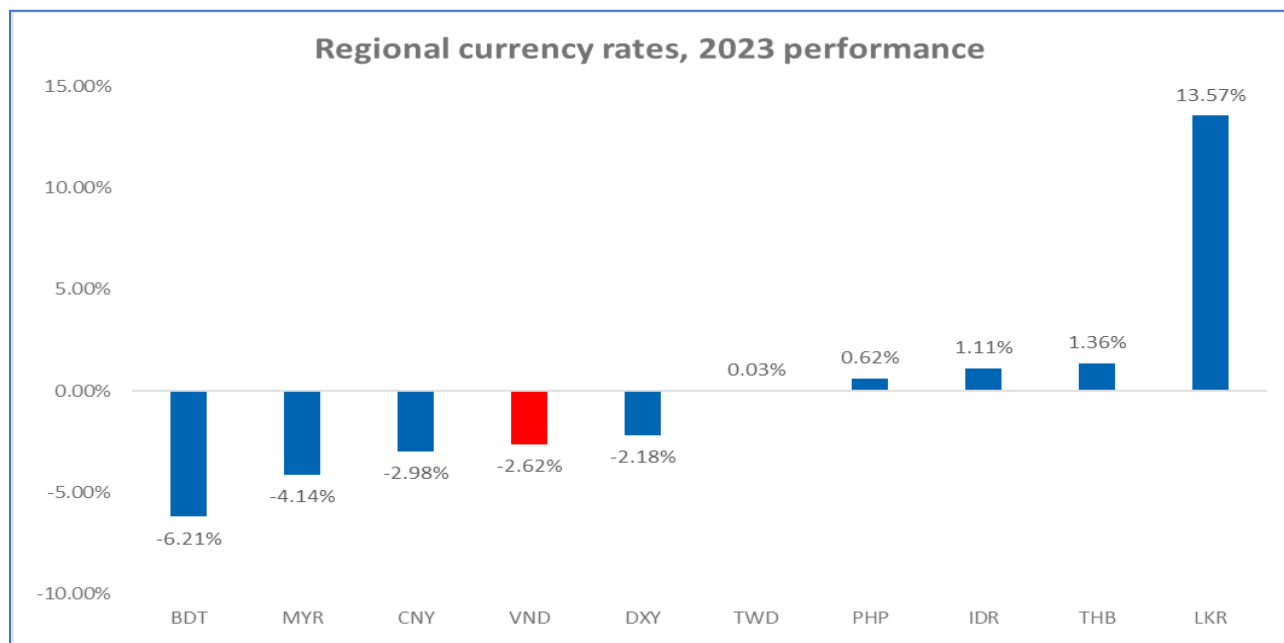
Source: Bloomberg (data through Dec 29)

The VND underperformed regional currencies by depreciating -4bps against a weak USD in December. This was substantial underperformance vs the resurgent Thai baht (+3.1% MoM), Malaysian Ringgit (+1.5%) and Indonesian rupiah (-1.42%), all of which benefited against the USD's recent softening as exhibited by a -2.2% MoM decline in the DXY.

As a result of this yearend shift, the VND was a regional underperformer on a full-year basis, declining by -2.6% YoY against the USD in 2023. By contrast, the THB (+1.4%), IDR (+1.1%), and PHP (+0.6%) all exhibited modest gains vs. the US dollar during the year.

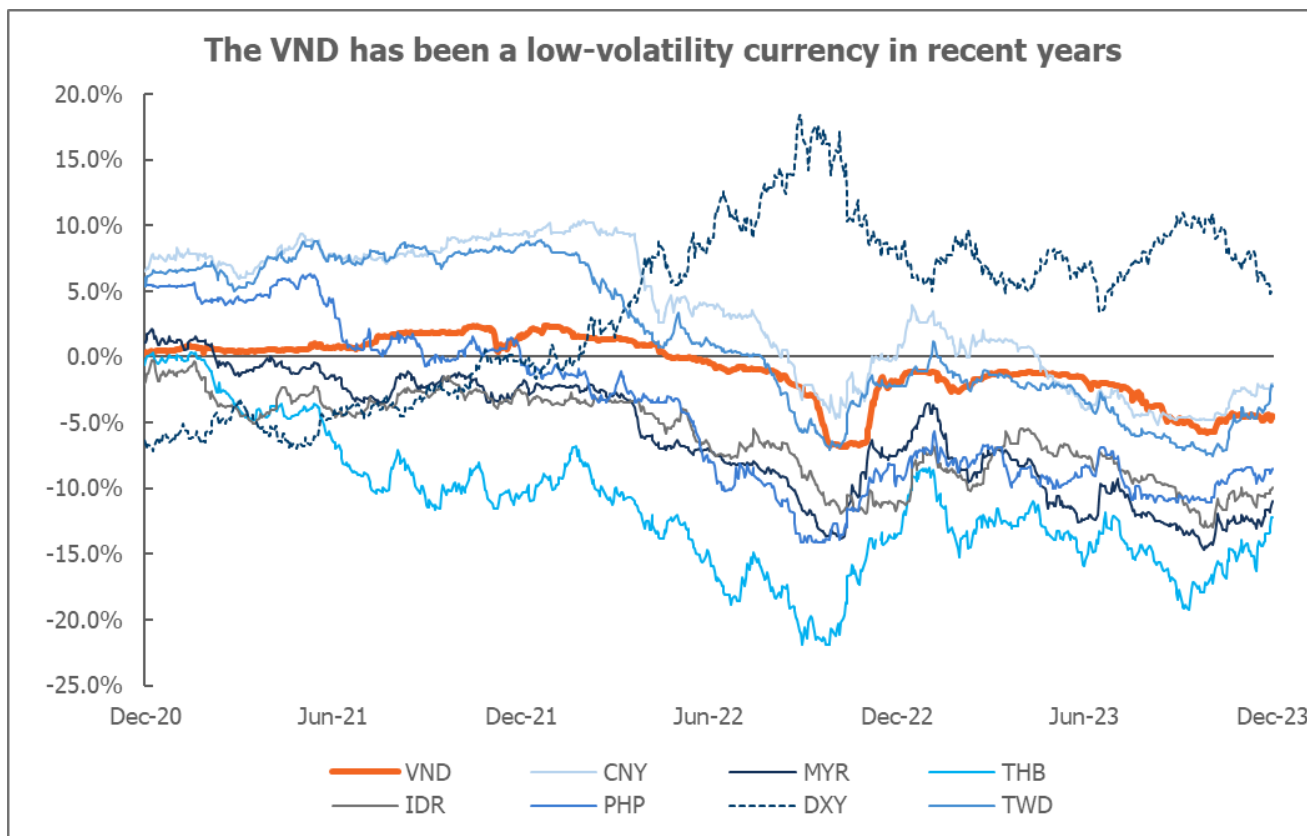


Source: Bloomberg (Data is as at Dec 29)



Source: Bloomberg (Data is as at Dec 29)

As illustrated in the chart below, the changes all occurred close to yearend, and they were largely timed in line with the increased acceptance of the “2024 Fed pivot” narrative that pushed US long rates dramatically lower in 4Q23 after a very brief bear steepening in 3Q 2023.



Source: Bloomberg (updated to Dec 29)

Our view remains that the VND should appreciate vs. the USD given the positive fundamentals:

- 1) An increasingly structural positive current account balance;
- 2) Continued inflows of longer term capital in the form of FDI and remittances;
- 3) Ample FX reserves, especially relative to imports for the domestic economy; and
- 4) Lack of any credit-fueled domestic demand bubble in the past decade.

However, this view does not inform our actual expectations. Despite these positive-seeming fundamental drivers, we expect the currency to continue to depreciate anyway by 1-2% annually vs. the US dollar going forward. This is due primarily to

- 1) The SBV’s focus on financial stability and propensity to retain cost competitiveness vs. regional countries;
- 2) Lack of any real pressure from the US to allow the VND to appreciate given the overriding geopolitical concerns;
- 3) The very real interest rate differential, which we do NOT anticipate will disappear in 2024; and
- 4) The ever-present risk of capital flight from domestic elites, as illustrated by the “net errors and omissions” chart from our October monthly strategy note:

Real interest rate differentials are an easy-to-explain culprit for the VND’s soft patch, as US dollar money markets have been slowly moving from the ephemeral

“Fed-will-soon-pivot” mirage to the acceptance of “higher for longer”, with US long bond rates finally getting this message.

But so what? – our bank in Vietnam is paying exactly zero interest on our US dollars.

