

# VIETNAM SECTOR OUTLOOK

## 2H.2024

**VN-INDEX OVERCOMING OBSTACLES**

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Macroeconomic Outlook of Vietnam 2024 - 2025

	8 years Avg. (15-22)	2023	BSC Scenario 1		BSC Scenario 2		Consensus 2024			Consensus 2025		
			2024	2025	2024	2025	Min	Mean	Max	Min	Mean	Max
GDP (YoY%)	6.1	5.05	5.8	6.0	6.3	6.5	5.5	6.1	6.7	6.0	6.4	6.8
Average CPI (YoY%)*	2.7	3.26	4.50	4.0	3.25	3.0	3.3	3.8	4.5	3.0	3.6	4.2
Export (%YoY)	12.1	-4.36	5.50	8.0	11.0	15.0						
Import (%YoY)	12.0	-8.92	7.5	8.0	15.0	15.0						
Interest rate (%)	4.0 - 6.5	4.5	5.0	5.0	4.5	4.5		4.5			4.5	
Average Interbank USD/VND	22,842	23,839	24,988	24,677	24,555	24,249						

Note: Consensus: Average forecast ~ 30 financial institutions compiled by Bloomberg - as of June 4, 2024

Source: BIDV Securities Company (BSC), data compiled from Bloomberg.

Hypotheses

Vietnam

- Monetary policy
- Fiscal policy
- FDI / Export-Import
- Non-performing loans / Corporate bonds

Scenario 1	Scenario 2
Easing	Further easing
Slow disbursement	Quick disbursement
+	++
--	-

## 20% NPATMI growth signals economic recovery, expected to sustain in 2H2024

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**1H2024:** The market's NPATMI growth recorded a 20% increase, led by the non-financial sector with a growth of +34% YoY, in line with previous projections by BSC. **This marks the third consecutive quarter of positive growth compared to the period from Q4/2022 to Q3/2024, signaling a confirmed recovery trend of the economy** ([Page 10](#)).

- For the financial sector, the total NPATMI recorded a growth of 12% YoY. The banking and insurance sectors reported increases of +20% YoY and +32% YoY, respectively. On the other hand, the growth drag came from the real estate sector (-16% YoY), mainly due to losses from VIC (-3,404 billion VND). Excluding VIC, VRE, and VHM, the NPATMI of the real estate sector grew nearly 60% YoY; however, this growth came from a low base and includes extraordinary gains from financial activities and wholesale project sales.

- As for non-financial sector, the total NPATMI for the sector increased by +34% YoY, specifically: ([Page 12](#))

- Net revenue grew 14% YoY, primarily driven **by increased output and improved orders (PMI sustained a strong recovery, maintaining levels >55 in May-June)**. Meanwhile, **profit margins improved positively due to a cooling trend in raw material prices compared to the same period last year**.
- **Cost savings in selling and operating expenses (+10% YoY), along with asset liquidation, debt write-offs, and improved profits from associates** contributed significantly to profit growth, accounting for 24.6% of total PBT.
- Despite **a sharp decline in interest expenses (-19% YoY), the strong exchange rate pressure in Q2/2024 led to a significant surge in foreign exchange losses and other financial expenses**, increasing by +110% YoY.

**2H2024:** BSC slightly revised down its 2024 growth forecast for the BSC-Universe from 17% to 16.5%, primarily due to (1) downward adjustments for the banking, industrial parks, construction, chemicals-fertilizer, and seafood sectors, while upward adjustments were made for retail, building materials, textiles, and F&B sectors (Page 16). **BSC expects that with exchange rate pressure easing as the Fed cuts interest rates, 2H2024 profit growth will continue to be supported mainly by reduced interest expenses, lower foreign exchange losses, cost reductions in selling and G&A expenses, along with a low base in Q3/2023.** As a result, the risk of profit growth falling below market expectations, as in Q3/2023, will be minimized. ([Page 13](#))

In terms of risks that could impact our valuation, BSC has observed several factors that could pose headwinds to the economic recovery, including: (1) Vietnam's PMI recovery lagging behind the global trend, **while PMIs of many countries have been declining since May 2024**, indicating a global economic slowdown; (2) **Slowing export growth in China and several major countries**; (3) **The pace of the FED's interest rate cuts**. ([Page 15](#))

## Attractive market valuation with good stock accumulation opportunities, but clear differentiation trend

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**At a trailing PE of 13.4x and a trailing PB of 1.5x**, following the Q2/2024 earnings update and the strong market correction in early Q3/2024, the VN-Index is trading at an attractive valuation compared to its historical levels, only about 5%-6% above the historical bottoms of Q2/2020, Q4/2022, and Q4/2023. Along with the economic recovery and corporate profit growth, **BSC believes that these corrections present good opportunities for mid- to long-term stock accumulation** ([Page 16](#)).

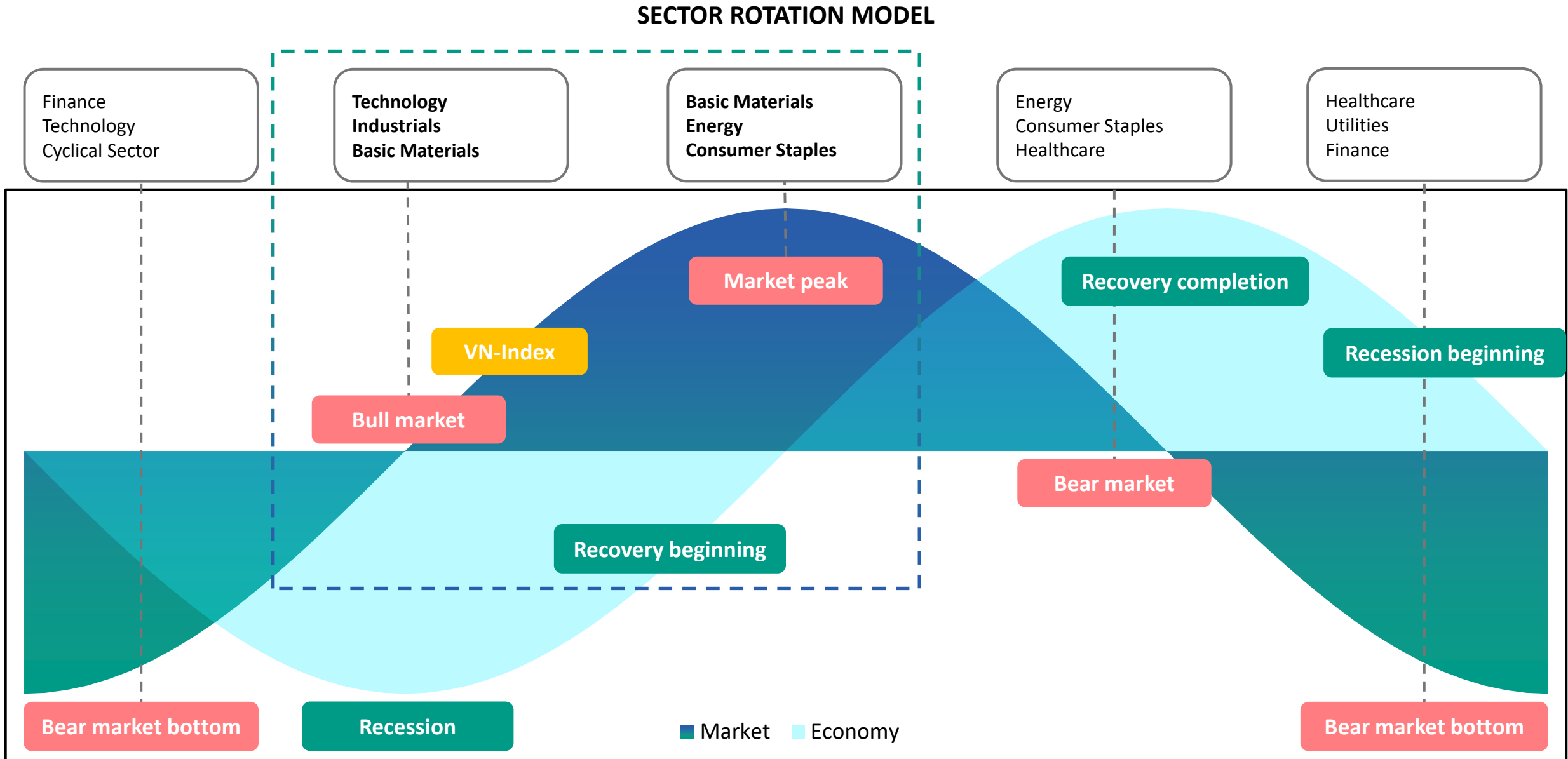
The BSC-10 portfolio has achieved a YTD growth of 31.9% compared to the VN-Index's 10.6% increase. The portfolio focuses on fundamentally strong stocks of leading companies with profit growth. Consequently, BSC views that, **in the context of deposit rates remaining low, corporate EPS growth will be the main driver for stock prices, with the VN-Index's 2024 fwd E/P at 8.6% and 10.6% by the end of 2025**, higher than the current deposit rates of ~5.5%-6% ([Pages 10-11](#)).

**The valuation gap between non-financial sectors (excluding Banks, Real Estate, and Securities) has gradually narrowed** after (1) the strong correction in July 2024 and (2) strong profit growth in these sectors. The 2024 fwd PE for non-financial sectors in the BSC-Universal is at 15.3x, nearing -1 standard deviation and below the 5-year average of 18x. Therefore, **BSC believes downside risks will be limited, and corrections present more opportunities than risks**. However, we also caution about **previously mentioned risks, particularly recession risks, which could impact profit growth rates and valuation forecasts** ([Page 8](#)).

**Sector valuations show clear differentiation** when comparing 2024 fwd PE with the 4-year Sector average PE, with some sectors still showing attractive valuation discounts, such as Banking, Industrial, Real Estate, and Port Logistics. Some sectors, like Retail, Technology, and Oil & Gas, are trading above the Sector average due to strong price and earnings growth. **Most other sectors have limited valuation appeal for 2024, so investors should consider 2025 profit growth expectations to identify opportunities**. Additionally, **in this recovery cycle, profit growth will be prioritized, making a PE-based valuation approach more effective than PB; however, PB will serve as the lower valuation bound in case of a strong market correction** ([Pages 17-18](#)).

**BSC maintains a positive outlook for 2025 across sectors such as IT, Industrial Parks, Seafood, Retail F&B, Building Materials, Textiles, Utilities, Banking, Chemicals – Fertilizers, Oil & Gas, and Maritime**, based on 2025 profit growth expectations with a criterion of NPAT growth >15%. Our stock watchlist focuses on key factors: (1) leading companies with strong competitive advantages, benefiting from the recovery cycle, (2) companies with specific growth stories like capacity expansion, margin improvement, or favorable policy impacts, (3) companies with strong financial foundations, and (4) those trading at attractive mid- to long-term valuations ([Page 20](#)).

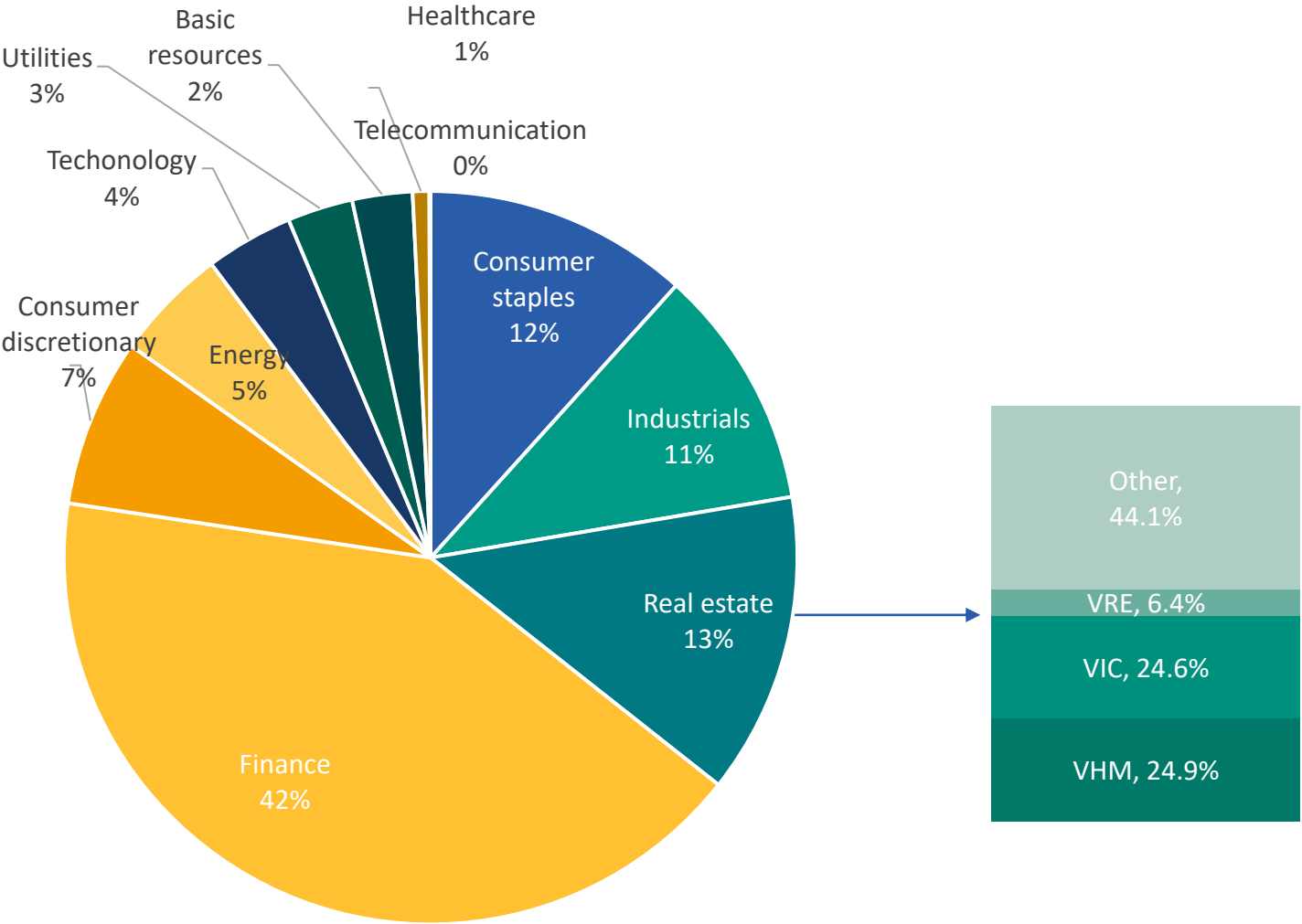
# Synchronized recovery of the stock market and macroeconomy - What stage is VN-Index in?





# Basic resources, industrials, exports, retail-consumer, and banking: Key sectors to watch in the economic recovery cycle

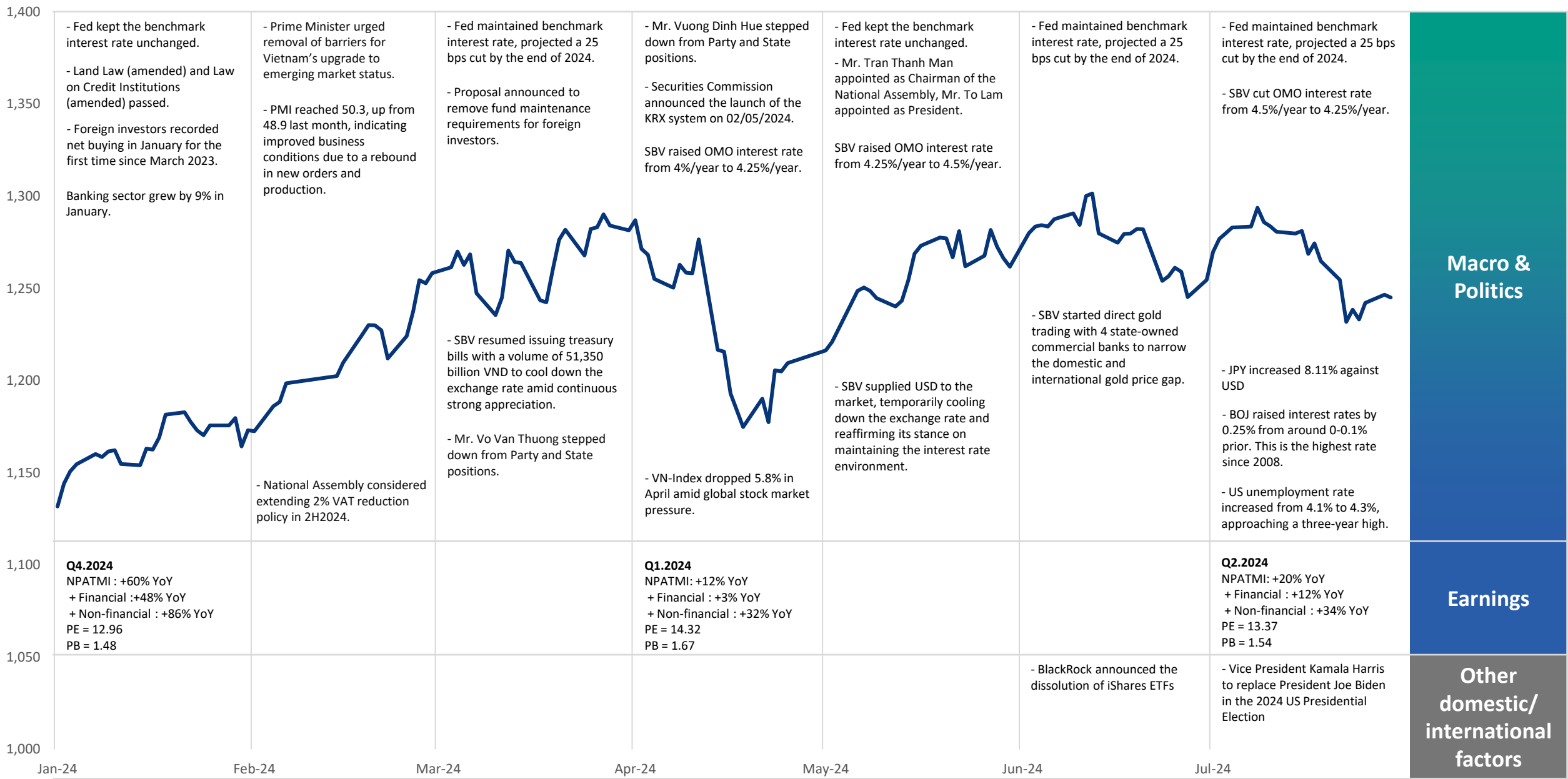
Market capitalization by sector



Sector	% Performance YTD
Technology	43.9%
Consumer discretionary	17.3%
Telecommunications	17.1%
Banking	14.2%
Utilities	12.7%
Healthcare	12.0%
Consumer staples	10.7%
VN-Index	9.5%
Energy	8.3%
Basic resources	7.2%
Industrials	6.7%
Real eastate (excl. VHM VIC VRE)	1.2%
Real estate	-7.1%

As of 06/08/2024

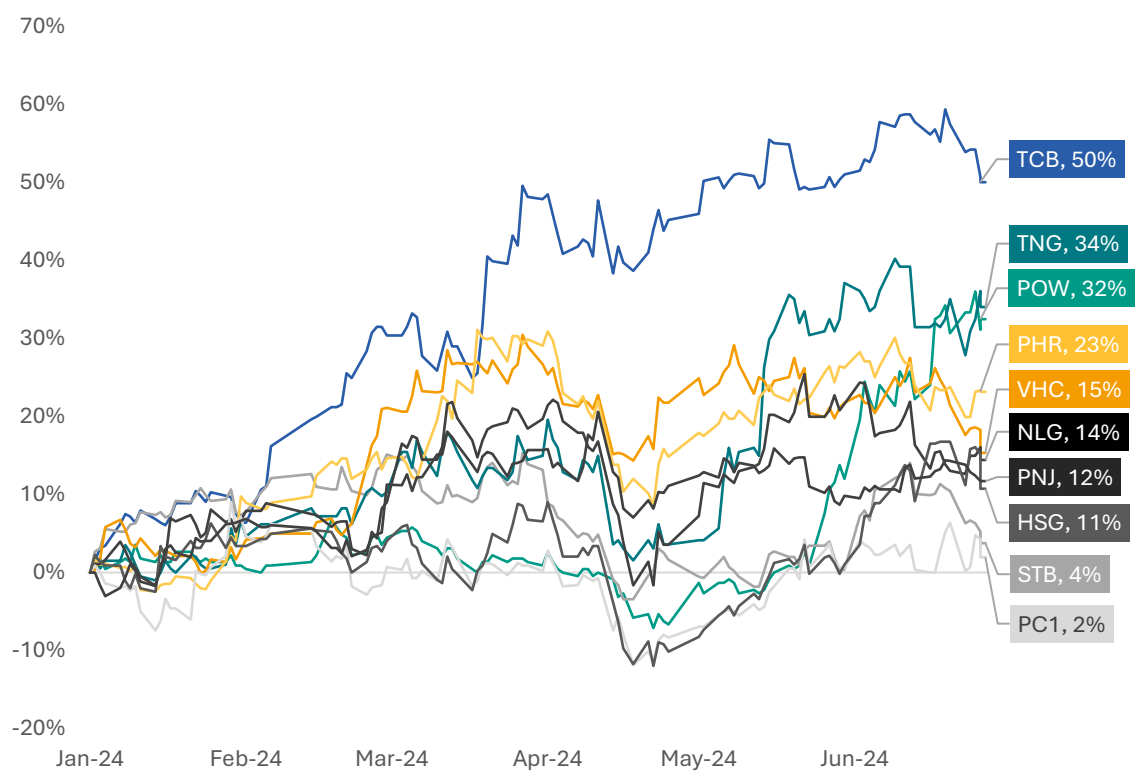
VN-Index and key events in 1H2024





# 1H2024 Performance of BSC portfolio achieved 20% compared to VNINDEX's 13%

6/10 stocks outperformed the VN-Index, notably TCB (+50% YTD)



Top 10 Portfolio Performance Outperforms VNINDEX



Data as of 02/01/2024 - 28/06/2024. All stock weightings are evenly distributed

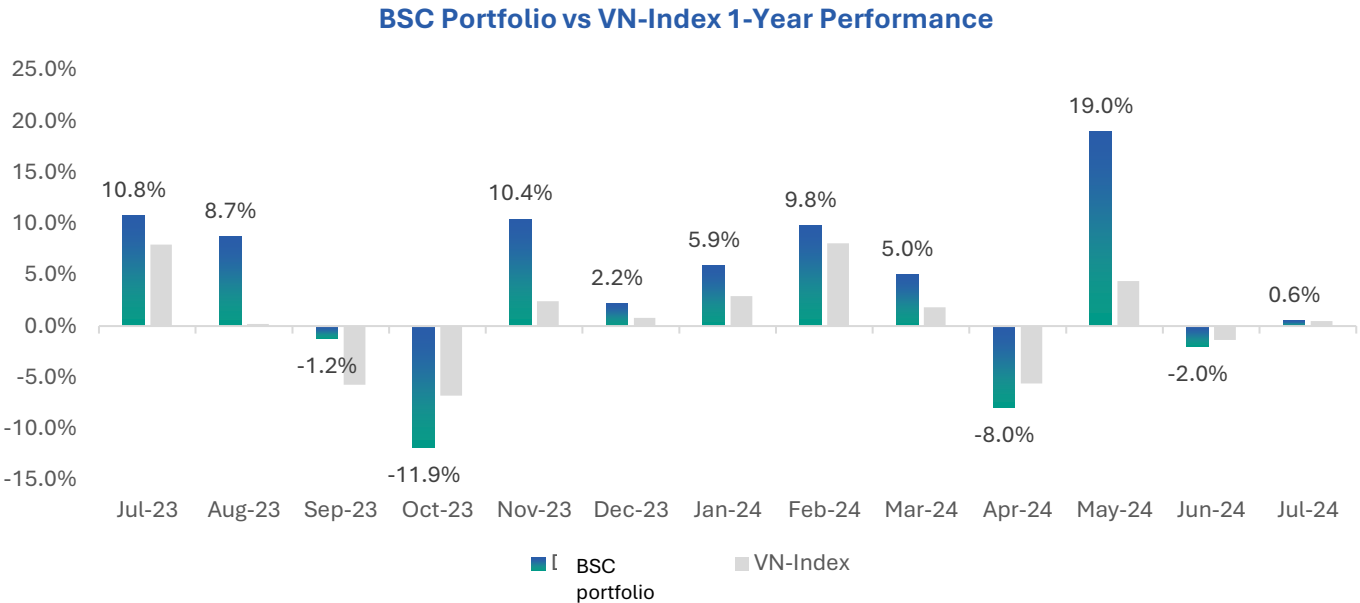
Top 10 portfolio has 6/10 stocks outperforming the market				
Portfolio performance	Top performer	Underperformer	Outperformed VNINDEX	Underperformed VNINDEX
20%	TCB (+50%)	PC1 (2%)	TCB, TNG, POW, VHC, PHR, NLG	HSG, PNJ, STB, PC1

Top 14 portfolio has 6/14 stocks outperforming the market				
Portfolio performance	Top performer	Underperformer	Outperformed VNINDEX	Underperformed VNINDEX
12%	MWG (+48%)	LCG (-8%)	MWG, DRC, MBB, ACB, CTG, HPG	SZC, HT1, DHC,CTD, PVD, GAS, BID, LCG

BSC-10recorded 31.9% YTD cumulative performance, outperforming VN-Index’s 10.6% increase

2023	BSC 10 Category	VN-Index
Mar-23	7.7%	4.0%
Apr-23	-2.5%	-2.3%
May-23	5.4%	4.7%
Jun-23	5.3%	3.1%
Jul-23	10.8%	8.0%
Aug-23	8.7%	0.2%
Sep-23	-1.2%	-5.7%
Oct-23	-11.9%	-6.8%
Nov-23	10.4%	2.4%
Dec-23	2.2%	0.8%
2023 cumulative	37.9%	7.5%

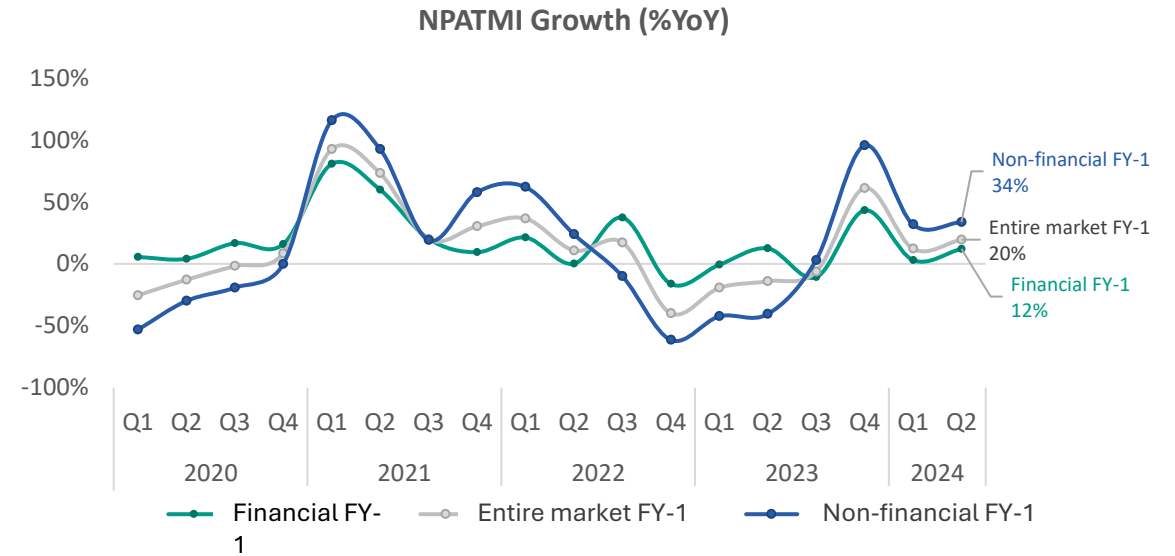
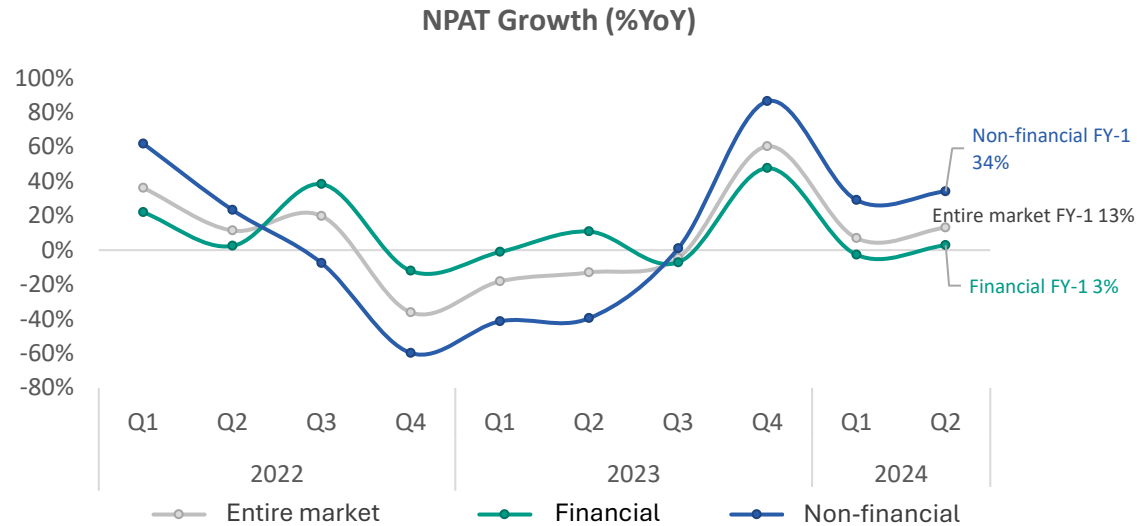
2024	BSC category	VN-Index
Jan-24	5.9%	2.9%
Feb-24	9.8%	8.1%
Mar-24	5.0%	1.8%
Apr-24	-8.0%	-5.6%
May – 24	19.0%	4.4%
Jun-24	-2.0%	-1.3%
Jul-24	0.6%	0.5%
2024 cumulative	31.9%	10.6%



BSC – 10 portfolio was built based on the following criterias

- Characteristics: The portfolio focuses on fundamentally strong companies with high public interest. It targets Sector leaders with medium to large market capitalizations and high liquidity.
- Market Capitalization: > 2,000 billion VND
- Liquidity: > 20 billion VND on average over the last 60 sessions

# Economic recovery shows clear profit growth in Q2/2024



\* Note: Financial Sector includes: Securities, Banking, Insurance, and Real Estate

Source: BSC Research

**Overall market NPATMI grew by 20%, marking the third consecutive quarter of positive growth compared to the period from Q4/2022 to Q3/2024, confirming the economic recovery trend**

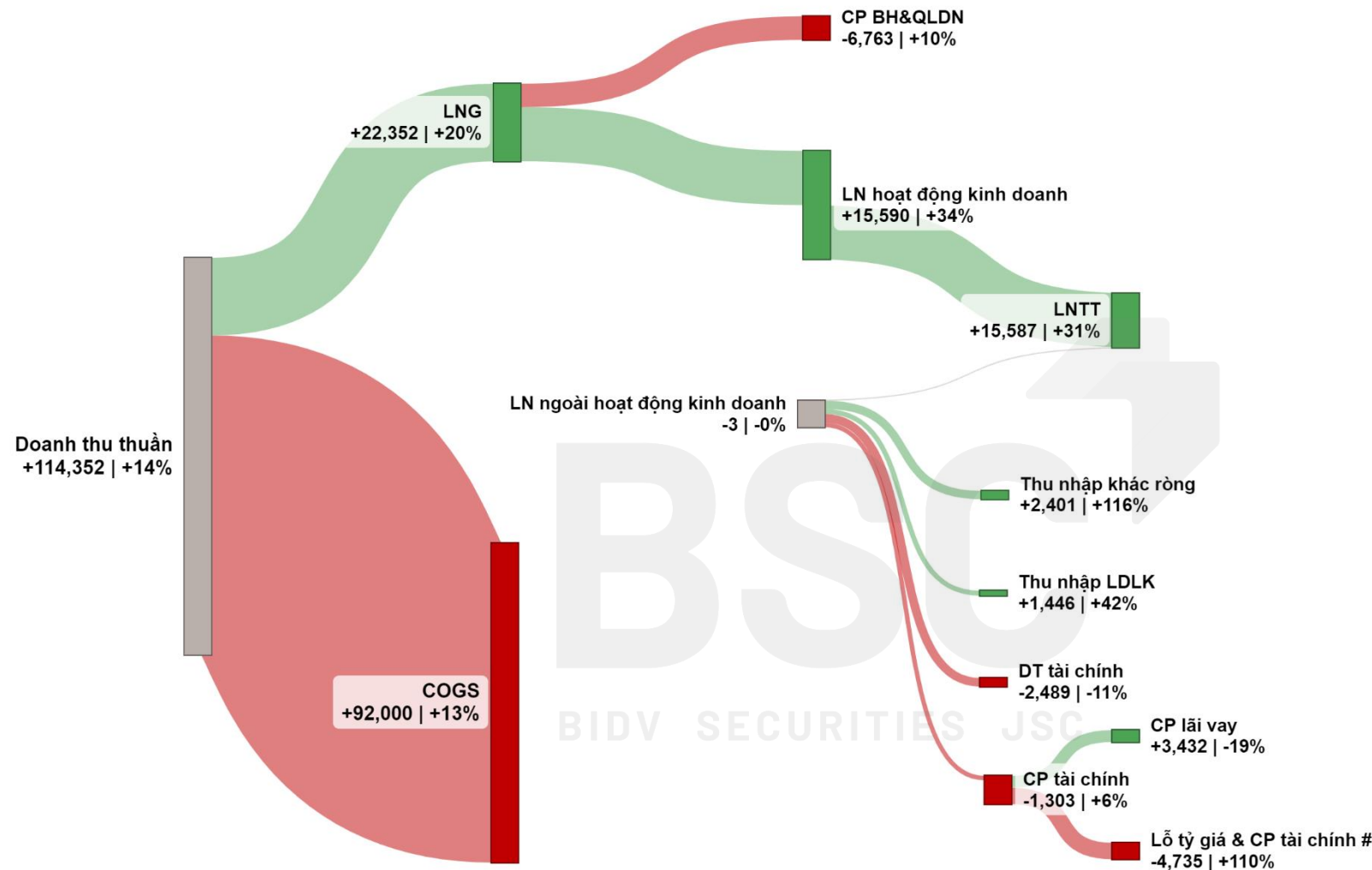
- Financial Sector: NPATMI grew by 12%, mainly driven by Banking (+20% YoY), Insurance (+32% YoY), and Financial Services (+12% YoY), while the Real Estate sector declined (-16% YoY).
- Non-Financial Sector: NPATMI surged by 34%, led by Retail (+393% YoY), Basic Materials (+339% YoY), Automotive and Supporting Industries (+109% YoY), and Chemicals (+60% YoY).
- The non-financial sector continued to be the driving force, indicating the recovery trend and providing the main momentum for overall market profit growth in the second half of the year.** Therefore, BSC expects profit growth in the financial sector to gradually recover, especially for banks, as the economy continues its positive trajectory.

Steel - Building Materials, Chemicals, and Retail sectors were the highlights in Q2/2024

Year	2020				2021				2022				2023				2024	
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2
Media	-40%	-16141%	-265%	-113%	-10%	-111%	-55%	4122%	177%	-1609%	136%	-63%	24%	43%	9%	3%	-2%	-8%
Industrials	-20%	-45%	-34%	-38%	22%	89%	-27%	68%	25%	45%	162%	-20%	-11%	11%	-9%	101%	35%	7%
Chemicals	-25%	18%	4%	128%	178%	59%	111%	111%	318%	144%	37%	-39%	-72%	-64%	-70%	5%	4%	60%
Healthcare	10%	-1%	-6%	-27%	-6%	12%	8%	29%	23%	-6%	31%	14%	34%	40%	-8%	-24%	-17%	-12%
Utilities	-77%	-13%	-23%	7%	252%	18%	16%	-8%	43%	24%	18%	41%	-5%	-17%	-30%	-30%	-39%	-19%
Personal & Household Goods	-21%	-15%	-4%	27%	30%	105%	-10%	29%	45%	28%	57%	-48%	-56%	-64%	-47%	-10%	29%	10%
Retail	-39%	-57%	-36%	-37%	52%	120%	-19%	358%	85%	22%	25%	-79%	-72%	-83%	-72%	-50%	64%	393%
Construction & Material	-11%	-16%	12%	-4%	58%	37%	-43%	20%	54%	16%	16%	-93%	-79%	-43%	-10%	208%	139%	36%
Food & Beverages	-19%	19%	17%	-12%	16%	3%	-14%	27%	24%	1%	19%	-51%	-26%	-1%	-7%	67%	19%	4%
Basic Resouces	25%	12%	116%	181%	268%	337%	136%	49%	5%	-61%	-136%	-134%	-89%	-87%	-146%	-200%	179%	339%
Financial Services	-110%	105%	62%	99%	-3307%	126%	112%	106%	38%	-101%	-68%	-104%	-64%	-4748%	133%	-2546%	117%	15%
Real Estate	22%	-35%	32%	-2%	43%	104%	4%	-43%	-10%	-39%	41%	-9%	31%	35%	-38%	-22%	-29%	-16%
Insurance	-48%	84%	40%	-5%	131%	-13%	101%	82%	9%	-49%	-27%	-42%	4%	140%	-22%	30%	16%	32%
Tourism & Entertainment	-229%	-428%	-269%	-39%	34%	21%	-27%	-394%	-50%	-38%	-34%	295%	-110%	-50%	-32%	-60%	1742%	-261%
Oil & Gas	-355%	-283%	-35%	-22%	-184%	-281%	66%	306%	31%	373%	-52%	-66%	-19%	-81%	770%	278%	-2%	-34%
Banking	8%	20%	7%	28%	78%	42%	19%	35%	30%	37%	54%	-4%	-2%	0%	-2%	52%	9%	20%
Autonomotive & Components	69%	69%	82%	0%	19%	-23%	-67%	-23%	-20%	-8%	-31%	-12%	6%	-14%	65%	96%	117%	109%
Telecommunications	228%	-76%	176%	-161%	-112%	292%	-64%	33%	-1202%	52%	351%	92%	-46%	-149%	-20%	-174%	107%	-305%

# Q2/2024 Non-Financial Sector Profits: Signs of Economic Recovery Becoming Increasingly Clear

Figure: Non-Financial Sector PBT grew by +31% YoY



Source : BSC Research

## BSC Evaluation

- Non-financial sector revenue improved significantly with net sales up 14% YoY**, mainly driven by a strong recovery in sales volume, especially in sectors such as (1) Aviation & Industrial Services, (2) Retail, and (3) Steel.
- Profit margins improved primarily due to lower input material prices**, reducing inventory costs, and better selling prices in sectors like (1) Steel, (2) Retail, (3) Fertilizer & Chemicals, and (4) Telecommunications.
- Interest expenses decreased sharply but were offset by foreign exchange losses and other financial costs.** BSC believes that reduced interest expenses will continue to support profit growth in Q3-Q4/2024, as foreign exchange losses decline in a cooling exchange rate environment.
- Associate income and other income contributed around 24.6% to total PBT in the non-financial sector**, with other income mainly driven by one-off gains from asset liquidations and debt write-offs (e.g., MVN, HBC, VST).
- In summary, non-financial sector PBT in Q2/2024 grew by 31%, indicating clearer signs of economic recovery.** Factors such as increased sales volume, lower interest expenses, and easing exchange rates will continue to drive profit growth in Q3-Q4/2024.