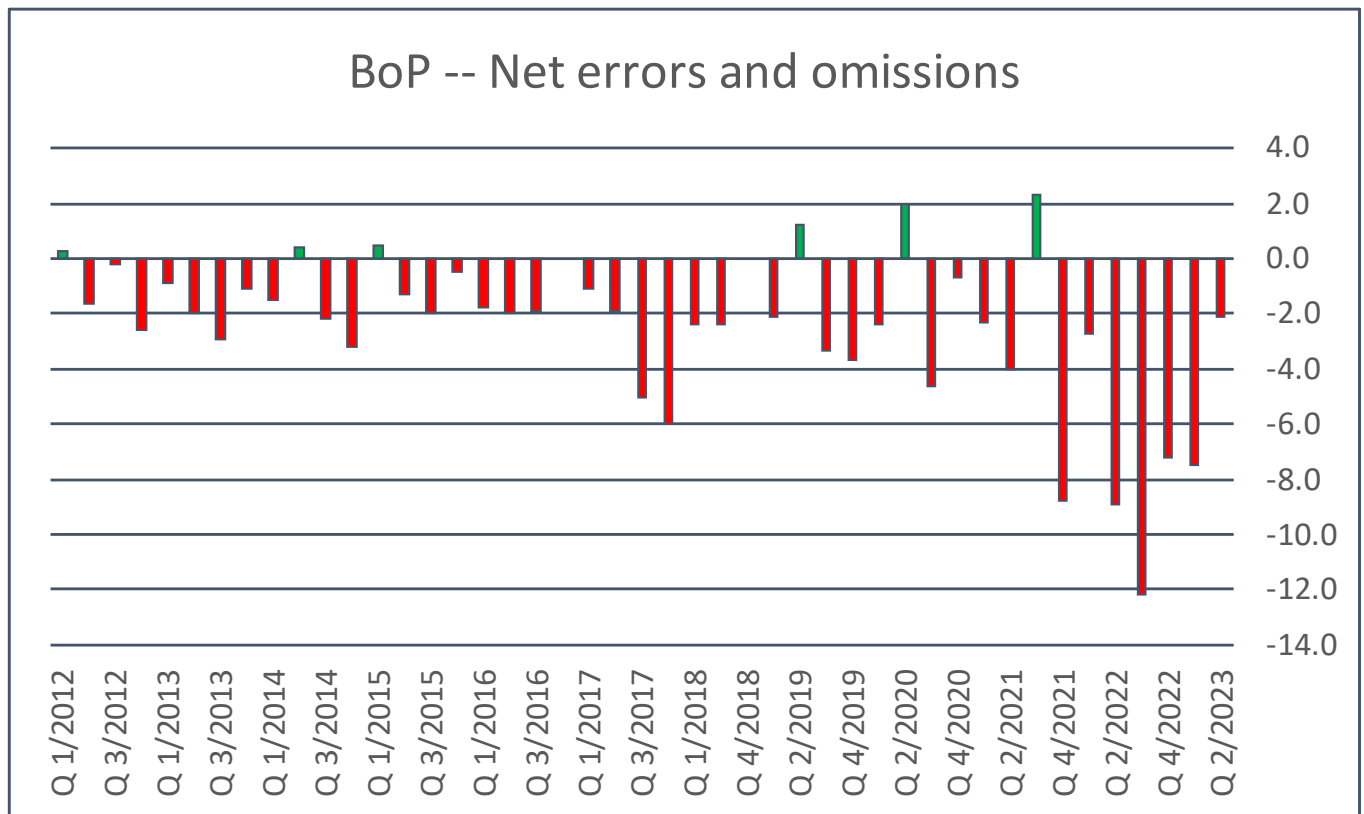
This raises an obvious question: what is the practical mechanism by which interest rate differentials affect the exchange rate?

The chart below on a particular component of the balance of payments may provide some clues. “Capital flight” is such an ugly sounding term, but we think the surging capital outflows that are quantified as net errors and omissions in the official balance of payments data reflect this trend.

In the period between 4Q21 and 2Q23 (the latest available data), net errors and omissions have been consistently negative for a total US\$49.4 billion in outflows during this 21-month period. But this period included exceptionally high outflows in 2Q22-1Q23, a time in which certain individuals may have been especially incentivized to attempt to offshore their wealth.

The underlying drivers for this data are opaque by their very nature, but real rate differentials may be a factor.

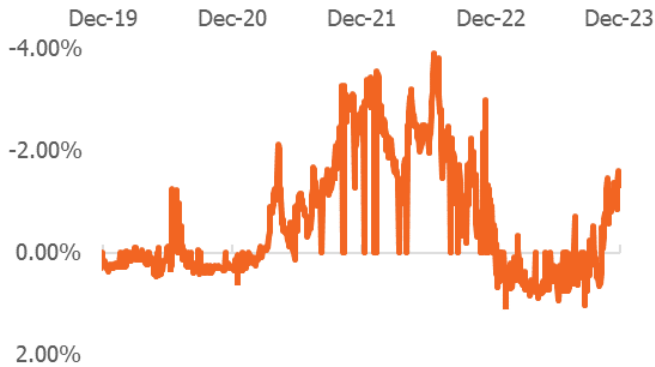
In any case, the data supports our argument that domestic HNWIs – and not the evil foreigners – represent the greatest source of liquidity risk for the system and the VND itself.



Source: FiinPro, Yuanta Vietnam

Grey market US dollar cash premium remains low vs. recent history.

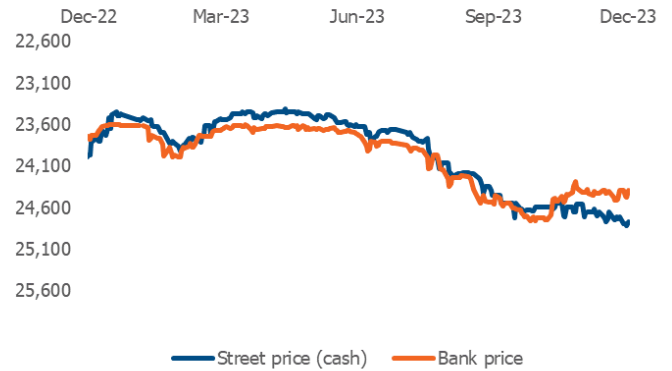
Cash rate vs bank rate for buying USD with VND



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

Although both rates have been on a declining trend over the past month.

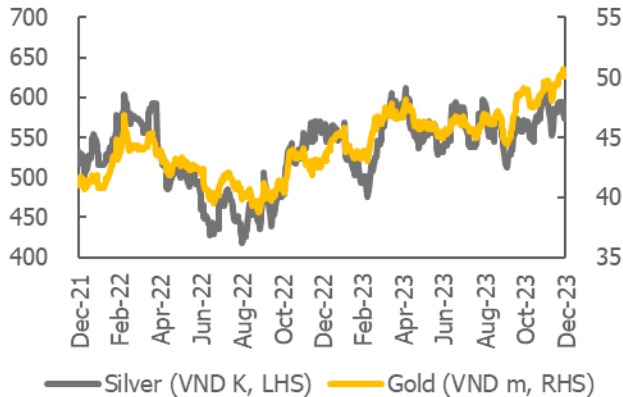
VND rates to buy USD



Source: FiinPro, Yuanta Vietnam

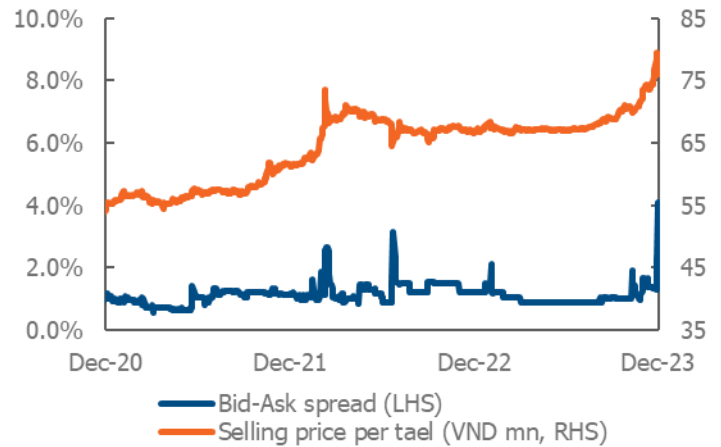
Global gold prices have thus increased vs the weaker VND.

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.

The SJC's official gold price reflects this trend, and bid-ask spreads remain subdued.