## 2025F profit growth = 21.1% as a catalyst for BSC - Universe growth

% NPAT growth (%) by sector	2023	2024F old	2024F revised	2025F	Total Market Capitalization of BSC-Universe
Materials	-28%	90%	103%	65%	6%
Seafood	-60%	17%	9%	40%	1%
Construction	48%	89%	51%	38%	1%
Retail	-69%	202%	225%	33%	4%
Chemicals & Fertilizer	-65%	21%	17%	30%	2%
Textiles	-34%	38%	42%	28%	0%
Banking	4%	18%	16%	22%	44%
Industrial Parks	-6%	30%	15%	21%	6%
Technology	20%	22%	21%	20%	5%
Oil & Gas	-22%	-8%	-5%	14%	9%
F&B	-17%	19%	21%	11%	9%
Tires	-20%	22%	24%	9%	0%
Utilities	-21%	40%	43%	8%	3%
Real estate	25%	1%	1%	8%	8%
Ports & Logistics	39%	-18%	-18%	8%	1%
Automotive	-6%	9%	3%	4%	2%
<b>Total NPAT growth (%)</b>	<b>-5.0%</b>	<b>17.0%</b>	<b>16.5%</b>	<b>21.1%</b>	

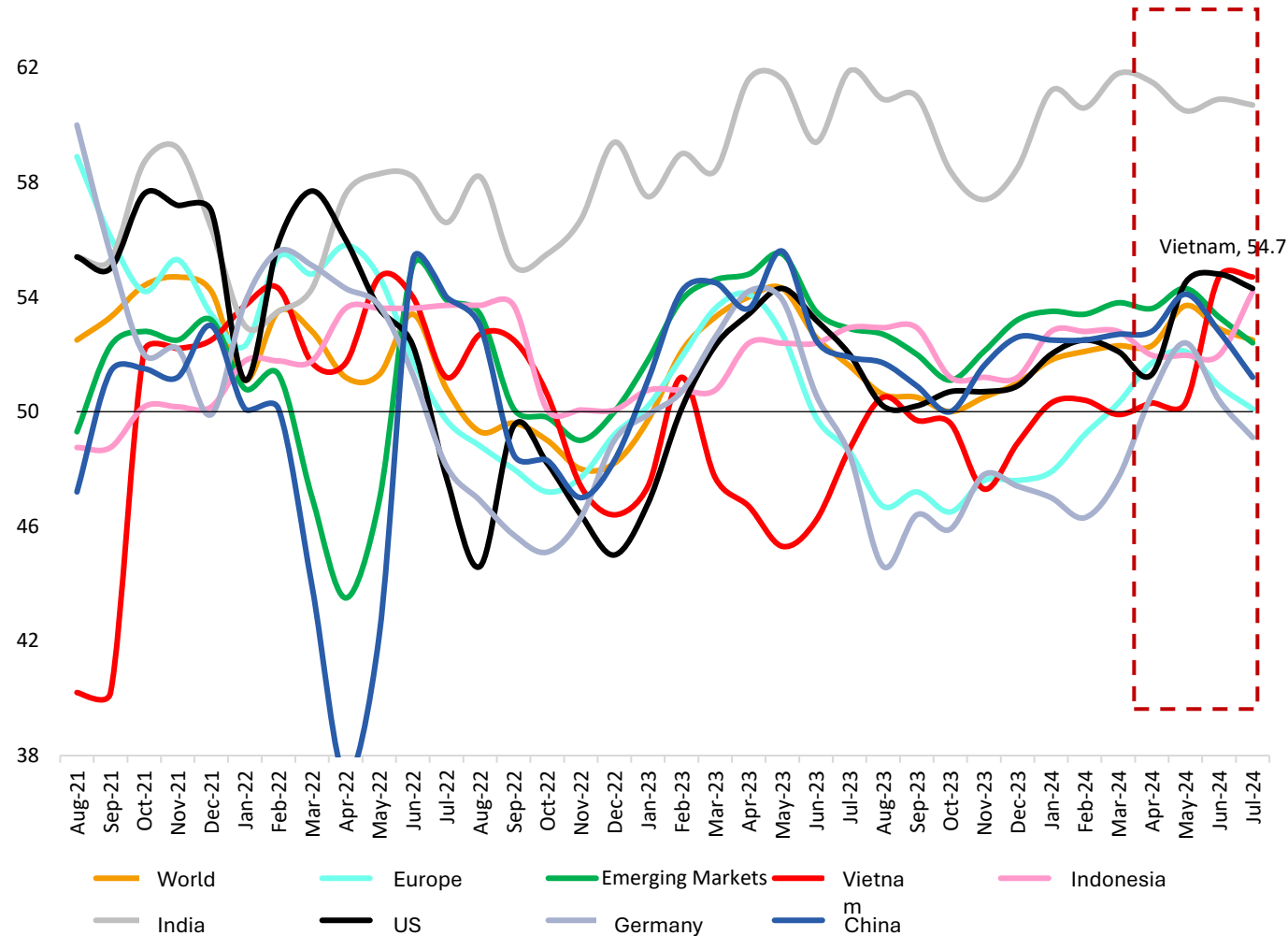
**BSC - Universe portfolio includes stocks that BSC monitors, evaluates, and provides profit forecasts and recommendations:**

- Total number of covered stocks : 84
- Number of covered sector
- Total market capitalization of BSC – Universe: Accounts for 75.6% of the VN-Index's total market capitalization

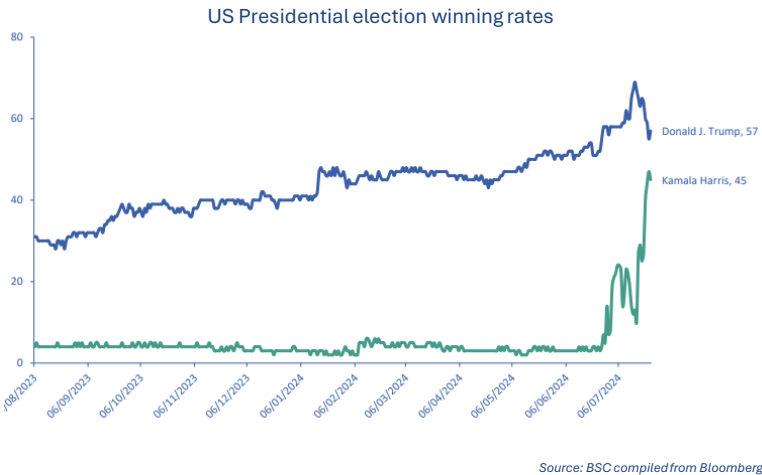


# Factors to consider that may affect the profit growth recovery in 2024-2025

## 1. The declining PMI trend could be a risk factor to watch closely



## 2. U.S. election results may impact policy planning (Refer to the August 2024 macro report)



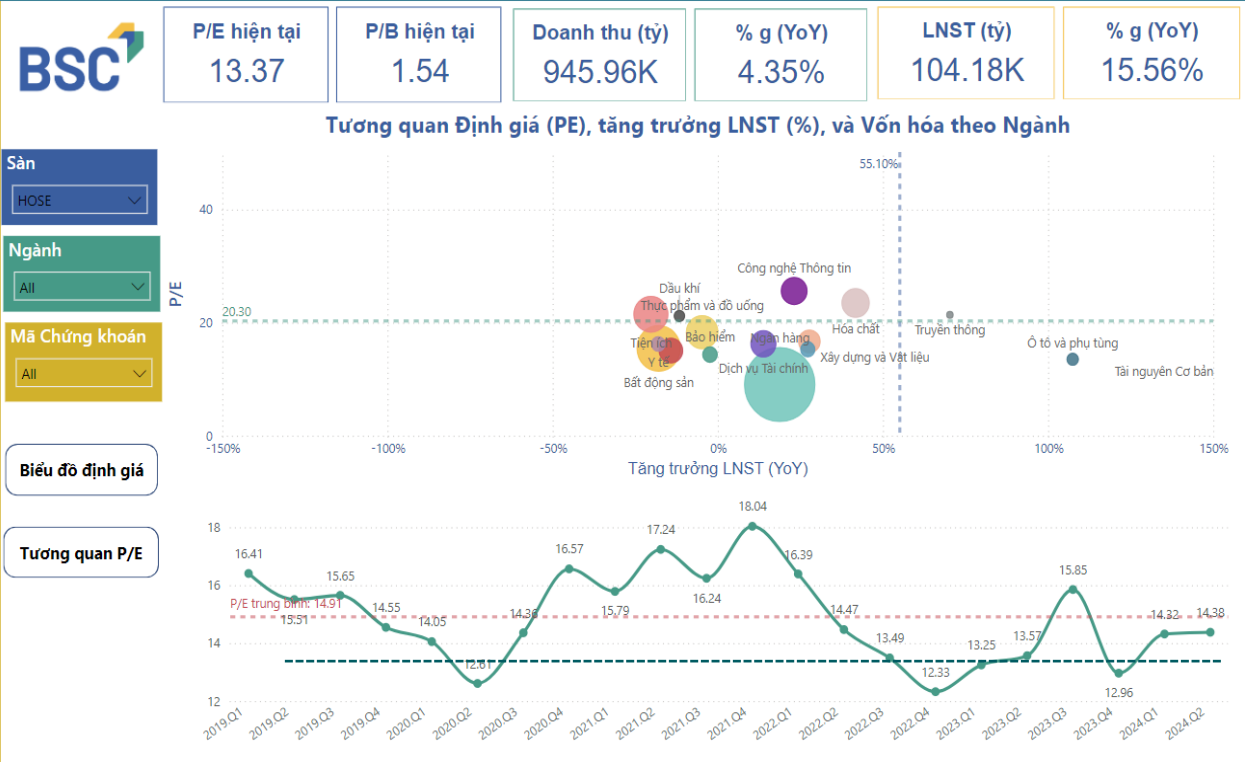
## 3. Pace of FED's interest rate cuts

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES											
MEETING DATE	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500
18/09/2024								0.0%	0.0%	0.0%	52.5%
07/11/2024			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.7%	50.7%	30.6%
18/12/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.1%	30.9%	43.0%	18.9%	0.0%
29/01/2025	0.0%	0.0%	0.0%	0.0%	0.4%	8.6%	31.7%	41.5%	17.7%	0.0%	0.0%
19/03/2025	0.0%	0.0%	0.0%	1.1%	10.5%	32.5%	39.6%	16.3%	0.0%	0.0%	0.0%
30/04/2025	0.0%	0.0%	0.7%	6.5%	23.2%	36.6%	26.1%	6.9%	0.0%	0.0%	0.0%
18/06/2025	0.0%	0.5%	5.1%	19.2%	33.4%	28.6%	11.4%	1.6%	0.0%	0.0%	0.0%
30/07/2025	0.2%	2.5%	11.2%	25.3%	31.4%	21.3%	7.2%	0.9%	0.0%	0.0%	0.0%

CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES					
MEETING DATE	400-425	425-450	450-475	475-500	500-525
18/09/2024	0.00%	0.00%	0.00%	52.50%	47.50%
07/11/2024	0.00%	0.00%	88.15%	11.85%	0.00%
18/12/2024	26.21%	73.79%	0.00%	0.00%	0.00%
29/01/2025	100.00%	0.00%	0.00%	0.00%	0.00%
19/03/2025	100.00%	0.00%	0.00%	0.00%	0.00%
30/04/2025	100.00%	0.00%	0.00%	0.00%	0.00%
18/06/2025	100.00%	0.00%	0.00%	0.00%	0.00%
30/07/2025	100.00%	0.00%	0.00%	0.00%	0.00%

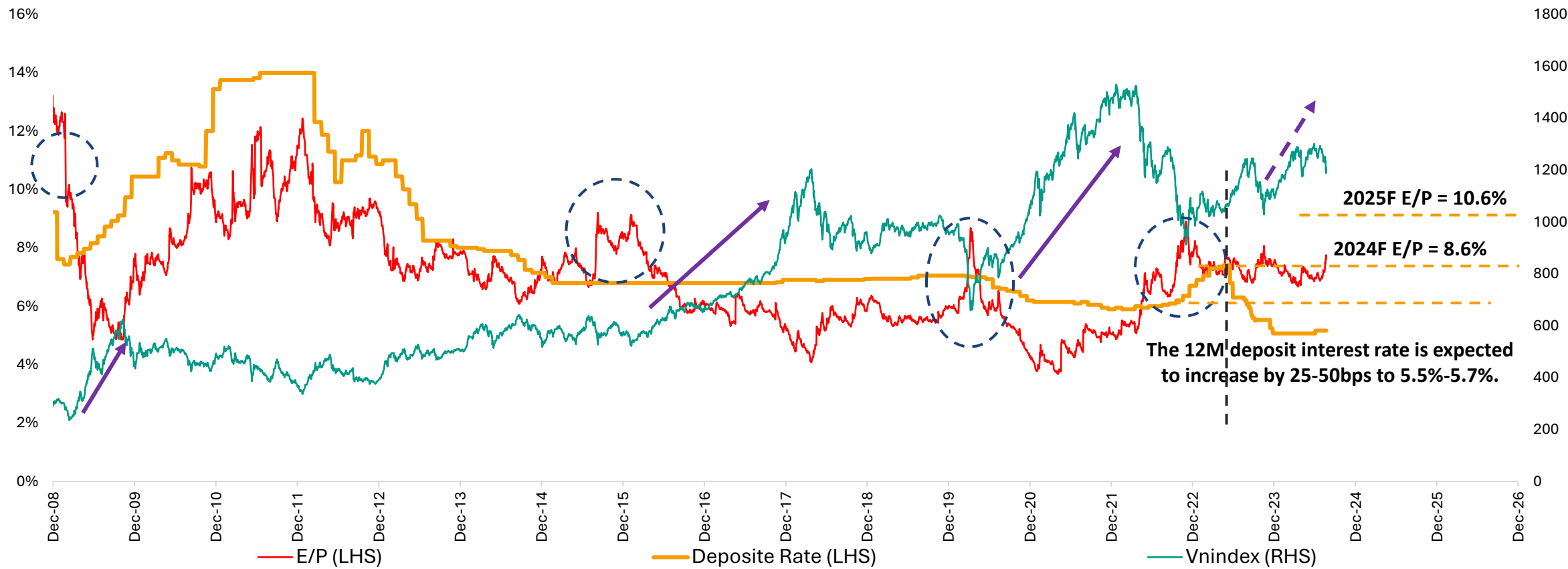
# VN-Index valuation after Q2/2024 earnings: at an attractive level after a significant discount, mainly driven by large-cap sectors like banking and real estate

BSC Dashboard: VN-Index Q2/2024 NPAT recorded a growth of 15.6% YoY





# Positive spread between market E/P and deposit rates indicates an uptrend



Source: Bloomberg, Fiinpro, BSC Research

Comparing market return rates and savings deposit interest rates is our preferred indicator. We observe that the **necessary condition for establishing a medium- and long-term upward trend in the market comes from (1) the stock market’s return being more attractive than other investment channels, and the sufficient condition is (2) EPS maintaining a growth rate to ensure the expected return remains appealing, similar to the periods of 2015-2016 and 2020-2021.** Therefore, with a projected profit growth of 21.1% YoY in 2025, we expect the market to sustain an upward trend throughout the remainder of 2024 and into 2025.

## Valuations Reflect 2024 Growth – Look to 2025 for Opportunities

(2020-Present)	Highest PE	Lowest PE	Average PE	PE TTM	2024FW PE	2025FW PE	% Upside 2025	% Upside 2024
Real estate	19.64	13.69	14.18	13.5	10.0	8.8	61%	42%
Construction	63.99	10.13	18.33	16.0	15.9	11.5	59%	16%
Industrials	25.96	9.62	15.25	11.7	11.0	9.5	60%	39%
Materials	989.25	-133.68	12.64	14.3	13.6	8.4	51%	-7%
Fishery	209.82	-175.01	20.33	26.5	19.2	13.7	48%	6%
Ports	44.19	11.41	18.1	16.1	13.9	12.6	43%	30%
Banking	16.23	9.1	9.42	9.2	8.4	6.9	37%	12%
Textiles	23.92	5.3	11.09	13.2	10.9	8.5	30%	2%
F&B	25.11	13.71	20.54	21.1	19.6	17.8	16%	5%
Retail	115.78	7.47	18.62	35.7	23.4	18.5	1%	-20%
Utilities	19.79	8.91	13.8	20.3	14.3	13.0	6%	-3%
Oil & Gas	56.29	5.2	12.6	15.1	15.1	13.3	-5%	-17%
Technology	29.54	9.49	18.58	26.5	24.0	20.0	-7%	-23%

As of 15/08/2024

### Notes

- The highest, lowest, and average PE ratios are based on all stocks in the stock market.
- Trailing and forward PE ratios are based on the BSC-Universe coverage.

## P/B will serve as the lower valuation bound during market corrections.

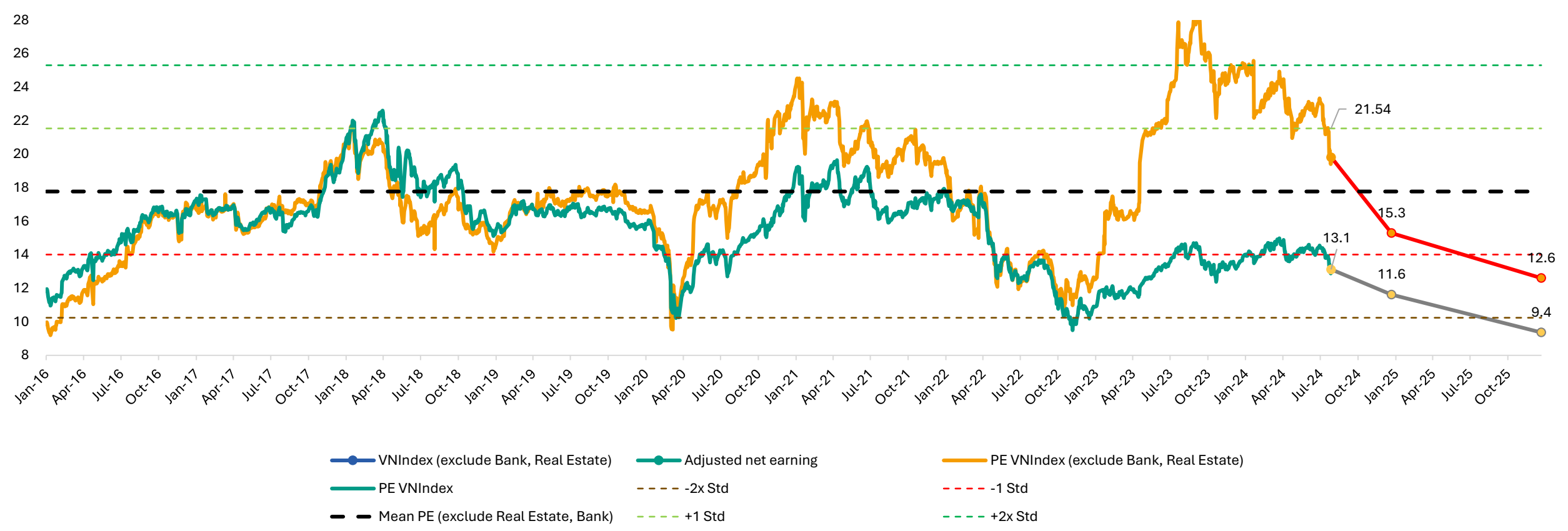
(2020-Nay)	Highest PE	Lowest PE	Average PE	PE TTM	2024FW PE	2025FW PE	% Upside 2025	% Upside 2024
Utilities	2.52	1.37	1.9	1.1	1.0	0.9	109%	90%
Ports	3.95	0.79	2.67	1.6	1.6	1.5	84%	63%
Banking	2.65	1.25	1.65	1.2	1.2	1.0	65%	36%
Industrials	3.25	1.08	2.17	2.0	1.7	1.5	45%	31%
Real Estate	3.59	1.24	2.41	1.4	1.7	1.6	53%	38%
F&B	3.98	1.91	2.99	2.9	2.7	2.5	19%	11%
Materials	2.76	0.69	1.35	1.4	1.3	1.1	18%	0%
Construction	2.45	0.71	1.29	1.4	1.3	1.4	-8%	-2%
Fishery	2.29	0.82	1.33	1.7	1.6	1.5	-9%	-17%
Retail	4.68	1.56	2.78	3.9	3.7	3.1	-11%	-24%
Oil & Gas	2.32	0.76	1.28	1.9	1.8	1.6	-22%	-30%
Textiles	2.13	0.7	1.12	1.8	1.8	1.6	-29%	-36%
Technology	7.1	1.7	3.18	5.8	5.4	5.1	-38%	-41%

As of 15/08/2024

### Notes

- The highest, lowest, and average PE ratios are based on all stocks in the stock market.
- Trailing and forward PE ratios are based on the BSC-Universe coverage.

# Clear market divergence – Picking the right Stocks matters more than VN-Index points



Source : Bloomberg, Fiinpro, BSC Research

Sector	BSC's 2H2024 view	BSC's 2025 view	Stocks to watch
Technology - Telecommunication	Positive	Positive	FPT, CTR, ELC
Industrial park	Positive	Positive	KBC
Fishery	Neutral	Positive	
F&B - Retail	Positive	Positive	MWG, PNJ, MSN, VNM
Materials	Positive	Positive	HPG, HSG
Textiles	Positive	Positive	TNG
Utilities	Positive*	Positive*	REE, HDG, DPG
Banking	Neutral	Positive	BID, CTG, VCB, ACB, VPB, TCB
Chemicals & Fertilizer	Positive	Positive	DCM, DPM, DDV, DGC
Maritime Transport	Positive	Positive	PVT, HAH
Oil & Gas	Neutral	Positive	BSR, PVS, PVD
Construction	Neutral	Neutral	LCG, C4G, HHV
Tires	Neutral	Neutral	DRC
Automotive	Neutral	Neutral	VEA
Real Estate	Neutral	Neutral	KDH, NLG, IJC

**Views classification Guidelines:**

Positive: NPAT growth above 15%

Neutral: NPAT growth below 15%

(\*) Excludes one-off profits

# Sector Overview Summary

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**VN-Index is expected to recover, supported by a loosening monetary policy.**

- ✓ Sector rotation: *From Technology, Industrials, Basic Materials to Basic Materials, Energy, Consumer Staples.*

**(1) Maintain profit growth momentum until the end of 2025**

- ✓ Recommendations: *Raw Materials, Seafood, Chemicals & Fertilizers, F&B - Retail, Textiles, Technology, Banking.*

**(2) Valuation: Look ahead to 2025 for opportunities, with profit growth being the key driver**

- ✓ Recommendations: *Banking, Materials, Industrials, Textiles, Real Estate...*





# POWER – FERTILIZER – GAS SECTOR OUTLOOK

# OIL & GAS SECTOR: ENERGY INFRASTRUCTURE INVESTMENT DRIVES REVENUE GROWTH

**Update:** In Q2/2024, global oil prices showed slight fluctuations: Brent oil dropped by 3% QoQ to 85.12 USD/barrel, and WTI oil decreased by 3% QoQ to 81.08 USD/barrel. At one point, Brent prices fell to 81 USD/barrel (the lowest in 6 months) as OPEC did not announce the voluntary production cuts for each member before rebounding to current levels due to (i) declining crude oil inventories and (ii) political tensions in the Middle East.

**BSC maintains its forecast for oil prices at 86 USD/barrel, in line with the 2023 average.**

Institution	Forecasts		
	Q3.2024	Q4.2024	Q1.2025
Australia & New Zealand Banking Group Ltd	87	86	89
Bank of America Merrill Lynch	90	86	84
Barclays PLC	94	93	94
Capital Economics Ltd	79	77	75
Commerzbank AG	85	90	90
Emirates NBD PJSC	80	85	85
Goldman Sachs	87	85	82
JPMorgan Chase & Co	84	85	82
Morgan Stanley	86	85	81
MPS Capital Services	82	82	80
Rabobank	84	89	89
Societe Generale SA	85	83	80
Standard Chartered Bank	98	106	107
UBS Group AG	91	87	87
Median	86	86	85

Source: Bloomberg





# OIL & GAS SECTOR: ENERGY INFRASTRUCTURE INVESTMENT DRIVES REVENUE GROWTH

**Update:** In Q2, the Block B – Ô Môn project missed its target for the Final Investment Decision (FID). However, BSC still expects the project to achieve FID in 2H.2024 due to the following reasons:

- + Signed packages (EPCI#1, EPCI#2) are currently being executed on schedule and payments are being made as planned.
- + The upcoming tender package (Block B – O Mon Pipeline Package) has just been approved for contractor selection and is set to be executed in Q3.2024.
- + In Q2, the Ministry of Sector and Trade issued the LNG power price cap framework, which is expected to expedite the signing of Power Purchase Agreements (PPAs) for the project's downstream segment.

## Key oil and gas projects are the primary growth drivers for oil and gas enterprises

The implementation of these projects will support the business activities of oil and gas companies in the short and medium term:

- (i) Upstream: PVS has secured 3 contracts related to Block B worth over \$1 billion. Additionally, BSC expects PVD to provide rig rental services for the Block B – O Mon project
- (ii) Midstream: PVB and PV-Pipe are expected to generate ~ \$166 million/year in revenue from pipeline system production; GAS is projected to earn ~ \$420 million/year from gas transportation activities

Project	Implementation time	Invested capital	Estimated reserves	Progress update
Block B – Ô Môn	2024 – 2026	11,300	100 billion m <sup>3</sup> of natural gas 12.5 million barrels of condensate	- Limited Letter of Award (LLOA) granted for EPC#1 and #2 contracts - FID for upstream and midstream segments was achieved at the end of March
Lạc Đà Vàng	2024 – 2026	693	61 million barrels of oil	- FID was signed (11/2023) - Tendering process is currently underway
Cá Voi Xanh	2025 – 2027	4,600	150 billion m <sup>3</sup> of natural gas	- Awaiting FID and a new Gas Sales Agreement Heads of Agreement (GSA HOA)

Source: BSC Research

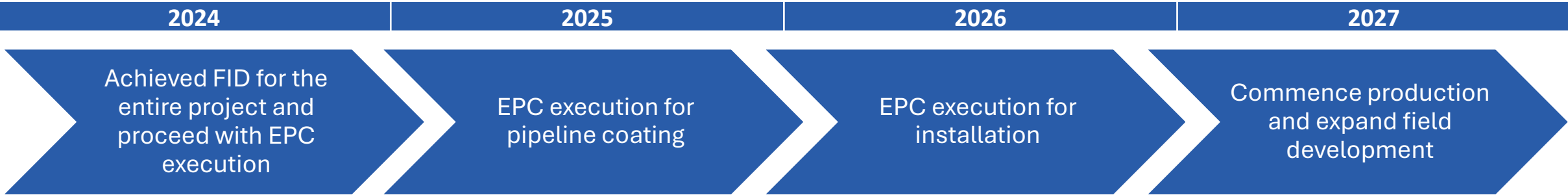


# OIL & GAS SECTOR: ENERGY INFRASTRUCTURE INVESTMENT DRIVES REVENUE GROWTH

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## BLOCK B – Ô MÔN PROJECT DEVELOPMENT PLAN (expected)



Phase	Initial phase (2024- 2025)	Upcoming phase (2025- 2026)	Implementation phase (2027 onwards)
Operating	Drilling/Well services EPCI execution for platform installation	EPCI execution for gas pipeline construction Pipeline coating	Power plant construction Gas extraction, transportation, and distribution Continued field development and expansion
Earning profit	PVS: (i) EPCI#1 (Q2.24 – Q4.26) 493 million USD (ii) EPCI#2 (Q2.24 – Q4.25) 300 million USD	PVS (Q4.24 - Q4.26): 268 million USD PVB (Q4.24 - Q4.26): 92 million USD PVC (Q4.25 – Q4.26): ~ 1 million USD/ well PVD (Q4.25 – Q4.26: N/A (Block B is expected to tender for 2 drilling rigs)	GAS (Q4.26 onwards): ~9.6 billion USD gas transportation revenue  <i>Source : BSC Research</i>



# OIL & GAS SECTOR: ENERGY INFRASTRUCTURE INVESTMENT DRIVES REVENUE GROWTH

## VIEW UPDATE:

BSC maintains a **NEUTRAL** stance on the Oil & Gas sector for 2H2024 as the Block B – O Mon project has not yet achieved FID. However, BSC expects a more **POSITIVE** outlook in 2025 due to the following factors:

- (i) Profit growth compared to the low base in 2024 (BSR) as there will be no comprehensive maintenance activities.
- (ii) Revenue and profit recognition from the Block B – O Mon project (PVS, PVB, PVD).
- (iii) Growth in LNG and LPG volumes compensating for the decline in traditional gas as the Nhon Trach 3 plant becomes operational (GAS).

Recommended stocks: BSR ([refer to report](#)), PVS ([refer to report](#)), PVD ([refer to report](#)).

## Q2/2024 Oil & Gas financial results slightly declined YoY

### Q2 business results declined YoY

- In Q2.2024, Oil & Gas companies reported net revenue of VND 63,216 billion (-2% YoY; +5% QoQ) and profit after tax attributable to parent company shareholders of VND 4,468 billion (-8% YoY; +9% QoQ).
- The decline was mainly due to BSR's significant 43% YoY drop as the plant underwent its 5th comprehensive maintenance, affecting operational time. Additionally, PVS and PVD also saw declines due to (i) high YoY base and (ii) increased costs, including higher wages and forex losses.
- Accumulated 6M.2024 net revenue of Oil & Gas companies reached VND 123,467 billion (-1% YoY), and profit after tax attributable to parent company shareholders reached VND 8,625 billion (+11% YoY).

Table: Q2/2024 Business Results of Selected Oil & Gas Companies

Unit: Billion VND	Q2/2024						Accumulated 6M/2024			
	Revenue	%YoY	%QoQ	NPATMI	%YoY	%QoQ	Revenue	%YoY	NPATMI	%YoY
GAS	30,052	25%	29%	3,320	5%	32%	53,367	18%	5,832	-10%
BSR	24,428	-27%	-20%	767	-43%	-33%	55,118	-18%	1,925	-35%
PVS	5,578	18%	50%	195	-13%	-35%	9,287	10%	495	13%
PVD	2,254	59%	28%	136	-16%	-14%	4,036	53%	296	29%
CNG	840	0%	33%	45	221%	x45	1,472	-7%	45	25%
PVB	64	23%	-48%	5	140%	-80%	187	X2.5	32	n/a
Oil & Gas	63,216	-2%	5%	4,468	-8%	9%	123,467	-1%	8,625	11%



# OIL AND GAS SECTOR: ENERGY INFRASTRUCTURE INVESTMENTS BOOST REVENUE

The weather is forecasted to enter an influenced phase of La Nina from July 2024

- (1) PVS currently approaches an attractive valuation zone for investment during the 2024-2025 period
- (2) BSR is currently in a reasonable valuation area to invest, especially as the company receives positive news regarding its listing on HOSE, which is expected to have a positive impact on its stock price

Figure: PVS approaches the attractive valuation range during 2024-2025.

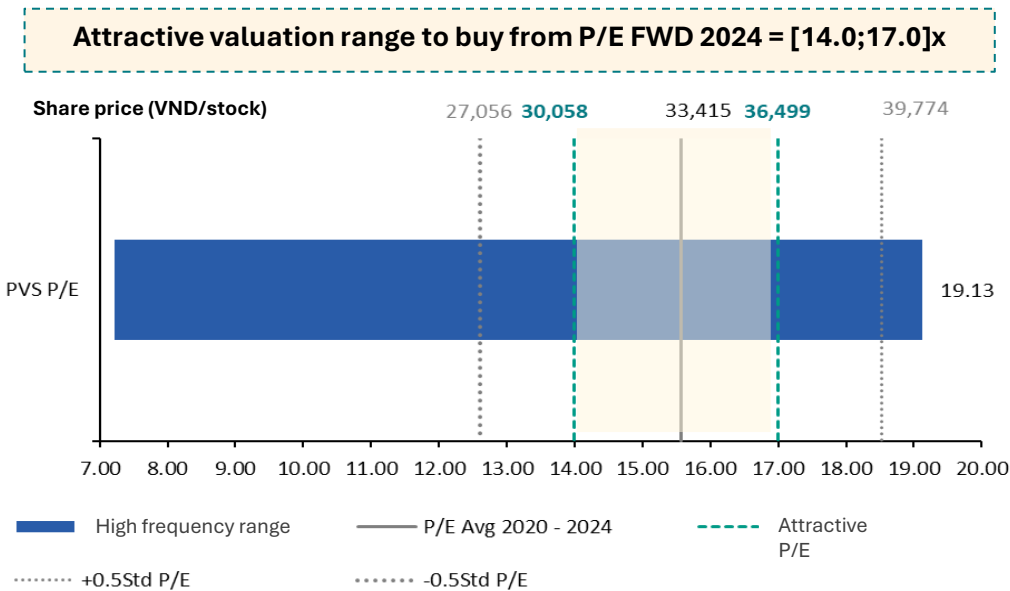
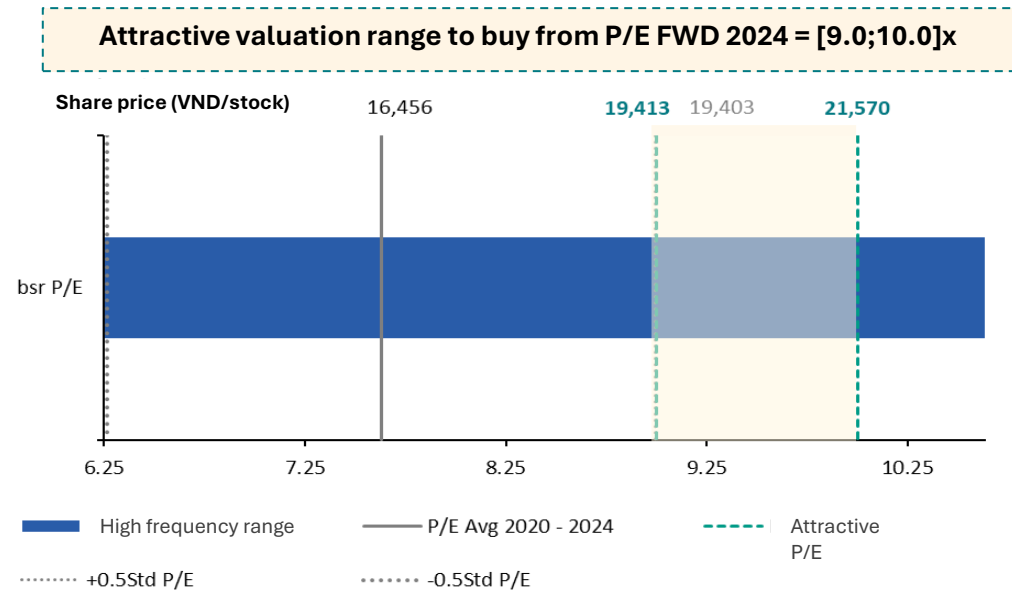


Figure: BSR is in a reasonable valuation range during 2024-2025.



Source: BSC Research

Oil & gas

Energy

Fertilizer

Tire

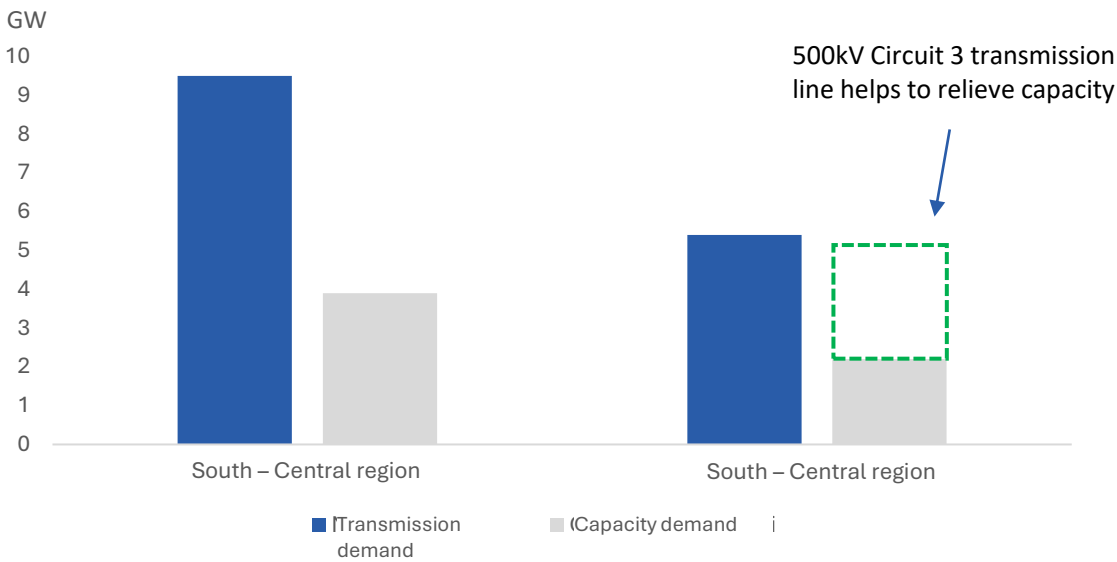
Chemical

# ENERGY SECTOR: NEW INFRASTRUCTURE COMES INTO OPERATION AND WEATHER’S IMPACT

**1. The 500kV transmission line has been put into operation, helping to transmit surplus renewable energy from the Central to the Northern region.**

The 500kV Quang Trach - Pho Noi is expected to operate in September 2024, relieving the surplus electrical capacity from the Central region to the Northern region. The order of mobilizing power sources is as follows: Hydropower, Renewable energy (solar, wind), Thermal power. Thereby, the renewable energy in the Central region benefits the most with an average annual output increasing by 25-30%, compared to the past. As a result, thermal power plants in the Northern region will face competitive pressure. **We believe that GEG and HDG will benefit from the transmission line.**

The excess capacity in the Central region will be relieved



HDG and GEG are expected to take advantage of the 500kV Circuit 3 transmission line

Project	Location	Type	Capacity (MW)
GEG			
Phong Điền	Huế	Solar	48
Krông Pa	Gia Lai	Solar	69
Hàm Phú 2	Bình Thuận	Solar	49
Trúc Sơn	Đắk Nông	Solar	45
Ia Bang 1	Gia Lai	Wind power	50
HDG			
7A	Ninh Thuận	Wind power	50
Hồng Phong 4	Bình Thuận	Solar	48
Infra 1	Ninh Thuận	Solar	50
7A GD 2	Ninh Thuận	Wind power	21 (in construction)
Phước Hữu	Ninh Thuận	Wind power	50 (in construction)

Source: BSC Research, EVN



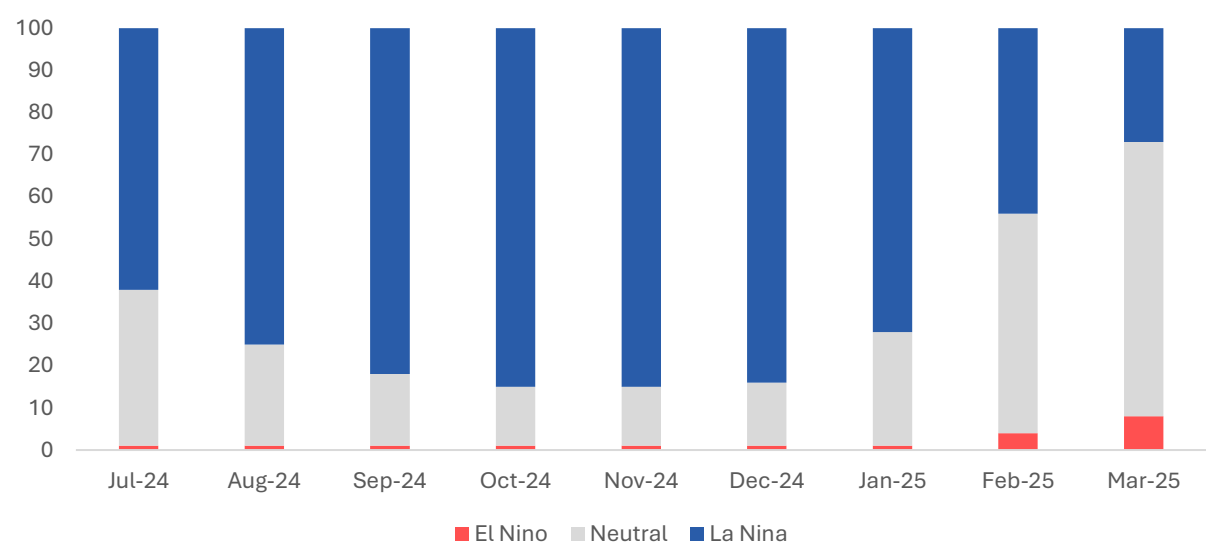
# ENERGY SECTOR: NEW INFRASTRUCTURE COMES INTO OPERATION AND WEATHER'S IMPACT

## 2. Hydropower plants benefit from La Niña

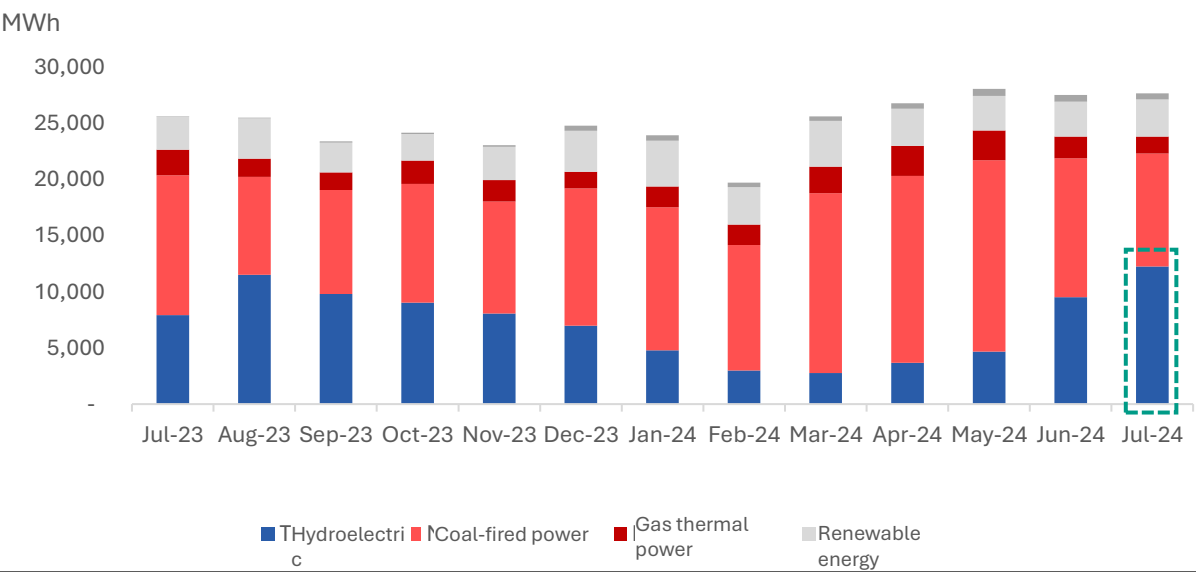
According to NOAA, La Niña has appeared more clearly since June 2024, leading to an increase in rainfall that is higher than the previous years. Hydropower output in June surged by 104% YoY and 91% MoM, which not only signals the onset of the hydroelectric peak, but also indicates that hydropower production in 2H2024 will surpass the same period - helping total annual output to grow by 15% YoY. **Companies that benefit from this include REE, HDG, PC1, GEG, DPG.**

Within 2024, EVN has raised the QC contract output to 95-98%, causing the average selling price of hydropower plants to decrease by 10-15% YoY.

Forecast from July 2024, weather enters an influenced phase of La Nina.



In July 2024, hydropower production increased by 55% YoY and 29% MoM.



Source: BSC Research, EVN

Oil & gas

Energy

Fertilizer

Tire

Chemical

# ENERGY SECTOR: NEW INFRASTRUCTURE COMES INTO OPERATION AND WEATHER’S IMPACT

## OTHER UPDATES

**Gas-fired power plants are projected to use imported LNG in 2024.** The Ministry of Industry and Trade has issued a ceiling price for LNG mobilization, however, BSC believes this price is not attractive enough for LNG power plants, as the price of imported LNG regularly fluctuates strongly within a range of 9 - 13 USD/mmBTU.

**Issuing a direct power purchase agreement (DPPA) between renewable energy projects and large electricity users.** BSC assesses that this information will not have much impact on renewable energy projects in the short term because purchasing electricity directly from EVN could be 10-20% lower than other renewable energy projects.

## VIEWPOINT UPDATE

We continue to hold a POSITIVE view toward the electricity industry.  
Stock recommendations: HDG, REE [\(refer to reports\)](#)

## Q2’s business results increase, compared to the same period

- In Q2.2024, net revenue of electricity enterprises reached VND 33,738 bilion (+14% YoY; +35%QoQ), profit after tax of parent company reached VND 2,283 bilion (+38% YoY, +51% QoQ).
- Business results increased mainly due to 1) GEX recorded a 165% YoY increase with profit from deinvestment of 4 energy companies và 2) POW recorded a 218% YoY increase thanks to Vung Ang 1 and Ca Mau 2 plants coming into stable operation after overhaul.
- Accumulated 6M.2024, net revenue of electricity companies reached 58,722 bilion (+4% YoY), profit after tax of parent company reached VND 3,792 bilion (+103% YoY).

Table: Business results in Q2/2024 of some Electricity companies

Unit: Bilion VND	Q2/2024						Accumulated 6M/2024			
	REV	%YoY	%QoQ	NPAT- MI	%YoY	%QoQ	REV	%YoY	NPAT- MI	%YoY
PC1	3,091	110%	43%	62	N/A	-23%	5,256	77%	143	6809%
GEX	8,250	3%	24%	849	165%	683%	14,910	4%	958	319%
TV2	362	150%	52%	12	-11%	9%	601	123%	24	6%
HDG	560	-7%	-34%	74	110%	-66%	1,408	-10%	296	-13%
REE	2,181	0%	19%	355	-27%	-26%	4,019	-12%	835	-32%
QTP	3,628	-2%	21%	160	-35%	-29%	6,638	-1%	387	-1%
POW	9,407	12%	51%	401	218%	44%	15,650	-1%	678	3%
GEG	488	2%	-34%	21	146%	-76%	1,227	19%	111	52%
BCG	1,115	0%	13%	131	9%	864%	2,100	16%	145	8%
PPC	2,469	77%	24%	94	-42%	-40%	4,465	65%	251	25%
NT2	2,186	0%	735%	122	-15%	N/A	2,448	-44%	(36)	N/A
Total	33,738	14%	35%	2,283	38%	51%	58,722	4%	3,792	103%

Oil & gas

Energy

Fertilizer

Tire

Chemical

# ENERGY SECTOR: NEW INFRASTRUCTURE COMES INTO OPERATION AND WEATHER’S IMPACT

With the La Nina outlook in 2H2024, BSC recommends **BUY** for **HDG** stock and **FOLLOW** for **REE** stock.

Figure: SOTP valuation method. The current price of HDG does not fully reflect the value of the real estate segment.

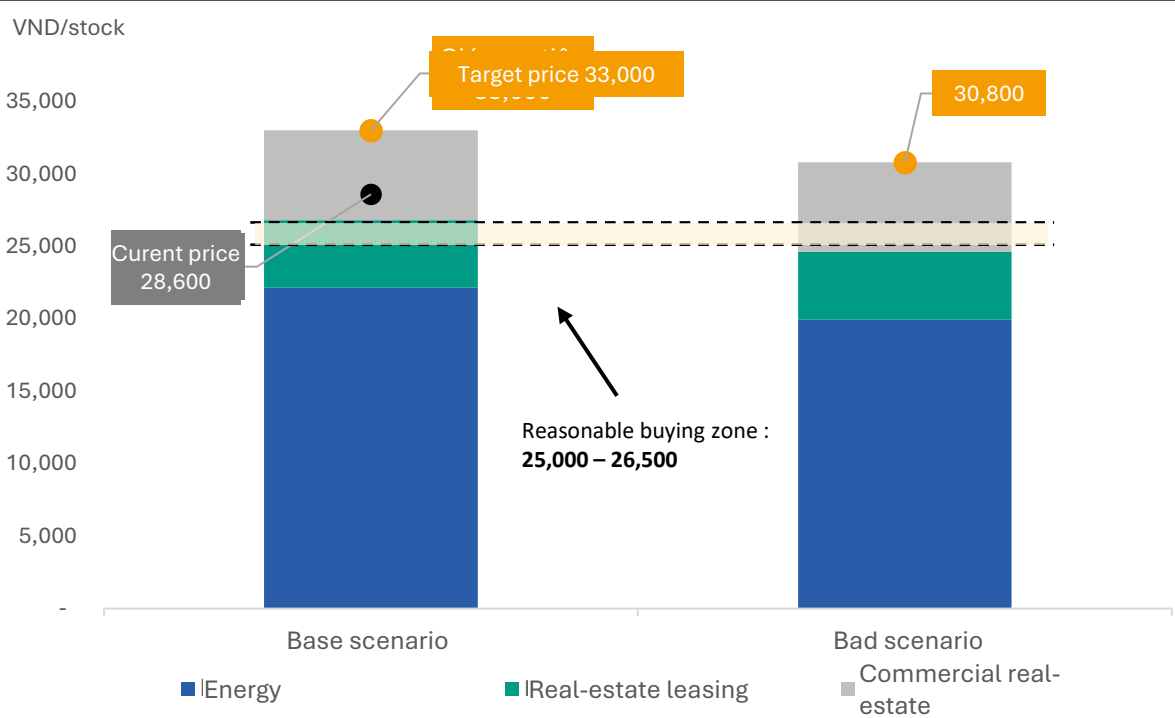
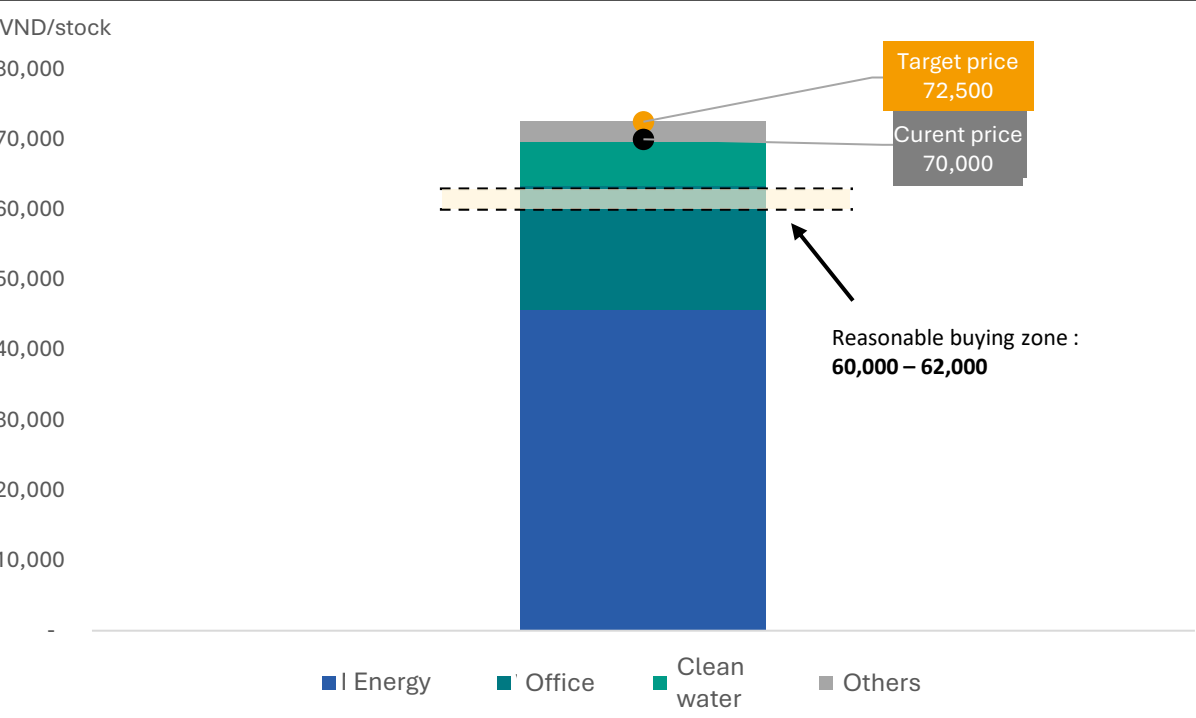


Figure: SOTP valuation method. The current price of REE shows limited upside.