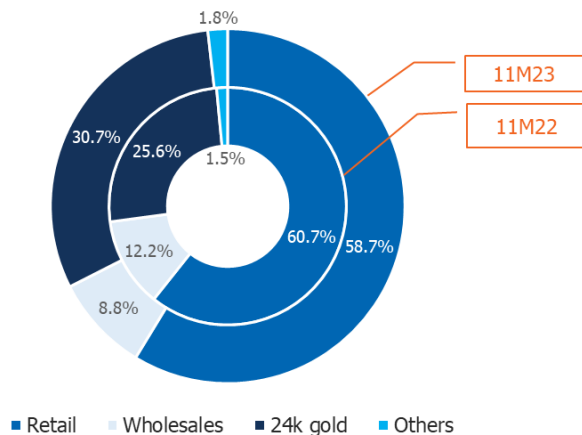


Source: FiinPro, Yuanta Vietnam

A barbarous relic? Fun times in the gold market. It seems that the combination of low VND deposit rates, Fed pivot expectations, and rising global gold prices have been fueling high demand for physical gold in Vietnam.

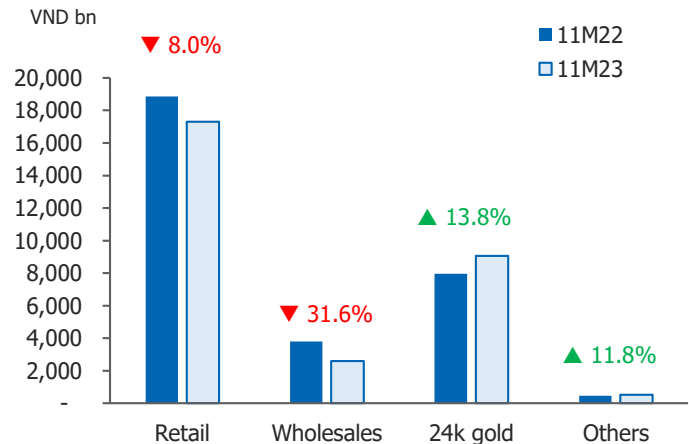
This was very evident in the November monthly P&L disclosures from PNJ (BUY). Keynes the Younger would undoubtedly scoff, but PNJ's 24K gold sales in November increased by an astounding +41% MoM / +89% YoY, and this segment was the key growth driver of total sales (+3.5% MoM / +23% YoY).

PNJ -- Sales breakdown in 11M23



Source: Company data

PNJ -- 24k gold posted positive growth in 11M23



Source: YSVN's estimates from PNJ's accumulative data

Consumer analyst Di Luu notes that PNJ's retail footprint expansion has exceeded management's target for 2023, but average monthly sales per store has still improved for the past three months. She expects the positive operational momentum to persist seasonally through Tet, but the business may also be exiting its cyclical slump.

Overall, we continue to view PNJ as a long-term beneficiary of the rise of Vietnam's middle class, and we reiterate our BUY recommendation on the stock. Please see Di's Dec 20 report for details: <https://yuanta.com.vn/wp-content/uploads/2023/12/PNJ-Express-note-Nov-2023-1.pdf>

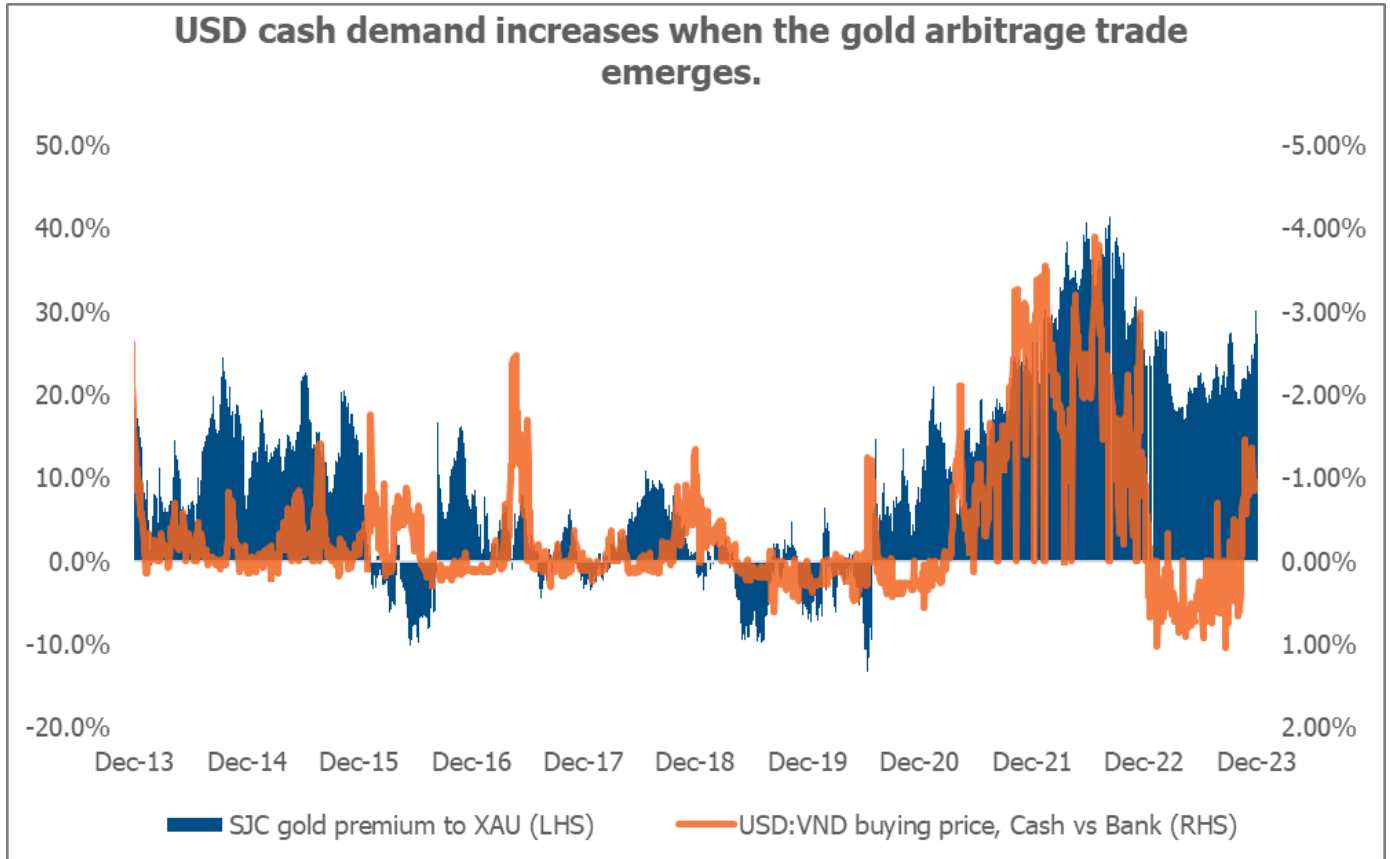
But the newly resurgent lust for gold is not welcomed by everyone. In late December, the authorities instructed the Saigon Jewelry Corp. and other gold sellers to *reduce* their prices for gold bullion.

So it seems that soaring global gold prices – now back at record highs in nominal terms – are attracting interest from Vietnam investors. No surprise there, but the closed (i.e., government-controlled) nature of Vietnam's official gold bullion market results in outsized share price increases in periods such as the one we are in now, with low VND bank deposit rates and limited interest in real estate given the ongoing crisis.

These conditions should be positive for equities -- and they have been, in our opinion, as evidenced by rising share prices and relatively high ADT toward yearend.

However, when you throw in soaring global gold prices and limited domestic liquidity for the shiny metal, the conditions are such that gold becomes even more attractive. Obviously, as stock brokers we'd prefer to see more of these flows coming into stocks, but it seems reasonable to believe that desire for the Pet Rock may persist going forward anyway.