Note: the "bad scenario" assumes that the Hong Phong 4 power project temporarily halts operations.

Source: BSC Research





# FERTILIZER SECTOR: BENEFITING FROM VAT, COMPENSTAING FOR INCREASED INPUT COST

## FERTILIZER SECTOR IS EXPECTED TO BENEFIT FROM THE INCLUSION OF FERTILIZER PRODUCTS UNDER VAT DESPITE INCREASING INPUT COSTS

- The Fertilizer sector is expects to benefit from VAT policy but records increased production costs;
- The Tire sector is expects to benefit from US anti-dumping duty on those tires that are imported from Thailand but records increased production costs;
- Other updates: (1) At the 7<sup>th</sup> session of the National Assembly, the deputies basically agreed to include fertilizer in the VAT taxable goods and (2) Preliminary investigation result shows that the dumping margin is lower than the previous result;

### 1.1 Expected consideration of including fertilizer in VAT taxable items (5%) from 2025 *(Attached latest report)*

- Summary of opinions from the discussion session in 24/06/2024 at the 7th session of the National Assembly:
  - i. The National Assembly Deputies (NADs) basically agreed to include fertilizers in the VAT-taxable items.
  - ii. However, there were two streams of discussion that whether VAT rate toward fertilizers should be 0% or 5%, and the NADS proposed that the Ministry of Finance should have a more detailed assessment report on the impact of applying a 5% VAT on fertilizers, regarding to farmers and domestic fertilizer prices.
- The Ministry of Finance will review and officially submit the draft to the 8th session of the National Assembly (expected to take place in 10/2024).
  - i. In the base scenario, the tax rate we expected is 5%;
  - ii. In case, the proposed tax rate is 0%, this will be a more positive scenario than our expectation.

Table: Estimated NPAT-MI for fertilizer companies in 2025F with VAT policy passed through

VAT	Not approved		Approved (different VAT allocation scenarios)			
2025F	100%		70%	50%	30%	0%
NPAT-MI						
DCM	2,303	2,409	2,583	2,699	2,815	2,989
DDV	224	236	254	267	279	297
DPM	788	906	1,043	1,134	1,226	1,363
%YoY NPAT-MI						
DCM	42%	49%	59%	66%	74%	84%
DDV	57%	65%	78%	86%	95%	108%
DPM	28%	47%	70%	84%	99%	122%

Source: BSC Research

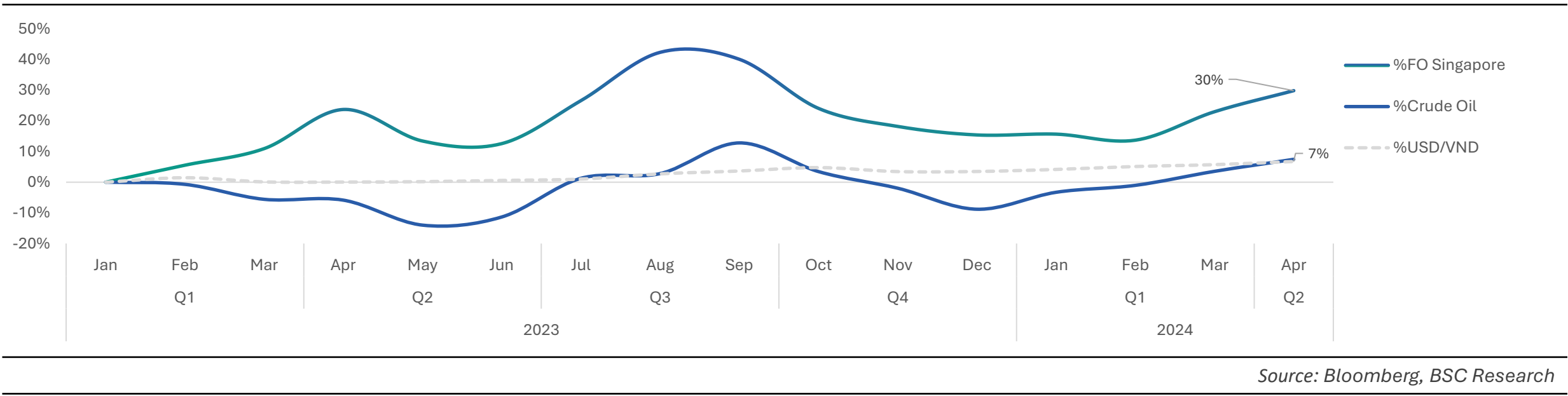


# FERTILIZER SECTOR: INCREASED PRODUCTION COST

## 1.2 Urea production costs from gas increase due to (i) a rise of oil prices and (ii) USD/VND exchange rate

- Average Brent oil and FO oil price in Q2/2024 reached 85.3 USD/ton (+13% YoY) and 499 USD/ton (+15% YoY), respectively. The USD/VND exchange rate reached 24,621, increasing by +8% YoY.
- BSC believes that oil prices will remain high due to geopolitical tensions and has revised the forecast by +6% compared to the early 2024, equivalent to 86 USD (refer to the detailed oil price forecast above). At the same time, we argue that exchange rate pressure will maintain in Q3/2024 before cooling down as the FED reverses its policy.
- With the outlook of rising oil price and exchange rate, we estimate that input gas costs for **DPM** and **DCM** will increase by 4% - 5% for the whole year 2024.

Figure: Raw material costs increase due to rising oil prices and exchange rates



# FERTILIZER SECTOR: PRESSURE FROM IMPORTED FERTILIZER

1.3 Fertilizer prices are under pressure to decline due to increased fertilizer imports, however, we still maintain our expectation that fertilizer prices will cover in the second half of the year: (i) improved demand driven by the Winter-Spring crop season and (ii) high agricultural product prices

The volume of fertilizer imports into Vietnam increased significantly in Q2/2024, putting pressure on domestic fertilizer prices:

Figure: Urea imports to Vietnam

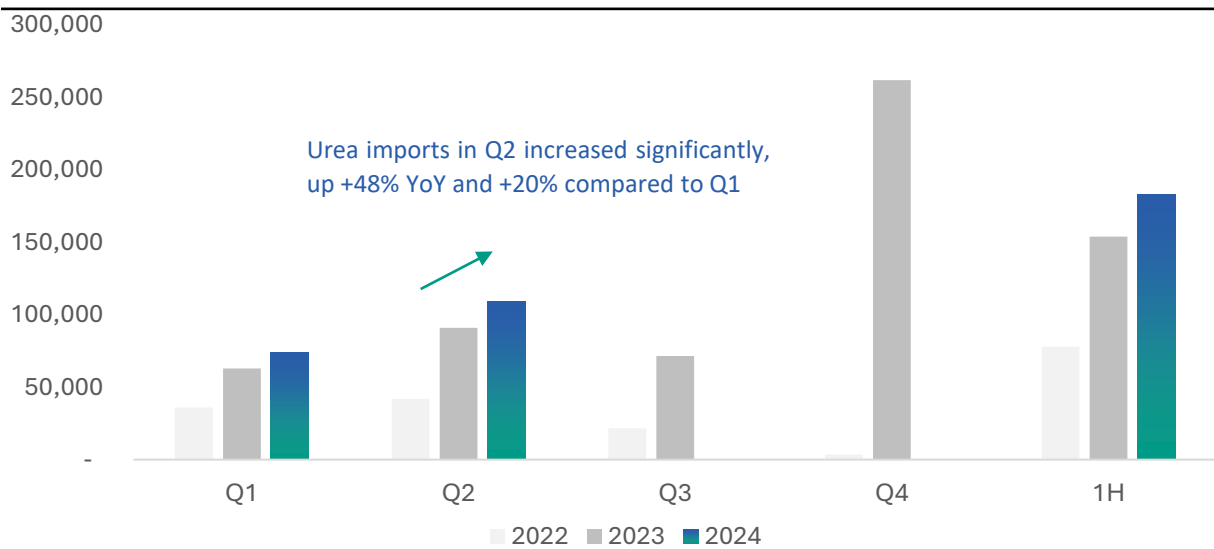
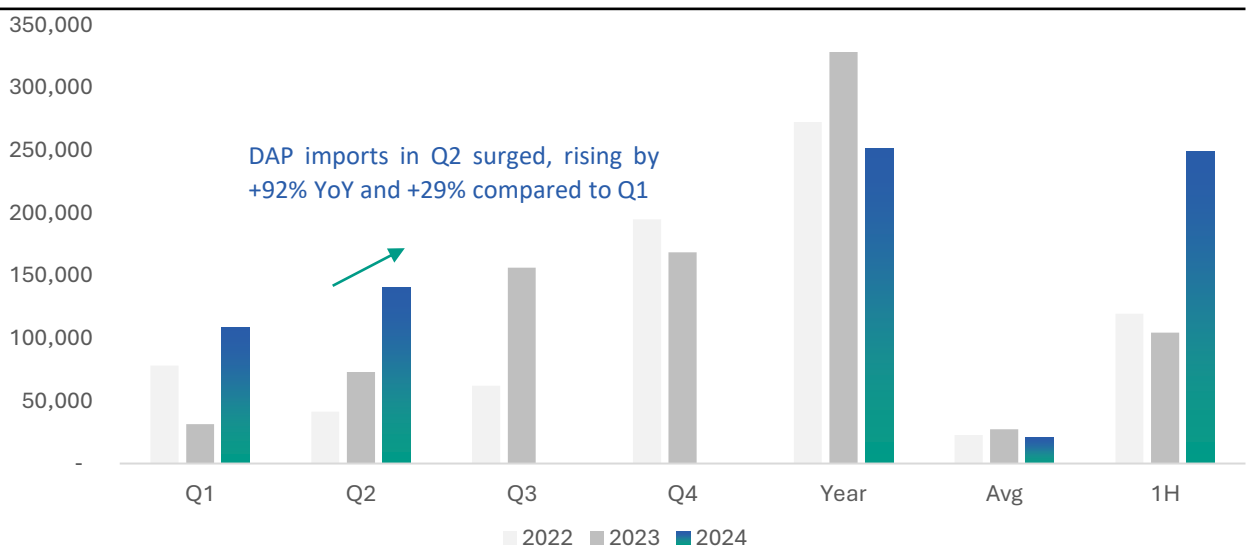


Figure: DAP imports to Vietnam



Source: Customs, BSC Research

Oil & gas

Energy

Fertilizer

Tire

Chemical

# FERTILIZER SECTOR: BUT FERTILIZER PRICES REMAIN AT Q1/2024 LEVEL

1.3 Fertilizer prices are under pressure to decline due to increased fertilizer imports, however, we still maintain our expectation that fertilizer prices will cover in the second half of the year: (i) improved demand driven by the Winter-Spring crop season and (ii) high agricultural product prices

Despite the increased imports leading to a rise in domestic fertilizer supply, fertilizer prices in Q2/2024 have remained at the same level as in Q1. In particular:

- The average Urea price is around 9,800 – 9,900 VND/kg, up by +4 - 5%;
- The average DAP price is 14,300 VND/kg, down -5% YoY and equivalent to the average of the first quarter;

Figure: Prices of Phu My Urea and Ca Mau Urea (VND/kg)

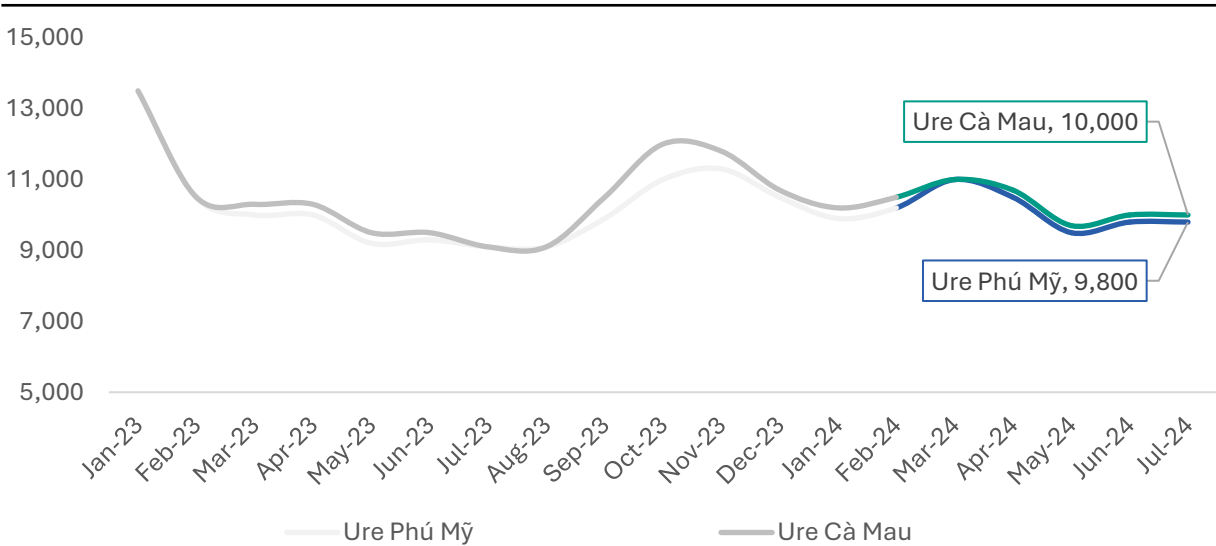
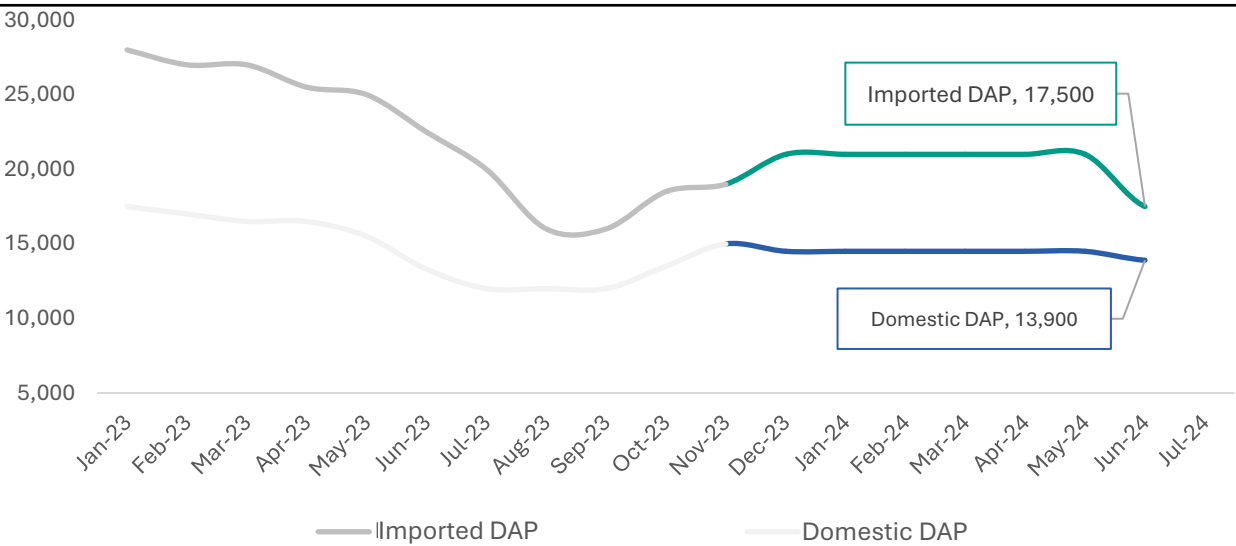


Figure: Domestic DAP prices and imported DAP prices (VND/kg)



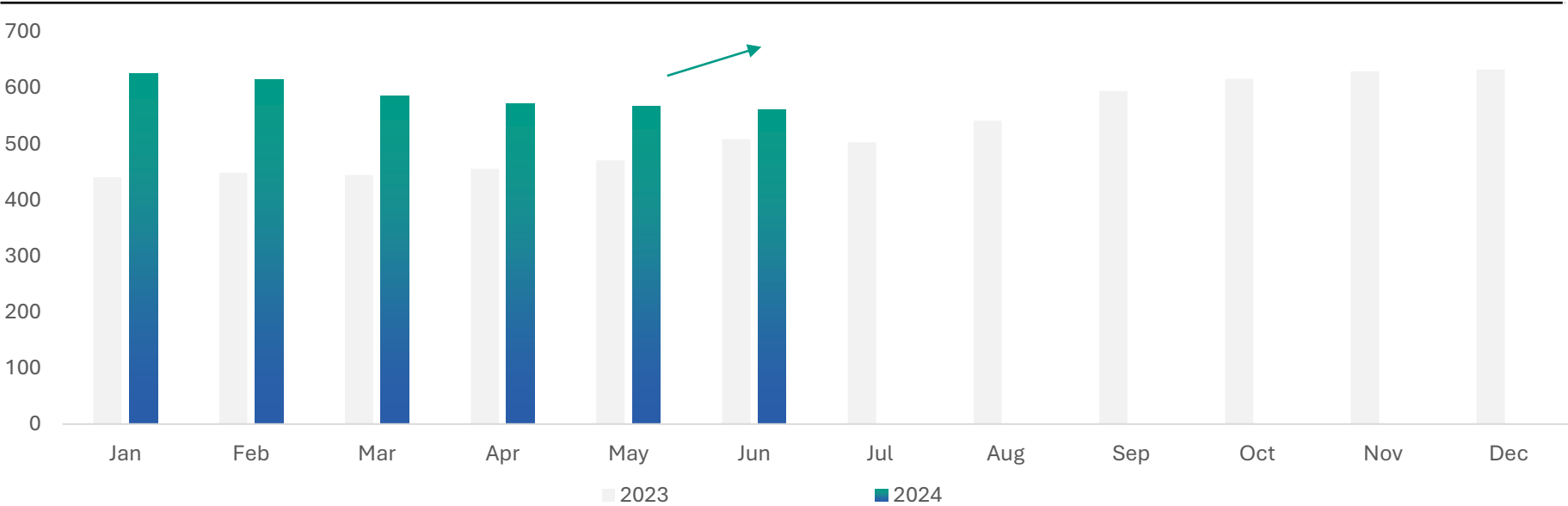
Source: Customs, BSC Research

# FERTILIZER SECTOR: HIGH RICE PRICES SUPPORT FERTILIZER PRICES

## 1.4 High rice prices are a positive factor, promoting the recovery of fertilizer price during the peak season

- The average price of 5% broken rice in Q2/2024 reached 567 USD/ton, demonstrating an increase of +19% YoY and equivalent to Q1/2024 levels.
- We expect that high rice prices will improve farmers' affordability, thereby indirectly supporting fertilizer prices.
- Additionally, the Winter-Spring crop season in the second half of the year is expected to boost fertilizer demand further.

Figure: Rice prices remain high, increasing farmers' affordability (USD/ton)



Source: Bloomberg, BSC Research



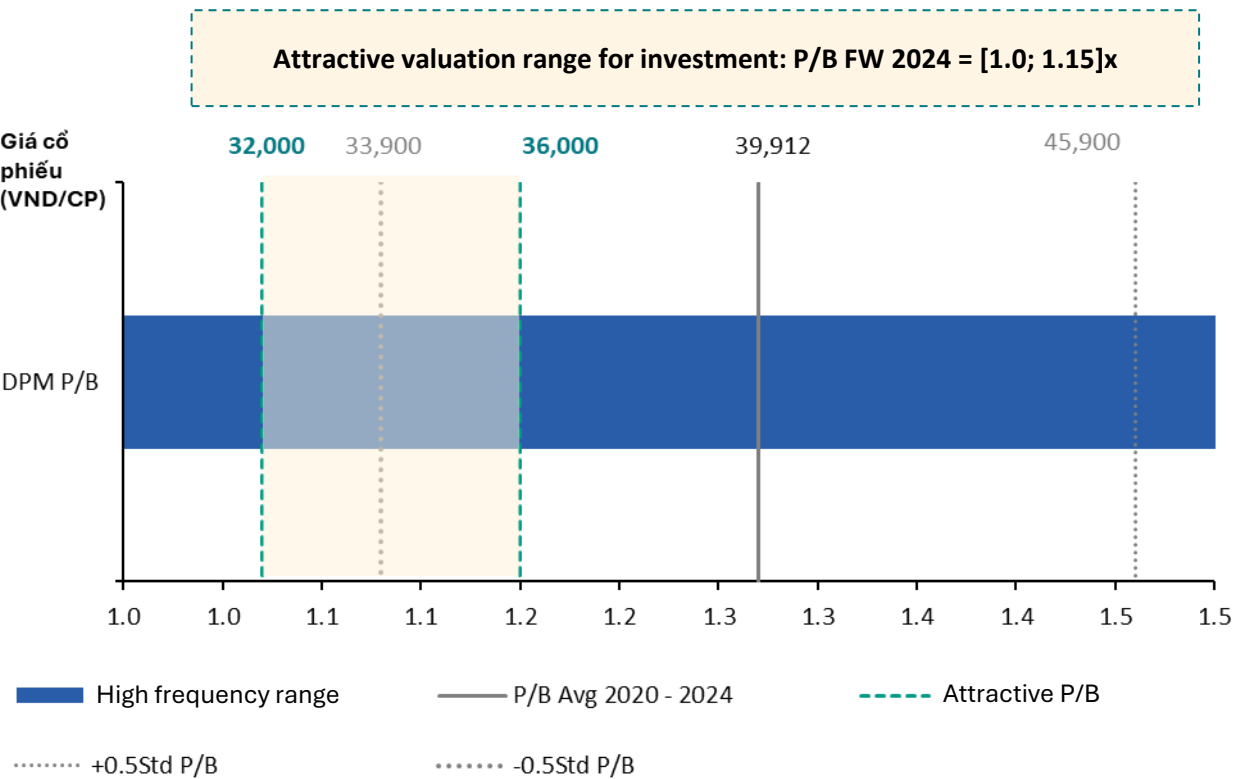
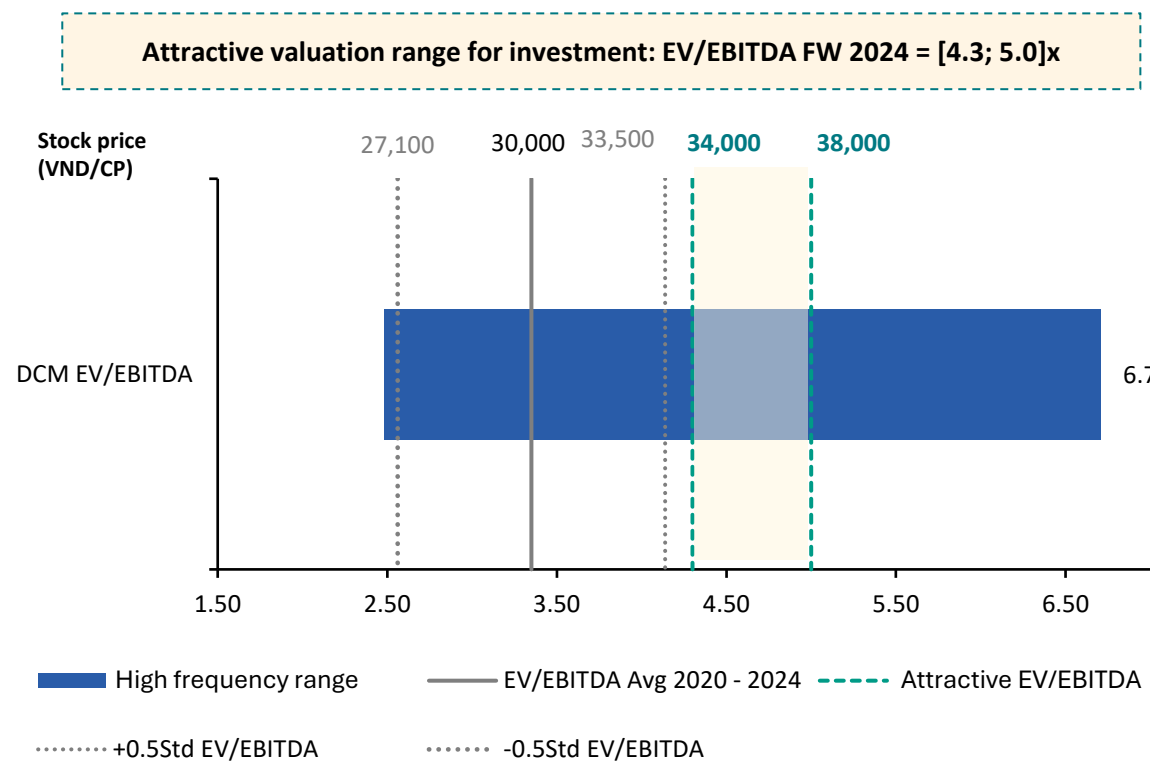
# FERTILIZER SECTOR: BENEFITING FROM VAT, COMPENSTAING FOR INCREASED INPUT COST

Based on positive expectation of the earning growth of DCM and DPM, and the market context with strong discount in valuation, BSC recommends the following stock valuation rangr for these two stocks:

- (1) DCM: the appropriate valuation range for investment during 2024-2025 period, EV/EBITDA FW 2024 of 4.3 – 5.0x;
- (2) DPM: the appropriate valuation range for investment during 2024-2025 period, P/B FW 2024 of 1.0 – 1.15x;

Figure: DCM valuation is currently in an attractive range compared to its growth outlook

Figure: DPM valuation is also in an attractive rangr relative to the its growth outlook



Nguồn: BSC Research



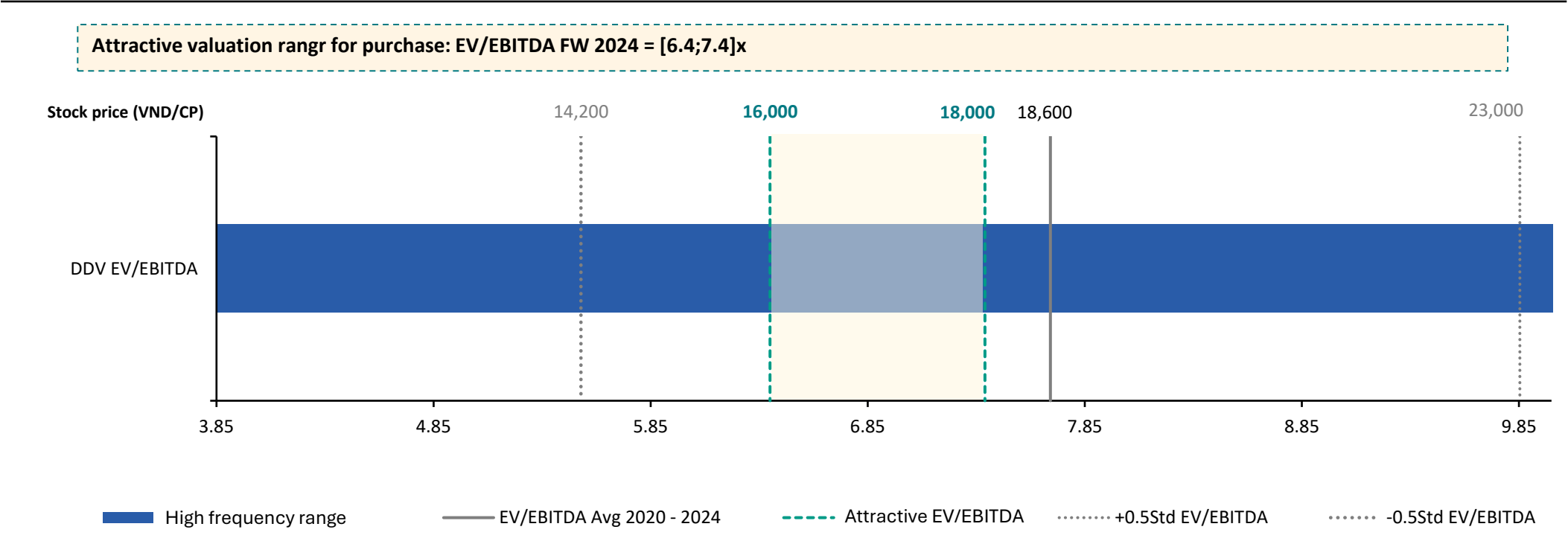
# FERTILIZER SECTOR: BENEFITING FROM VAT, COMPENSTAING FOR INCREASED INPUT COST

Based on strong market discount valuations and positive growth expectations for DDV in 2024F – 2025F:

- (1) The recovery of fertilizer demand pushing DAP production volumes;
- (2) The fully depreciated factory will save VND 57 billion in 2025 and the expected VAT policy will help to reduce input costs;

BSC recommends **the attractive valuation range for investing in DDV during 2024 – 2025 is EV/EBITDA fw from 6.4 to 7.4x**, equivalent to a **price range of 16,000 VND to 18,000 VND/share**;

Figure: the valuation of DDV is currently at an attractive level compared to the company’s growth outlook



Source: BSC Research



# FERTILIZER SECTOR: BENEFITING FROM VAT, COMPENSTAING FOR INCREASED INPUT COST

## VIEWPOINT UPDATE:

BSC maintains a **POSITIVE** view on the fertilizer sector in 2024 but observes a fair share of opportunities and risks:

- Opportunities: **(i)** the possibility of passing the amended VAT policy helps fertilizer firms to get input tax refunds and **(ii)** fertilizer prices will recover in the second half of the year, thanks to the increased demand during the Winter-Spring crop season and high agricultural product prices.
- Risks: **(i)** high production costs for Urea due to rising gas and oil prices **(ii)** increasing imports of fertilizers.

Stock recommendation: DCM [\(refer to report\)](#)

## Business results of fertilizer group: 1H/2024 recovered due to positive production ouput

### Business results of second quarter increased year-on-year

- Q2.2024 total revenue of the fertilizer group reached VND 8,747 billion (+12% YoY; +28% QoQ), net profit after tax was VND 1,265 billion (+59% YoY; +83% QoQ);
- In Q2, fertilizer production output was positive, increasing both in YoY and QoQ, helping the GPM of fertilizer sector to reach 14% (+4.3 points YoY; -5.7 points QoQ);
- Accumulated 6M.2024 total revenue of fertilizer companies reached VND 15,576 billion (+7% YoY), gross profit reached VND 2,645 billion VND (+37% YoY), corresponding to 17% of gross profit margin (+3.7% YoY)

Table: Business results of some Fertilizer companies in Q2/2024

Unit: Billion VND	Q2/2024						Accumulated 6M/2024			
	REV	%YoY	%QoQ	NPAT- MI	%YoY	%QoQ	REV	%YoY	NPAT- MI	%YoY
DCM	3,863	17%	41%	569	83%	64%	6,607	10%	915	69%
DPM	3,948	6%	19%	231	129%	-13%	7,255	4%	495	37%
DDV	936	15%	20%	64	x75	143%	1,714	10%	90	x90
Fertilizer	8,747	12%	28%	863	109%	36%	15,576	7%	1,500	66%





# TIRE SECTOR: COST INCREASE IS SLOWING DOWN

## 2.1 Update on anti-dumping investigation of Thai tires imported into the US - lower amplitude than previous preliminary conclusion

- On 15/05/2024, the U.S. Department of Commerce (US Commerce) announced a preliminary decision toward anti-dumping duty investigation on Thailand’s tires, with an amplitude of 2.35%, instead of 49.39% (as previously concluded by the U.S. International Trade Commission). The final decision is expected to be announced on 29/07/2024.
- Compared to the previous preliminary decision by the ITC, the anti-dumping margin has been significantly reduced. We believe that the implementation of anti-dumping duties on Thai tires is still a positive point for Vietnam’s TBR tire exports to the U.S.; however, the impact will be less significant than the previous report’s expectation (refer to report)

Table: Preliminary dumping margin (Updated 15/05/2024)

Exporter/Producer	Anti-dumping margin
Bridgestone Corporation	2.35%
Prinx Chengshan Tire (Thailand) Co., Ltd.	0.00%
Còn lại	2.35%

Table: Timeline of U.S. anti-dumping investigation on Thailand’s tire

Event	Margin	Date
Complaint filing		17/10/2023
Investigation start		06/11/2023
Preliminary decision of the ITC	48.39%	01/12/2023
Preliminary decision of the US Commerce		14/05/2024
Final decision of the US Commerce	2.35%	29/07/2024
Final decision of the ITC*		12/09/2024
Issue anti-dumping dutites**		19/09/2024

Source: ITC, BSC Research

\* This will only occur if there is a final affirmative decision from the U.S International Trade Commision (ITC)  
\*\* Tis will only occur if there is a final affirmative decision from both the U.S. Department of Commerce (US Commerce) and U.S. International Trade Commission (ITC).

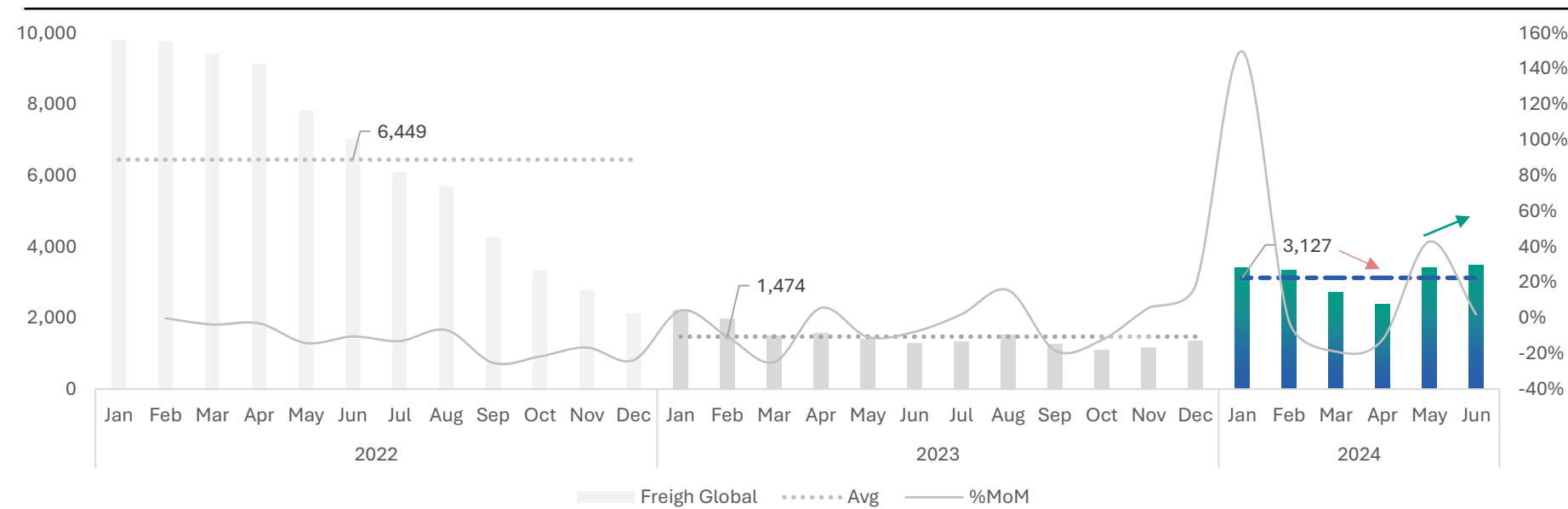


# TIRE INDUSTRY: TRANSPORTATION RATES REBOUND

## 2.2 Upward tendency of global freight rates due to political tensions

- Sea freight rates surged sharply at the end of December 2023, then maintained a downward trend until April, before bouncing back in May and June 2024.
- The average freight rate in Q2/2025 reached USD 3,094 (-2% QoQ, +117% YoY), the current freight rate is USD 3,481, equivalent to the beginning of the year.

Figure: Global freight rate shows a sign of increasing due to political tensions (USD)



Source: Bloomberg, BSC Research



Export orders mainly follow the FOB basis that will not be affected by freight rates. Eventhough, in case of sudden and sharp increase in freight rates, it might impact on the competitiveness of businesses.

Oil & gas

Energy

Fertilizè

Tire

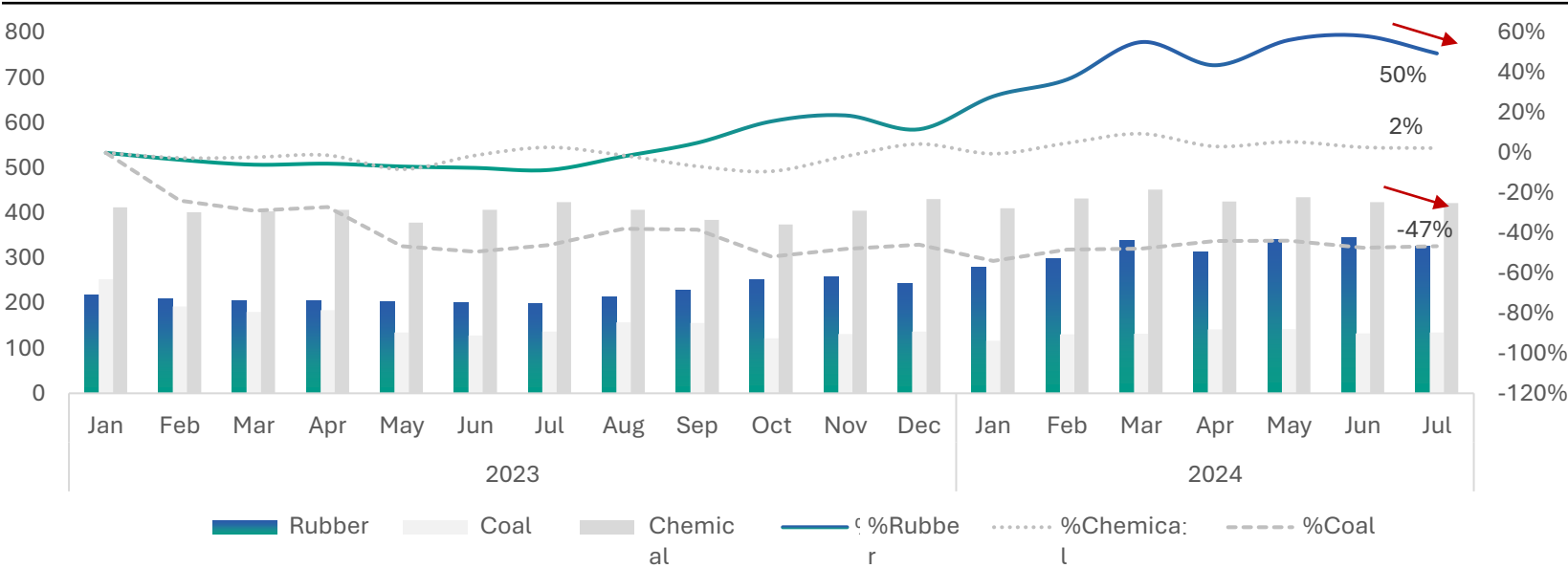
Chemical

# TIRE SECTOR: COST INCREASE IS SLOWING DOWN

## 2.3 Production costs rose due to the increased prices of some raw materials, however the increase showed a sign of slowing down.

- As we forecast in the previous quarter report, rubber prices remained high in Q2/2024, with an average of 333 JPY/kg, up +9% QoQ and +64% YoY. We maintain our view as in the previous report and expect rubber prices to cool down gradually in 2H/2024, corresponding to an average increase of +25% YoY in 2024.
- Coal price remained its downward trend that is in line with our previous forecast, with the average coal price of 127 USD/ton (-7% YoY) in Q2/2024. Thanks to the high coal inventory in China, we believe that the coal price will maintain its downward trend and partially offset the sharp increase in natural rubber prices.
- The profit margin of tire companies improved in Q2, increasing by +2.4 ppt compared to Q1, mainly due to increased output and average selling price of tire, compensating for the rise in production cost.

Figure: Prices of some key input materials (USD/ton) – (RHB/kg)



Source: Bloomberg, BSC Research

➡ We expect that tire companies' profit margins to remain unchanged as Q2/2024 since the increase of input price decelerates and the lower coal price would be enough to offset the surge of other material prices.



# TIRE SECTOR: IMPROVED DEMAND COMPENSATE FOR INCREASED PRODUCTION COSTS & TRANSPORTATION FEE

## VIEWPOINT UPDATE:

BSC maintains a **POSITIVE** view on Tire sector in 2024, however, observing intertwined risks and opportunities from:

- Opportunities: **(i)** Thai TBR tires are determined to have a dumping margin of 2.35% in the US market and **(ii)** improved tire demand;
- Risks: Increased production costs due to the rise of rubber prices and transportation fees

Stock recommendation: DRC [\(refer to report\)](#)

## Business results of Tire group in 1H/2024 were in the recovery trend with a more obvious recovery momentum in Q2.

### Business results in Q2 grew more clearly than in Q1

In Q2.2024, total revenue of Tire companies reached VND 2,958 billion (+5% YoY; +29% QoQ), gross profit reached VND 521 billion (+70% YoY; +53% QoQ);

- In Q2, sale volumes of tire and tube were positive, increasing both year-on year quarter-on-quarter. At the same time, the selling prices of some products were higher than in Q1, helping the gross profit margin reach 18% (+6.7 ppt YoY; +2.8 ppt QoQ);
- Accumulated 6M.2024 total revenue of Tire companies reached VND 5,253 billion VND (-2% YoY), gross profit reached VND 860 billion (+61% YoY), corresponding to gross profit margin of 16% (+6.4% YoY);

Table: Business results of some Tire companies in Q2/2024

Unit: Billion VND	Q2/2024						Accumulated 6M/2024			
	REV	%YoY	%QoQ	NPAT- MI	%YoY	%QoQ	REV	%YoY	NPAT- MI	%YoY
DRC	1,364	17%	40%	77	52%	57%	2,337	3%	127	66%
CSM	1,265	-8%	10%	21	72%	7%	2,412	-7%	41	110%
SRC	328	19%	88%	114	1750%	3302%	503	5%	117	1048%
Tire	2,958	5%	29%	212	206%	194%	5,253	-2%	285	169%



# CHEMICAL SECTOR: CHEMICAL DEMAND RECOVERS

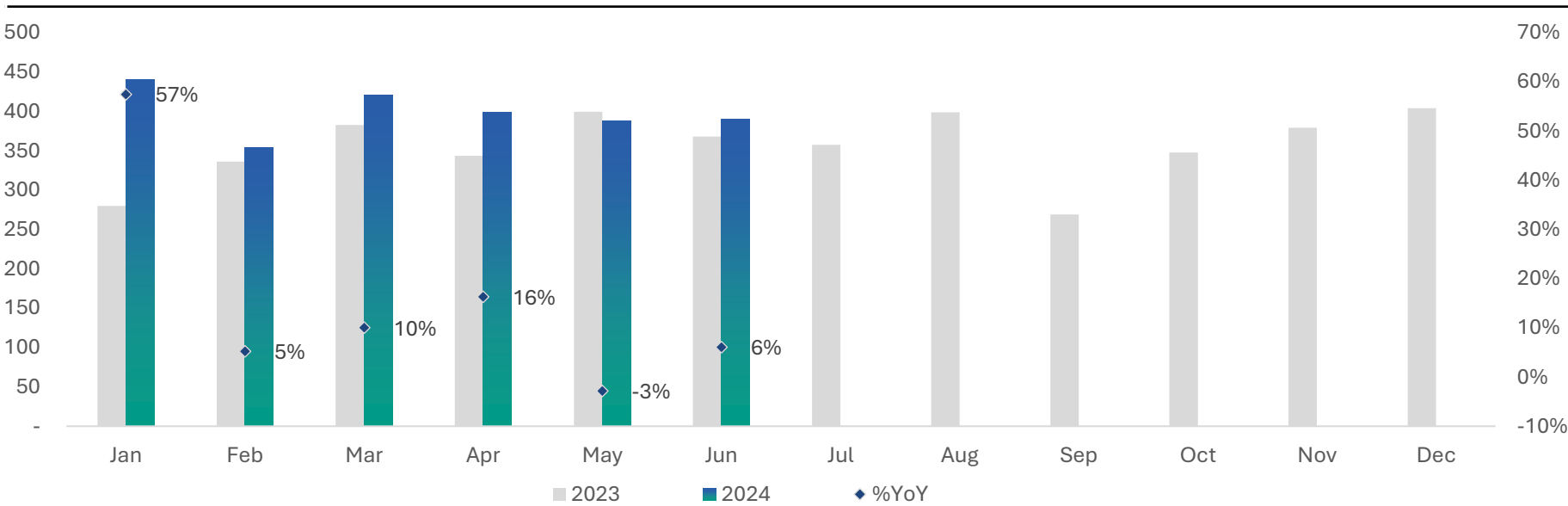
## CHEMICAL DEMAND RECOVERS, POSITIVELY IMPACTS COMPANIES WITHIN THE INDUSTRY

- Chemical and chemical product exports in Q2/2024 remained at the same level as Q1/2024 but increased by +6% year-on-year.
- Production activities related to electronic components are gradually recovering.

### 3.1 Chemical and chemical product exports in Q2/2024 remained at the same level as Q1/2024 but increased by +6% year-on-year

- Accumulated Q2/2024 export value of chemicals and chemical products in Vietnam reached USD 1,178 million, equivalent to the export value in Q1 and increased by +6% YoY, of which:
  - i. The export value of chemicals reached USD 616 million, up +8% YoY
  - ii. The export value of chemical products reached USD 561 million, up +4% YoY
- Accumulated 6M/2024 export value of chemicals and chemical products reached USD 2,394 million, up +13% YoY. The export value of chemicals and chemical products increased by +19% YoY and +8% YoY, respectively.

Figure: Export of chemicals and chemical products maintained its growth momentum, reaching USD 1,178 million (+6% YoY)



Source: FiinX, BSC Research

➡ However, the recovery momentum of chemical price is still weak, export value increased by the surge of export volume whereas the chemical prices have not shown signs of strong improvement.

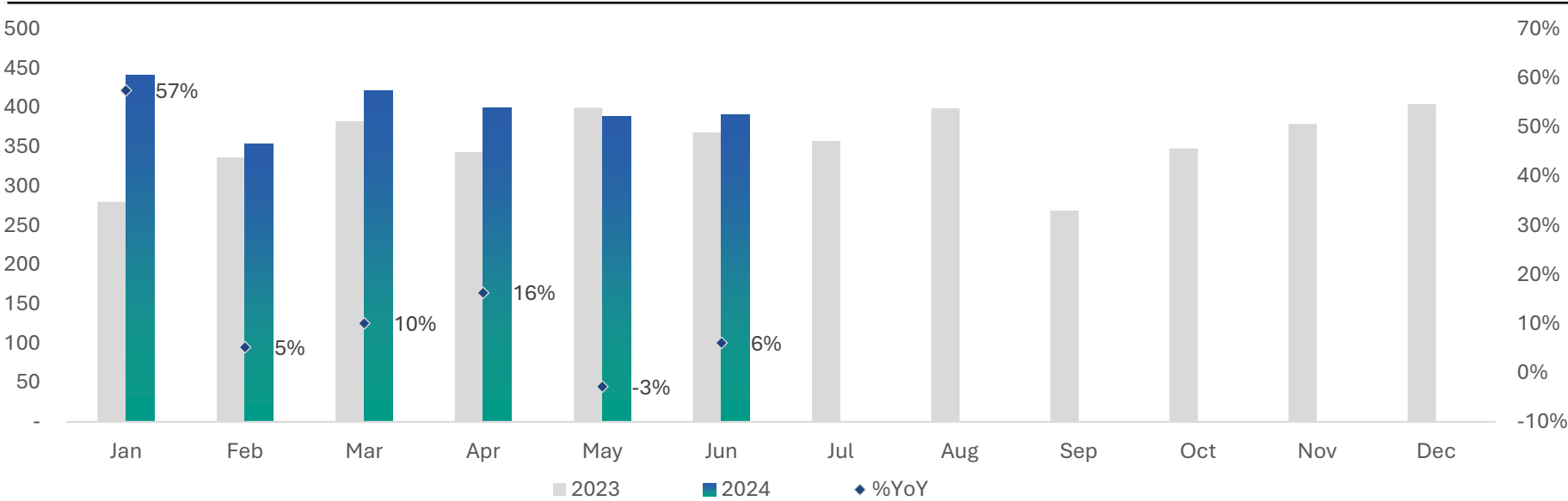


# CHEMICAL SECTOR: CHEMICAL DEMAND RECOVERS

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Source: FiinX, BSC Research

➡ However, the recovery momentum of chemical price is still weak, the export value increased by the surge of export volume whereas the chemical prices have not shown signs of strong improvement.



# CHEMICAL SECTOR: CHEMICAL DEMAND RECOVERS

## 3.1 Chemical and chemical product exports in Q2/2024 remained at the same level as Q1/2024 but increased by +6% year-on-year

- In Q2/2024, the price of yellow phosphorus and caustic soda showed a sideways trend compared to Q1/2024. By year-on-year, the yellow phosphorus price maintained at the same level while caustic shda price decreased slightly by -8%.
- Specifically, the average price of yellow phosphorus in Q2/2024 reached 22,800 CNY/ton (equivalent to the same period and Q1/2024), and the price of caustic soda reached 790 CNY/ton (down -8% YoY and the same as Q1/2024)

Figure: Yellow phosphorus price in China in Q2/2024 remained stable, compared to Q1/2024 (CNY/ton)

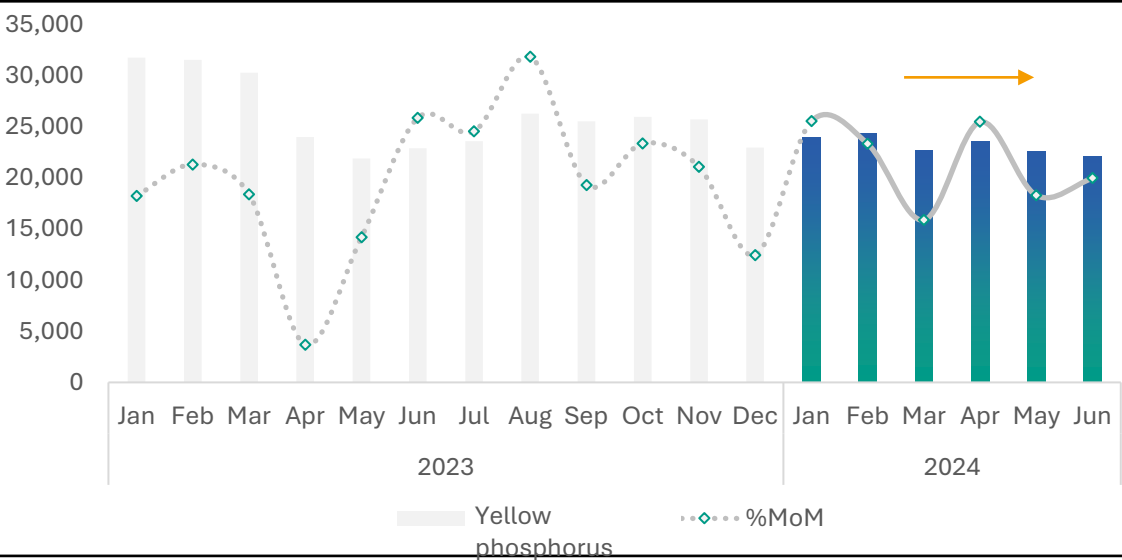
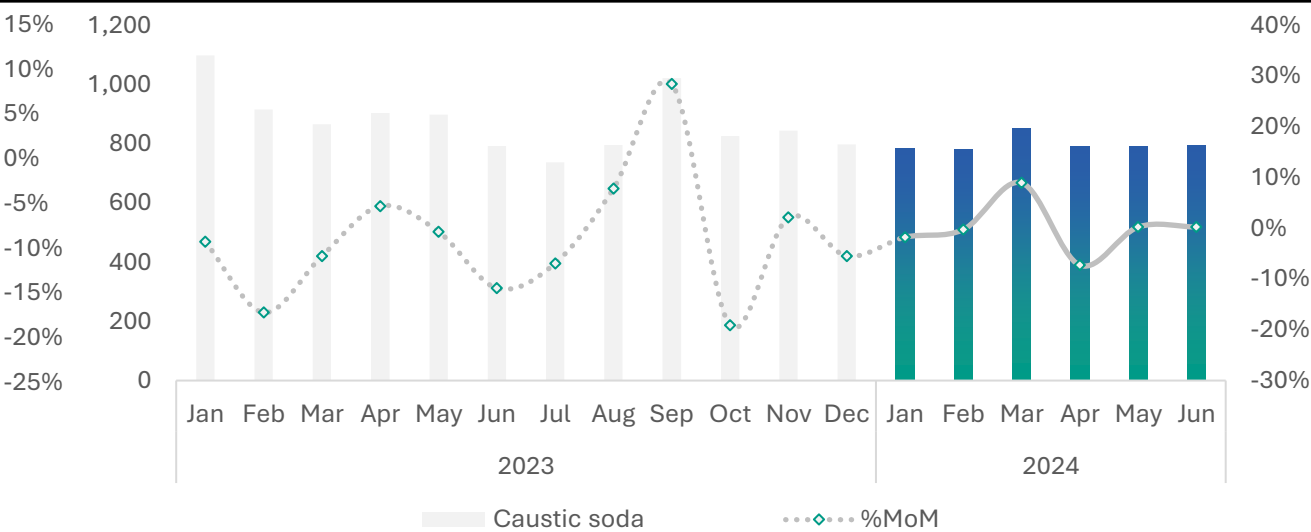


Figure: Caustic soda price in China in Q2/2024 remained stable, compared to Q1/2024 (CNY/ton)



Source: Customs, BSC Research

Oil & gas

Energy

Fertilizer

Tire

Chemical

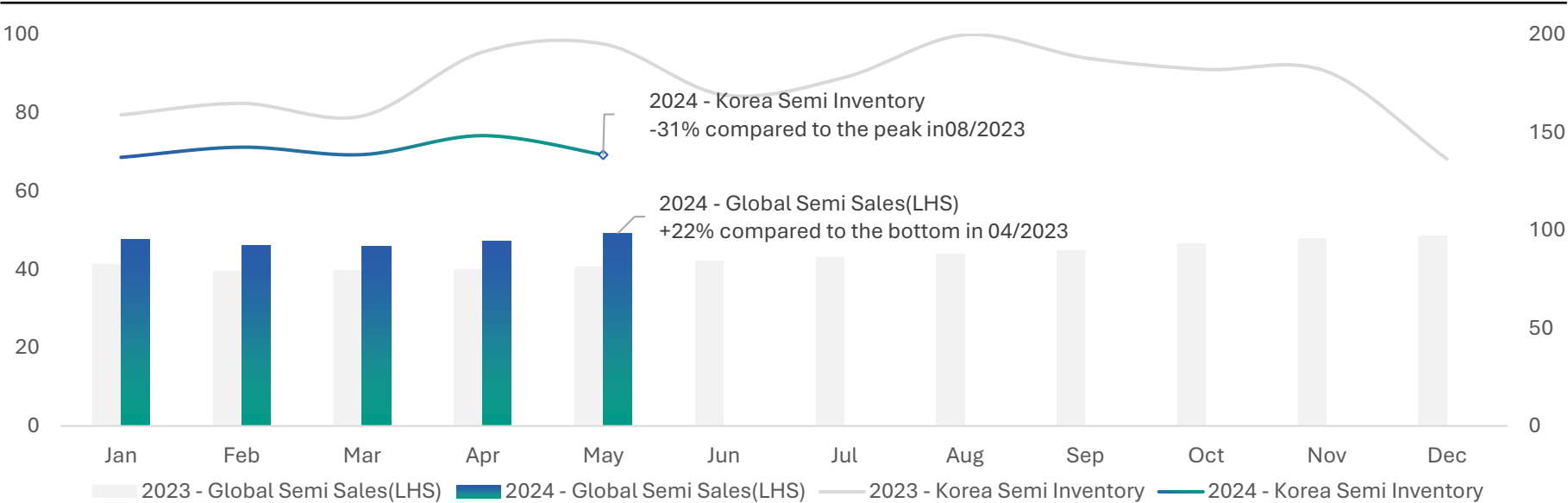


# CHEMICAL SECTOR: ELECTRONIC COMPONENT MANUFACTURING RECOVERS

## 3.2 Electronic component manufacturing activity continues to recover

- Average global semiconductor sales in Q2/2024 increased by +18% YoY and +3% QoQ, indicating that semiconductor manufacturing demand continued to recover in Q1/2024.
- In addition, the tracking index of semiconductor and electronic component inventories in South Korea also showed a downward trend in inventory. The index at the end of 05/2024 declined to 138.5, corresponding to a decrease of -29% YoY and -31% compared to the peak level in 08/2023.

Figure: Semiconductor sales and inventory levels declined in Q2/2024



Source: Bloomberg, BSC Research

➡ With the downward trend of inventory and increased demand of electronic components, we maintain our view from the previous report that chemical demand will continue to recover through the remainder of 2024.



# CHEMICAL SECTOR: POSTIVE BUSINESS RESULTS IN 1H/2024

## VIEWPOINT UPDATE:

BSC maintains a **POSITIVE** outlook on the chemical sector in 2024. We expect chemical demand to recover, driven by:

- Recovery in chemical exports;
- The demand of chemicals is promoted by the recovery of electronic component manufacturing

Stock recommendation: DGC [\(refer to report\)](#)

## Business results of Chemical group in 1h/2024 maintained growth trend, with clearer recovery in Q2

### Business results in Q2/2024 showed a stronger growth, compared to Q1

- In Q2/2024, total revenue of the chemical group reached VND 2,985 billion (+8% YoY; +9% QoQ), and gross profit was VND 1,118 billion (+8% YoY; +30% QoQ).
- In Q2, sales volume of chemical products positively increased, compared to the same period and Q1, while the selling prices of some products were also higher than Q1, supporting the GPM to reach 37% (+2 ppt YoY; +5.9 ppt QoQ);
- Accumulated 6M.2024 total revenue of Chemical firms reached VND 5,721 (+1% YoY), gross profit reached VND 1,980 billion (-3% YoY), corresponding to the GPM of 35% (-1.6 ppt YoY).

Table: Business results of some Chemical companies in Q2/2024

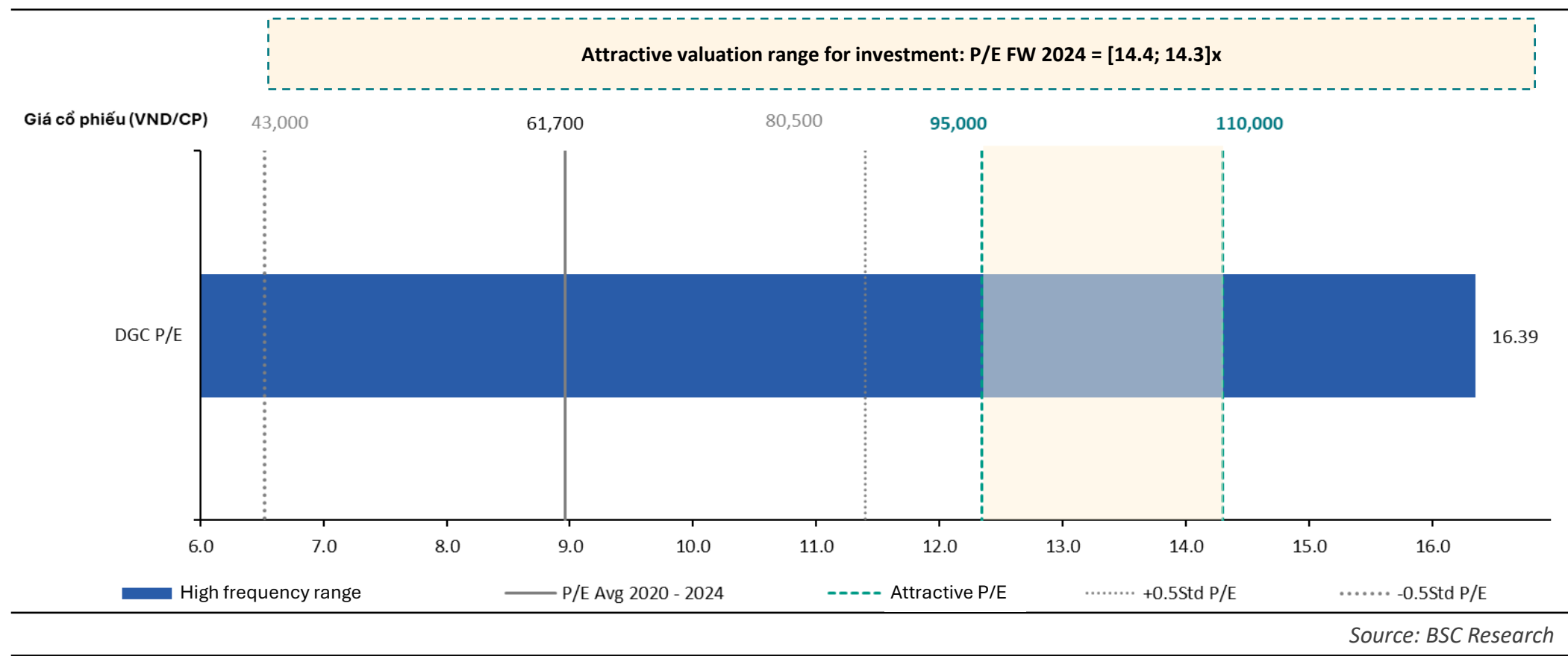
Unit: Billion VND	Q2/2024						Accumulated 6M/2024			
	REV	%YoY	%QoQ	NPAT- MI	%YoY	%QoQ	REV	%YoY	NPAT- MI	%YoY
DGC	2,505	4%	5%	842	0%	25%	4,889	0%	1,515	-7%
CSV	481	34%	37%	69	38%	48%	832	11%	116	3%
Chemical	2,985	8%	9%	911	2%	27%	5,721	1%	1,631	-6%



# CHEMICAL SECTOR: APPROPRIATE VALUATION

Based on the recovery expectations for the chemical sector and positive growth of DGC's profitability, along with a strong market discount in valuation, we recommend **that an attractive price range for DGC stock during 2024-2025 is P/E forward from 12.4x to 14.3x, corresponding to a price range from 95,000 VND/share to 110,000 VND/share.**

Figure: DGC's valuation is approaching a reasonable range for investment in the 2024F-2025F period.



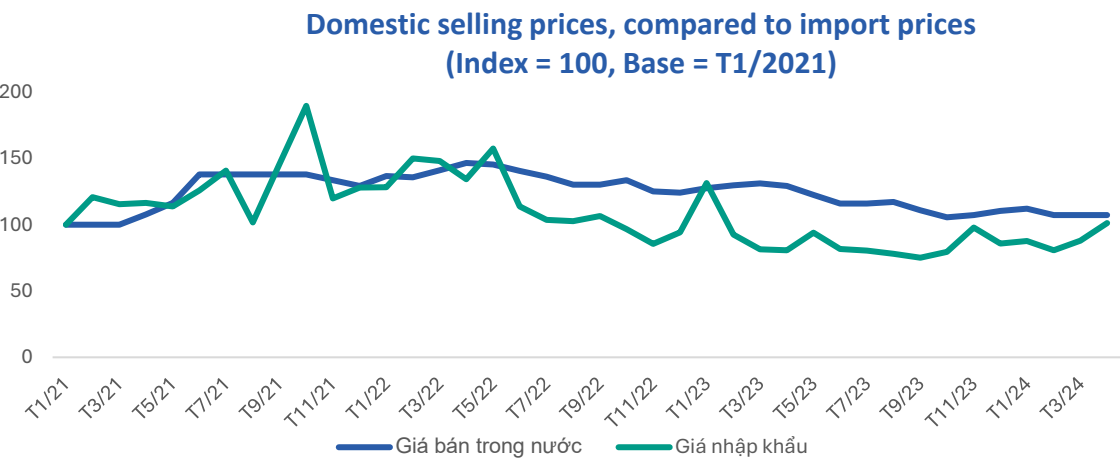


# STEEL – REAL ESTATE SECTOR OUTLOOK

# STEEL SECTOR: EXPECTATION OF ANTI-DUMPING DUTIES ON COATED STEEL IN 2025

On 14/06/2024, the Ministry of Industry and Trade (MOIT) launched an investigation for the application of anti-dumping duties on coated steel products from China and South Korea. **BSC expects that MOIT will impose temporary duties in Q1/2025 and officially implement in Q3/2025.**

**In 2025, BSC expects domestic coated steel production to grow +20% YoY under the following conditions: (1) Anti-dumping duties on coated steel are imposed, (2) The domestic real-estate market recovers.** BSC sets a growth forecast of +20% YoY based on: (1) The similar case in 2017, where domestic coated steel volumes increased by +20% YoY after anti-dumping duties were imposed (AD02), and (2) the lower base in 2024.



Year	2021	2022	POI
Domestic steel –Hoa Sen AZ100, 0.35 mm, VAT (VND/kg)	28,550	31,417	26,215
Imported steel – HS Code: 7212.30.13, including VAT from China (VND/kg)	27,935	25,995	18,758
Domestic selling price (Index = 100)	100	110	92
% YoY		10%	-17%
Import price (Index = 100)	100	93	67
% YoY		-7%	-28%

Note: POI = 1/4/2023 – 31/3/2024. BSC uses HS Code 7212.30.13 because of its second largest import value among the HS Codes under investigation and complete data over the months.



Year	2021	2022	POI
Domestic production (tonnes)	2,036,481	1,744,435	2,313,952
Investigated production (tonnes)	37,715	73,039	452,219
Domestic production (Index = 100)	100	86	114
% YoY		-14%	33%
Investigated production (Index = 100)	100	194	1,199
% YoY		94%	519%

Note: POI = 1/4/2023 – 31/3/2024. BSC notes that BSC only collects the production of coated steel products investigated in AD19.



# STEEL SECTOR: EXPECTATION OF ANTI-DUMPING DUTIES ON HRC IN 2025

In June 2024, the Ministry of Industry and Trade accepted the petition to launch an investigation of anti-dumping duties on imported HRC from China and India. Given that (1) anti-dumping duties are concentrated on trading companies that cannot prove origin, (2) HPG’s position in domestic manufacturing, BSC believes that the anti-dumping duties of HRC will be approved in 2025. **Thereby, BSC expects domestic steel companies (HPG +FHS) might increase 1.5 – 3 million tons of HRC/year, equivalent to 20% - 30% YoY in the 2025F -2026F period.**

## Companies that exporting HRC to Vietnam in 2023

Company	Export value (US)	Share (%)	Type
ARSEN INTERNATIONAL	468,371,628	16%	Trading company
SHARPMAX INTERNATIONAL HONGKONG	427,769,446	14%	Trading company
WIN FAITH TRADING	423,394,758	14%	Trading company
AVIC INTERNATIONAL TRADE	213,026,796	7%	Trading company
POSCO	186,532,291	6%	Steel manufacturer
CHINA STEEL CORP	129,920,287	4%	Steel manufacturer
JFE SHOJI	121,598,898	4%	Steel manufacturer
NIPPON	114,460,284	4%	Steel manufacturer
GALLOP RESOURCES PTE LTD	74,089,942	3%	Trading company
BAOSTEEL	33,116,649	1%	Steel manufacturer
BEAMPLUS INTERNATIONAL PTE LTD	19,167,782	1%	Trading company
KHÁC	745,493,811	25%	
TOTAL	2,956,942,572	100%	

## Types of companies exporting HRC to Vietnam in 2023

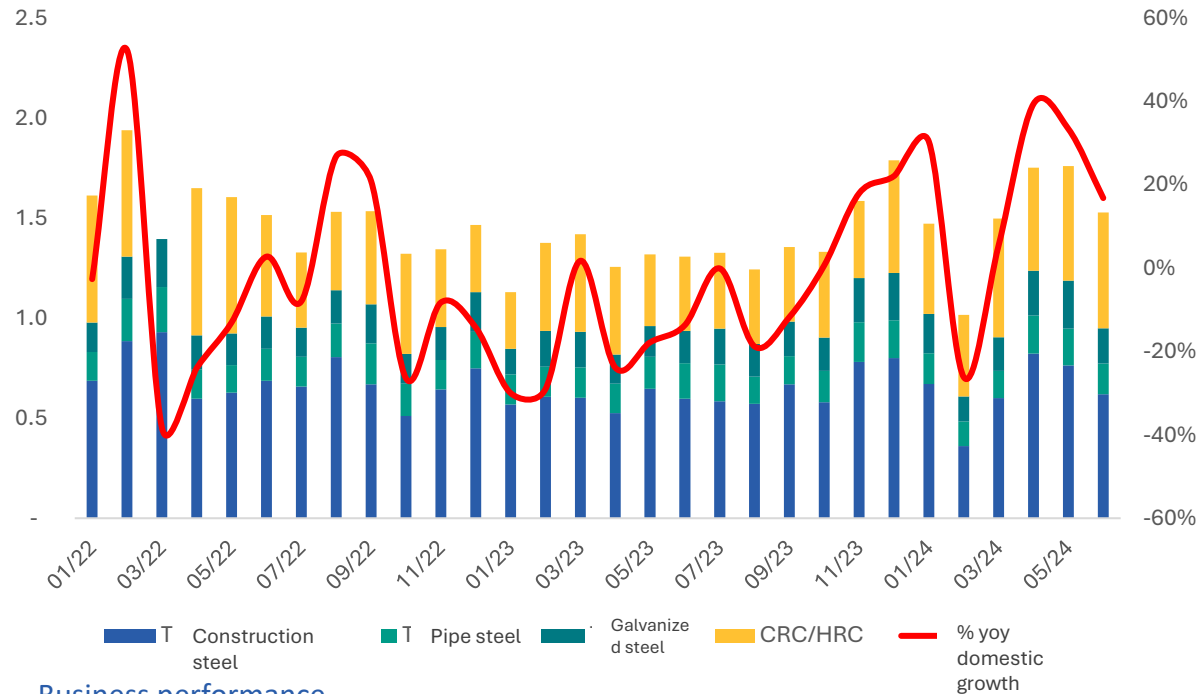
Company	Export value (US)	Volume(million tons)	Share (%)
Steel manufacturer	585,628,409	1.9	20%
Trading company	1,625,820,352	5.3	55%
Other trading and manufacturing companies	745,493,811	2.4	25%
TOTAL	2,956,942,572	9.64	100%

# STEEL SECTOR: DOMESTIC OUTPUT RECOVERS, EXPORTS GRADUALLY SLOW DOWN

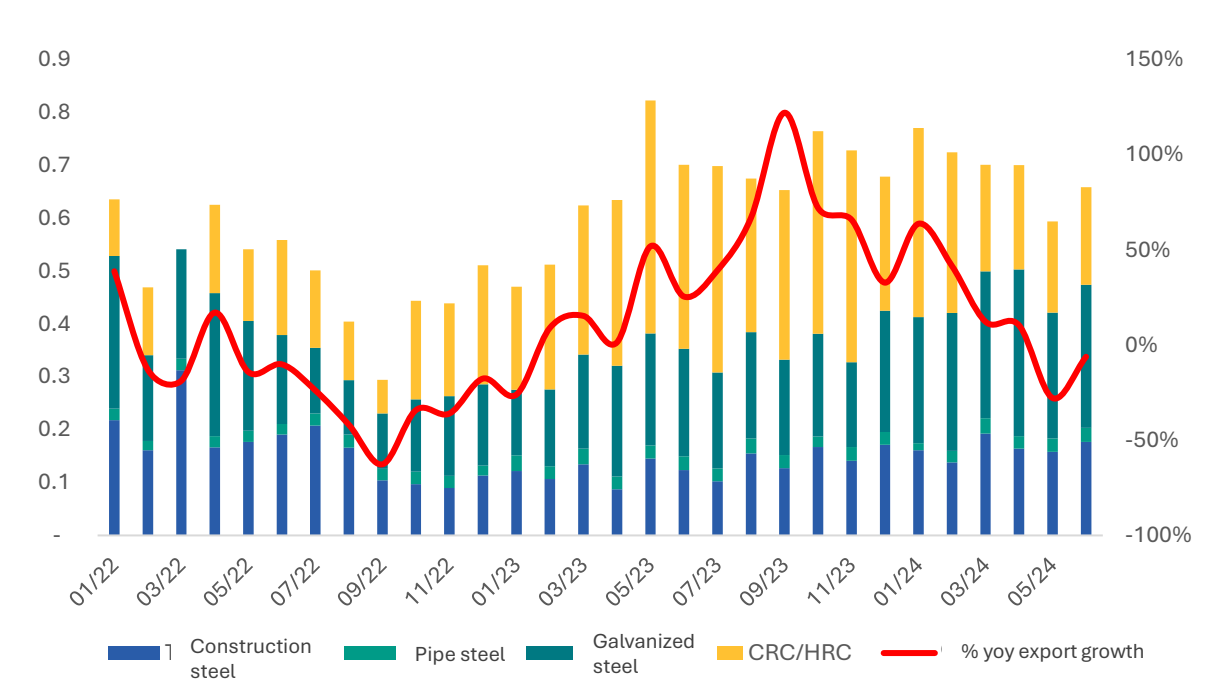
**The domestic market will continue to recover in 2H.2024.** Specifically, in Q2.2024, the domestic steel output will reach 5 million tons (+30% yoy, +26% QoQ). With the average consumption level reaching +1.7 million tons/month (+30% QoQ, +7% compared to the peak quarter: Q4.2023), BSC believes that the domestic STEEL SECTOR is gradually recovering. In Q3.2024, BSC believes that domestic production will decrease by 10-15% QoQ due to seasonality, however, BSC maintains the view that the recovery trend will continue in 2H.2024-2025 thanks to the increasing of the domestic real estate market. BSC keeps the forecast of domestic steel production +10-15% YoY in 2024.

**The export market will slow down towards the end of the year.** Specifically, in Q2.2024, steel export output reached 2 million tons (-10% YoY, -11% QoQ). With a number of major countries having (1) begun to reverse their interest rate policies – partly reflecting the slowing economy, (2) besides, some countries have also introduced trade barriers to Vietnamese steel (e.g. EU investigates CBPB with HRC VN), BSC believes that export volumes will gradually decline towards the end of the year. BSC forecasts steel export output of -7% - 8% YoY in 2024 – 2025.

**Figure: Domestic consumption of the whole sector**



**Figure: Export consumption of the whole sector**



Business performance  
updates

Steel

Construction

Industrial Real Estate

Commercial Real Estate

Stocks & notes



# STEEL SECTOR: STEEL PRICES FALL, THE DECLINE SLOW DOWN TOWARDS THE END OF Q3

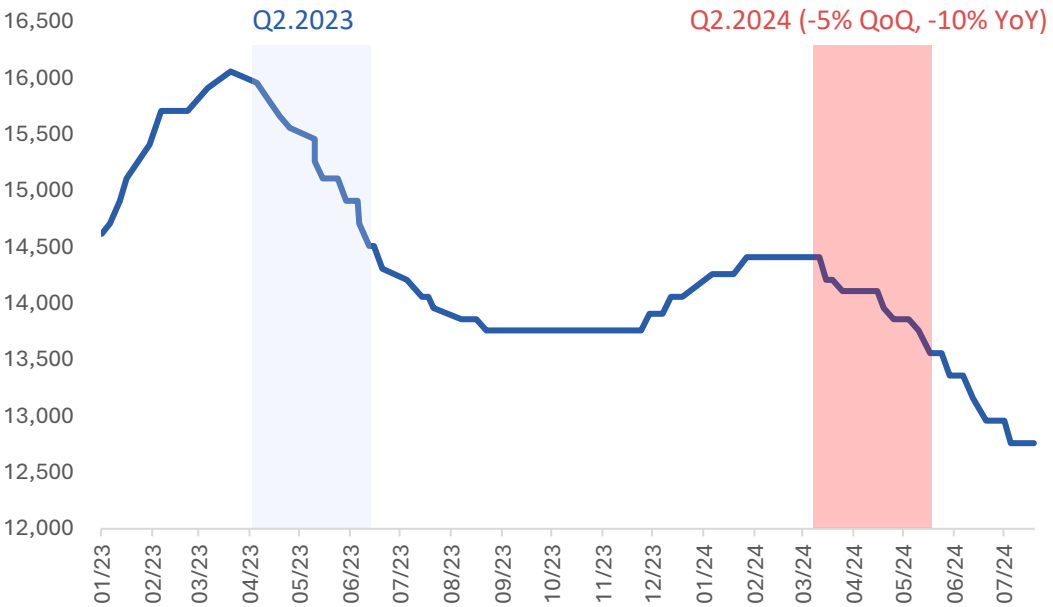
In Q2.2024, Chinese steel prices decreased by -3% QoQ and -5% YoY. The reason is that (1) China's domestic consumption remains weak, meanwhile, (2) export to the EU and the US has slowed down, putting downward pressure on steel prices. As mentioned, this puts downward pressure on China's domestic steel prices in Q2: - 5% QoQ, -10% YoY. BSC expects the decline to slow down towards the end of Q3, supported by dealers importing goods at the end of the year.

BSC highlighted the risk of steel prices falling sharply in 2025 in the case of a quick reduction in steel demand in the EU and the US if there is a worldwide economic downturn.

Figure: China steel bar price (USD/ton)



Figure: Vietnam construction steel price (VND/Kg)



# STEEL SECTOR: RECORDED POSITIVE BUSINESS PERFORMANCE IN Q2/2024 ON THE LOW BACKGROUND OF THE SAME PERIOD

### OPINION UPDATE:

- BSC maintains a **POSITIVE** outlook on the STEEL SECTOR in 2025. The motivation comes from:
- Steel output recovered due to (i) the recovery of the domestic real estate market, (ii) the MOIT will approve the imposition of anti-dumping duties on galvanized steel and HRC
  - Gross profit margin will gradually recover to the average level of a steel cycle thanks to the increase in the proportion of domestic market, which have a higher gross profit margin (15%-20%) than the export market (7-8%).

*Recommended Stocks: HPG (reference reports), HSG (reference report)*

The STEEL SECTOR business results generally improved over the same period and compared to the previous quarter, owing primarily to (1) a recovery in domestic output, (2) gross profit margins remaining positive when (i) companies pushed the domestic channel with higher gross profit margins, and (ii) galvanised steel companies promoted the import of galvanised steel from China at lower prices.

In the short term, specifically in Q3, BSC anticipates that the STEEL SECTOR business performance may decline compared to Q2 due to (1) a seasonal fall in output and (2) a decrease in steel pricing.

In the medium and long term, BSC remains optimistic about the STEEL SECTOR and expects the STEEL SECTOR business performance to improve in 2025 due to (1) the recovery of domestic market output and (2) the MOIT approval of anti-dumping duties on galvanised steel and HRC steel.

Table: Business results in the 2nd quarter of 2024 of some steel enterprises

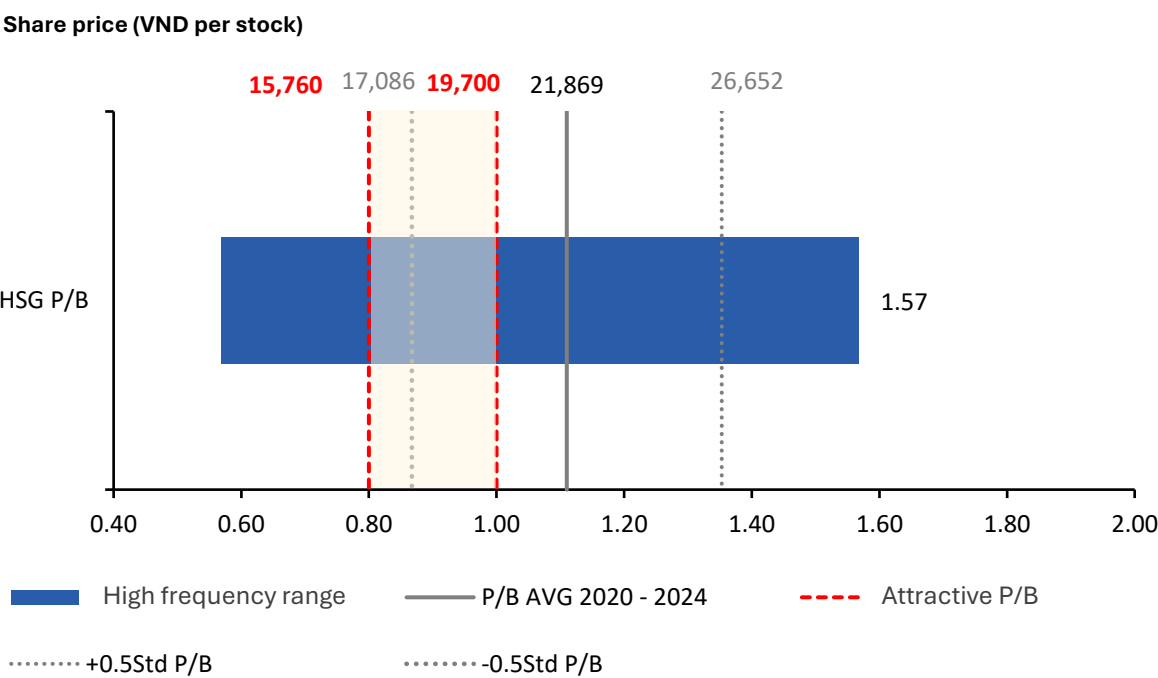
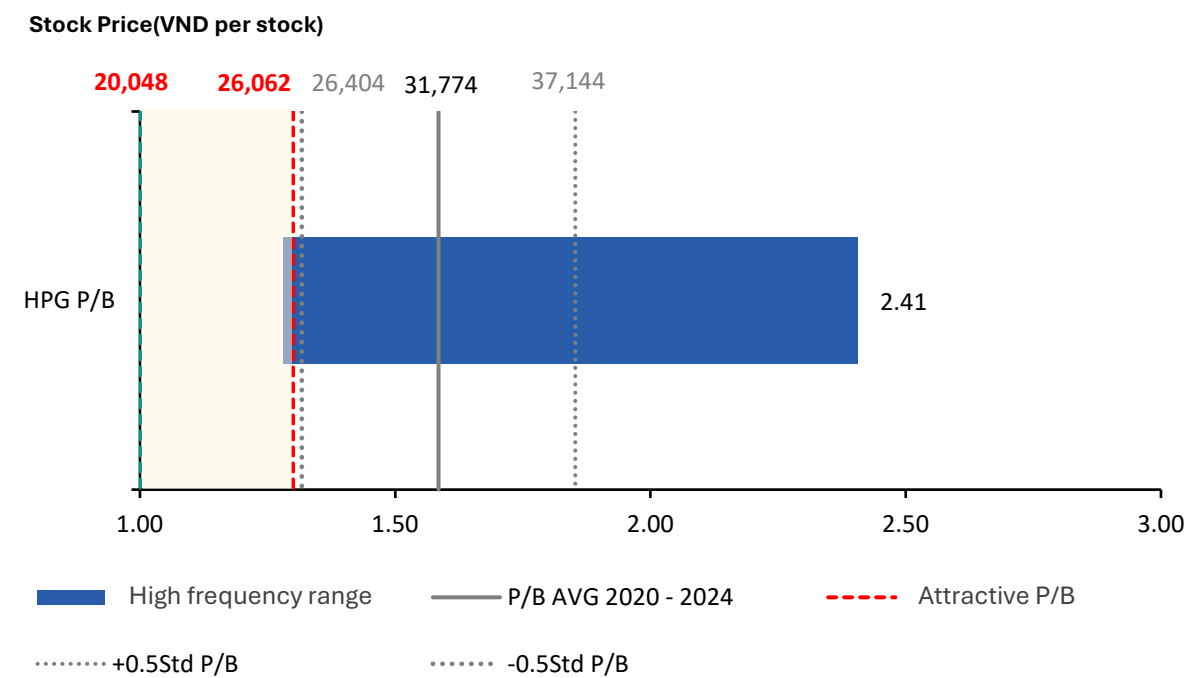
Unit: Billion VND	Q2/2024						Cumulative 6M/2024			
	DTT	%YoY	%QoQ	NPATMI	%YoY	%QoQ	DTT	%YoY	NPATMI	%YoY
HPG	39,556	34%	28%	3,319	127%	16%	70,408	26%	6,190	233%
HSG	10,840	25%	17%	273	1833%	-14%	20,090	29%	593	119%
NKG	5,661	3%	7%	220	75%	46%	10,952	11%	370	386%
GDA	5,986	25%	46%	171	40%	80%	10,085	16%	267	31%
TOTAL	62,042	28%	25%	3,984	131%	-4%	62,042	23%	7,419	208%

# STEEL SECTOR: HPG AND HSG VALUATIONS ARE APPROACHING THE ATTRACTIVE AREA

- **BSC chooses HPG and HSG stocks because they benefit from (1) anti-dumping policies for Chinese steel, (2) owning the largest domestic market share in the sector.**
- **After the correction in July 2024, HPG and HSG stocks are trading at P/B FWD 2024 = 1.3 and 1.1, respectively, approaching the attractive valuation area.** Given risk factors such as a slower-than-expected recovery in domestic output and falling domestic steel prices as a result of falling Chinese steel prices, BSC believes that steel enterprises will maintain quarterly profits at a positive level in 2025, when the STEEL SECTOR has bottomed out and input and output development will not be as negative as in 2022. BSC belives that the P/B value will be the lowest level to acquire steel stocks.

Attractive valuation range to buy HPG from P/B FWD 2024 = [1,1.3]

Attractive valuation range to buy HSG from Fwd 2024 P/B = [0.8,1.0]



# CONSTRUCTION SECTOR: DISBURSEMENT OF PUBLIC INVESTMENT CAPITAL +5% YOY

Accumulated in 6M/2024, total investment capital from the state budget totalled VND 244.4 trillion (+5% year on year), completing 34% of the year's plan. For the Ministry of Transport alone, state budget investment capital reached 25.9 trillion VND (-20% year on year), completing 44% of the year's plan. BSC assessments:

- The progress of public investment disbursement is closely following the plan. Compared to the period 2021 – 2023, the disbursement rate/annual plan is still the same as the previous period (34%).
- The slow growth of public investment capital disbursement (+5% yoy) mainly comes from the capital of the public investment plan set at the beginning of the year of -5% yoy in 2024.

BSC maintains the expectation that in 2024, the disbursement of public investment will reach VND 650.6 trillion (+4% yoy), completing 90% of the year plan, thanks to (1) the Government's continued promotion on the construction of key projects to record economic growth in 2H.2024 (projects such as Long Thanh Airport, Ho Chi Minh City's Ring Road 3, Ho Chi Minh City's Ring Road 4, North-South Motorway, etc.), (2) the lack of fundamental building supplies was resolved in 2023-1H.2024.

Figure: Cumulative disbursement of public investment capital by month (billion VND)

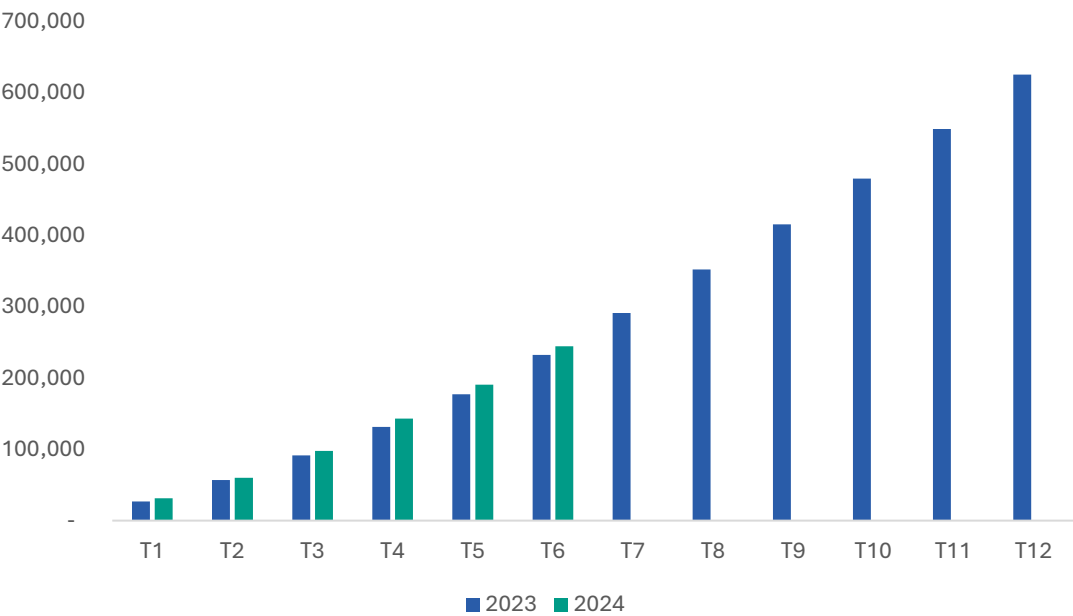
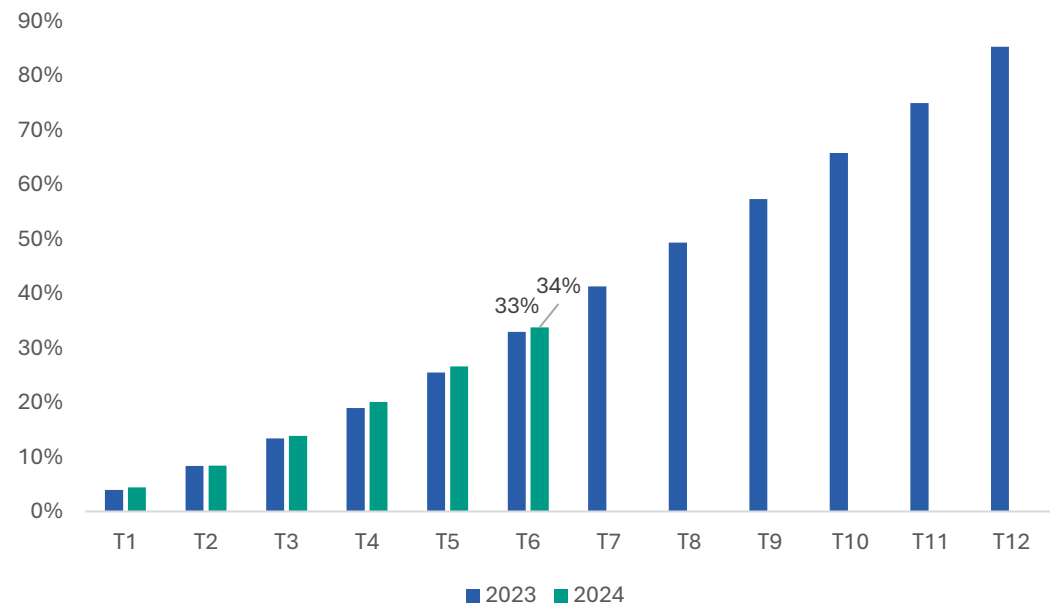


Figure: % of year plan completion (%)



# CONSTRUCTION SECTOR: UPDATE ON THE PROGRESS OF KEY PROJECTS (1)

- **Long Thanh airport project:** Bidding packages are being constructed on schedule. However, new bidding packages were slower than planned.
- **The HCM’s Ring Road 3 Project and the HN’s Ring Road 4:** mainly still in the handing over procedure, with construction advancing in some areas but not consistently across the entire route.