It is possible that the authorities are concerned about excess flows into the yellow metal, which typically means reduced velocity of money, and thus lower economic activity. This would explain the directive to cut selling prices, although it is difficult to believe that lower domestic prices for bullion will curtail demand in the longer term. See this domestic media source for details: <https://vietstock.vn/2023/12/sau-chi-dao-cua-thu-tuong-qia-vang-lao-doc-manh-759-1137561.htm>



Source: FinPro, Bloomberg, Yuanta Vietnam

Macro Update – Momentum Picked Up At Yearend

--Binh Truong, Deputy Head of Research

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Highlights of the GSO macro data for December and 2023

- 2023 GDP came in at 5.05%, well below the initial target of 6.5% set by the National Assembly in late 2022.
- But growth momentum picked up impressively at yearend, as 4Q23 GDP expanded by a robust 6.72% vs. 3.4% in 1Q23, 4.3% in 2Q23, and 5.5% 3Q23.
- Consensus forecasts suggest stronger growth for 2024 – and we agree.
- Domestic demand remains solid.
- Retail sales of goods and services in December were up by +2.6% MoM and by +9.3% YoY.
- For 2023, total retail sales (i.e., goods and services) rose by +9.6% YoY.
- External demand also exhibits some improvement, visible in most of the major export segments.
- Public investment is a key growth driver.
- Growth in 2023 total registered FDI surged by +32.1% YoY to USD36.6bn.
- Growth in FDI is positive to industrial developers such as KBC VN (BUY) as called by our property analyst Tam Nguyen
- Inflationary pressure has eased on subdued oil prices.
- 2023 average CPI rose by +3.25% YoY, well below the target cap of +4.5%.

Full-year GDP below the target but the momentum is escalating

GDP growth reached an estimated 5.03% in 2023. This follows 4Q23's YoY growth of 6.72%, the highest quarterly growth figure of the entire year. For reference, growth in 1Q23 was 3.4%, 2Q23 was 4.3%, and 3Q23 was 5.5%, so the 6.7% growth in 4Q23 indicates both positive economic momentum as well as a low base from 4Q22.

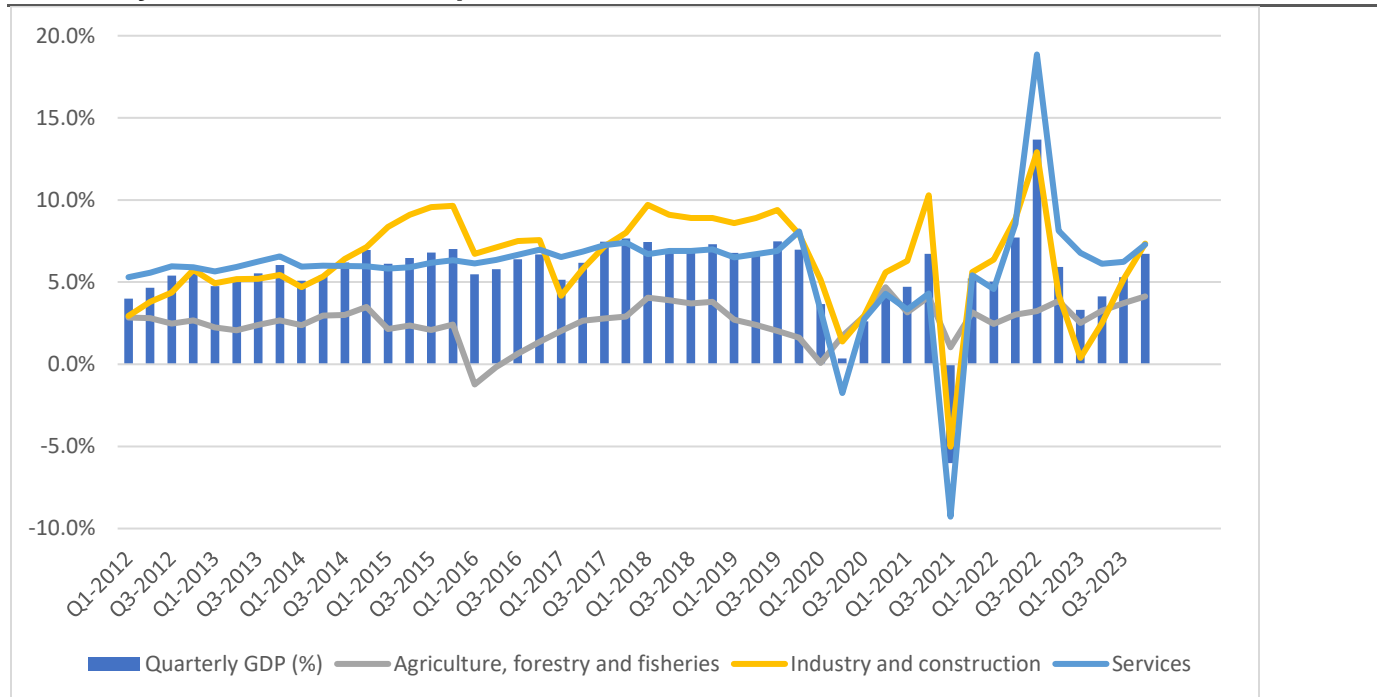
4Q24 recovery is visible in all GDP components. Notably, industry output in 4Q23 (42.6% of total GDP) increased by +7.35% while that of services (49.9% of total GDP) was up by +7.29% driven by commercials and tourism as illustrated in retail sales statistics below. In terms of expenditure, 4Q23 consumption (53.2% of GDP) increased by +4.86% YoY, investment (44.18%) was up by +6.21% YoY, and net exports (trade surplus) accounted for another 2.64% of GDP in 4Q23.

2023 GDP scraped the post but still scored a goal for our 5-6% forecast. Who can forget these fantastic words of wisdom from Yuanta Vietnam in April?

"Our estimated range of 5-6% GDP growth for 2023 might have been seen as conservative when we established it in late 2022. However, with 1Q23 GDP growth coming in at just 3.3% YoY, we now think that the low end of our forecast range might be a more realistic expectation for the full year." - <https://yuanta.com.vn/wp-content/uploads/2023/04/Weekly-Apr-03-2023.pdf>

For 2024, we expect a continuation of recovery in most sectors underpinned by strengthening domestic activity and a continued recovery in export demand. Major institutions forecast stronger growth in 2024, although the forecasts are usually anchored to the government's expectations, which as we saw last year are not always realistic. In any case, the World Bank (WB) forecasts 2024 GDP growth of 5.5%, slightly less than the IMF's forecast of 5.8%.

Recovery is visible in all components of GDP



Source: GSO

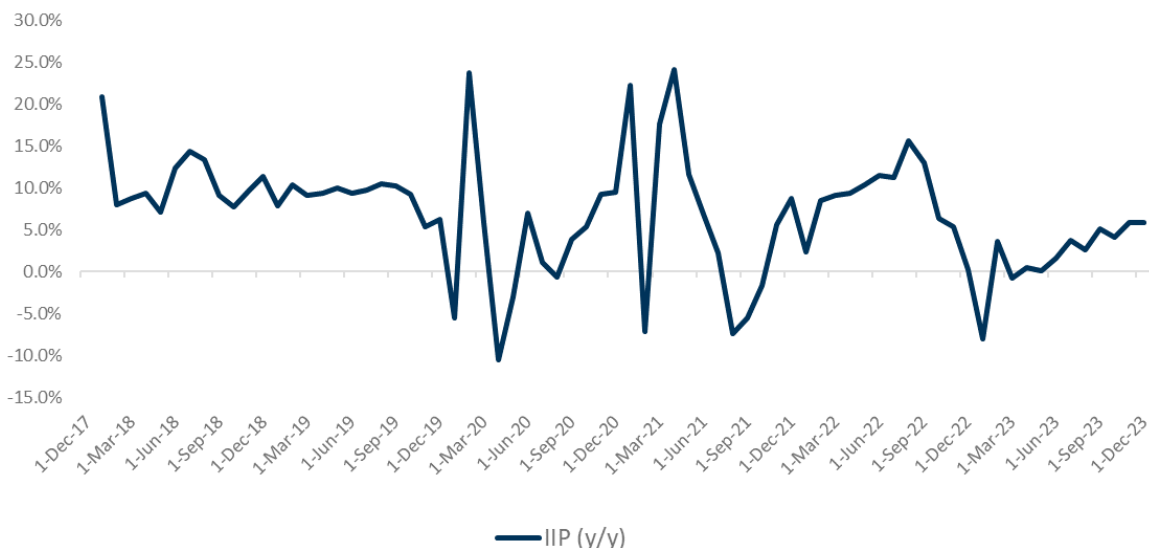
Industrial production underpinned by robust domestic demand

The industrial production index (IIP) ticked up by +0.1% MoM and +5.8% YoY in December. Although not particularly strong, output in December extended the positive momentum from November's growth of +5.8% YoY. We'll get some sense of the likely improvement in industrial activity from the Jan-Feb IIP numbers at the end of February, but the timing of Tet (Jan 2023 and Feb 2024) means that the monthly YoY comparables will be skewed and, for us, hard to interpret.

Blended IIP expansion in December was mainly driven by output in manufacturing (+7.6% YoY), electricity production and distribution (+5.9% YoY), and water supply (+11.5% YoY). The IIP in December was dragged by mining sector output, which declined by -12.8% YoY.