Project	Component bidding package	Commencement time	Expected time of completion	Progress update on June 2024
Long Thanh Airport	4.6 - Runway, rolling track	8/2023	4/2025	- 3 months faster than originally expected. - Laying foundations and cement (reaching 62%)
	4.7 - Airplane aprons and other structures	7/2024	8/2026	- Bidding is open, slower than expected
	4.8 - Interior traffic works and aviation technical infrastructure	7/2024	7/2026	- Opened bidding, slower than expected
	4.9 - Aircraft fuel supply system	7/2024	5/2026	- Opened bidding
	5.10 - Customer Terminal	8/2023	11/2026	- Completed reinforced concrete floor beams on the 1st and 2nd floors (reaching 76%), progressing on the 3rd floor. - Expected to make the roof from T8/2024. - 10 days faster than expected
	6.12 - Connected Transportation T1 + T2	6/2023	12/2025	- Construction of the lower line T1. - Finish laying the foundation T8/2024
	7.8 - Cargo Terminal No. 1 and remaining auxiliary works	1/2025	5/2026	- Opened bidding
Ho Chi Minh City’s Ring Road 3	11.5 - Garage	1/2025	8/2026	- Opened bidding
		6/2023	6/2026	- Constituent Project 1 (22,412 billion VNĐ): 4 bidding packages started from Jun, 2023,complete18%, 6 bidding package started from T1/2024, complete 5%. - Constituent Project 5 (5,752 billion VNĐ): completed 14%. - Constituent Project 7 (3,040 billion VNĐ): completed 36% - Constituent Project 3 (2,584 billion VNĐ): completed 5%
Hanoi’s Ring Road 4	08,09,10	6/2023	6/2026	- Completed 10%

# CONSTRUCTION SECTOR: UPDATE ON THE PROGRESS OF KEY PROJECTS (2)

Most of the North-South Expressway Phase 2 projects are on schedule, and are expected to be completed by mid-2025, except:

- Projects passing through Quang Binh such as Van Ninh - Cam Lo, Vung Ang - Bung, Bung - Van Ninh: at risk of being behind schedule due to the delay in handing over site clearance of Quang Binh province.
- Can Tho – Hau Giang, Hau Giang – Ca Mau projects: behind schedule due to lack of sand.

Project	Component bidding package	Commencement time	Expected time of comletion	Progress update at June 2024
North-South Expressway Phase 2	Bai Vot - Ham Nghi	1/2023	4/2025	- Expected to shorten the time from Dec,2025 – Apr,2025 to open to traffic
	Ham Nghi - Vung Ang	1/2023	12/2024	- Progress reached >50%, shorten the time from Dec,2025 – Apr,2024 to open to traffic
	Vung Ang - Bung	1/2023	6/2025	- Progress reached 59%, basically completed the handover of the site - At risk of delay due to slow site clearance in Quang Binh
	Bùng - Vạn Ninh	1/2023	4/2025	- Progress reached 52%, basically completed the handover of the site - At risk of delay due to slow site clearance in Quang Binh
	Van Ninh - Cam Lo	1/2023	4/2025	- Progress reached 49% - At risk of delay due to slow site clearance in Quang Binh
	Quang Ngai - Hoai Nhon	1/2023	1/2026	On schedule
	Hoai Nhon - Quy Nhon	1/2023	9/2025	On schedule, reaching 40%
	Quy Nhon - Chi Thanh	1/2023	12/2025	- Progress reached >30%
	Chi Thanh - Van Phong	1/2023	12/2025	- On schedule
	Van Phong - Nha Trang	1/2023	1/2026	- Progress reached 59%, on schedule
	Can Tho - Hau Giang	1/2023	-	- Progress reached 34%, 11% slower due to lack of sand
	Hau Giang - Ca Mau	1/2023	-	- Progress reached 34%, 11% slower due to lack of sand

# CONSTRUCTION SECTOR: PROJECT HANDOVER POINT IN 2H.2024 – 2025

**OPINION UPDATES:**

BSC maintains a POSITIVE view on the CONSTRUCTION SECTOR in 2H.2024 -2025. Motivation comes from:

- The handover drop point recorded the North-South expressway projects phase 2 focusing on 2H.2024 – 2025.

*Recommended stocks: LCG, C4G, HHV*

The business results of the Construction group generally increase well over the same period and compared to the previous quarter, mainly from (1) the North-South Expressway Phase 2 projects are in the construction stage, (ii) Gross profit margin improves when the North-South Expressway Phase 2 projects have better unit prices, Less competitive, less dependent on short-term loans. BSC expects the business performance of 2H.2024 to continue to improve due to the falling point of public investment projects that are usually concentrated at the end of the year. In 2025, BSC expects the construction group's business performance to continue to grow because most of the Phase 2 of the North-South Expressway projects will be opened to traffic in 2025.

Table: Business results in Q2.2024 of some construction enterprises

Unit: Billion VND	Q2/2024						Cumulative 6M/2024			
	DTT	%YoY	%QoQ	NPATMI	%YoY	%QoQ	DTT	%YoY	NPATMI	%YoY
C4G	1,027	66%	103%	60	77%	44%	1,534	42%	102	36%
LCG	770	61%	148%	44	124%	206%	1,081	50%	59	93%
HHV	814	33%	18%	106	12%	10%	1,504	31%	202	21%
TOTAL	2,611	29%	28%	211	117%	2%	4,119	23%	363	218%



# INDUSTRIAL REAL ESTATE SECTOR: FDI GROWTH SLOWS DOWN

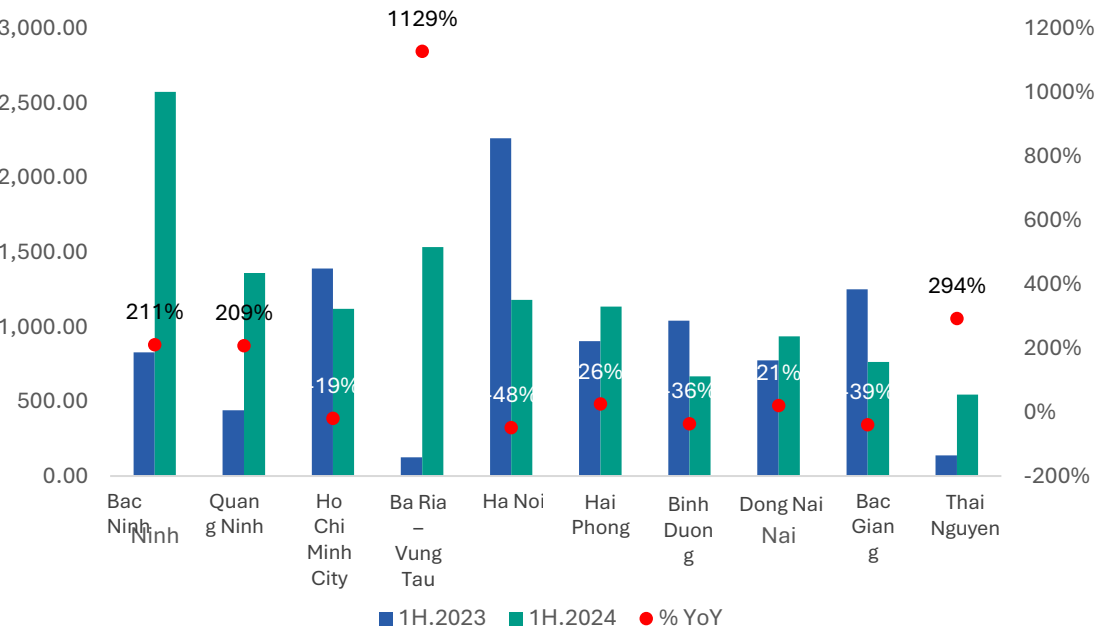
By the end of 1H.2024, total FDI investment capital in Vietnam had reached \$10,842 million USD, FDI increased by 8% YoY thanks to (1) the government's promotion of diplomatic relations to attract foreign investors over the last two years, and (2) China's shift trend +1. In the Top 10 provinces/cities with the largest registered capital value, **Ba Ria Vung Tau has the highest and the fastest growth rate (12 times)** owing to (1) a vast clean land fund available for lease and (2) synchronously developing infrastructure. In 1H.2024, BRVT attracts a number of significant firms, including HYOSUNG VINA, Electronic Tripod, BOE, and TOSOH.

However, BSC finds that FDI growth is slowing down. The reasons originate from: (1) Political tensions, (2) Global minimum tax implemented from 2024, whereas Vietnam does not have supporting policies, therefore, limit production expansion of large firm to Vietnam.

Figure: Accumulated investment capital for FDI by month (million USD)



Figure: Top 10 provinces/cities recording the largest registered FDI capital in the country in 6M.2024



# INDUSTRIAL REAL ESTATE SECTOR: REMOVING LAND USE CRITERIA

Decision 227/QĐ-TTg dated March 12, 2024 unlocked land use targets, mainly focusing on Northern provinces such as Bac Ninh (+780 hectares), Thai Binh (+700 hectares), Hung Yen (+360 hectares). BSC expects this will help businesses hand over existing industrial park land (such as KBC - Nam Son Hap Linh project); and accelerate the legal progress of new industrial park projects (such as DPR - North Dong Phu Expansion Project) in 2H.2024 – 2025.

Province/City	Industrial Land Targets to 2025 according to Decision 326 (ha)	Industrial Land Targets to 2025 according to Decision 227 (ha)	Changes after adjustment	Room for land fund development until 2025
NORTHERN				
Type 1				
Ha Noi	2,787	2,787	-	1,440
Bac Ninh	4,760	5,540	780	(359)
Hung Yen	3,849	4,209	360	1,598
Hai Duong	3,115	3,385	270	1,653
Hai Phong	7,262	7,262	-	1,182
Type 2				
Ha Nam	4,027	4,227	200	2,184
Thai Binh	1,662	2,362	700	459
Vinh Phuc	3,037	3,187	150	77
Thai Nguyen	3,650	2,953	(333)	1,483
Quang Ninh	3,658	3,808	150	(284)
SOUTHERN				
Type 1				
Ho Chi Minh	5,021	5,021	-	2,191
Long An	10,479	10,479	-	1,279
Binh Duong	11,990	11,990	-	690
Dong Nai	12,470	12,470	-	2,470
Type 2				
Tay Ninh	3,580	3,580	-	165
Binh Phuoc	4,258	4,908	650	850
Ba Ria – Vung Tau	8,550	8,079	(471)	(350)

# INDUSTRIAL REAL ESTATE SECTOR: RISKS

In the period 2025F - 2026F, BSC believes that the profit margin of the Real Estate business group will decline due to:

- **Increasing land compensation costs.** The reason is that the Land Law 2024 has removed regulations on land price frames and issued them every 5 years. Instead, each locality will develop a land price list and adjust it annually. This helps the compensation price to ensure market value.
- **Land rental prices are at risk of slowing growth due to slow FDI demand.** This risk comes from (1) large businesses in the world limiting the expansion of new investments due to a possible global economic recession, and (2) Vietnam does not have timely policies to attract investment. investment after the introduction of global minimum tax.

Table: Comparison of Land Price Bracket (Land Law 2013) and Land Price List (Land Law 2024)

Land Law 2013	Land Law 2024
<ul style="list-style-type: none"><li>• Controlled by land price bracket</li><li>• Promulgated every 5 years</li><li>• Adjust, amend and supplement during the year when there are changes</li><li>• Approved by the People's Council before the Provincial People's Committee promulgated</li></ul>	<ul style="list-style-type: none"><li>• Not controlled by the land price bracket</li><li>• First issued on 1/1/2026</li><li>• Adjust, amend and supplement for annual announcement</li><li>• Adjust, amend and supplement during the year when there are changes</li><li>• People's Council promulgated</li></ul>

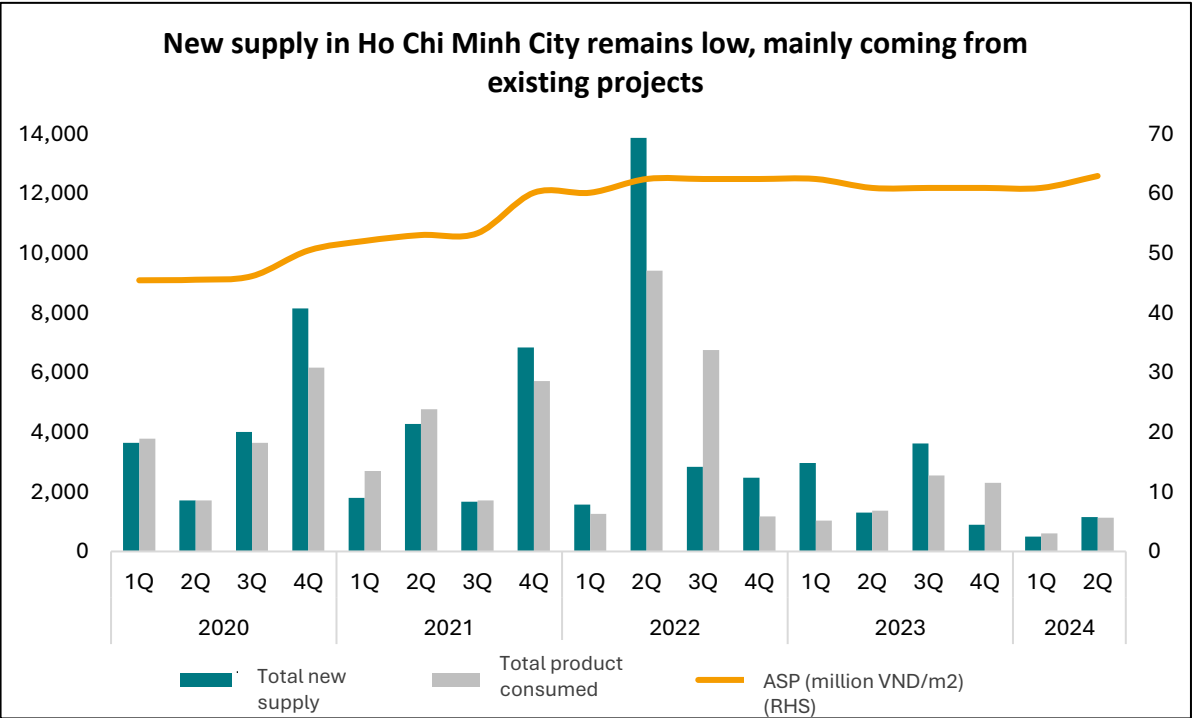
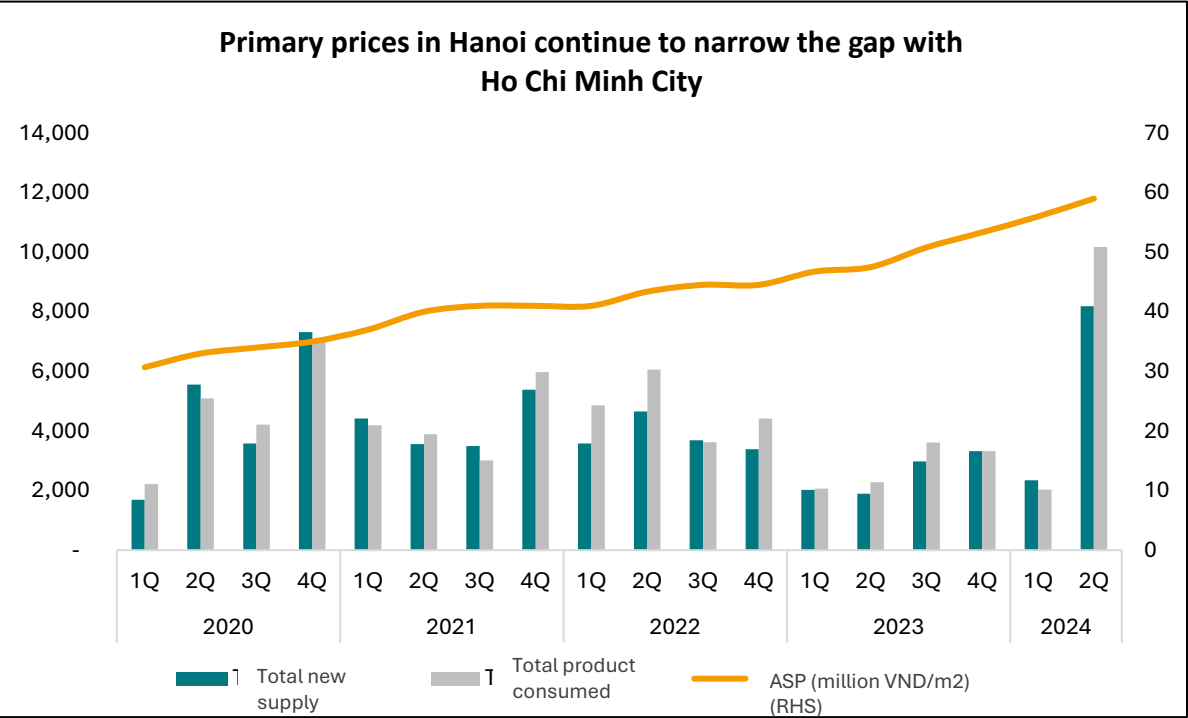
# COMMERCIAL REAL ESTATE SECTOR

## UPDATED OPINION:

BSC maintains a **NEUTRAL** view on the commercial REAL ESTATE SECTOR in 2H2024 and believes that the sector will recover in transaction volume from 2025, based on the following factors:

- **Positive:** (1) the legal environment has been cleared, focusing on the three biggest bottlenecks including land prices, land use fees and planning at each level, (2) weak developers have been eliminated through the market screening process, (3) most of the connection infrastructure will be completed in 2025-2026, pulling demand in suburban/neighboring areas.
- **Negative:** (1) there is a lag between policy promulgation and policy implementation, (2) pressure on maturing bonds will return from 2025 after two years of debt postponement/rescheduling under Decree 08 /ND-CP, (3) macroeconomic factors are still unstable and (4) REAL ESTATE SECTOR profit margins will shrink.

Recommended stocks: **KDH, NLG, IJC**



# COMMERCIAL REAL ESTATE SECTOR

New supply is expected to improve when (1) the relevant legal system takes effect from August 1, 2024 and (2) connection infrastructure is improved.

- As mentioned in the [1Q2024 sector Outlook Report](#) on the impact of the Land Law 2024, BSC realized that the main problems of current projects have been recognized and focused on resolving, including land use fees, planning at all levels and site clearance and resettlement arrangements.
- However, due to the delay, in the early stages when the policy is issued, we believe that (1) approval for real estate projects will be local and quick in some localities while (2) Open-sale supply will depend on the prospect of infrastructure completion to drive demand and new supply in the short term will continue to come from projects that were legally ready in the previous period.

Figure: Supply of apartments in Ho Chi Minh City

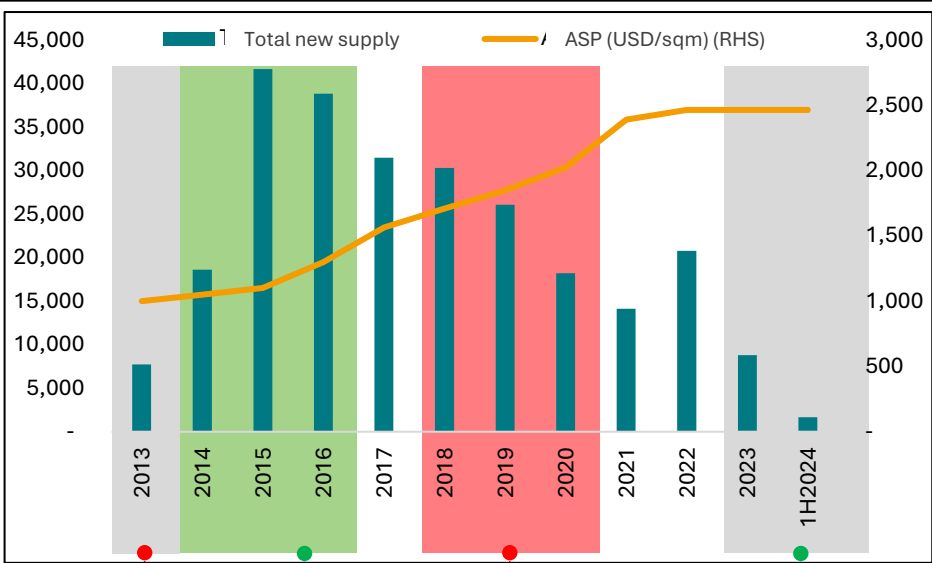
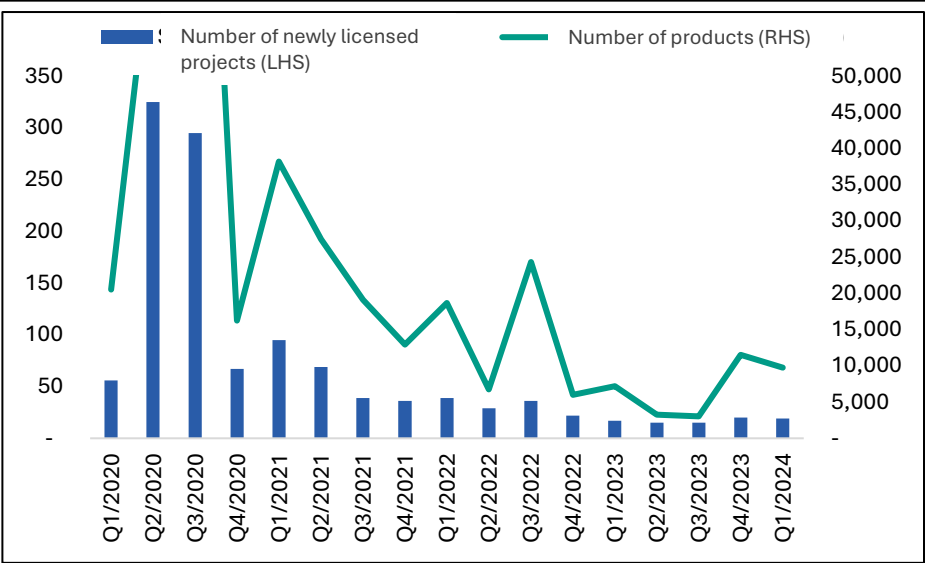


Figure: Number of newly licensed projects across the country



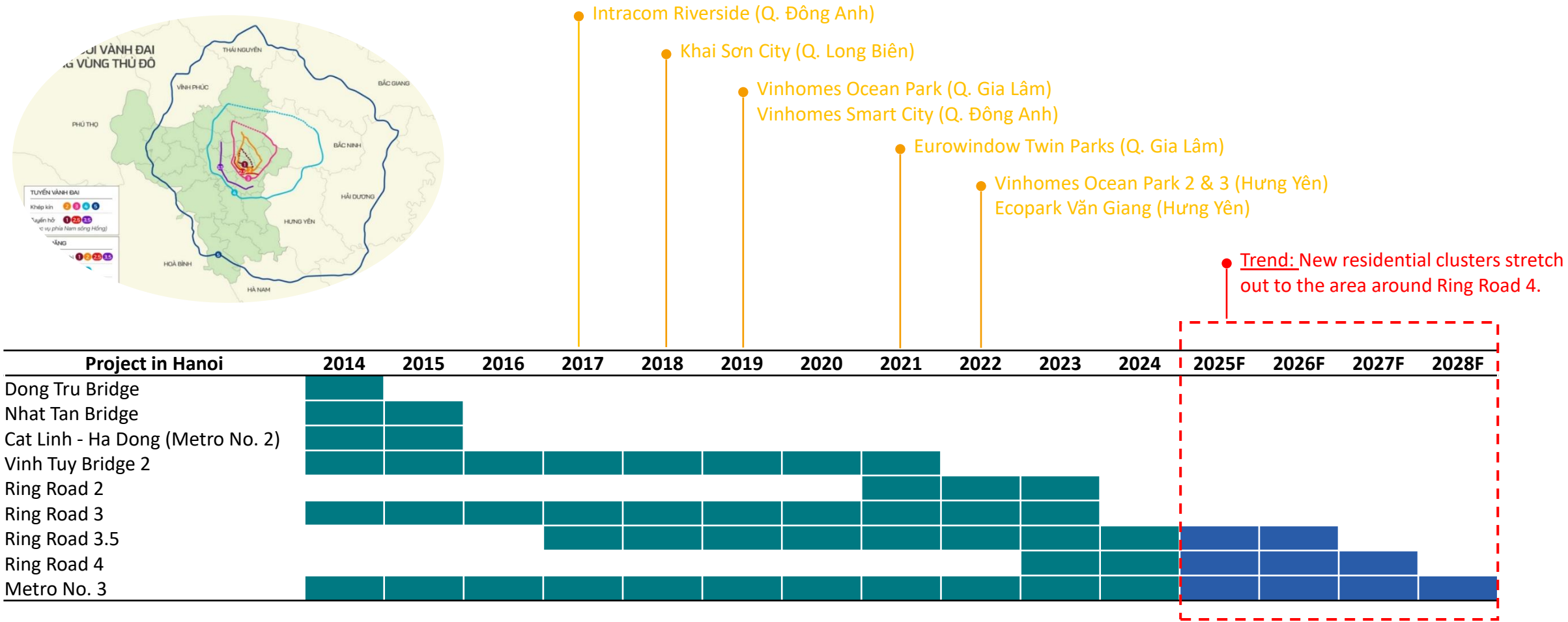
- Land Law 2013
- Housing Law and Real Estate Business Law
- Project licensing issues
- Tightening real estate credit

- Promoting infrastructure investment
- Stable macroeconomic (GDP 6.7%)
- Stable interest rates

- Promoting infrastructure investment
- Economic recovery
- The relevant Legal System comes into force

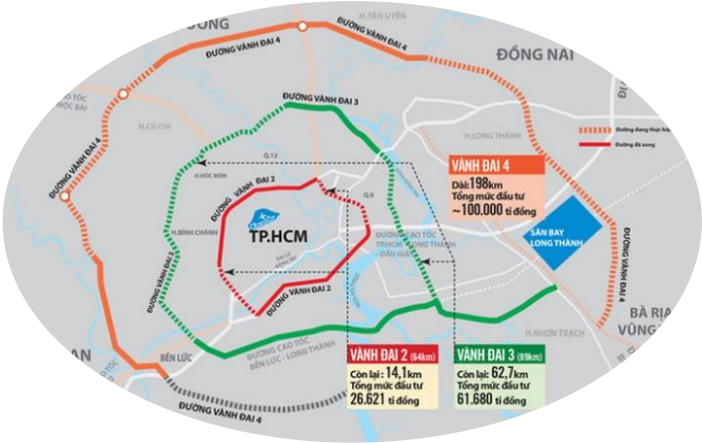
# COMMERCIAL REAL ESTATE SECTOR

New infrastructure system helps stretch demand to the suburbs of Hanoi: New residential areas move out of the center.

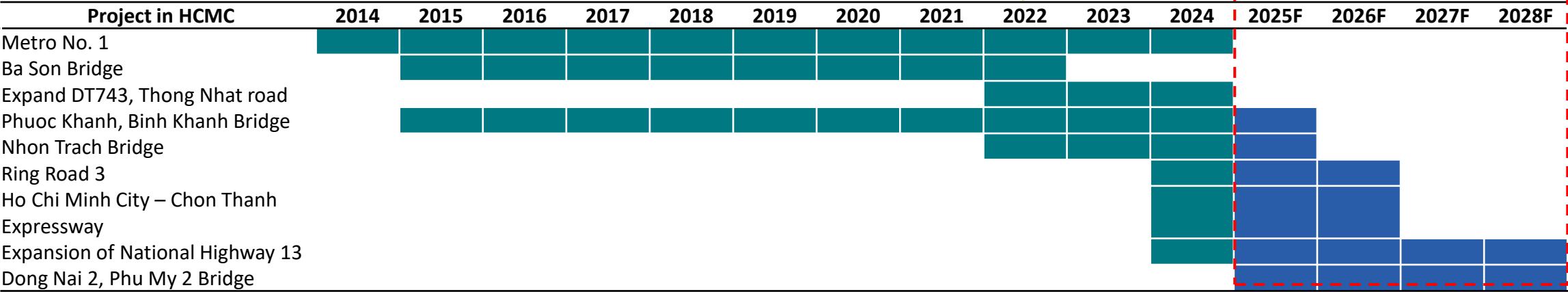


# COMMERCIAL REAL ESTATE SECTOR

The new infrastructure system helps stretch the demand to the suburbs of Ho Chi Minh City: new residential areas expand to the East - West and neighboring localities.



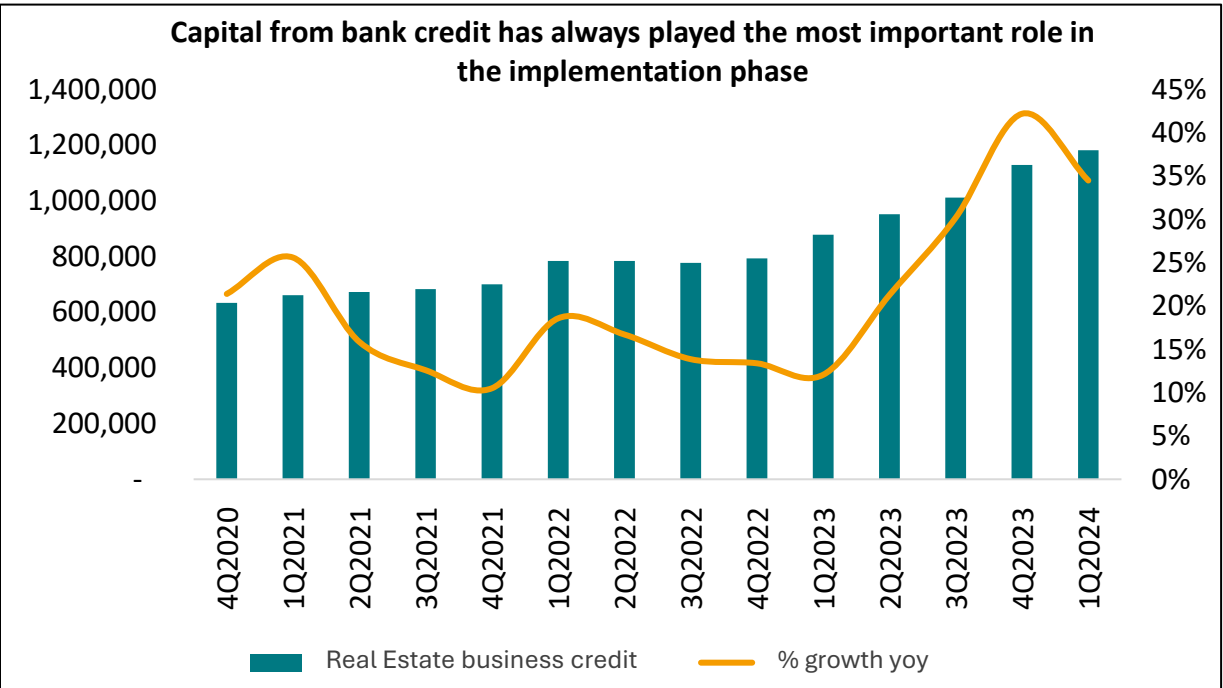
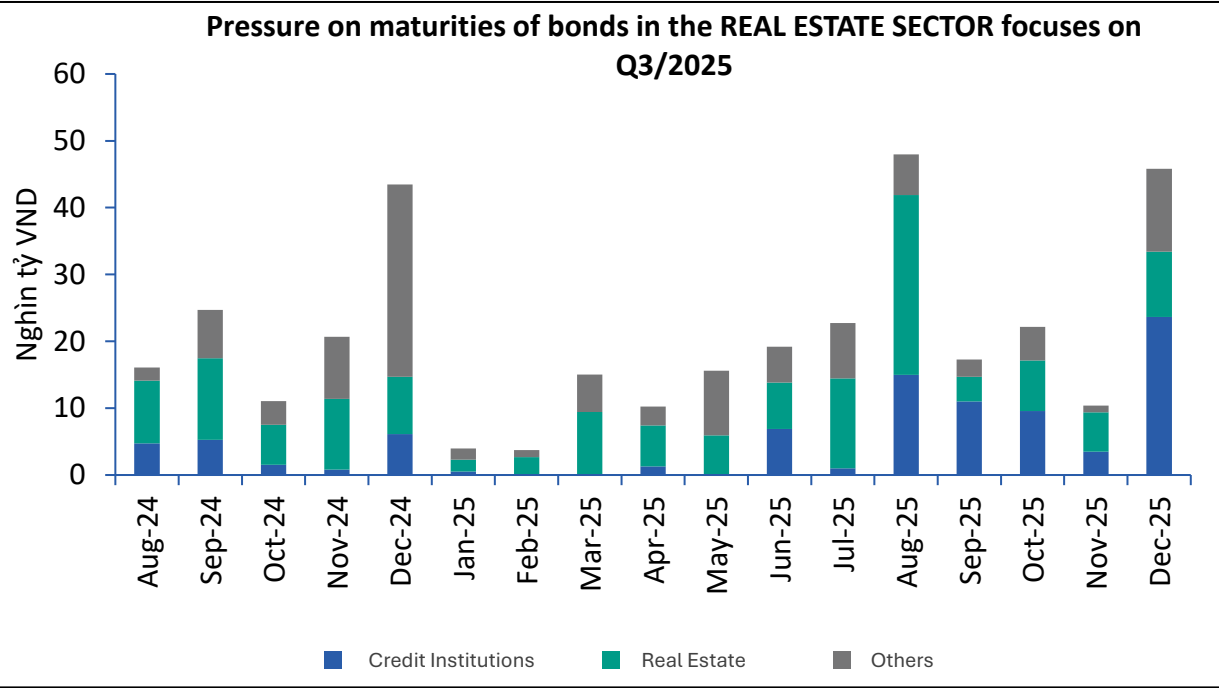
- Vinhomes Central Park, Masteri Thảo Điền, Estella Heights, Sala
- Vinhomes Golden River
- D'Edge, Feliz En Vista, Sunwah Pearl
- Empire City
- The River, Metropole Thủ Thiêm, Vinhomes Grand Park
- Grand Marina Saigon
- Trend:** New residential clusters extend to the area around Ring Road 3 including Nhon Trach (Dong Nai), Thu Dau Mot, Thuan An (Binh Duong), Long An





# COMMERCIAL REAL ESTATE SECTOR

After the legal story, project implementation, sales must be promoted when the pressure of maturing bonds will return in 2025.



According to Fiingroup statistics, the total value of corporate bonds with delayed payment obligations to date is around 209.8 trillion VND, which is equivalent to 21% of outstanding corporate bonds in the whole market, with the REAL ESTATE SECTOR group accounting for up to 68%. According to Decree 08/2023/ND-CP, with a maximum extension of two years, the value of real estate bonds expiring in 2025 will be approximately 100.1 trillion VND, accounting for 42.8% of total mature bond value of the entire market in 2025. The sector's bond maturity point is Q3/2025, with roughly 44 trillion VND due.

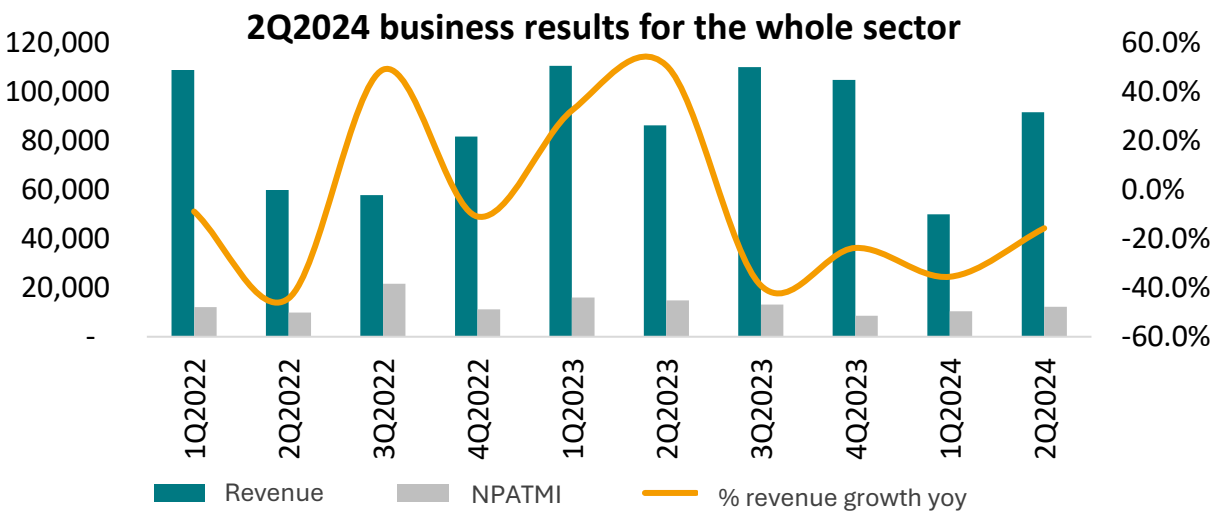
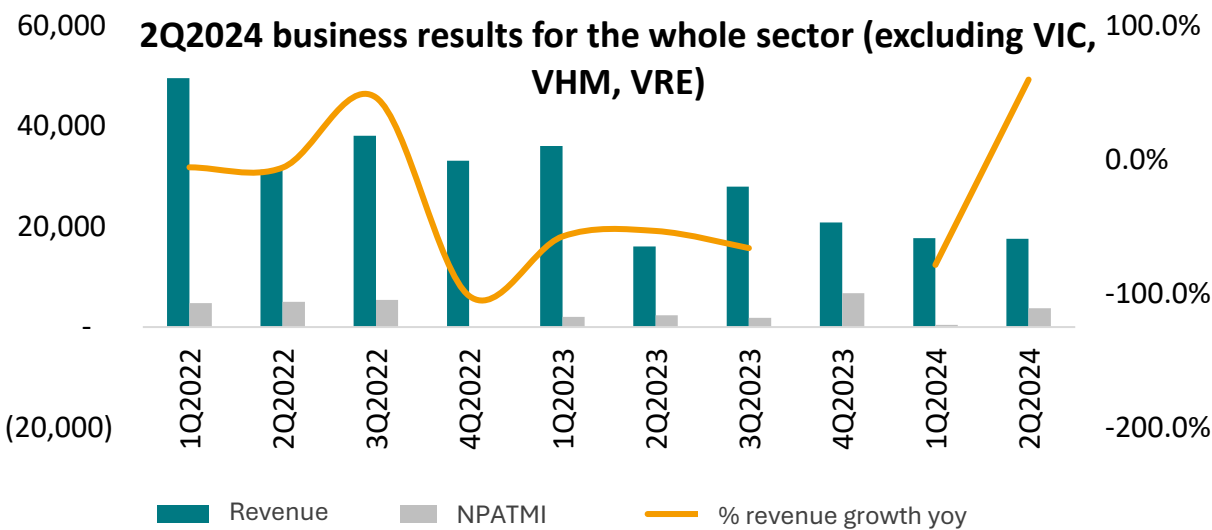
Interest rates are expected to rise slightly but remaining low, enabling firms to restructure their debts. However, we believe that few investors can afford to mobilise capital through the bond-stock channel since (1) the market is still volatile, and (2) confidence in real estate businesses have not recovered. **As a result, BSC anticipates that real estate firms will promote project execution in the near future, as long as the project is fully legal and continuing the wave of acquisitions and M&A from foreign investors.**

# COMMERCIAL REAL ESTATE SECTOR

**Q2/2024 business results: Profit of the entire REAL ESTATE SECTOR (excluding VIC, VHM, VRE) recorded a recovery of +59.9% YoY from a low base in the same period in 2023.**

- According to data from the 2Q2024 financial statements of real estate businesses listed on HoSE, the entire REAL ESTATE SECTOR's profit reached 12,175 billion VND, down -15.73% YoY mainly due to the impact of VIC (loss -3,404 billion VND compared to net profit +1,824 billion VND in the same period of 2023).
- If VIC, VHM and VRE are excluded, 2Q2024 NPATMI will reach 3,774 billion VND, an increase of +59.9% YoY. However, the above impressive growth rate is mainly led by 3 individual businesses including BCM (low base level), NVL (transitioning from loss to profit thanks to financial activities) and NTL (recording profits from wholesale project). In general, the business results of the entire sector have not yet recovered strongly because (1) sales will only recover from the end of 2023 at some businesses, (2) the handover point will be in 2H2024 and (3) the profit margin will be 2H2024. Profits narrow when implementing preferential home buying policies.