Sectors exhibiting strong growth in December include food manufacturing, which posted growth of +8.7% YoY; followed by weaving (+18.7% YoY); chemicals and chemical products (+16.4% YoY); basic metals (+42.0% YoY, as steel production of listed companies HPG, HSG, and NKG reportedly picked up due to increased export demand); mining support services (+14.3% YoY); and rubber and plastics (+23.3% YoY).

Uptick in industrial output continued in December



Source: GSO

On a full-year basis, 2023 IIP rose by +3.02% YoY. Specifically, output of manufacturing increased by +3.62% YoY; electricity production and distribution increased by +3.79% YoY; and water supply and wastewater treatment industry increased by +5.18%. However, mining industry output declined again, this time by -3.17% YoY.

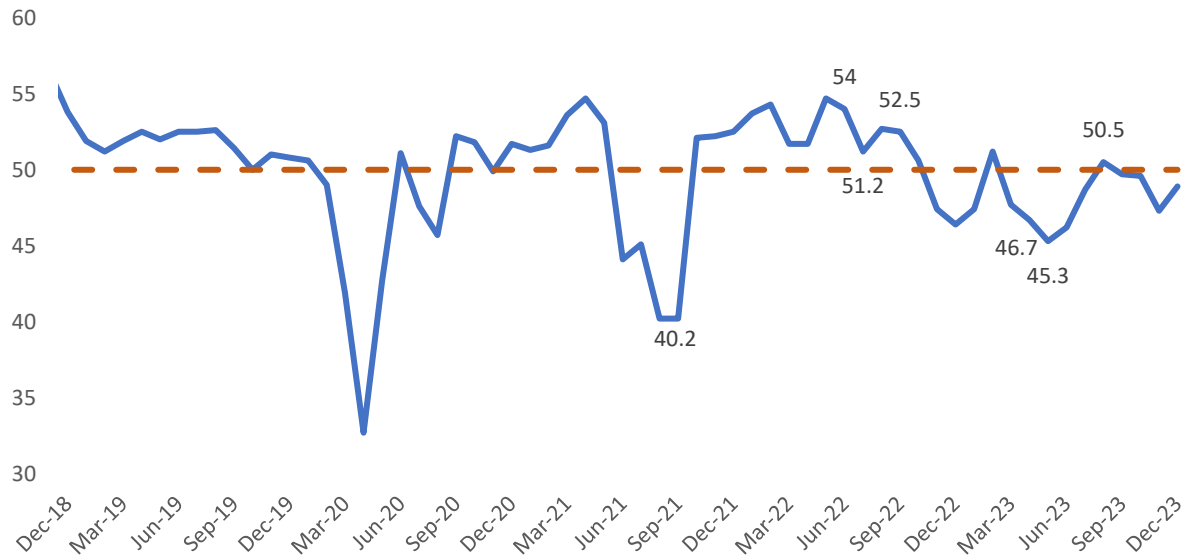
On a more granular level, 1) 2023 production of sugar increased by a whopping +30.9% YoY; 2) NPK fertilizer soared by +18.6% YoY, which explains the surge of listed fertilizer producers in 2023 (BFC, DCM); 3) tobacco grew by +10.1% YoY; 4) rolled steel increased by +12.7% YoY; 5) fresh milk expanded by +7.5% YoY; 6) artificial fiber grew by +7.5% YoY; 7) TVs increased by +4.8% YoY; 8) chemical paints increased by +7.1% YoY and 9) aluminum increased by +5.6%.

By contrast, production of several segments declined in 2023: Output of 1) extraction of crude petroleum and natural gas decreased by -5.7% YoY; 2) apparel decreased by -1.0% YoY; 3) wood and of wood & cork products decreased by -1.5% YoY; 4) other non-metallic mineral products decreased by -4.2% YoY; and 5) other transport equipment decreased by -10.7% YoY.

Manufacturing PMI: Contraction extended in Dec, but at softer rate

The S&P Global Manufacturing PMI for December came in at 48.9, remaining below the 50.0 mark and thus signalling a fourth consecutive monthly decline in business conditions. That said, the index improved from 47.3 in November to point to a softer rate of deterioration.

The manufacturing PMI in November dissappoints



Source: GSO

The decline in business conditions reflects persistently subdued demand. Total new orders declined for the second consecutive month in December although the pace of reduction eased from that seen in November. New export orders were a neutral factor in the December manufacturing PMI results.

The report suggests that price hikes have deterred customers and contributed to the latest reduction in new orders. Manufacturers kept their selling prices high at the end of the year, but the pace of their price increases was only marginal in December and the softest increase in the past five months.

Our sense from foreign OEMs is that they expect demand and new orders to pick up in 2024 in what for Vietnam are the key sectors -- electronics and apparel/footwear. But end-buyers are not purchasing finished merchandise inventory to prepare for 2H24 seasonal sales yet (i.e., back-to-school is still 9 months away, and Christmas 2024 is 12 months away).

Survey participants expect output to recover in 2024 underpinned by demand from both domestic and export markets in combination with their own business expansion plans. With that in mind, manufacturers kept employment and purchasing broadly subdued, albeit with a modest improvement, in December. In addition, respondents report that their order backlogs increased for the first time since May 2022.

International trade: Returning to growth

The GSO reports that the 2023 trade balance surplus reached USD 18.53bn, a substantial improvement from the USD 1.4bn trade deficit in 2022. The total trade surplus comprised a USD 28bn trade surplus of merchandise and a USD 9.5bn trade deficit of services.

The return of what we view to be a structural total trade surplus should help to strengthen Vietnam's FX reserves (~USD 98bn, according to the IMF's latest estimate, up by USD12bn or +14% YoY) and thus help to stabilize the VN dong going forward.

Vietnam recorded a USD2.3bn merchandise trade surplus in December as the net result of USD32.9bn in goods exports (+13.1% YoY, +5.7% MoM) and USD 30.6bn in merchandise imports (+12.3% YoY, +3.6% MoM). The GSO data indicates a substantial improvement in December for most of the major export segments, three of which posted double-digit growth.

2023 merchandise net exports reached USD28bn, a record high. Aggregate exports (merchandise only) contracted during the year, but the YoY decline has been exhibiting a slowing pace in recent months. Merchandise exports in 2023 fell by -4.4% YoY to reach USD355.5bn, an improvement from the -5.9% YoY decline of 11M23.

35 product items posted export turnover in excess of USD 1bn, accounting for 93.6% of total exports in 2023; while 7 items recorded export turnover in excess of USD 10bn YTD. Specifically, electronics, computers, and parts exports expanded by +3.3% in 2023, indicating continued positive momentum following the 11M23 increase of +1.3% (as turnover in December rose by +5.7% MoM).

Largest export items in 2023 recorded substantial decline

	Estimated 2023 export turnover (USD mn)	December % MoM growth	2023 YoY growth (%)	11M23 YoY Growth (%)
Above USD10bn export turnover				
Electronic goods, computers and parts	57,340	+11.5	+3.3	+1.3
Mobile phones and parts	53,188	+8.9	-8.3	-11.0
Machinery, instrument, accessory	43,176	+9.6	-5.6	-6.2
Textiles and garments	33,226	+9.8	-11.6	-12.7
Footwear	20,374	+11.7	-14.7	-17.2
Means of transport and components	13,740	+9.4	14.6	15.6
Wood and products	13,424	+10.9	-16.2	-17.6

Source: GSO

Some 44 items saw import turnover exceed USD 1bn in 2023, accounting for 92.4% of total imports. Four product items recorded import turnover in excess of USD 10bn – electronics, machinery, and fabric, all of which are inputs for downstream export manufacturing.