Presales (billion VND)	1H2023	1H2024	% YoY	2024F
VHM	40,600	51,700	27.3%	99,980
NLG	867	2,678	208.9%	7,864
KDH	1,120	939	-16%	4,214
PDR	0	0	N/A	1,755
DXG	0	0	N/A	1,669



# COMMERCIAL REAL ESTATE SECTOR

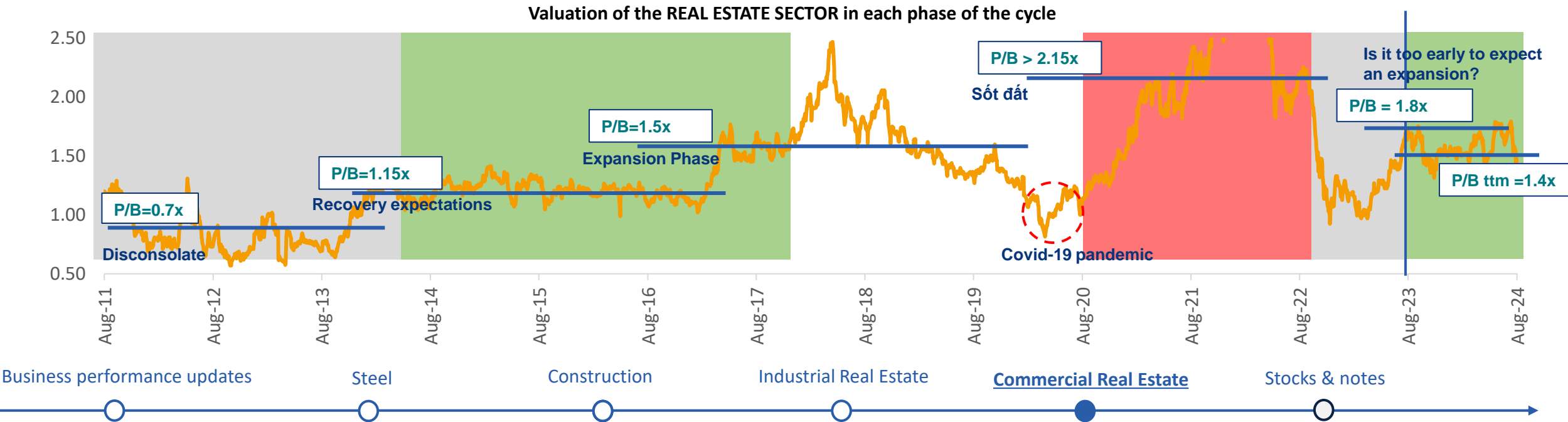
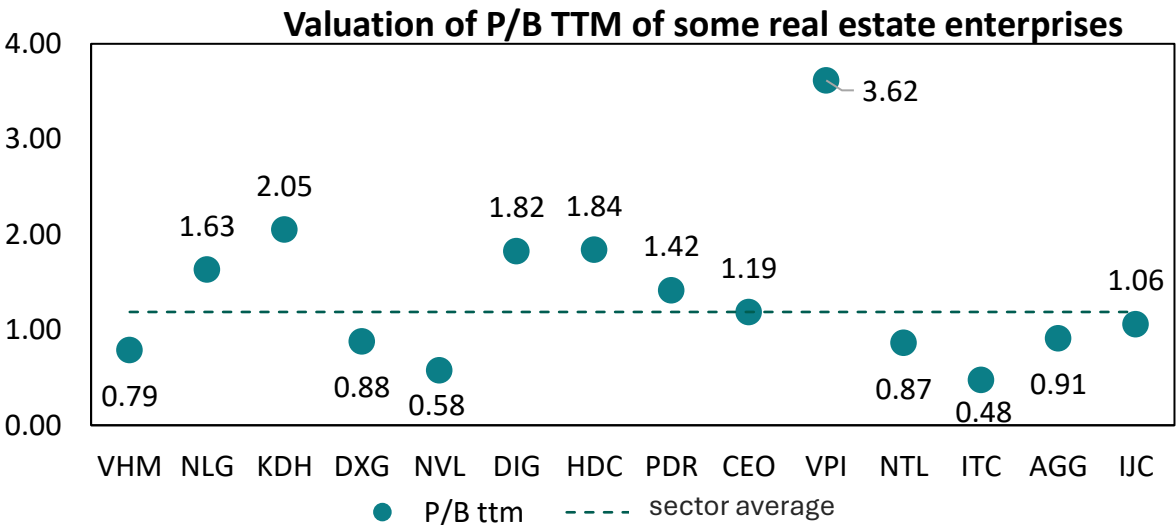
Considering businesses that can grasp the new cycle, BSC evaluates a number of criteria as follows:

	Financial background	Legal completion capacity	Benefit from new connectivity infrastructure	Corporate restructuring	Product segments	Key projects 2024-2026
VHM	Good	Good	Good	N/A	High-class Social housing in Khanh Hoa, Hai Phong	Royal Island (Hai Phong), Ocean Park (Hung Yen), Grand Park (Ho Chi Minh City), Co Loa, Wonder Park (Hanoi)
KDH	Good	Good	Good	N/A	High-class in HCMC	Privia, Emeria, Clarita, Solina, Le Minh Xuan Industrial
NLG	Good	Good	Good	N/A	Social housing in Long An, Can Tho Intermediate in HCMC Intermediate in Long An, Dong Nai	Akari, Mizuki (Ho Chi Minh City), Southgate (Long An), Central Lake (Can Tho)
IJC	Good	Good	Good	N/A	Intermediate and high-class at industrial centers in Binh Duong, Binh Phuoc	Hoa Loi Residential Area, Sunflower 2, Prince Town 2 (Binh Duong)
PDR	Good	Average	Average	<a href="#">Finances &amp; Projects restructuring</a>	Land plots in Binh Dinh Intermediate in Binh Duong Resort & hotel real estate in Vung Tau, Binh Dinh, Da Nang, Phu Quoc, Quang Ngai	Bac Ha Thanh, Cadia Quy Nhon (Binh Dinh), Binh Duong Tower (Binh Duong)
DXG	Average	Average	Average	Financial restructuring underway	Intermediate in Dong Nai, Binh Duong Luxury in Ho Chi Minh City	Gem Sky World (Đồng Nai), Gem Riverside, Gem Premium (HCMC)

# COMMERCIAL REAL ESTATE SECTOR

## Perspectives on sector valuation in the recovery phase

- We believe that KDH, NLG, and IJC will have solid investment returns in the future, and that stocks in the sector will be distinguished based on the prospect of capturing each business's new cycle and the valuation of the enterprise at each stage of the cycle. Enterprises that (1) have accessible land that have finished their financial responsibilities before August 1, 2024, and (2) have a strong financial base likely to achieve good business results and cash flow from project implementation in the future.
- BSC believes that the sector's valuation in each phase of the new cycle will be higher than the previous cycle because (1) most of the current land was accumulated from the previous cycle so costs are lower, (2) current housing demand is still big, different from the gloomy period of 2011-2013.







# EXPORT – LOGISTICS – CONSUMER & RETAIL SECTOR OUTLOOK

# EXPORT – LOGISTICS – CONSUMER & RETAIL SECTOR RECOVERS POSITIVELY

## OUR VIEW:

### (1) Perspective on business performance:

- 2024: (i) the market gradually prospered on the low base year in 2023 and (ii) the business performance is expected to record differentiation between sector groups.
- 2025: (ii) it is expected that demand will continue to recover and (ii) the opportunity to expand market share and customer base of many businesses is the driving force for growth.

We believe that (1) the situation of orders recovering above the low level of the same period and (2) consumer demand gradually shows signs of improvement - similar to BSC's indicator of rehiring demand ([link](#)), supporting revenue and profit growth in most sector groups we track in 1H/2024.

### However, the level of business performance recovery in Q2/2024 among sector groups is differentiated:

- (1) For the port and shipping sector (+40%YoY) as a result of the beneficial influence of global macroeconomic events on business demand and freight pricing, particularly the group of enterprises that have taken advantage of these possibilities for expanding in scale.
- (2) For the consumer retail and technology industries, overall demand has not rebounded considerably, and growth is driven by enterprises seizing opportunities to increase market share.
- (3) For the export group (+7%YoY), demand recovery has been slow, resulting in unit selling prices in many industries, including seafood, failing to rebound as projected.

Figure: recovery trend of the macro context in 1H/2024

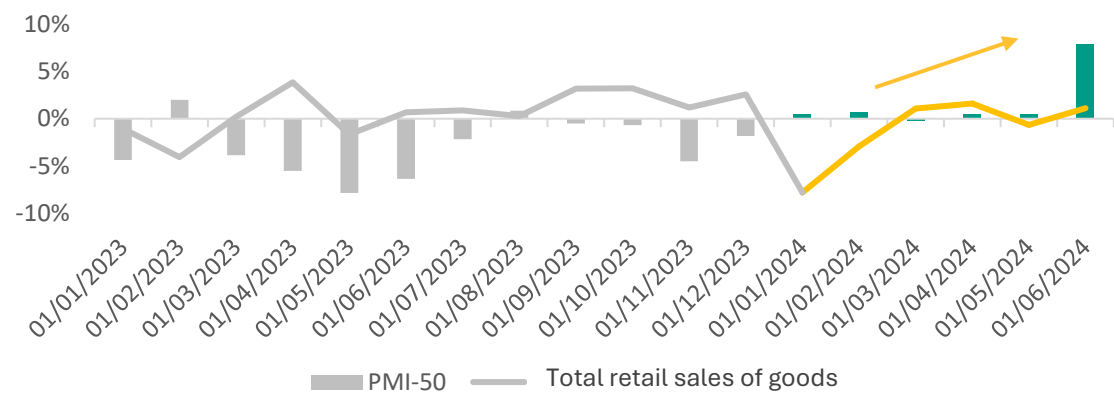
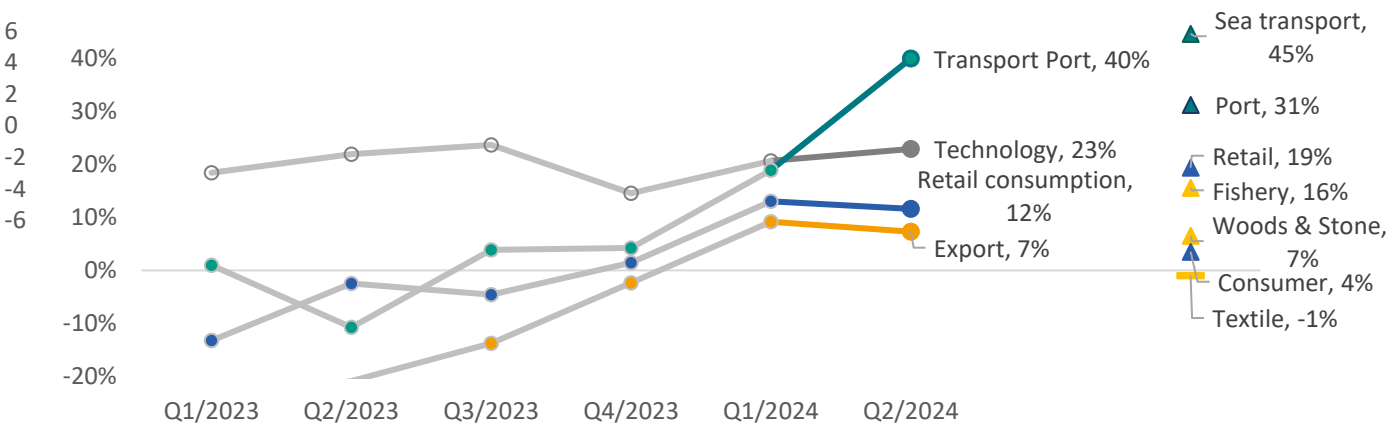


Figure: Q2/2024 revenue of sector groups maintains a recovery trend but has a differentiation



Source: BSC Research, GSO

Business performance updates

Projections & notes

Seafood & Textiles

Ports & Shipping

Consumer & Retail

Recommended stocks



# EXPORT – LOGISTICS – CONSUMER & RETAIL SECTOR RECOVERS POSITIVELY

## OUR VIEW::

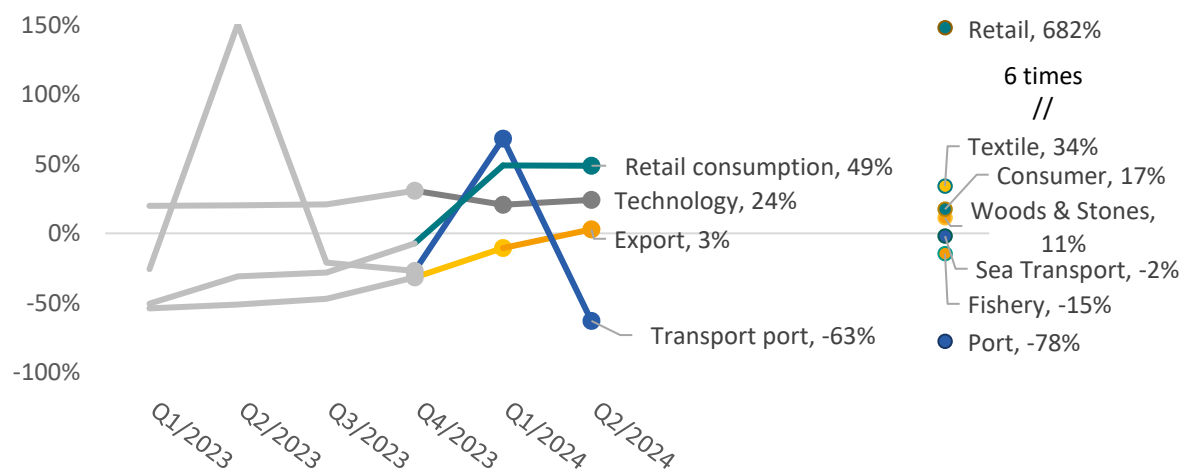
### (1) Perspective on business performance:

- 2024: (i) the market gradually prospered on the low background of 2023 and (ii) the business performance is expected to record differentiation between sector groups.
- 2025: (ii) it is expected that demand will continue to recover and (ii) the opportunity to expand market share and customer base of many businesses is the driving force for growth.

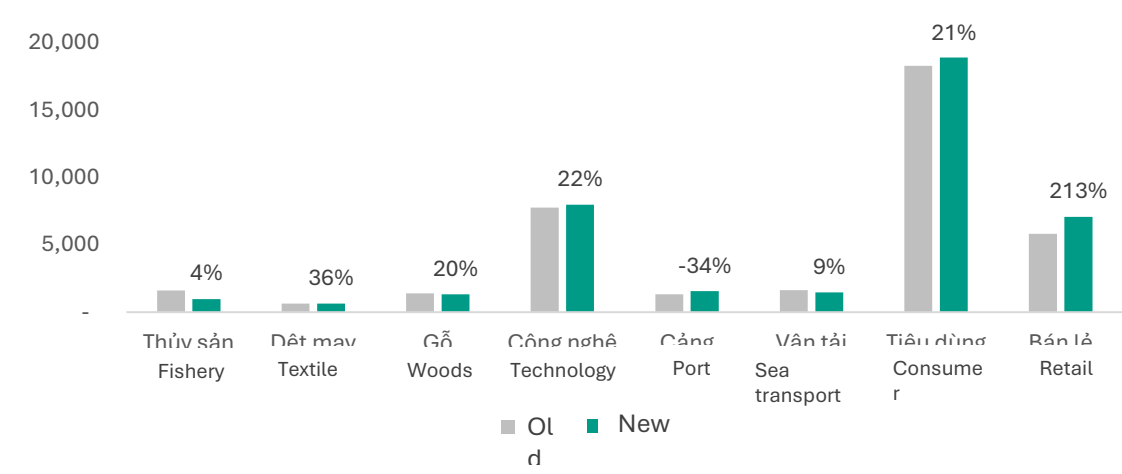
Based on 1H/2024 business results and some positive signals from orders and demand recovery. We believe that most of the sector groups BSC tracks will continue to record growth in 2H/2024: (1) exports: expected to record demand recovery, impacting selling prices (2) ports & shipping : freight rates continue to be anchored on a high base, continuing to support operating profit margins; (3) retail consumption: expect more positive factors from business activities and support factors from policies to contribute to supporting income and general demand recovery.

In addition, we note that variables that can affect the forecast include: **(1) foreign factors:** expectations of loosening the FED's operating policies and developments in the world's geopolitical situation and **(3) domestic factors:** changes in operating policies and economic stimulation

**Figure: Profits continue to be differentiated: when the retail consumption and export groups grow above the low base, the port and shipping groups fluctuate due to abnormal profits**



**Figure: We also adjusted the 2024 business results compared to the beginning of the year: Increase the forecast for the Technology, consumption, retail sector and decrease the forecast for the fisheries sector**



Source: BSC Research, GSO

# THE SECTOR IS BEING PRICED AT A REASONABLE VALUATION

## OUR VIEW:

### (2) Investment perspective: [STOCK SELECTION]

- **Textile [POSITIVE]** – **TNG** - select companies that have recorded a recovery in both orders and selling prices.
- **Sea transport: [POSITIVE]** – **PVT, HAH** - select companies with the ability to expand their scale to keep up with recovery sector trends.
- **Retail: [POSITIVE]** – **MWG, PNJ, MSN, VNM** - select companies with potential to increase valuation from mid-term expected profits of 2025-2026.

BSC believes that the valuation of most industries indicates the expectation of a recovery in business outcomes in 2024, and even profit expectations in 2025, such as the fishery, wood/stone, and seaport industries, with PE FW 2024/2025 much higher than the previous cycle's median PE.

As a result, we retain our investment perspective compared to the beginning of 2024 is to **select stocks**:

- (1) Prioritise enterprises that use their competitive edge to increase market share and client base despite the volatile general market environment.
- (2) Recommended stocks have a reasonable value range (see the sector/CP recommendation slide for details). However, we also consider variables such as (i) market-wide capital costs and (ii) macroeconomic circumstances and regulations that make the sector more or less appealing than projected.

Figure: Import and export group valuation

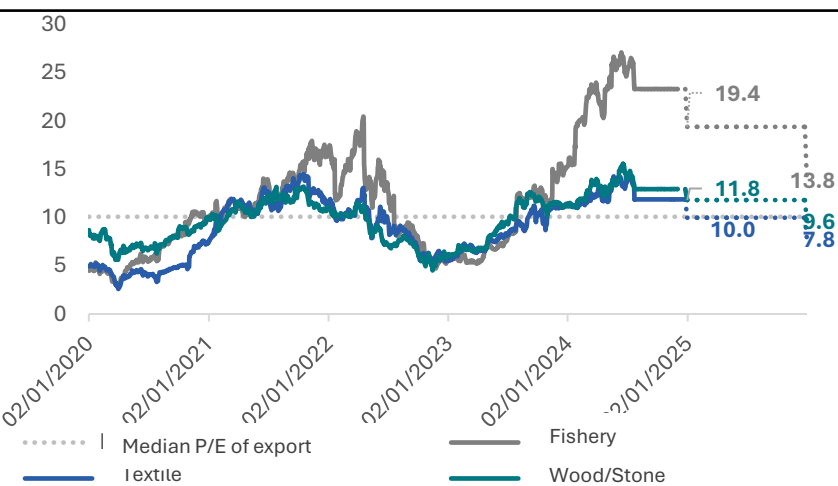


Figure: Shipping group valuation

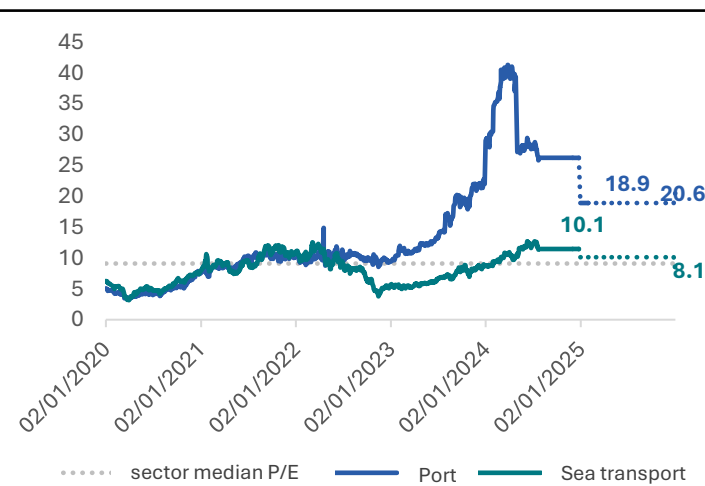
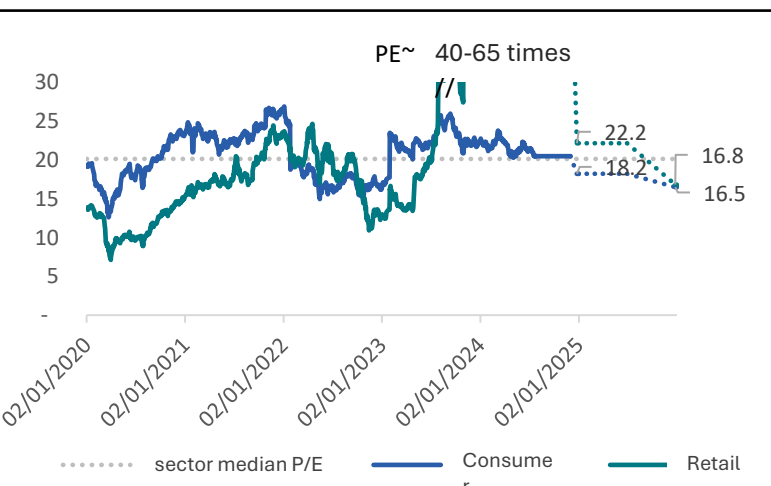


Figure: Retail consumer group valuation



Source: BSC Research, GSO



# TEXTILE AND GARMENT SECTOR: BUSINESS PERFORMANCE RECORDED A POSITIVE RECOVERY OVER THE SAME PERIOD

## OPINION UPDATES:

BSC maintains a POSITIVE outlook on the Textile and Garment sector in 2024 and 2025. We expect the order outlook of garment exporters to remain positive in 2H with the momentum coming from:

- Demand recovers in the US, while inventory levels remain low;
- Orders/unit prices improve according to demand

Recommended stock: TNG

## Textile and Garment businesses’ performance recovered more markedly in Q2.2024

### Q2 business results grew more markedly than Q1

Q2.2024, most garment enterprises export such as TNG, MSH, TCM,... all recorded a positive profit recovery over the same period, mainly from:

- (1) FOB orders return from the same set of customers
- (2) Unit price improved by 3-5% over the same period according to market demand
- (3) The low base of 2023, when Q2.2023 and Q3.2023 are the period when Vietnam's garment sector is most strongly affected by falling textile and garment unit prices.

Table: Business results in Q2.2024 of some Textile and Garment enterprises

Unit: Billion VND	Q2/2024				Cumulative 6M/2024			
	DTT	%YoY	NPATMI	%YoY	DTT	%YoY	NPATMI	%YoY
TNG	2,174	+9%	86.4	+62%	3,526	+6%	129.1	+38%
MSH	1,333	-13%	91.7	+7%	2,103	+0%	138.7	+25%

# TEXTILE AND GARMENT SECTOR: THE OUTLOOK FOR ORDERS REMAINS POSITIVE

In 2H.2024, BSC maintains a recovery view when demand in most export markets is expected to continue to recover towards the end of the year thanks to:

- (1) **Positive order outlook in 2H.2024** when (i) US clothes retail sales +4% yoy in May 2024 shows that the recovery trend is still being maintained, and the FED is likely to cut interest rates from September 2024 will also boost the improvement of demand in the US (ii) clothing inventories are still on a downward trend and anchored at a low level relative to the previous cycle (2021-2022). (iii) according to business data, most orders have been assured until the end of Q3.2024, while some have filled orders for the entire year 2024..
- (2) **The unit price of exported textiles and garments will maintain recovery in 2H.2024** thanks to improved demand. Currently, most garment enterprises share that the average unit price has recorded an increase of 3 - 5% of sales, which is partly reflected in the recovery in profit margin in 1H.2024.

Figure: US clothing retail sales maintain recovery trend (seasonally adjusted data)

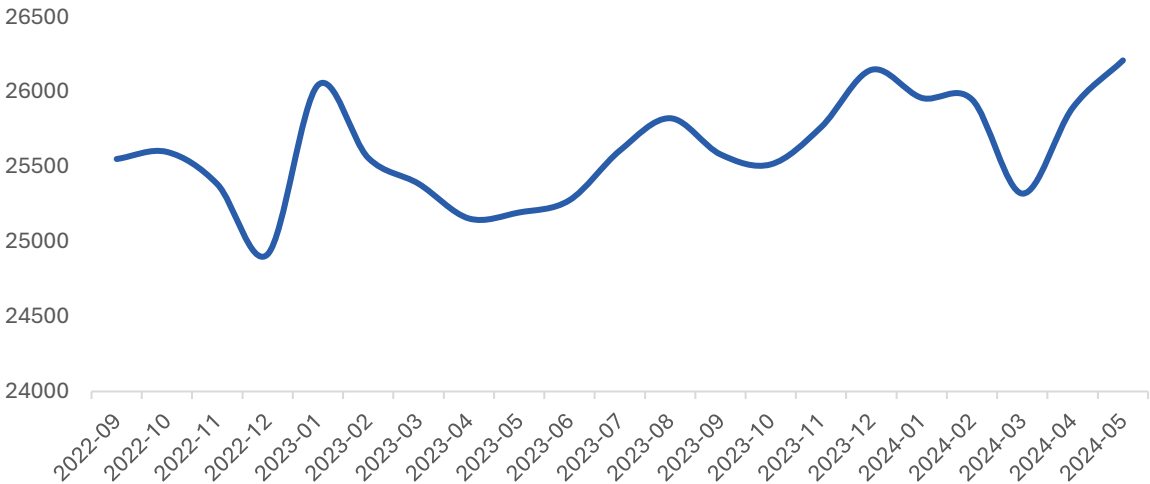
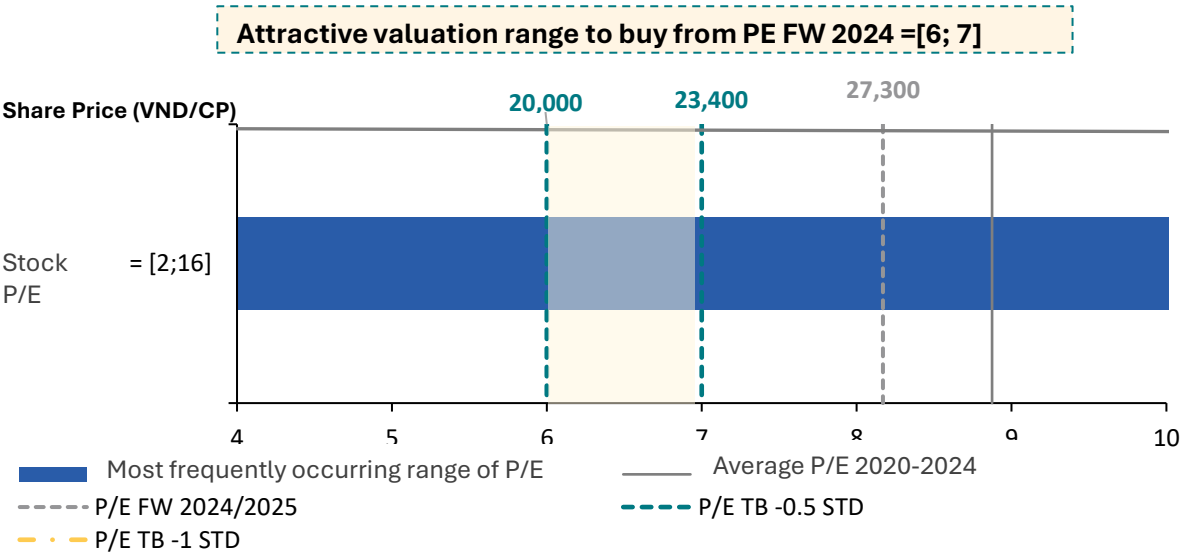


Figure: The P/E level of 6-7 times is an attractive valuation area to buy TNG stocks



Source: Fred, BSC research

# FISHERIES SECTOR: PRODUCTION RECOVERS, PANGASIOUS PRICES ARE AT A LOW LEVEL

## OPINION UPDATES:

BSC maintains a NEUTRAL stance on the Fisheries sector in 2024 and 2025, based on 2 main theses:

- Pangasius prices are anchored at a lower level over the same period and BSC's initial expectations because demand does not recover as strongly as forecasted in 2 main export markets.
- The valuation of stocks is at a high level compared to the recovery rate of profits.

Recommended stocks:

## Business performance of the Fishery sector continues to record a decrease over the same period in Q2.2024

Business results in Q2 recorded a decrease over the same period due to low pangasius prices.

Although production recovered, the price of pangasius was low compared to the same period, affecting the profit margin of exporters, specifically:

- **US market:** Output = 31.78 thousand tons (+40% yoy), Average export price = 2.99 USD/kg (-18% yoy)
- **Chinese market:** Output = 71.39 thousand tons (+23% yoy), average export price = 1.91 USD/kg (-15% yoy)

Accordingly, VHC recorded a profit decrease of -28% yoy, ANV recorded NPAT - CDTS = 17 billion, not much improvement compared to the previous 2 quarters.

Table: Business results in Q2.2024 of some seafood enterprises

Unit:	Q2/2024				Cumulative 6M/2024			
Billion VND	DTT	%YoY	NPATMI	%YoY	DTT	%YoY	NPATMI	%YoY
VHC	3,196	+17%	314	-28%	6,073	+22%	525	-20%
ANV	1,209	+10%	17	n/a	2,225	+0%	34.4	-16%

# FISHERY – LIMITED UPSIDE FOR PANGASIOUS PRICE IN 2H2024

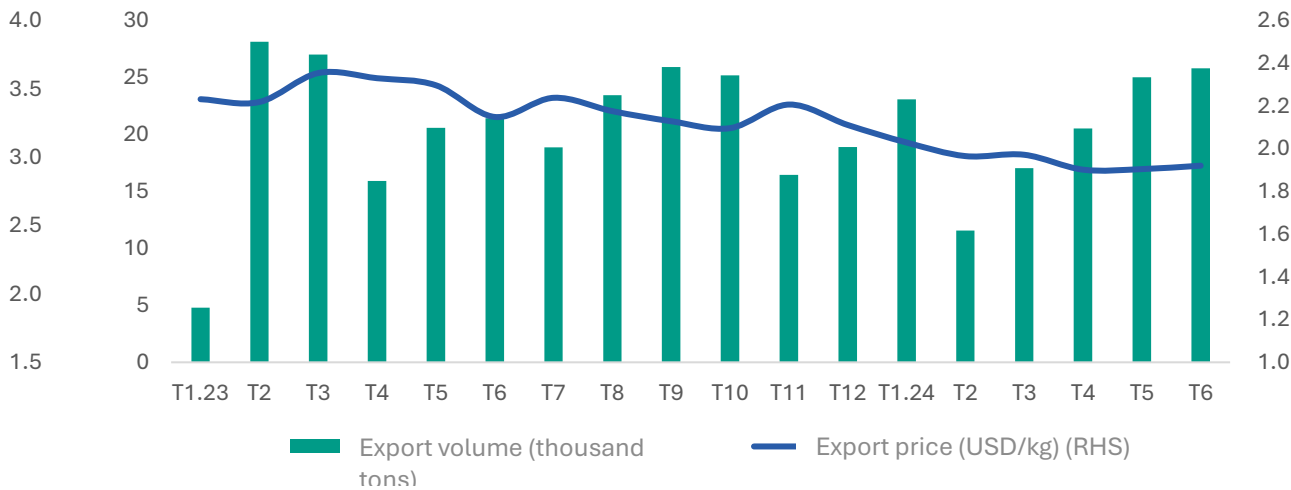
**Outlook for 2H.2024 and 2025:** We expect pangasius export volumes to sustain their recovery momentum; however, export prices are unlikely to witness a rapid rebound as in the precedent cycle (2021-2022), due to several key factors:

- (1) Export volumes are expected to maintain an upward trajectory through 2H2024, underpinned by (i) seasonal demand upticks across key export markets during holiday periods; (ii) supportive macroeconomic conditions, notably the anticipated interest rate cuts by the U.S. Federal Reserve in September 2024 and China’s ongoing domestic demand stimulus measures, which are set to boost consumption; and (iii) expanded retail channel penetration in China, particularly within supermarket networks.
- (2) The export price of pangasius is anticipated to improve. Yet, growth is expected to be more subdued than in the 2021-2022 cycle due to (i) weaker demand recovery from key export markets, (ii) eased supply constraints as inventory levels remain high in major farming regions, and (iii) seasonal factors in Q3 and Q4/2024 being the main driver for price rebound.

**Figure: While export volume has recovered, pangasius export price to the U.S. remains below 2023 average level**



**Figure: Pangasius export price to China showed little improvement in 1H2024**



Source: BSC Research



# INFORMATION TECHNOLOGY – GROWTH TRAJECTORY TO SUSTAIN

### UPDATED OUTLOOK:

- BSC maintains a **POSITIVE** outlook for the IT sector in 2024 and 2025. We expect the IT sector's financial performance to remain robust in 2H2024, underpinned by key growth drivers, including:
- Robust demand for digital transformation in Japan and the APAC region, with a potential recovery in the U.S. market following the Federal Reserve's expected rate cut in September.
  - Continued investment in intelligent transportation systems (ITS) and the expansion of Vietnam’s 4G and 5G networks.

Recommended stocks:

## In Q2/2024, the IT sector sustained double-digit growth, while the Telecommunications sector underperformed expectations due to the slower-than-anticipated rollout of 5G

In Q2/2024, FPT reported a 24% YoY increase in financial results, driven by:

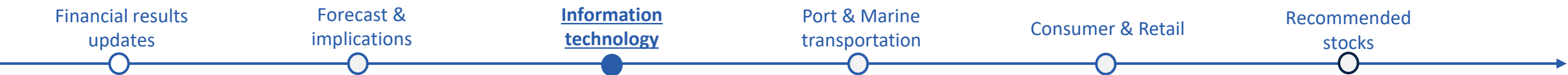
- (1) The software export segment, which grew by 31% YoY, fueled by robust digital transformation trends in Japanese market (+37% YoY) and the APAC region (+31% YoY).
- (2) FPT’s continued efforts to expand its customer base, leveraging its competitive advantage of providing high-quality services with reasonable pricing.

In contrast, the Telecommunications group witnessed flat financial results from CTR (+0% YoY), falling short of expectations due to:

- (1) The relatively slow rollout of 5G during 1H2024.
- (2) Viettel’s focus on recovering investments in international markets, with no significant expansion as BSC anticipated.

Table: Q2/2024 financial results of selected IT and Telecommunications companies.

Units: VND billion	Q2/2024				6M2024			
	Net revenue	%YoY	NPATMI	%YoY	Net revenue	%YoY	NPATMI	%YoY
FPT	15,245	+22%	1,874	+24%	29,339	+21%	3,671	+22%
CTR	3,011	+11%	125	+0%	5,634	+12%	241	+4%



# INFORMATION TECHNOLOGY – GROWTH TRAJECTORY TO SUSTAIN

For the 2H2024 outlook, BSC maintains a positive outlook in the IT and Telecommunications sectors as follows:

- (1) Software Export (FPT):** The ongoing AI trend is set to drive digital transformation demand across major export markets (U.S., Japan, APAC). Moreover, FPT's robust performance in 1H2024, with new contract growth reaching VND 18,671 billion (+22.4% YoY), ensures strong sales momentum heading into 2H2024.
- (2) Telecommunications (CTR):** BSC anticipates a stronger push in the 5G rollout in 2H2024, supported by Viettel's commitment to phasing out 2G and 3G networks and a series of network expansion initiatives that gained traction by the end of Q2/2024.
- (3) ITS (ELC, ITD):** The sector is expected to benefit from significant new projects driven by (i) the start of toll collection on state-funded expressways in October 2024, which will fund ITS investments, and (ii) the handover of multiple expressway projects under the first and second phases of the North-South Expressway from 2024 to 2025 (see further details in the public investment report).

Figure: The AI trend is expected to experience strong growth during the 2024-2030 period

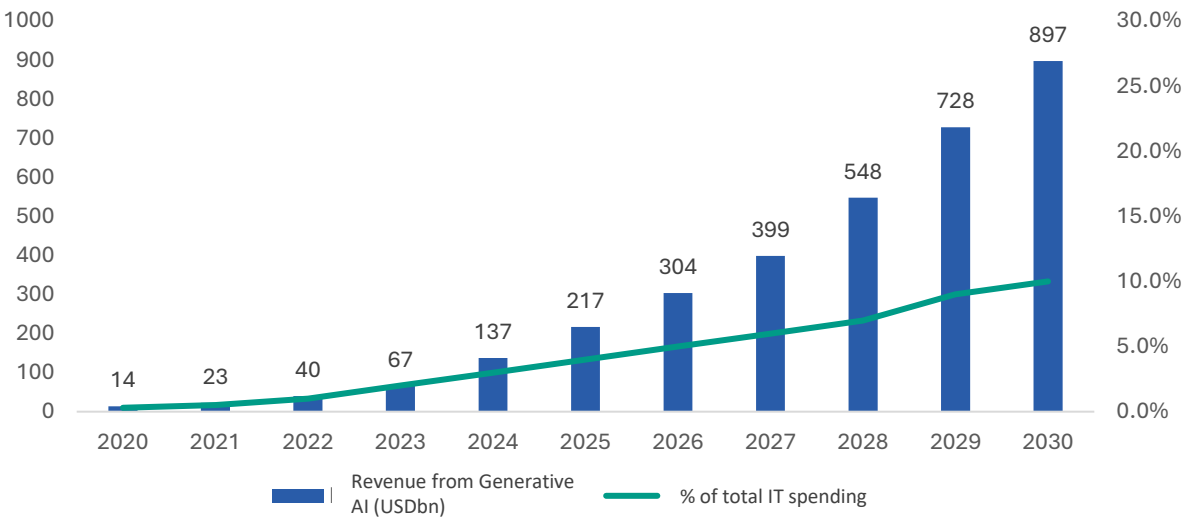
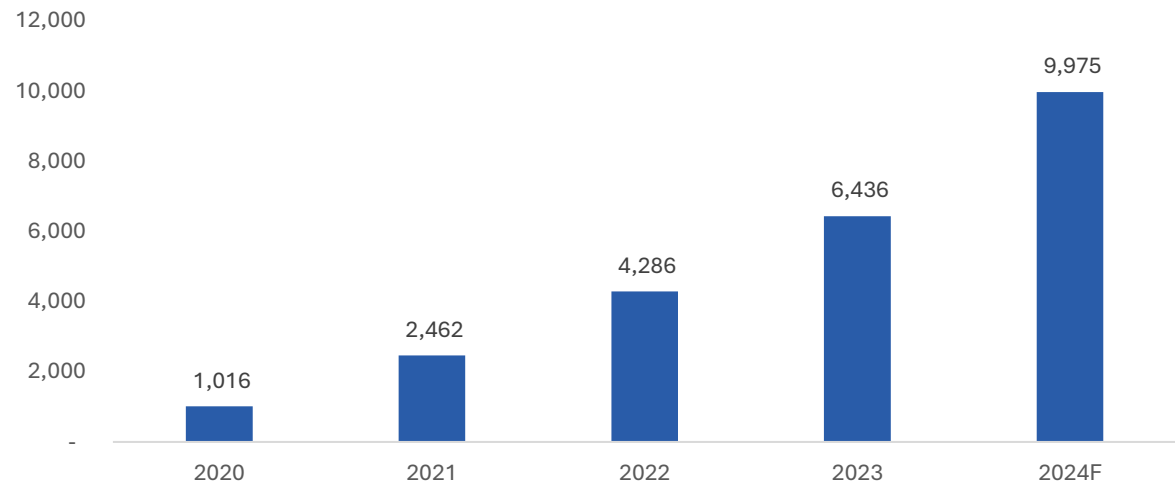


Figure: CTR targets to own 10,000 BTS towers by 2024, reinforcing its leadership in the telecommunications infrastructure leasing market



Source: BSC Research, CTR

# MARINE PORTS – CORE BUSINESS RECOVER YEAR-OVER-YEAR

## UPDATED OUTLOOK:

BSC maintains a **NEUTRAL** outlook for the Port sector in 2H2024, supported by two main key points:

- Continued throughput recovery at Hai Phong and CMTV ports, driven by improved trade activities and operation of new service routes.
- However, most stocks in the Port sector are trading at high valuations, which are already priced in the recovery outlook for 2024.

Recommended stocks:

## In Q2/2024, core business earnings in the Port sector demonstrated a recovery year-over-year

In Q2/2024, port throughput rose by an estimated 18% YoY, driving a robust recovery in both revenue and core profits across the sector:

- GMD achieved a 29% YoY increase in revenue and a 59% rise in core profit, fueled by (1) GML port operating at full capacity, handling 454,000 TEUs (+91% YoY), and (2) reported growth at other key ports such as NDV and Phuoc Long.
- VSC recorded a 34% YoY revenue increase and a remarkable 240% surge in NPATMI, supported by throughput gains at VGR (+112% YoY), Green (+67% YoY), and NHDV (+57% YoY), resulting in improved margin.

Table: Q2/2024 financial performance of selected Port companies.

Units: VND billion	Q2/2024				6M2024			
	Net revenue	%YoY	NPATMI	%YoY	Net revenue	%YoY	NPATMI	%YoY
VSC	717.5	+34%	68	+240%	1,304	+30%	60	+22%
GMD	1,181	+29%	303	-82%	2,186	+20%	862	-46%

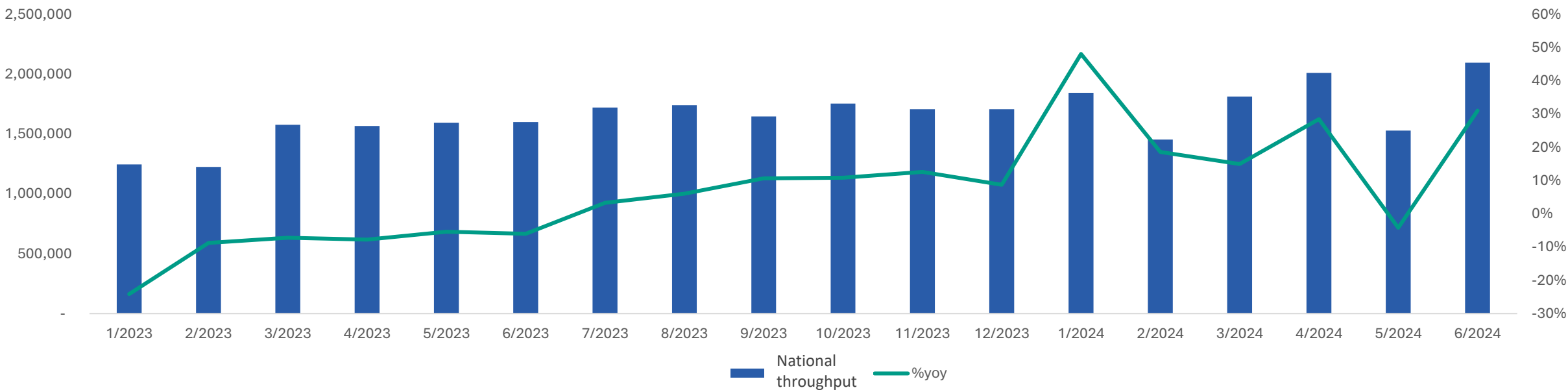


# MARINE PORTS – EXPECTATIONS FOR SUSTAINED VOLUME IN THE RECOVERY TREND

For 2H2024, BSC expects a recovery in financial results year-over-year, driven by:

- (1) Throughput recovery supported by (i) recovering export demand, (ii) diversified routes introduced by shipping lines to reduce congestion risks at Singapore and other major Asian ports, (iii) new service routes established from major shipping lines (Evergreen, ONE, Zim, etc.) at Hai Phong and Cai Mep - Thi Vai regions (of which primarily intra-Asia routes).
- (2) Improved gross profit margins, with handling fees increasing by 3% -10% YoY (depending on different port regions).

Figure: Port throughput increased by 18% year-over-year in Q2/2024



Source:VPA





# SEA TRANSPORTATION – DIVERGENCE IN Q2/2024 CORE BUSINESS RESULTS

## UPDATED OUTLOOK:

BSC upgrade our recommendation for the Port shipping sector from **NEUTRAL** to **POSITIVE** for 2024 and 2025, supported by two key factors:

- A significant expected improvement in newly signed contracts time-charter rates in 2H2024.
- Recovery in both volume and rates for self-operated shipping activities.

Recommended stocks: HAH, PVT.

## In Q2/2024, financial results of the transportation sector displayed notable divergence, specifically:

### 1. Container and Bulk Shipping:

In Q2/2024, HAH reported a recovery year-over-year, driven by

- Self-operated shipping volume increased by +52% YoY, freight rates rose by +6.5% YoY, supported by (i) the expansion of both domestic and international service routes, (ii) the joint venture with ONE, which helped offset (iii) a -27% YoY decline in time-charter revenue, as contracts signed at high rates during the 2023 cycle.
- Gross profit margin improved by 2.3% YoY, benefiting from higher freight rates and increased self-operated shipping volume..

In contrast, VOS's earnings were mainly attributable to the sale of the Dai Minh vessel, while both self-operated and time-charter activities underperformed due to an aging fleet unable to meet standards requirements from shipping lines.

### 2.Oil and Chemical Shipping :

In Q2/2024, PVT delivered strong core business growth, with revenue increased +42% YoY and core earnings increased +54% YoY, driven by a +35% YoY increase in capacity and fleet expansion in 2023, along with freight rates rising 6% - 9% YoY, which helped offset a rising interest rate and exchange rate..

However, Q2/2024 results were impacted by a one-off expense of VND 77 billion, resulting in a slight NPAT decline of -5% YoY.

Table: Q2/2024 financial performance of selected companies.

Units: VND billion	Q2/2024				6M2024			
	Net revenue	%YoY	NPATMI	%YoY	Net revenue	%YoY	NPATMI	%YoY
HAH	948.8	+55%	110.7	+15%	1,653	+30%	170	-21%
VOS	1,872	+85%	284	x283	2,969	+90%	358	+383%
PVT	2,994	+42%	287	-7%	5,530	33%	518	6%



# SEA TRANSPORTATION – TIME CHARTER RATES EXPECTED TO INCREASE SHARPLY

For 2H2024, BSC expects a more prudent improvement in the Marine transportation sector's financial performance, driven by:

- (1) Supply chain disruptions at the Suez Canal, which have increased transit times by 25% - 30%, have fueled higher charter demand and freight rates since mid-Q2/2024. Therefore, BSC anticipated that newly signed time-charter contracts in Q3/2024 are expected to boost earnings. Firms with fleet expansion capabilities, such as HAH and PVT, are well-positioned to outperform the sector with stronger growth potential.
- (2) Improved shipping volumes, both internationally and domestically, are expected to continue year-over-year growth, supported by (i) a recovery in domestic demand, (ii) the rerouting of cargo to the Cai Mep - Thi Vai (CMTV) area as shipping lines diversify routes due to congestion at Singapore ports, (iii) the introduction of new international routes by major shipping companies like ONE, Zim, and Evergreen, and (iv) seasonal factors, with Q3 and Q4 being peak periods for trade due to preparation for year-end demand.

Figure: Time-charter freight rates surged sharply from mid-Q2/2024

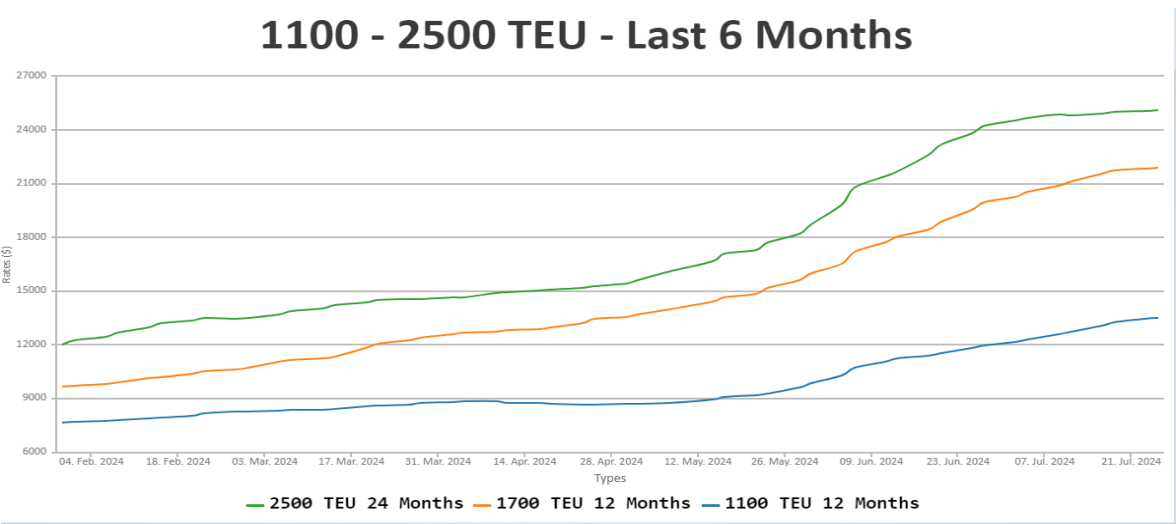
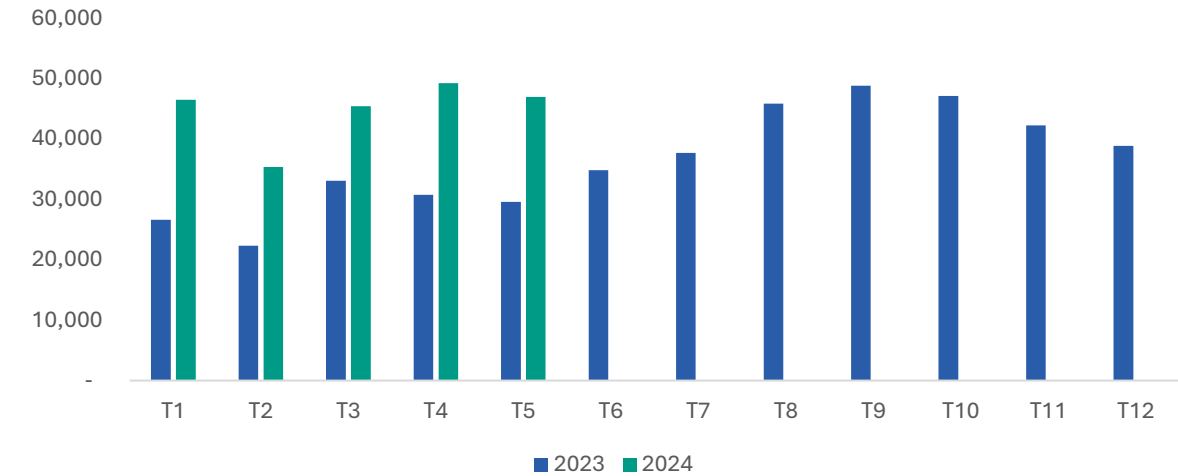


Figure: Shipping volumes have maintained an improved trajectory since the beginning of 2024



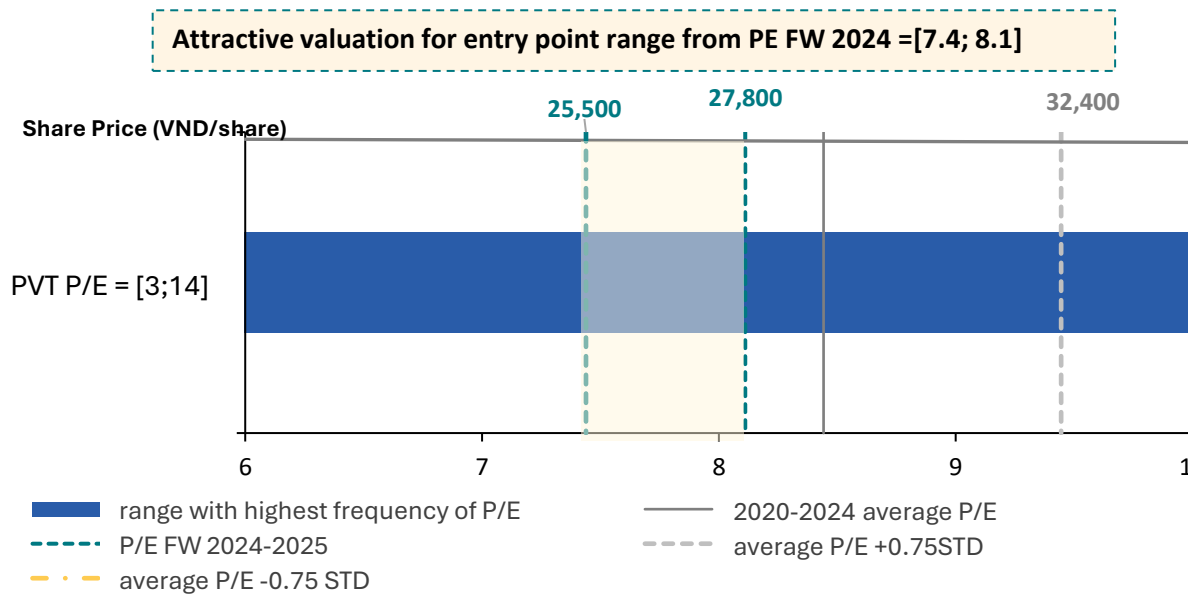
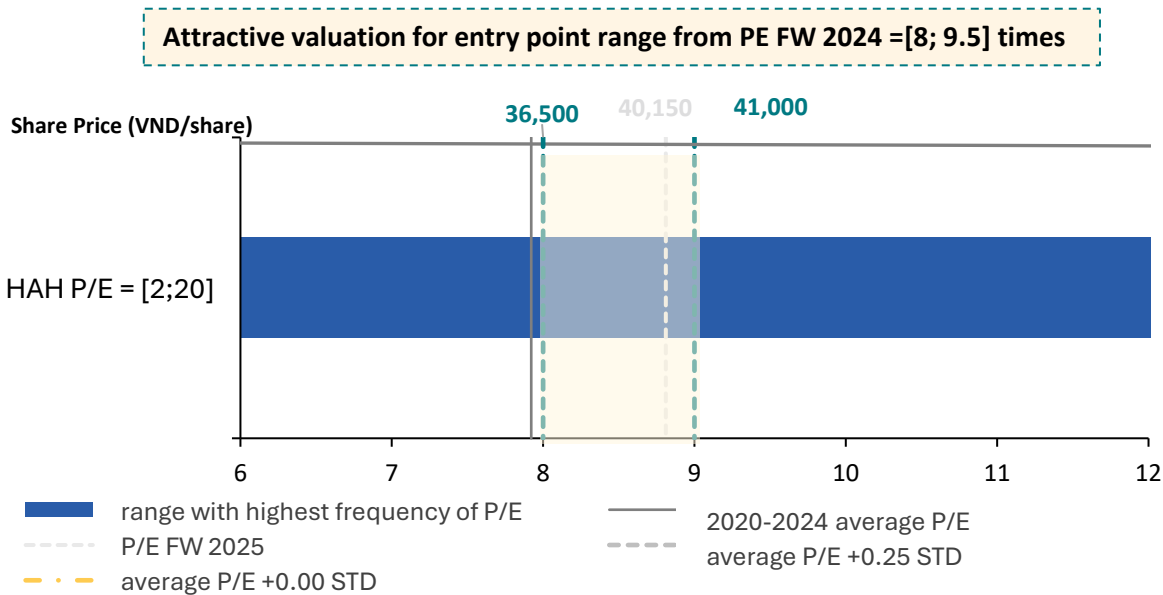
# SEA TRANSPORTATION – VALUATION APPROACHING ATTRACTIVE LEVEL

Given the positive earnings growth prospects for HAH and PVT, along with the significant valuation discount as reflected in the market, we propose the following valuation approaches:

- (1) HAH: A fair investment valuation range for the 2024-2025 period proposed at 8x - 9.5x PE.
- (2) PVT: With expected NPAT growth of +19% YoY/+16% YoY in 2024/2025, an attractive valuation range proposed at 7.4x - 8.4x, represents a discount to 4-year average PE.

Figure: HAH valuation approaching fair investment levels for the 2024-2025 period

Figure: PVT's valuation at attractive levels given the company's growth prospects



Source: BSC Research

# CONSUMER & RETAIL – GROWTH FROM INTRINSIC BUSINESS DYNAMICS

## UPDATED OUTLOOK:

BSC maintains a **POSITIVE** outlook for the Consumer – Retail sector for 2024-2025. We expect leading players in Consumer – Retail sector to continue exhibiting resilience in 2H2024, supported by:

- Domestic economic stimulus policies, including the extension of the 8% VAT rate through 2024 and an increase in base salary from July 1, 2024, driving a recovery in consumer demand.
- Leveraging competitive advantages by expanding customer bases and market share, companies are initially experiencing growth primarily in business volumes, as consumer demand remains subdued in 2024. However, growth momentum is expected to prolong into 2025, driven by anticipated increases in average order values.

**Recommended stocks:** MWG, PNJ, MSN, VNM.

**In Q2/2024, most Consumer - Retail companies posted business growth, mostly from the low base of 2023, as demand recovery remains subdued.**

**(1) Consumer sector:** Key representatives VNM and MSN continue to show resilience, outperforming the overall FMCG sector, of which growth recorded only at +1.8% YoY.

- **VNM** delivered impressive revenue growth of +10% YoY, primarily driven by international markets and an improved gross margin of +1.9% YoY, supported by a favorable product mix and easing raw material costs year-over-year.
- **MSN** witnessed solid growth in its core consumer business TCX (+10.7% YoY) and a recovery in non-core segment MSR (+3% YoY). Additionally, NPAT surged +377% YoY, driven by lower raw material costs, reduced interest burden, and enhanced operational efficiency across key segments.

In contrast, some stocks underperformed due to sector-specific challenges and a high base comparable, including SAB, QNS, and the livestock players DBC and BAF.

➤ **Livestock sector** (DBC and BAF): Despite positive momentum in pork prices (+11% YoY) and declining raw material costs (10-15% YoY), results lagged expectations, which was weighed down by interest cost pressures, suboptimal performance of newly operational farms, and increased costs related to disease control and transportation.

**Table: Q2/2024 financial performance of selected companies.**

Units: VND billion	Q2/2024				6M2024			
	Net revenue	%YoY	NPATMI	%YoY	Net revenue	%YoY	NPATMI	%YoY
VNM	16,656	10%	2,670	21%	30,768	6%	4,865	20%
MSN	20,134	8%	503	377%	38,989	4%	607	90%
SAB	8,086	-3%	1,248	8%	15,270	5%	2,246	6%
QNS	2,820	-11%	690	-3%	5,343	1%	1,222	19%
BAF	1,226	-23%	34	307%	2,518	5%	154	1228%
DBC	3,185	-8%	145	-55%	6,437	11%	218	3479%



# CONSUMER & RETAIL – GROWTH FROM INTRINSIC BUSINESS DYNAMICS

For 2H2024 outlook, BSC maintains a positive outlook on leading players, driven by:

- (1) Customer base and market share expansion, enabling companies to sustain solid volume growth.
- (2) A recovery in average selling prices, supported by improving demand amid favorable global macroeconomic signals (with expectations of the Fed easing monetary policy to boost consumer spending) and domestic economic stimulus measures that strengthen consumer confidence.
- (3) Furthermore, GPM is improved by the ongoing decline in input costs for raw materials.

**For the livestock sector,** we expect hog prices to remain stable in the VND 60,000-65,000 range through year-end 2024, with lower raw material costs providing further support to gross margins. However, persistent challenges such as disease outbreaks, elevated transportation costs, and underperformance at newly operational farms will likely weigh on earnings in 2H2024.

Figure: Consumer demand recovery shows a positive trend beginning in the second half of Q2/2024

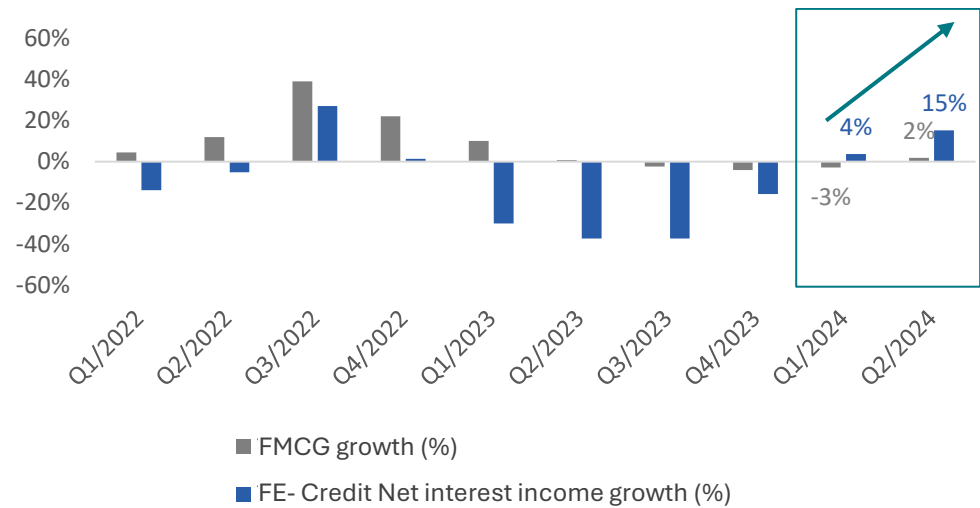
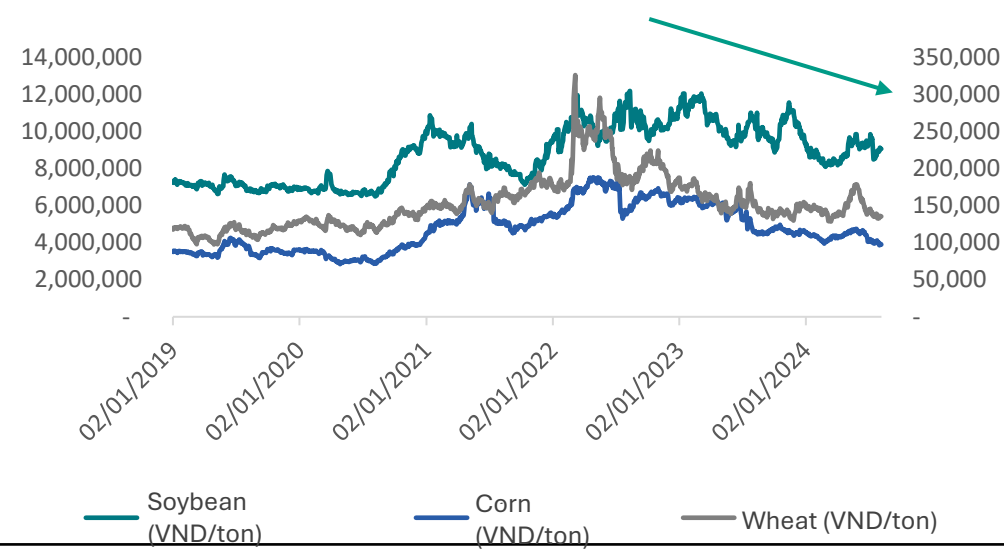


Figure: The downward trend in raw material prices has a favorable impact on the gross margins of consumer-focused companies



Source: BSC Research

# CONSUMER & RETAIL – GROWTH FROM INTRINSIC BUSINESS DYNAMICS

## UPDATED OUTLOOK:

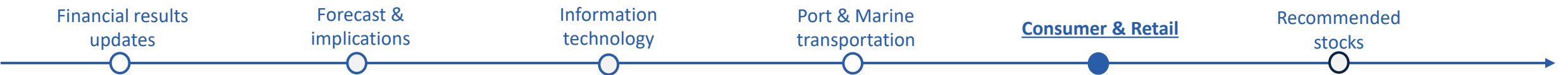
- BSC maintains a **POSITIVE** outlook for the Consumer – Retail sector for 2024-2025. We expect leading players in Consumer – Retail sector to continue exhibiting resilience in 2H2024, supported by::
- Domestic economic stimulus policies, including the extension of the 8% VAT rate through 2024 and an increase in base salary from July 1, 2024, driving a recovery in consumer demand.
  - Leveraging competitive advantages by expanding customer bases and market share, companies are initially experiencing growth primarily in business volumes, as consumer demand remains subdued in 2024. However, growth momentum is expected to continue into 2025, driven by anticipated increases in average order values..
- Recommended stocks:** MWG, PNJ, MSN, VNM.

In Q2/2024, Consumer - Retail companies posted business growth, from the low base of 2023, as demand recovery remains subdued.

- (2) Retail sector:** The sector experienced strong divergence, with leading players capturing market share and showing robust growth despite a stabilized overall industry.
- MWG:** (1) ICT and CE segment grew by +6% YoY, maintaining recovery momentum despite store count reductions of -9.5% YoY and -4.9% YTD (2) BHX witnessed a breakthrough with revenue per store per month reaching VND 2.03 billion (+42.4% YoY), and posted a PBT with NPAT margin at 0.1%.
  - FRT:** (1) Pharmaceutical segment remained the key growth driver, expanding +65% YoY, with operating margin maintained at 2.6%. (2) ICT segment contracted slightly by -7% YoY, despite a reduction of over 158 stores (-19.8% YoY), while operating margins improved from -6% to -1.2%.
  - DGW:** Recorded growth across traditional business segments.
  - PNJ** (1) The primary revenue growth driver was the 24k gold segment, surging +80.8% YoY, reflecting shifting consumer demand, while the retail segment sustained +14% YoY growth by capturing market share amid tighter industry regulations. (2) However, gross margins declined from 18.9% to 16.4%, due to changes in the revenue mix.

Table: Q2/2024 financial performance of selected companies.

Units: VND billion	Q2/2024				6M2024			
	Net revenue	%YoY	NPATMI		Net revenue	%YoY	NPATMI	%YoY
MWG	34,134	16%	1,172	6635%	65,621	16%	2,075	5265%
FRT	9,240	29%	27	NA	18,281	22%	66	NA
DGW	5,008	9%	89	8%	9,993	17%	182	12%
PNJ	9,519	43%	429	27%	22,113	34%	1,167	7%



# CONSUMER & RETAIL – ATTRACTIVE VALUATION

## UPDATED OUTLOOK:

BSC maintains a **POSITIVE** outlook for the Consumer – Retail sector for 2024-2025. We expect leading players in Consumer – Retail sector to continue exhibiting resilience in 2H2024, supported by:

- Domestic economic stimulus policies, including the extension of the 8% VAT rate through 2024 and an increase in base salary from July 1, 2024, driving a recovery in consumer demand.
- Leveraging competitive advantages by expanding customer bases and market share, companies are initially experiencing growth primarily in business volumes, as consumer demand remains subdued in 2024. However, growth momentum is expected to continue into 2025, driven by anticipated increases in average order values.

**Recommended stocks:** MWG, PNJ, MSN, VNM.

From a valuation perspective, we believe that several stocks, specifically the livestock sector, have already priced in the anticipated 2024-2025 earnings performance. Therefore, BSC’s investment strategy remains **selective**, focusing on (1) *stocks with potential for valuation expansion driven by positive business outlooks*, and (2) *stocks trading at levels that offer compelling valuation discounts*.

Figure: Stocks with valuation upside, driven by robust business prospects

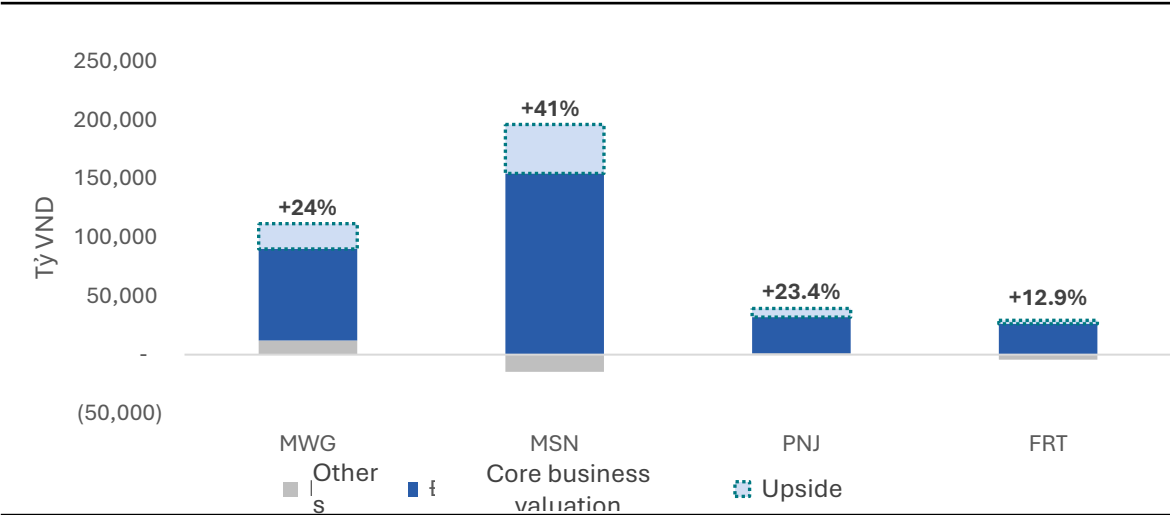
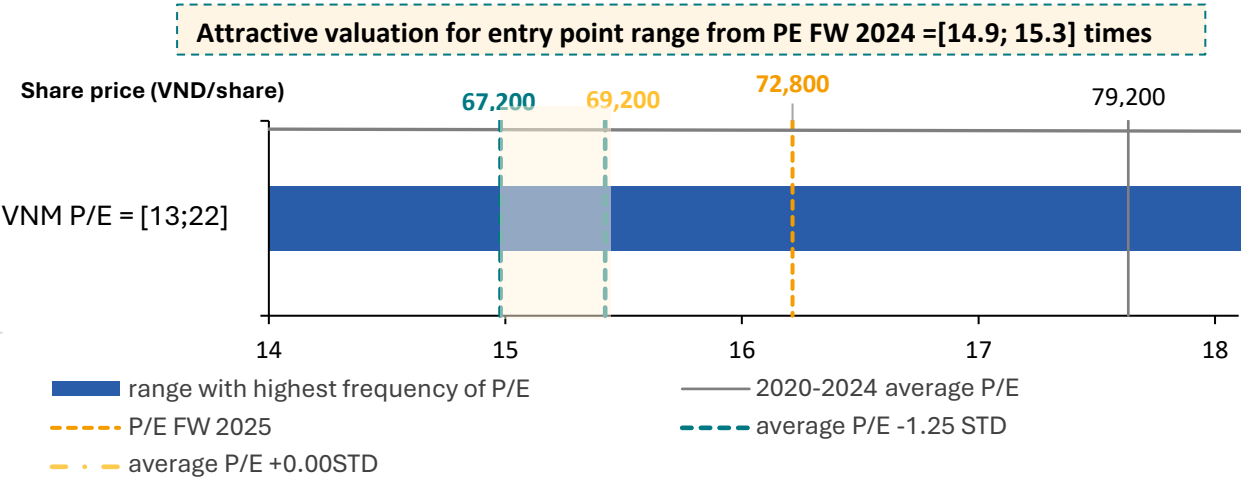
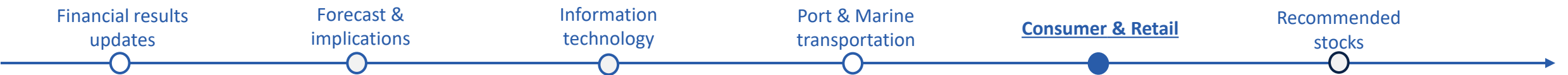


Figure: Stocks approaching attractive valuation level: VNM



Source: BSC Research





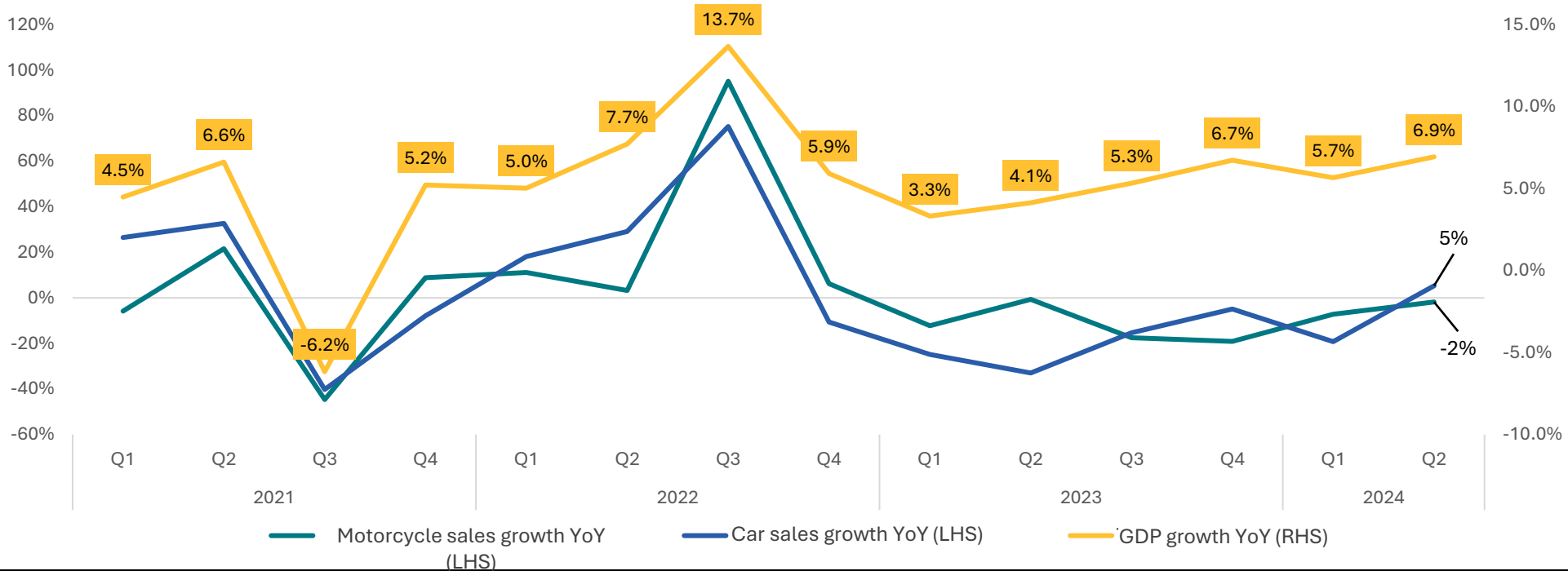
# MOTORCYCLE AND AUTOMOBILE INDUSTRY - SALES BOTTOMED OUT IN Q1/2024

## 1. Car sales rebound, motorcycle sales show signs of encouraging improvements.

In Q2/2024, Vietnam's car sales grew by +5% YoY, marking the first positive growth after six consecutive quarters of contraction. Although motorcycle sales have yet to return to growth in Q2/2024, the decline pace has moderated notably over the past two quarters.

The recovery has been supported by (1) a robust GDP rebound over the last three quarters and (2) a significant reduction in input costs (steel, plastics, semiconductors), which has helped ease selling prices. **We expect the positive momentum in both auto and motorcycle sales to persist into 2H2024 and 2025, driven by projected GDP growth of +6.1% and +6.4% in 2024/2025, respectively, (refer to BSC's macro report).**

Lagging car and motorcycle sales compared to economic recovery trends



Source: BSC Research, Honda Vietnam, VAMA, Hyundai

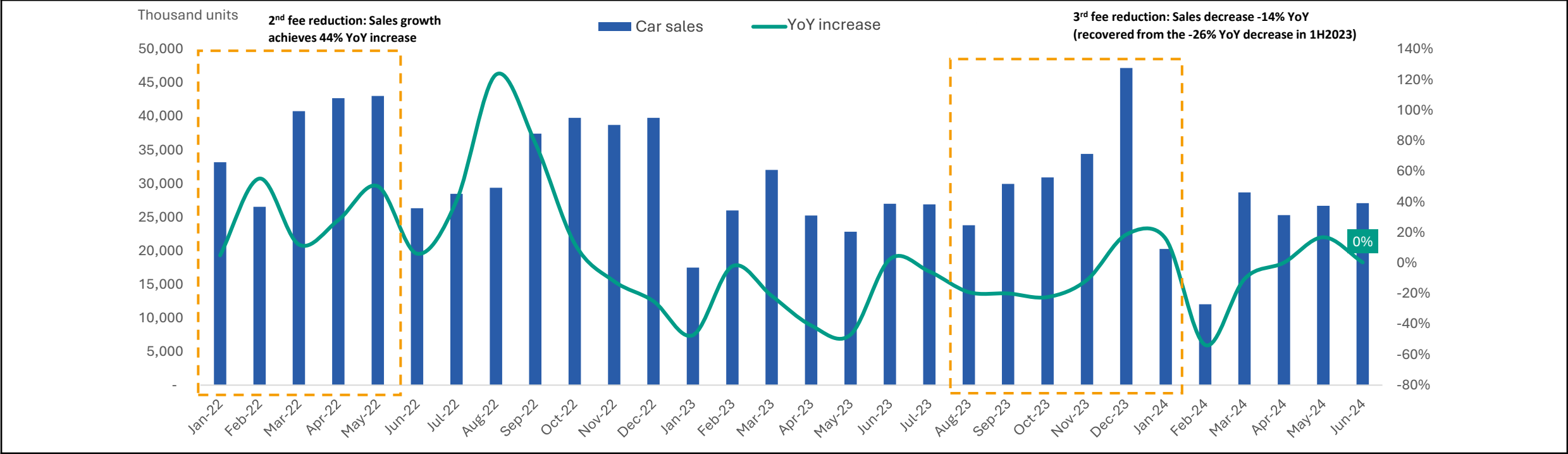
# MOTORCYCLE AND AUTOMOBILE – BOOST FROM REDUCED REGISTRATION FEES

## 2. Reduction in registration fees for domestically produced cars.

In late July 2024, the Prime Minister issued Directive No. 71, directing the Ministry of Finance to expedite the proposal for reducing registration fees on domestically produced and assembled cars. Taking the the last fee reduction in 2H2023 as reference, auto sales for joint ventures declined by -14% YoY, a marked improvement from the -26% YoY contraction in 1H2023 (both impacted by high comparison bases).

Anticipation of the fee reduction also contributed to a pause in June sales as demand was ramped up. We expect a sharp rebound in auto sales, with growth of 15-20% in 2H2024 versus 1H2024, once the fee reduction is approved (expected by August 2024). **VEA is well-positioned to benefit from this policy.**

Expected 4th registration fees reduction to help boost automobile sales



Source: BSC Research, VAMA, Hyundai

Financial results  
updates

Forecast &  
implications

Information  
technology

Port & Marine  
transportation

Consumer & Retail

Recommended  
stocks

# MOTORCYCLE AND AUTOMOBILE – RECOVERY TREND WITNESSED

## UPDATED OUTLOOK:

BSC upgrade our recommendation for the Automobiles sector from **NEUTRAL** to **POSITIVE** in 2H2024 due to positive sales recovery.

**Recommend stock:** VEA [\(refer to report\)](#)

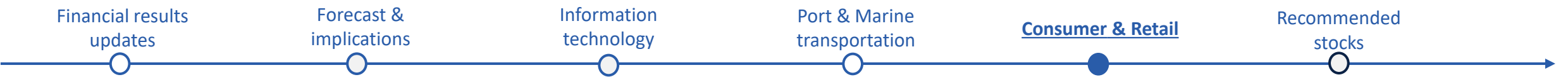
### Q2/2024 financial results show year-over-year improvement

In Q2/2024, the auto sector reported net revenue of VND 2,147 billion (+21% YoY; +11% QoQ), with net profit attributable to parent company shareholders reaching VND 1,806 billion (+0% YoY; +27% QoQ).

- The positive results were primarily supported by (1) a recovering economy, improving household incomes, and (2) a reduction in input costs, which has eased vehicle prices.
- For 6M2024, cumulative net revenue amounted to VND 4,090 billion (+8% YoY), while net profit attributable to parent company shareholders achieved VND 3,249 billion (+2% YoY).

Table: Q2/2024 financial results of selected Automobiles sector companies

Units: VND billion	Q2/2024						6M2024			
	Net revenue	%YoY	%QoQ	NPATMI	%YoY	%QoQ	Net revenue	%YoY	NPATMI	%YoY
HAX	1,123	41%	8%	8	341%	-66%	2,160	21%	30	475%
VEA	1,025	5%	13%	1,798	0%	27%	1,930	-3%	3,219	2%
Tổng	2,148	21%	11%	1,806	0%	27%	4,090	8%	3,249	2%



# BANKING SECTOR – CREDIT GROWTH MOMENTUM LACKS SUSTAINABLE FOUNDATION

Overall credit growth accelerated in June 2024; however, consumer credit has yet to catch up.

- Overall credit growth in the system reached approximately 6.0% YTD by the end of Q2/2024, aligning with government targets. Despite a decline in July 2024, credit growth remains within anticipated levels. Positive signals emerged as cautious banks like VCB and ACB accelerated lending, achieving credit growth rates of 7.7% and 12.8% YTD by the end of 1H2024. However, retail credit recovery remains sluggish, real estate consumer credit increased by only 1.15% YTD by the end of Q2/2024 (compared to a 10.29% increase in business credit for real estate and an overall growth of 4.6% YTD in the real estate sector).
- Overall, credit demand is exhibiting a recovery trend; however, BSC maintains that disbursement for long-term investments remains challenging. A credit growth rate of 14-15% is projected for 2024, primarily driven by corporate clients, particularly in sectors demonstrating recovery such as trade sector and FDI sector
- While credit growth shows seasonal patterns with a notable Q2 uptick, deposit mobilization remains stable (+2.51% YTD as of July 17, 2024), mainly from corporate clients. Rising deposit rates encourage longer-maturities deposits, allowing banks to optimize funding structures and enhance disbursement capacity as the year progresses..

Figure: Credit and deposit growth in the system in 2024

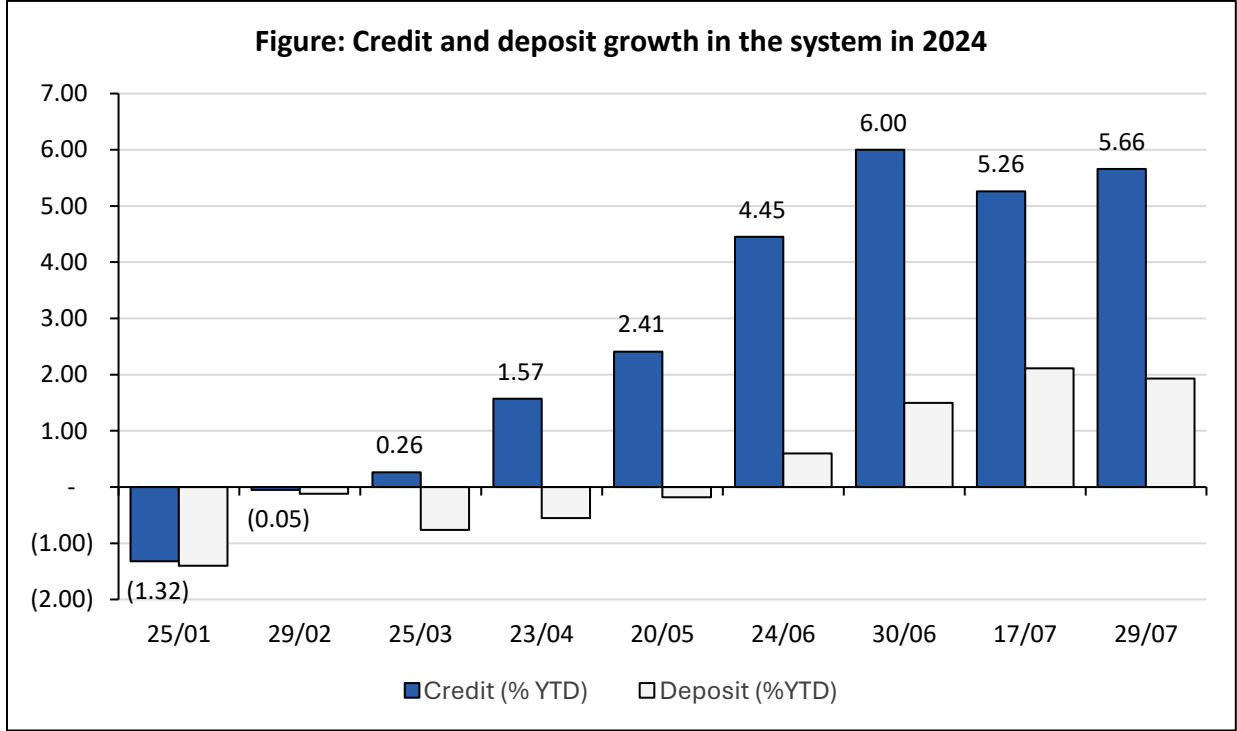
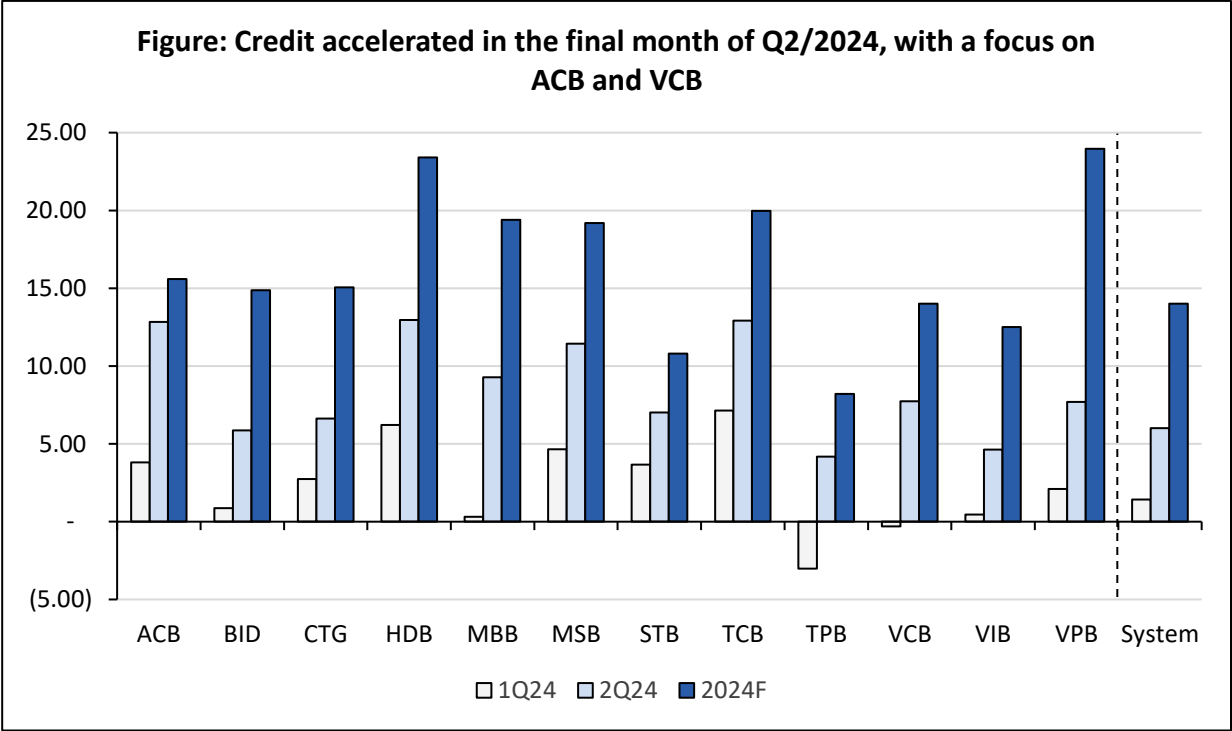


Figure: Credit accelerated in the final month of Q2/2024, with a focus on ACB and VCB



Source: SBV, BSC Research

Financial results  
updated

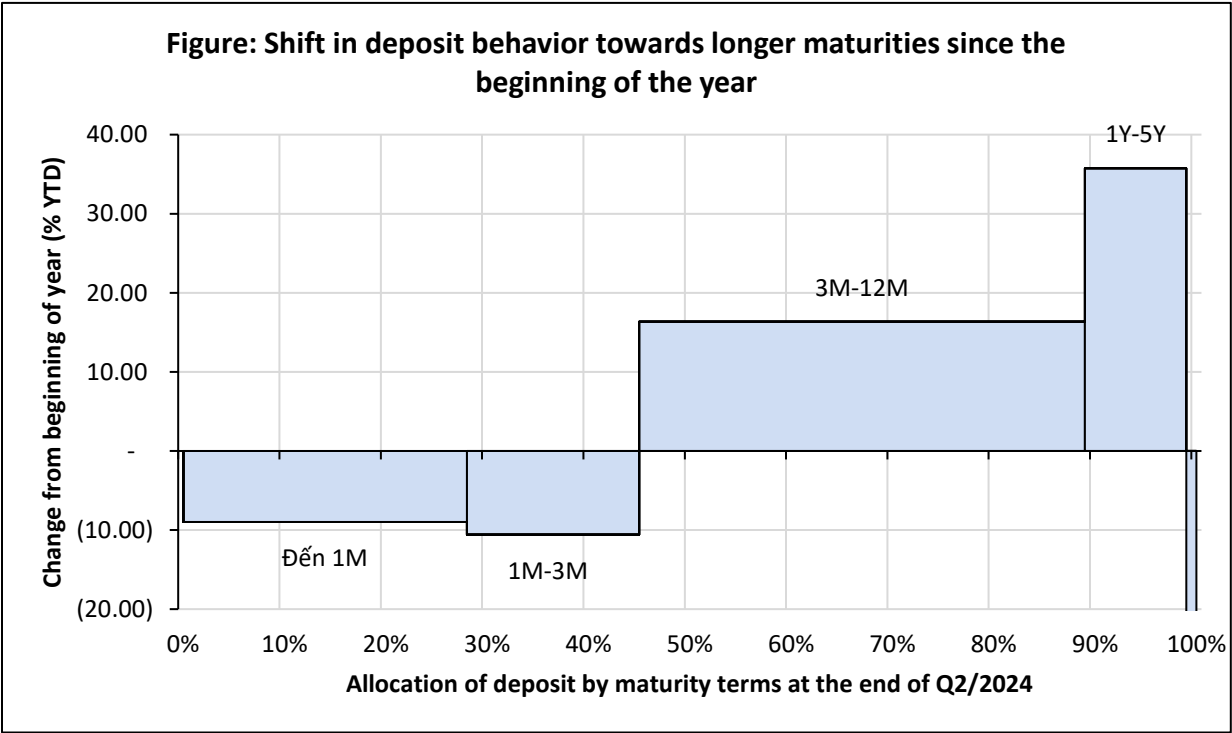
Updated forecast

Investment outlook

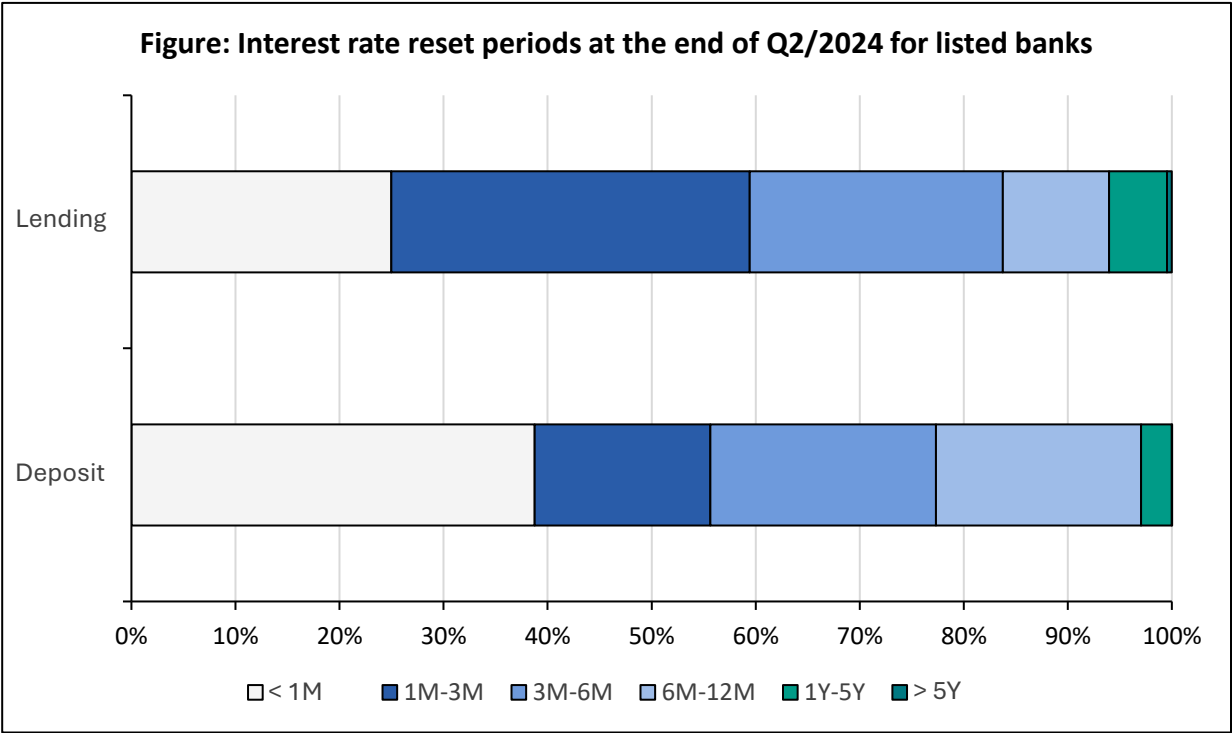
# BANKING SECTOR – NIM IN 2H24 EXPECTED TO REFLECT LIMITED IMPACT FROM FUNDING COSTS...