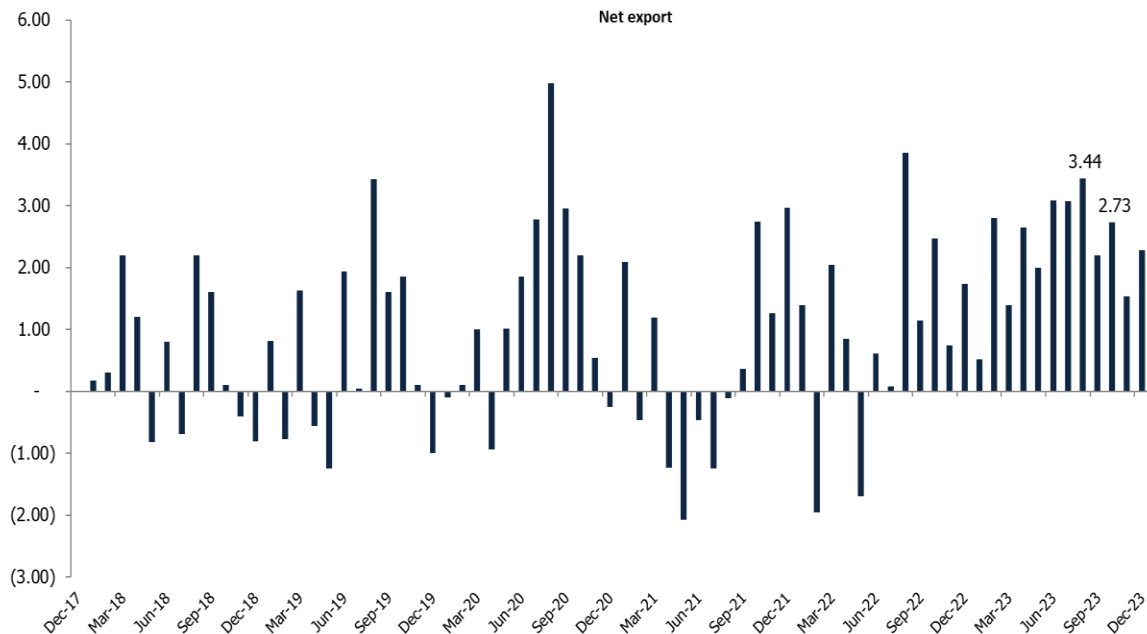
Electronics, computers and parts remain the largest import products in 2023

	Estimated 2023 import turnover (USD mn)	2023 growth... (% YoY)
Above USD10bn export turnover		
Electronics, computers, and parts	88,190	+7,7
Machinery, instruments, and accessories	41,478	-8,1
Fabric	13,074	-11,1
Iron and Steel	10,542	-11,6

Source: GSO

The 2023 service trade deficit reached USD 9.47bn, down by -24.8% YoY as services exports reached 19.59bn (+44.9% YoY) underpinned by impressive recovery in international tourism, while services imports turnover reached 29.06bn USD. We expect tourism to continue to show abnormal growth in 1H24 but the impact of the normalization of travel regulations (which largely took effect in 2H 2023) will likely soften in 2H24 as the YoY base effect will be less of a driver.

Vietnam recorded a merchandise trade surplus of USD 28bn in 2023



Source: GSO

Public investment proved to be a key growth driver

2023 public investment reached VND625.3 trillion, up by +21.2% YoY (escalating growth from 11M22 growth of +20.9% YoY). Public investment reached 85.3% of the annual target by December, exceeding our expectation that the government should at least fulfill 80-82% of the annual investment budget in 2023.

Specifically, investment by the central government reached VND 113.5 trillion in 2023, 85.1% of budget and up by +24.3% YoY. Investment by provincial governments reached VND 511.8 trillion, 85.4% of the annual budget and up by +20.5% YoY.

Amongst major public investment projects, Vietnam has launched 730km of highway in 2023 alone to bring the total highway of the country to 1800km. In other words, 40% of existing highways were completed in 2023 – a very impressive number.

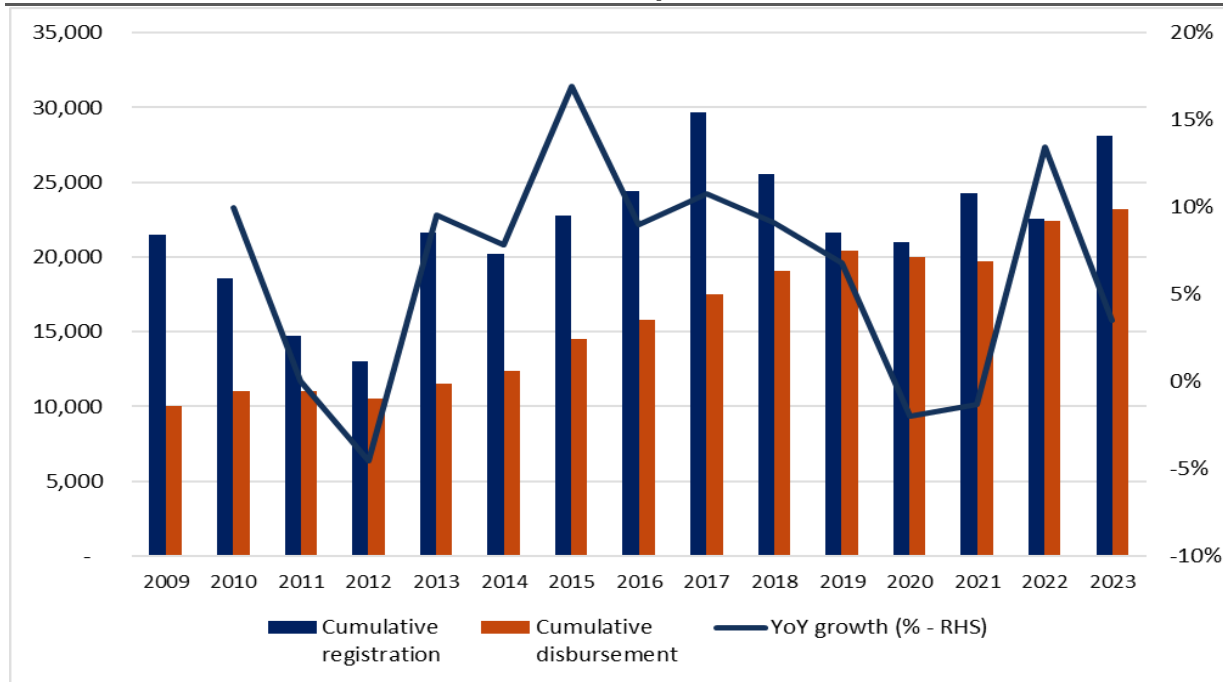
2023 FDI disbursements were flat, but pledged FDI expanded by +32.1% YoY. Disbursed FDI in 2023 reached USD 23.18bn, a record high again, but up by just +3.5% YoY. This modest level of growth is reasonable given the various macro uncertainties, including global inventory problems and USD strength / pressure on the VND.

Manufacturing FDI accounted for 82.3% of total 2023 disbursed FDI, or USD19.08bn. Property accounted for 5.9% of the FDI mix (USD1.15bn); while gas, hot water, steam, and air-conditioning FDI (USD 1.37bn) accounted for 5.9% of total disbursed FDI in 2023.

Pledged FDI looks more promising than 2023 disbursements do, as the former figure surged by +32.1% YoY to USD36.6bn. Specifically, newly registered FDI reached USD20.19bn, up by an impressive +56.6% YoY; whereas additional FDI registrations declined by -22.1% YoY to just USD 7.9bn. The number of newly registered FDI projects reached 3,188, up by +56.5% YoY.

Pledged FDI represents promises, not cash injections; but the surge in interest in new projects -- among manufacturers in particular -- indicates that future disbursements are likely to remain strong. This news is positive for industrial property developers such as KBC VN (BUY – covered by property analyst Tam Nguyen).

Disbursed FDI has been flattish but is still positive in 2023



Source: GSO

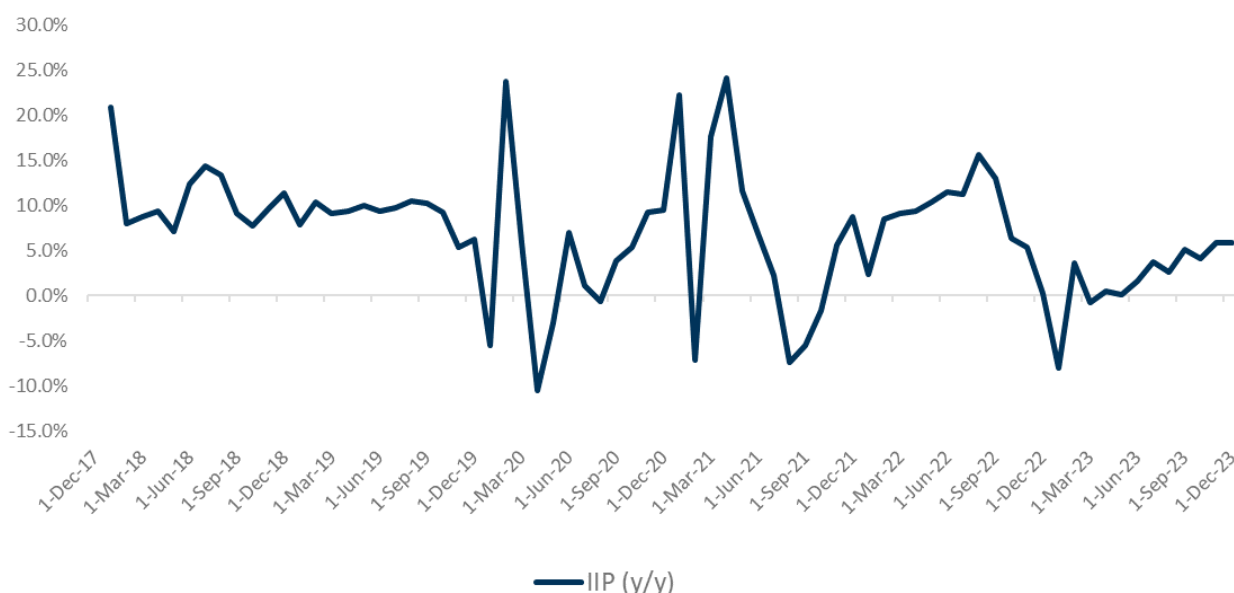
December retail spending was underpinned by expansionary monetary policy

Consumers were busy in December. Retail sales of goods and services in December reached VND 565.8tn, up by +2.6% MoM and by +9.3% YoY. This illustrates the buildup in retail sales momentum in recent months, following October (+7.0% YoY) and November (+10.1% YoY).

Blended retail sales were underpinned by hospitality and catering services revenue, which grew by +11.9% YoY to reach VND59.5tn (10.8% of total retail sales) -- driven by the ongoing recovery in international visitor arrivals. Notably, the GSO reported the number of international arrivals to Vietnam reached 1.4 million persons in December, up +11.2% MoM and +93.9% YoY.

Merchandise receipts rose by +8.6% YoY in December (down from +9.1% YoY in November) to reach VND 437.3tn, representing 78% of total retail sales.

Retail sales growth picked up impressively in December



Source: GSO

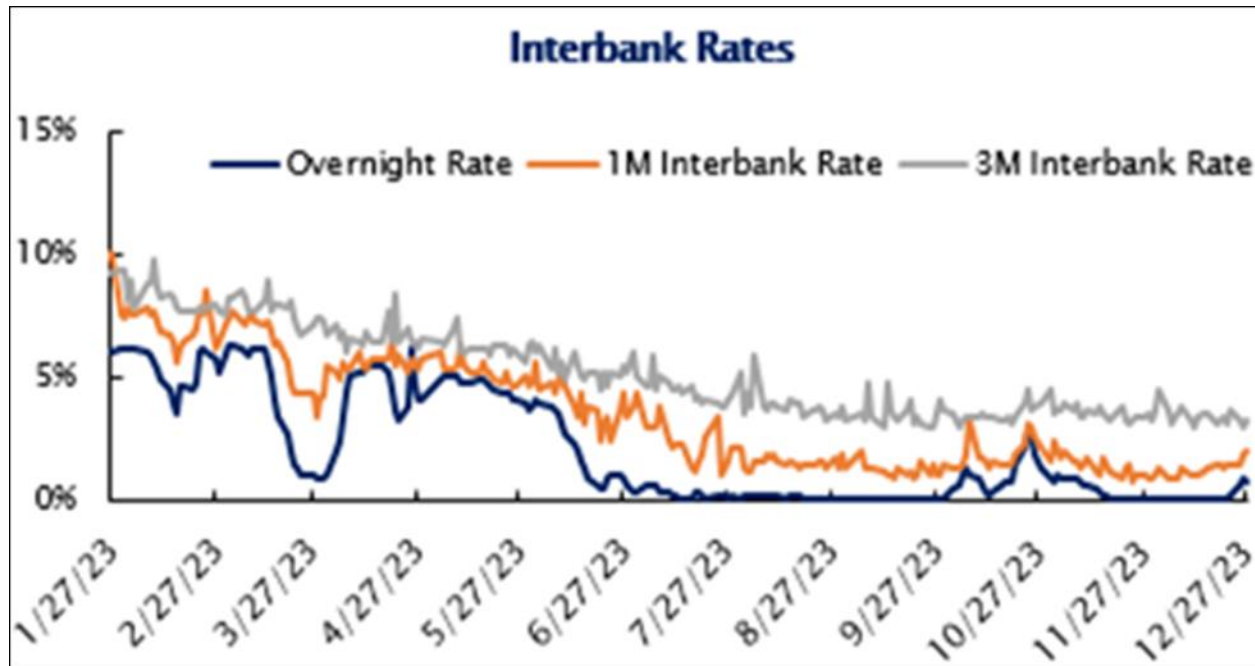
Total retail sales of goods and services rose by +9.6% YoY in 2023 (for real growth of +7.1% YoY) to reach VND6,232 trillion (USD 261 billion). This was driven in part by +15.3% YoY growth in hospitality and catering receipts, which reached VND 673.5tn to account for 14.7% of total retail sales.

The GSO estimates that revenue from tourism and travel reached VND37.8 tn in 2023, +52.5% YoY. But this figure only accounts for 0.6% of total retail sales – a rather low number that we would argue is due to the classification system in which tourist spending in stores / restaurants is not included in the official data on tourism industry receipts.

In addition, merchandise receipts in 2023 reached an estimated VND 4,859 tn, up +8.6% YoY (real growth +6.9%), accounting for 78% of total retail sales. Cultural and educational product receipts increased by +14.4% YoY; food spending increased by +11.7% YoY; and spending on garments increased by +7.1% YoY.

We look forward to short-term continued improvement in retail sales due to seasonal demand toward lunar new year in early February and looser monetary and fiscal policies throughout 2024.

The 2ppt VAT cut will be extended to 1H24. This is good news for retailers, in consumer analyst Di Luu's view, albeit an incremental positive and not a game changer. Meanwhile, bank deposit rates remain low. State bank deposit rates are the basis for floating loan interest rates, so the decrease in deposit rates will eventually have a positive impact on spending power of consumers, including middle-class mortgage borrowers. The new policies should be supportive of demand and retail sales going forward.



Source: SBV

Inflationary pressure decelerated toward yearend, despite hikes in electricity, tuition, and healthcare service prices

According to the GSO, inflation cooled off in December with CPI up only slightly by +0.17% MoM and by +2.98% YoY. Ten of the 11 items in the CPI basket posted increased prices in December, but most of these were minor increases, notably:

- **Medical products (5.39% of the basket) rose by +2.2% MoM**, as outpatient service fees rose by +1.9% MoM while inpatient service fees rose by +3.5% MoM during the month.
- **Education (6.17% of the basket) rose by +0.44% MoM** as tuition fees rose across the country.
- **Housing and building materials (18.82% of the basket) rose by +0.43% MoM** as electricity prices rose by +1.05% MoM.
- **Clothing (5.7% of the basket) rose by +0.26% MoM** as material prices and other costs (e.g., manufacturing worker salaries) rose.

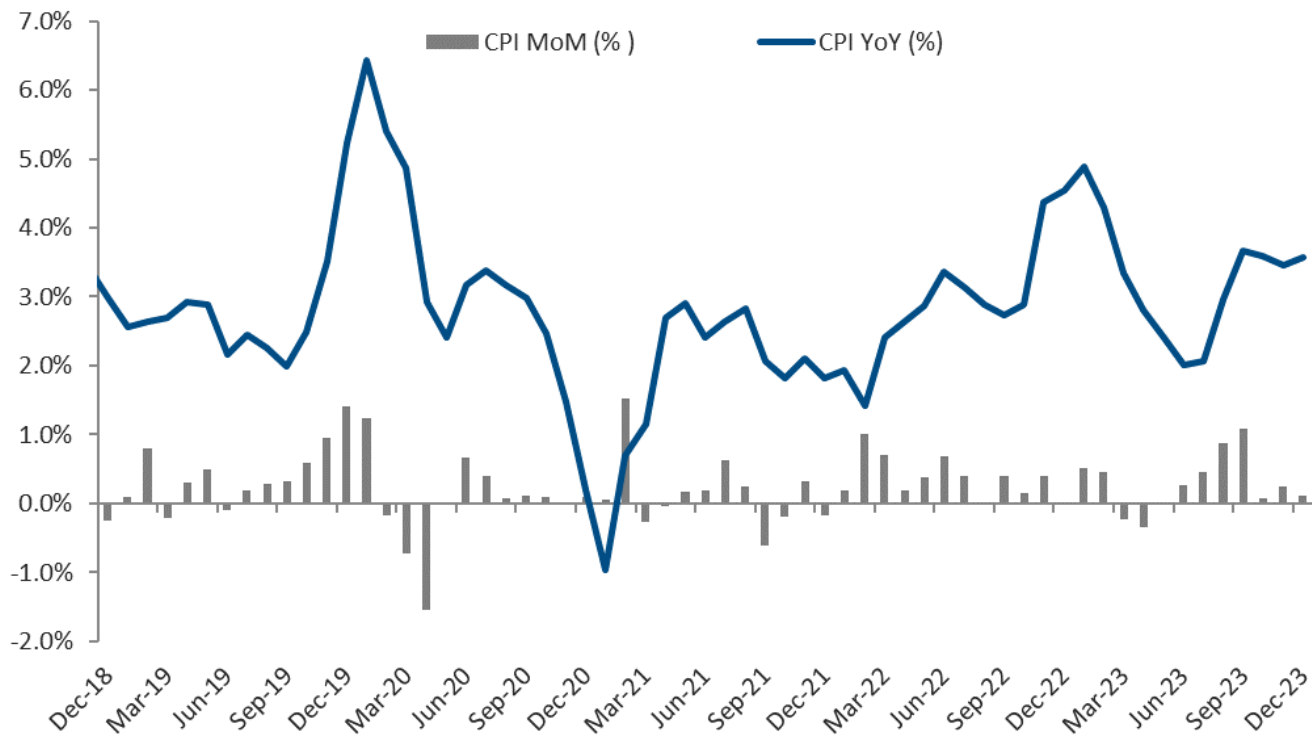
By contrast, just one of the 11 items in the CPI basket posted reduced prices in December:

- **Transport (9.67% of the CPI basket) prices decreased by -1.88% MoM** as petroleum prices dropped by -5.3% MoM in the period.

In 2023, average CPI rose by +3.25% YoY, well below the government's target cap of 4.5%. Softening inflationary pressure should be supportive for the continuation of expansionary monetary policy going forward, in our opinion.

2024 CPI target has been set at 4.0-4.5%. This appears to be achievable as inflationary pressures have largely eased. Although rice prices rose by another +2.39% MoM in December, pork prices slid by -0.81% MoM. In addition, global oil prices have declined sharply, with Brent now trading at USD76 per barrel in early January 2024 (-3% MoM), suggesting reduced upward price momentum going forward.

Consumer price inflation eased



Source: GSO

Yuanta Universe: Valuations and ratings

Sector	Stock Code	PER (x)			EPS Growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E
Banks	ACB VN	6.0	6.0	4.9	43.2	(1.2)	24.0	0.1	n/a	0.2	1.4	1.3	1.1	26.2	23.9	24.4	2.4	2.4	2.6
	BID VN	13.9	11.9	9.9	81.0	16.9	19.6	0.2	0.7	0.5	2.1	1.8	1.6	16.6	16.3	16.7	0.9	1.0	1.1
	HDB VN	6.6	6.3	4.8	28.2	5.0	30.1	0.2	1.3	0.2	1.4	1.3	1.1	22.2	22.0	23.8	2.1	2.2	2.3
	MBB VN	5.1	5.1	4.1	16.0	(0.3)	25.9	0.3	n/a	0.2	1.1	1.1	0.9	24.3	22.4	23.1	2.7	2.6	2.9
	STB VN	10.5	7.9	4.8	63.8	32.0	63.7	0.2	0.2	0.1	1.4	1.2	0.9	13.8	15.8	21.4	0.9	1.2	1.7
	VCB VN	13.8	13.5	9.9	39.9	2.1	36.4	0.3	6.6	0.3	2.8	2.7	2.2	22.5	22.1	24.4	1.9	1.9	2.3
	VPB VN	7.1	7.8	6.0	54.0	(9.9)	31.5	0.1	n/a	0.2	1.3	1.2	1.1	19.1	15.3	18.1	2.9	2.1	2.4
Brokers	HCM VN	18.3	21.0	19.2	(32.8)	(12.7)	9.5	n/a	n/a	2.0	2.0	2.0	1.9	11.2	10.3	10.2	4.3	5.2	5.1
	SSI VN	22.0	14.6	13.6	(56.1)	51.3	6.7	n/a	0.3	2.0	2.2	2.0	1.8	12.2	14.2	13.6	4.3	6.3	6.3
	VCI VN	21.8	18.3	16.1	(55.7)	19.5	13.2	n/a	0.9	1.2	2.9	2.6	2.4	13.4	15.3	15.9	6.0	6.9	7.2
	VND VN	25.4	15.9	15.8	(65.1)	59.3	1.0	n/a	0.3	15.6	2.0	1.9	1.8	10.0	12.8	12.1	3.0	4.6	4.4
Energy	PVD VN	(136.7)	9.8	6.3	n/a	n/a	57.0	n/a	n/a	0.1	0.8	0.8	n/a	n/a	8.8	13.2	n/a	0.1	3.2
	NT2 VN	13.2	8.0	10.4	(14.6)	65.5	(23.0)	n/a	0.1	n/a	1.9	1.8	n/a	15.9	17.5	17.7	9.6	10.4	10.6
	PC1 VN	15.1	7.6	7.2	(31.9)	97.5	5.5	n/a	0.1	1.3	1.1	1.0	n/a	13.7	14.2	13.1	4.8	5.9	6.5
Consumer	MSN VN				20.9	4.2	-	n/a	n/a	n/a	1.5	1.3	n/a	15.2	13.7	-	8.9	8.2	-
	PNJ VN	16.5	17.4	13.9	25.5	(5.3)	24.8	0.6	n/a	0.6	2.5	2.3	2.2	21.4	19.3	22.5	15.1	13.9	15.9
	DGW VN	9.8			17.8		-	0.5	n/a	n/a	2.0	2.0	n/a	18.4	18.4	-	7.1	7.1	-
	FRT VN	32.5	111.1	31.5	(12.0)	(70.8)	252.9	n/a	n/a	0.1	6.2	7.1	n/a	19.4	6.8	19.9	3.8	1.2	3.8
Oil & GAS	POW VN	14.7	10.5	9.6	5.6	40.0	10.0	2.6	0.3	1.0	0.9	0.9	n/a	5.9	7.6	7.8	3.5	4.7	4.8
Property	KBC VN	5.7	4.1		91.0	40.0	-	0.1	0.1	n/a	1.2	1.0	n/a	22.0	26.0	-	10.0	12.0	-
	DXG VN	12.8	6.5		(22.0)	97.0	-	n/a	0.2	n/a	1.3	1.1	n/a	9.0	15.0	-	4.0	6.0	-
	KDH VN	20.4	29.3	16.7	(18.0)	(30.0)	75.0	n/a	n/a	0.2	1.9	1.9	1.8	10.0	6.0	11.0	6.0	4.0	6.0
	NLG VN	27.2	24.0	25.1	(57.0)	13.0	(4.0)	n/a	1.8	n/a	1.6	1.5	1.5	6.0	7.0	5.0	3.0	3.0	3.0
	NVL VN	-	-	-	18.3	53.3	-	-	-	n/a	-	-	-	10.6	14.8	-	2.4	3.4	-
	VHM VN	6.5	6.3	7.4	(20.0)	(1.0)	(16.0)	n/a	n/a	n/a	1.3	1.1	0.9	21.0	19.0	14.0	10.0	9.0	7.0
	VRE VN	19.1	12.8	12.9	111.4	48.7	(0.5)	0.2	0.3	n/a	1.6	1.5	1.3	8.7	12.2	11.0	6.9	9.5	8.7
Transport	ACV VN				-	-	-	n/a	n/a	n/a	2.7	2.5	n/a	11.0	12.6	-	5.2	5.3	-
Industrials	DHC VN	7.0	5.3	3.6	(22.1)	32.2	47.3	n/a	0.2	0.1	1.3	1.2	n/a	22.0	23.9	30.8	20.6	10.1	15.2
	BWE VN	10.6	8.4	6.0	17.0	24.9	41.7	0.6	0.3	0.1	1.8	1.6	n/a	18.8	20.6	25.5	8.6	10.6	14.7
Technology	FPT VN	25.2	20.6	15.8	22.9	22.0	30.5	1.1	0.9	0.5	4.8	4.2	3.6	22.7	23.9	15.3	10.1	11.6	13.3

Stock ratings and pricing data is as of close on Dec 29 2023

Source: Bloomberg, Yuanta Vietnam

Appendix A: Important Disclosures

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