The upward trend in deposit rates is expected to prompt a shift toward longer-term maturities; however, the impact on NIM has not yet been substantial in 2024.

- Average listed 12-month deposit rates for private banks have risen by approximately 50bps since early April 2024, driven by (1) the State Bank of Vietnam's (SBV) sale of USD from foreign reserves, impacting money supply (nearly USD 6.7 billion as of early July 2024), and (2) rapid credit growth at the end of Q2/2024. This trend is expected to persist as credit expands into year-end.
- BSC anticipates that this development will not significantly impact the average cost of capital for banks in 2024, as (1) the expected increase in interest rates is moderate (projected at 70-90 bps toward pre-pandemic levels), (2) the majority of banks deposit concentrated at 1-6 month maturity range, resulting in a lagging impact of 1-2 quarters.
- However, with (1) the ongoing emergence of new non-performing loans and (2) the continued decline in interest rates on new loan disbursements—primarily concentrated in shorter maturities—poses challenges to the expectation of a broad recovery in net interest margins (NIM) across the sector since the beginning of the year. In contrast, divergence across banks is becoming increasingly pronounced, with VPB projected to increase by +20 bps YoY and TCB by +17 bps YoY, aided by low comparison bases from the previous year.



\*Listed and non-listed banks



\*Deposits with maturity <1M require insignificant funding cost

Source: BSC Research

Financial results  
updated

Updated forecast

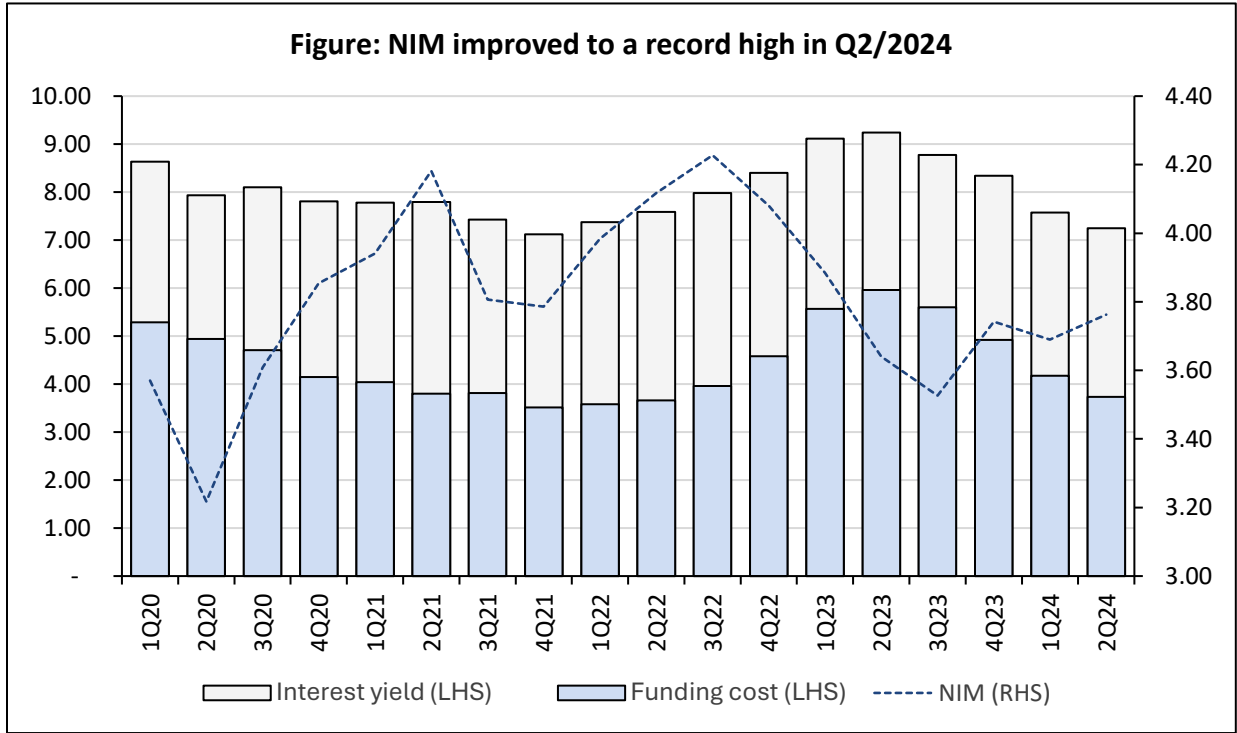
Investment outlook

# BANKING – ...YET CHALLENGES INCREASINGLY WEIGH ON LENDING RATES

The prevailing pressure from interest rate competition is expected to persist, presenting challenges for the banking sector's NIM in 2H2024.

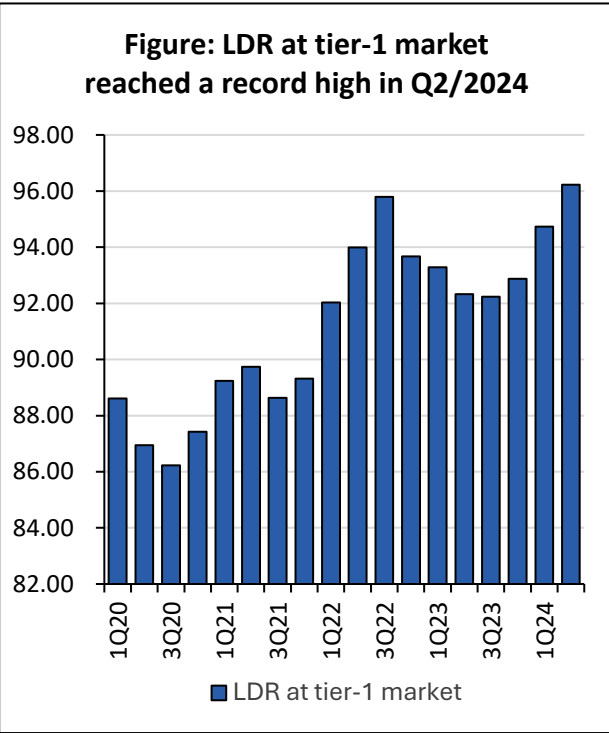
- Overall sector NIM saw a slight improvement of +7bps QoQ in Q2/2024, supported by (1) a rapid decline in funding costs, falling -44bps QoQ, reaching the trough observed in late 2021-early 2022, and (2) a continued upward trend in the sector, with LDR reaching its peak in five-year time.
- However, BSC anticipates that the pressure on sector NIM will intensify in 2H2024 due to (1) the continued sluggish recovery in retail credit demand, which will necessitate (2) further competitive lending rates cut among banks, in which SOCBs such as BID and VCB benefit from offering lower-than-average lending rates, while (3) the favorable impact from funding costs is expected to diminish compared to 1H2024, leading banks to accelerate deposit mobilization to restore a sustainable LDR in the forthcoming quarters.

Figure: NIM improved to a record high in Q2/2024



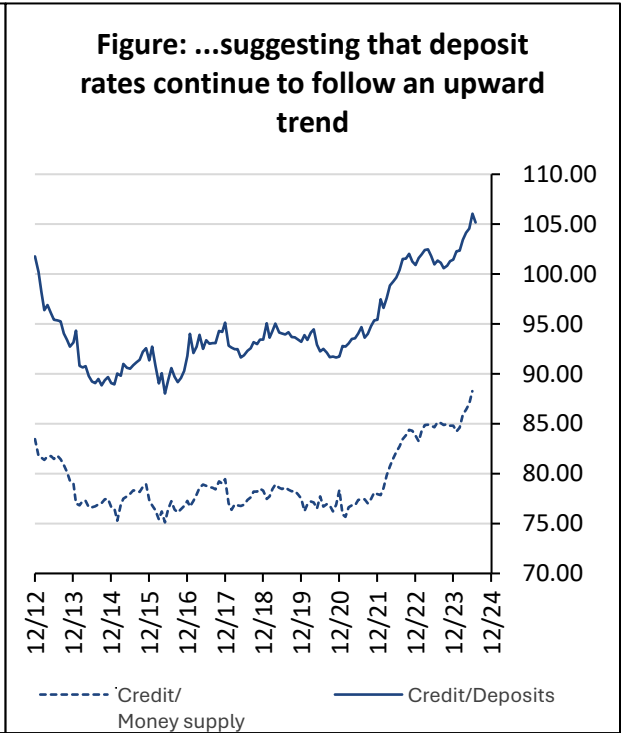
Source: BSC Research

Figure: LDR at tier-1 market reached a record high in Q2/2024



\*Tier-1 market LDR includes securities issued to other credit institutions; therefore, actual figure may be higher.

Figure: ...suggesting that deposit rates continue to follow an upward trend



Financial results  
updated

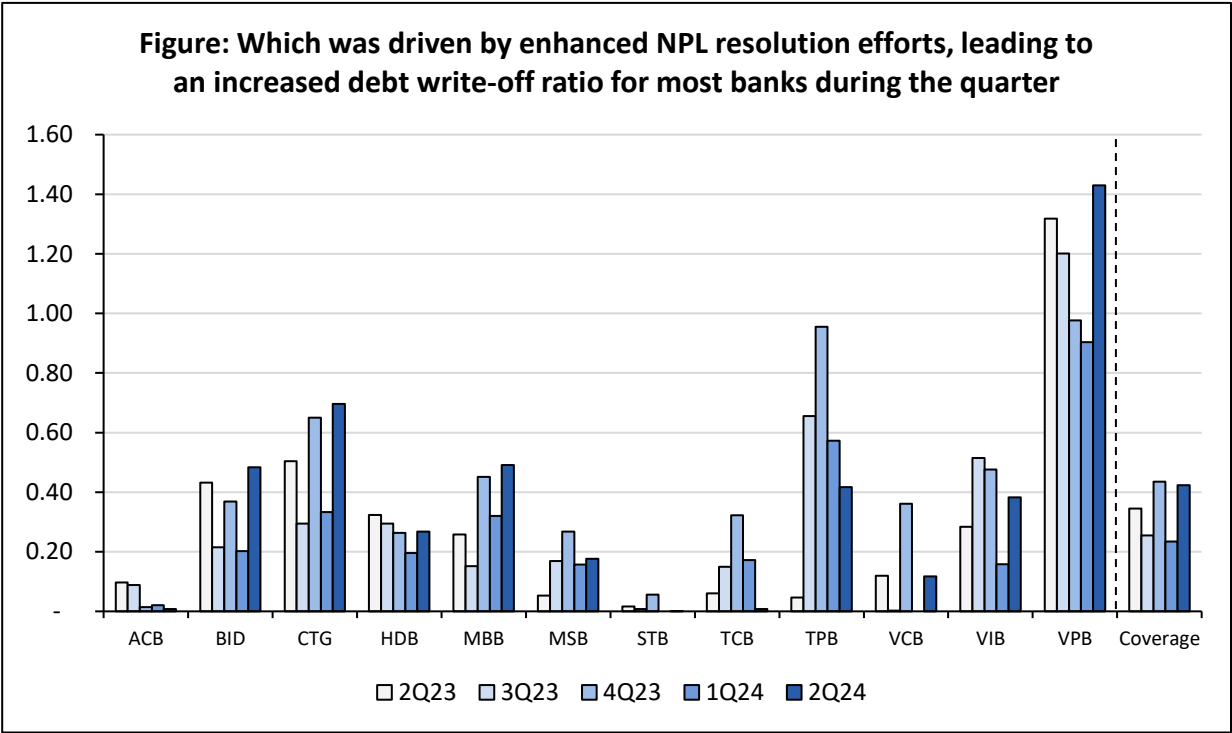
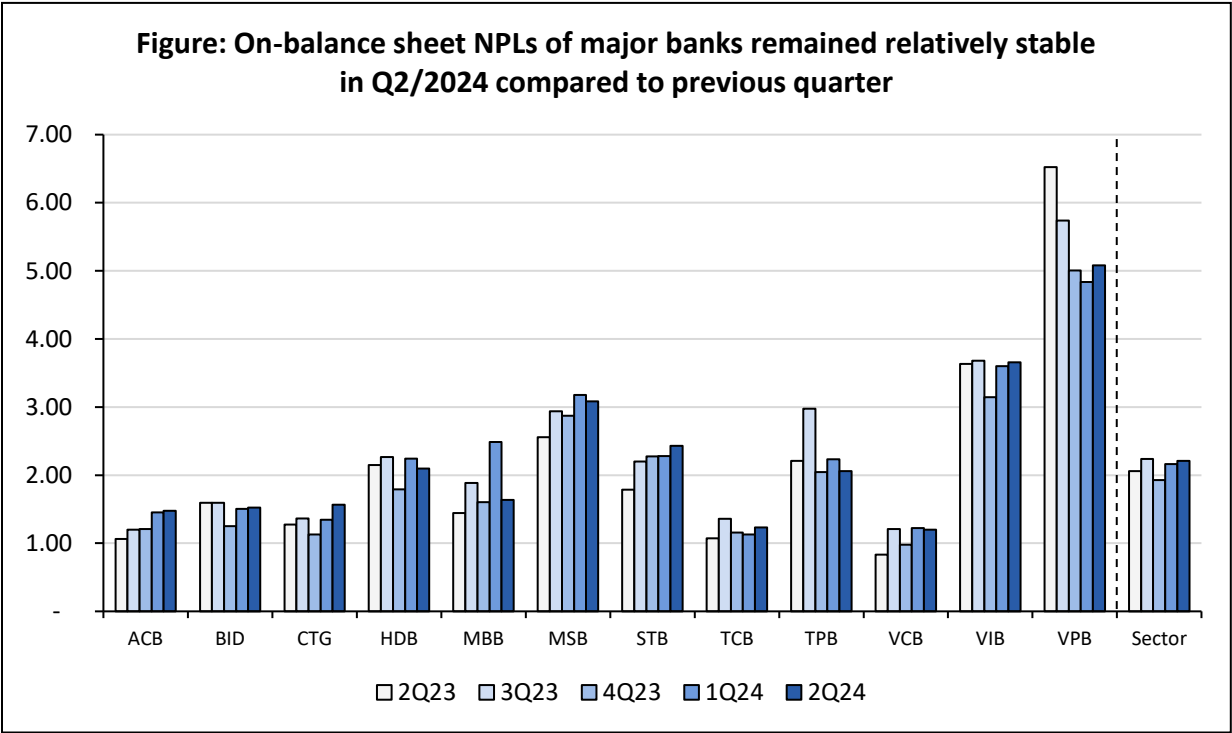
Updated forecast

Investment outlook

# BANKING SECTOR – ACCELERATING EFFORTS TO CONTROL ON-BALANCE SHEET NPLs...

Non-performing loan (NPL) ratio has been managed through higher provisioning for debt write-offs, a trend expected to persist into 2H2024.

- In Q2/2024, on-balance sheet NPL ratios of major banks remained stable, with a notable increase at CTG, where the NPL ratio rose to 1.6% (+22 bps QoQ). Conversely, MBB successfully normalized its NPL ratio back to 1.6% (-85 bps QoQ) following the resolution of a CIC-related case as previously committed. Additionally, although FECredit experienced a slight uptick in NPL ratio quarterly, VPB has fully redeemed its VAMC bonds in Q2 (accounted for approximately 0.7% of outstanding loans at the end of Q1), through provisioning, contributing to an overall improved trend in NPL.
- It is noteworthy that while most banks intensified their NPL resolution efforts in Q2/2024, income generated from NPL recoveries was subdued, primarily due to ongoing challenges in the real estate market. BSC anticipates this trend to continue in 2H2024, aiming to maintain the NPL within targeted thresholds.



Source: BSC Research

Financial results  
updated

Updated forecast

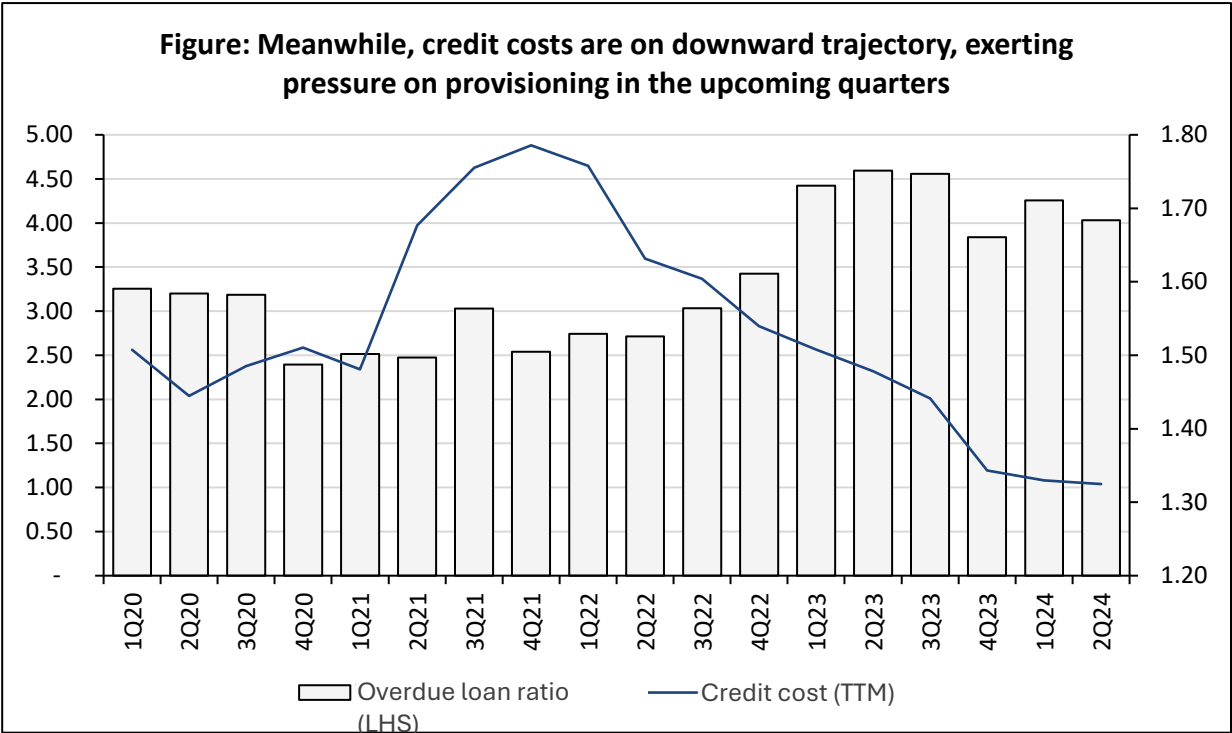
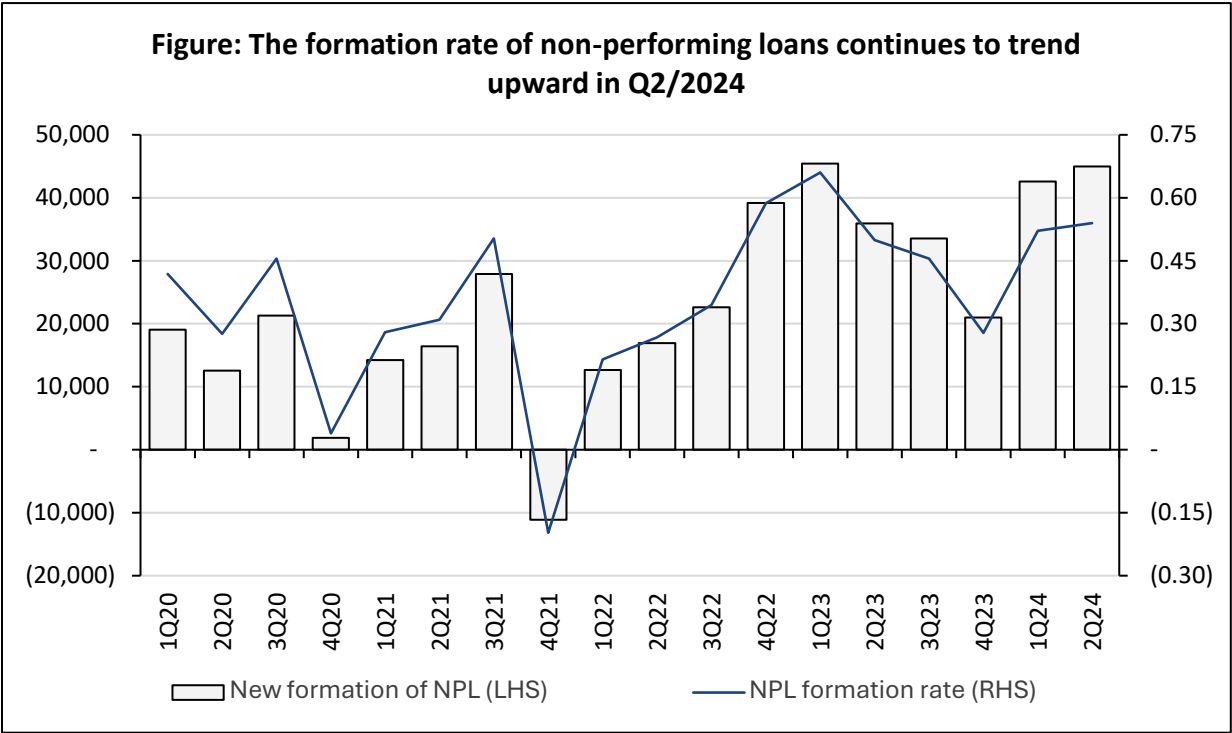
Investment outlook



# BANKING – ...DRIVING THE ANTICIPATED NPL FORMATION RATE TO INCREASE

As anticipated, the formation of NPLs continues to increase, while credit costs proceed on a downward trajectory, although at a slower pace.

- NPL formation rate for banks in BSC coverage rose to 0.5% in Q2/24 (+2bps QoQ), consistent with BSC's prior expectations.
- Banking sector credit cost (TTM) in Q2/2024 declined approximately 1 bps QoQ, stabilizing at 1.3%, approaching the early 2019 level. A similar pattern was observed in the sector LLCR. Notably, banks recorded the most significant fluctuations in specific provisioning coverage ratios in Q2 included BID - decreased to 83.4% (-17 percentage points QoQ), CTG at 66.2% (-29 percentage points QoQ), and VPB at 33.5% (-5 percentage points QoQ). Conversely, VCB reinforced its leading position in asset quality, with its coverage ratio increasing to 150.7% (+11 percentage points QoQ).
- As previously highlighted, BSC maintains that the pressure of increasing provisions across the sector will persist in 2H2024, with expectations that banks will proactively replenish their specific provisioning buffers.



Source: BSC Research

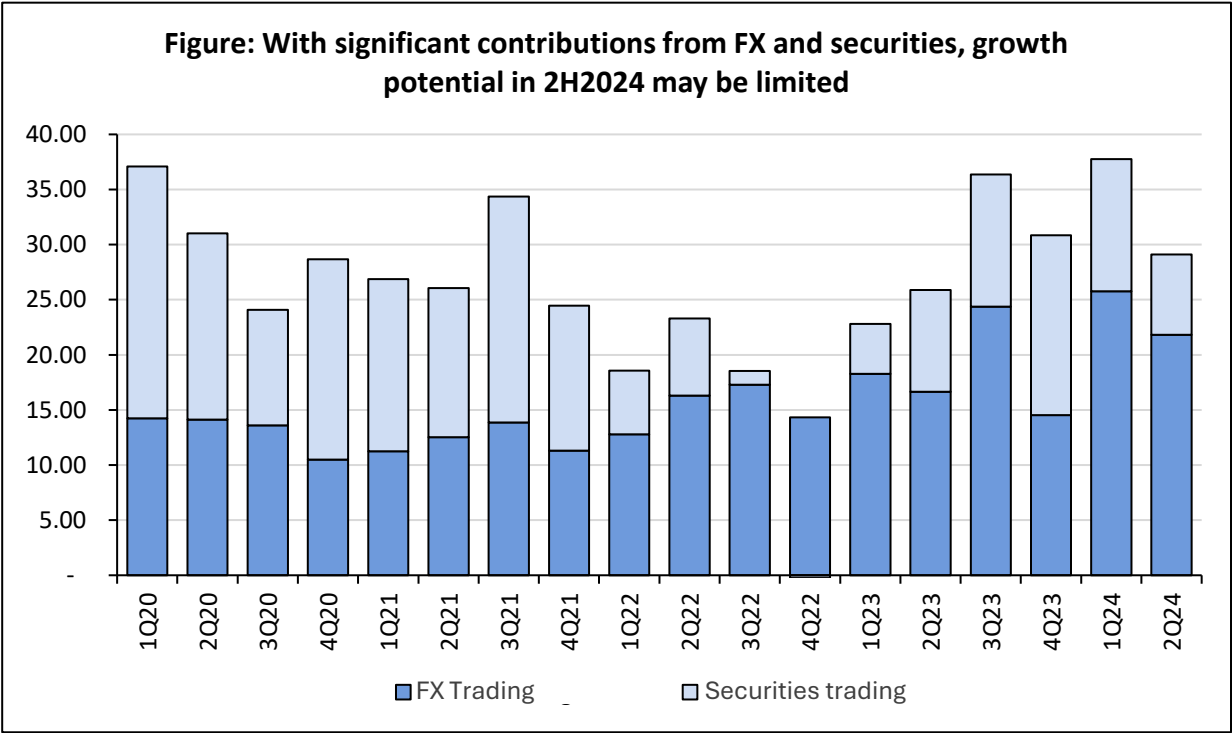
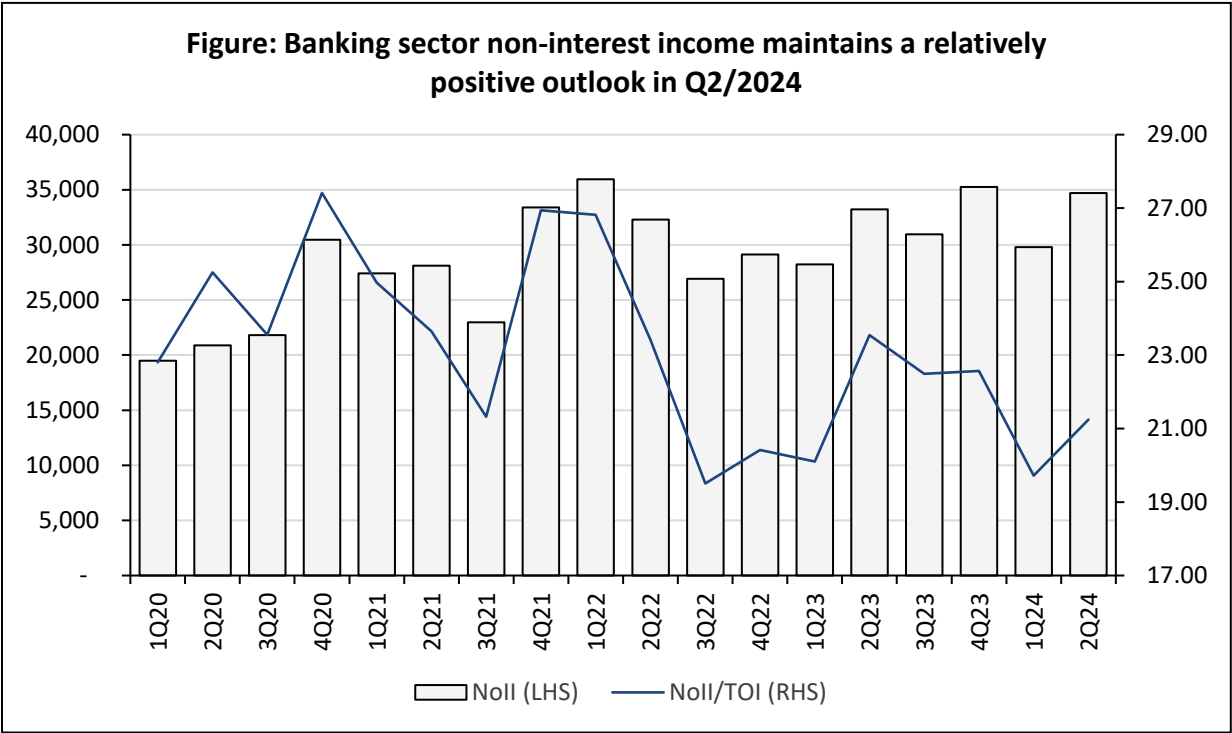
Financial results  
updated

Updated forecast

Investment outlook

# BANKING – CONTRIBUTION FROM NON-INTEREST INCOME IN 2H2024 MAY BE CONSTRAINED

- Non-interest income in 1H2024 was positively supported by foreign exchange and securities trading; however, growth potential in 2H2024 may be constrained due to cyclical factors.
- In Q2/2024, sector non-interest income recorded a growth of 4% YoY and 16% QoQ from a relatively high base. Nonetheless, fee income from banking activities continues to face considerable challenges, with the average annual premium equivalent (APE) for 1H2024 estimated to decline over 40% YoY. BSC notes that under Circular No. 34/2024, the State Bank of Vietnam (SBV) permits commercial banks to sell investment-linked insurance products, reversing previous prohibition proposals.
  - Foreign exchange and securities trading contributed substantially to non-interest income in 1H2024 (>33%). However, BSC anticipates that growth potential in 2H2024 may be limited as the USD/VND exchange rate stabilizes following various SBV interventions, while stock market liquidity and government bond yields are less favorable in near term. This trend could lead to a deceleration in the growth of non-interest income over the next two quarters, particularly as other revenue-generating activities, such as fee income and bad debt recovery, remain subdued.



Source: BSC Research

Financial results  
updated

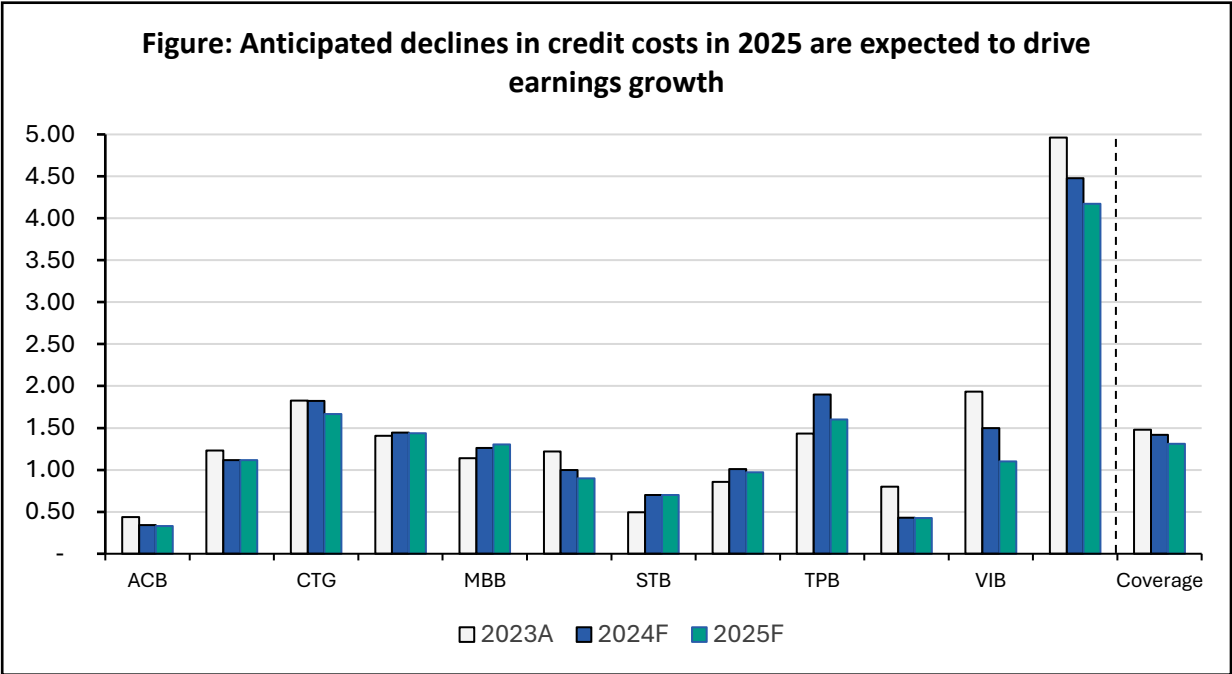
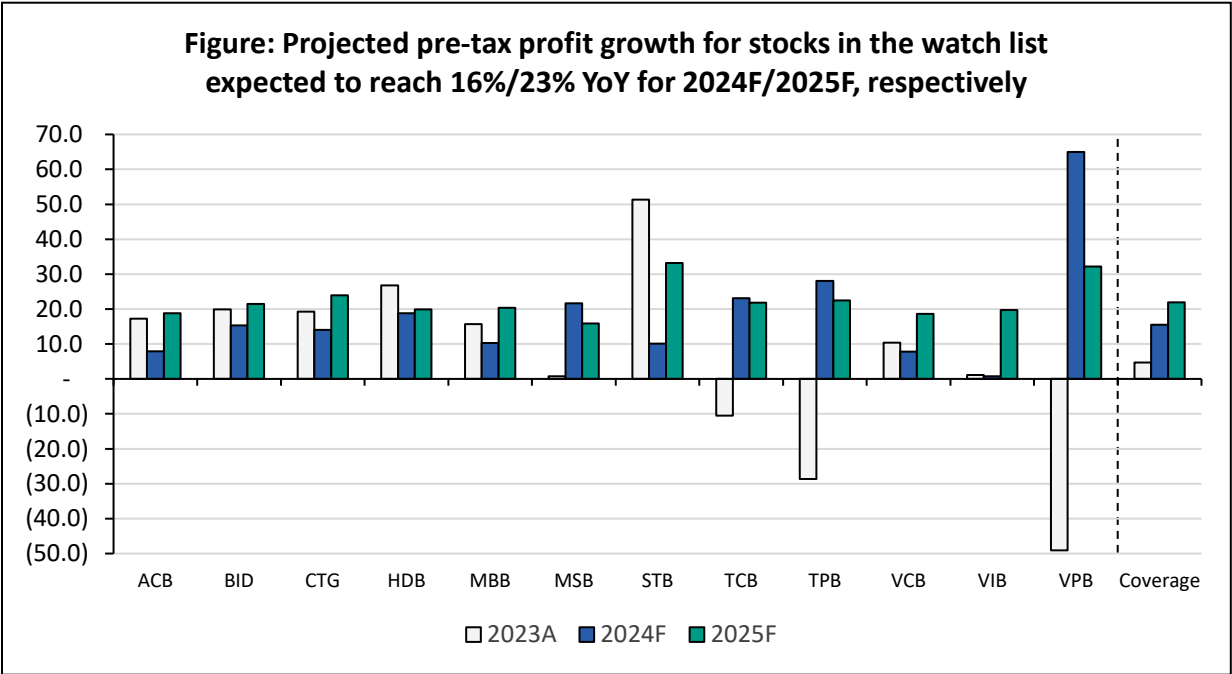
Updated forecast

Investment outlook

# BANKING – GROWTH RECOVERY TO REQUIRE EXTENDED TIME

## UPDATED OUTLOOK 2024F-2025F:

- In Q2/2024, banking sector's pre-tax earnings grew by +23% YoY and +6% QoQ, with most banks under BSC coverage meeting expectations, averaging 48% of their full-year profit forecasts in 1H24. Profit growth in 1H24 was largely driven by private banks, with TCB (+39% YoY) and VPB (+68% YoY) continuing their recovery from a low base, while HDB (+49% YoY) surpassed our projections.
- BSC downgrade our recommendation on the banking sector to **NEUTRAL** for 2H2024, due to (1) credit growth is expected to rely on declining NIMs as competition for lending rates intensifies, (2) non-interest income, particularly in highly cyclical segments, face limited growth potential in the second half, and (3) continued provisioning pressures as banks draw on reserve buffers to manage asset quality risks. As a result, we have slightly reduced our 2024F PBT growth forecast for our recommended portfolio from +18% to +16% YoY.
- Looking forward to 2025, BSC maintains a POSITIVE outlook, forecasting a +23% YoY growth in pre-tax profit for the coverage list, supported by (1) a more favorable domestic monetary policy that alleviates external pressures, thereby easing interest rate competition within the sector, and (2) improved repayment capacity among retail clients, driven by economic growth recovery, which will help reduce pressure on new non-performing loans and provisioning costs.



Source: BSC Research

Financial results  
updated

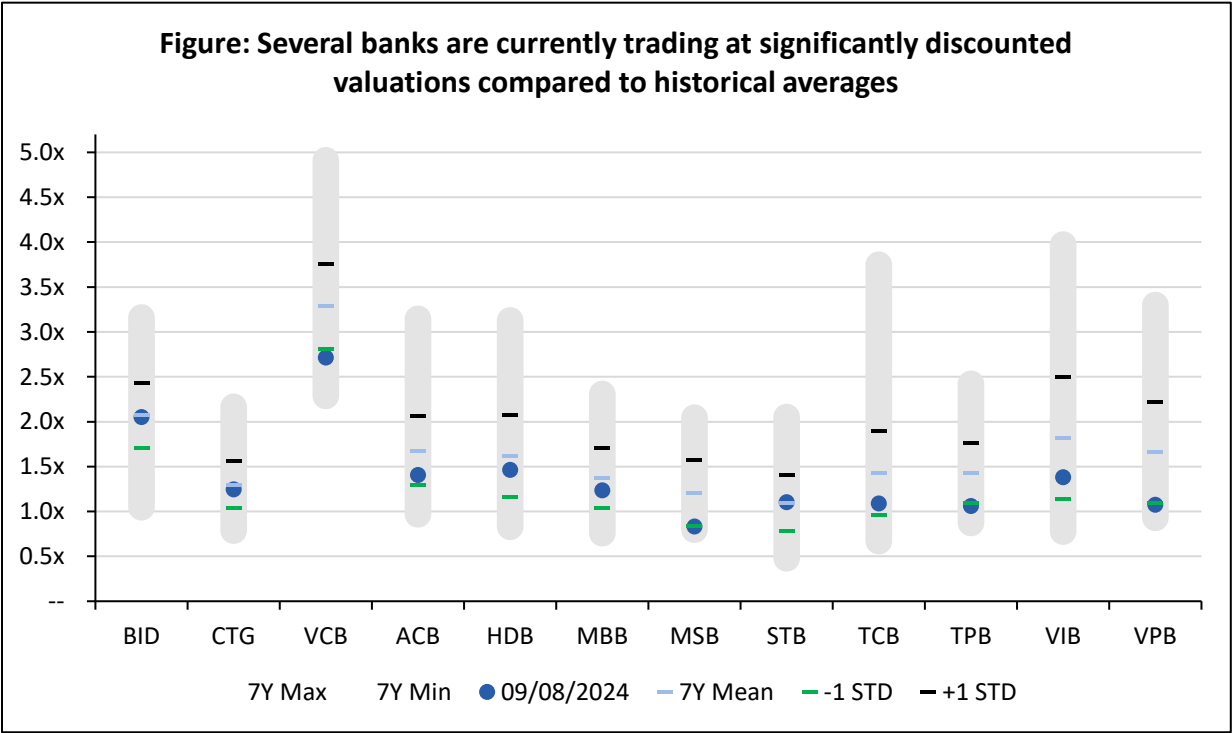
Updated forecast

Investment outlook

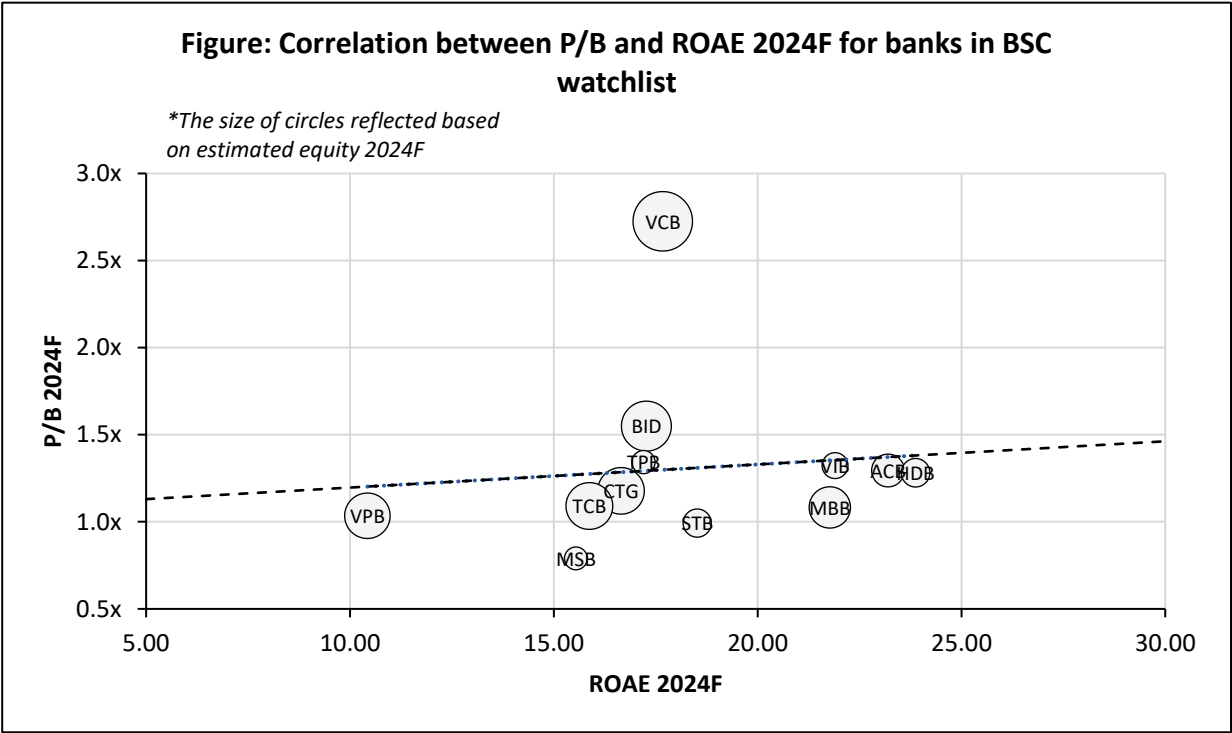
# BANKING – DISCOUNTED VALUATIONS OFFER A BUFFER FOR MEDIUM TO LONG-TERM OUTLOOK

## INVESTMENT OUTLOOK:

- Year-to-date, the bank stocks on BSC's coverage list have recorded an average increase of 14%, outperforming the index. However, in Q2/2024, these stocks experienced a decline of approximately 6%, with state-owned banks exhibiting sharper decreases than the overall average. BSC notes that the valuations of several banks, including BID, CTG, VCB, ACB, TCB, and VPB, have been discounted to attractive levels....
- BSC believes that the Q3/2023 low base may provide support for overall earnings growth in the banking sector during Q3/2024, potentially enhancing market sentiment. Nevertheless, we expect a greater degree of divergence in the financial performance of banks in 2H2024, which will likely lead to differences in stock performance.
- From a medium to long-term perspective, BSC remains committed to maintain bank stocks exposure in our portfolio, focusing on banks that (1) are positioned for superior earnings growth relative to peers in 2024-2025, which (2) exhibit favorable asset quality indicators, of which (3) valuations are not overly discounted and align with expectations for improving ROAE.



\*Length of grey column represents min-max of valuation range for the period of 2017-present



Source: BSC Research

Financial results  
updated

Updated forecast

Investment outlook

# RECOMMENDATION LIST

Group	Sector	Ticker	Net revnue 2024 (VND billion)	% YoY	NPAT 2024 (VND billion)	% YoY	EPS 2024	P/E FWD 2024	P/B FWD 2024	ROA 2024	ROE 2024	Price 15/08/2024	Target price 2024/2025	Upside (%)
Banking	Banks	BID	81,424	45%	24,796	15%	4,350	10.72	1.57	1.0%	17.3%	46,650	56,500	21%
	Banks	TCB	49,525	79%	22,157	23%	3,145	6.72	1.00	2.4%	15.9%	21,150	30,000	42%
	Banks	VPB	62,871	65%	14,375	44%	1,812	9.93	1.01	1.6%	10.4%	18,000	24,500	36%
	Banks	CTG	80,054	51%	22,704	14%	4,228	7.53	1.16	1.0%	16.6%	31,850	42,000	32%
	Banks	ACB	36,271	45%	18,229	14%	3,986	5.76	1.27	2.3%	23.2%	23,500	30,300	29%
	Banks	VCB	74,703	39%	35,609	8%	4,803	13.75	2.73	1.8%	17.7%	87,600	103,000	18%
Power- Fertilizer-Gas	O&G	PVS	22,999	19%	1,026	0%	2,147	17.98	1.51	3.6%	9.5%	38,600	50,900	32%
	O&G	PVD	7,558	30%	733	25%	1,124	20.02	0.96	3.7%	5.4%	26,400	33,200	26%
	O&G	BSR	127,395	-14%	4,823	-44%	1,556	14.72	1.05	8.0%	14.0%	22,900	27,030	18%
	Utilities	HDG	2,681	-7%	855	29%	2,541	10.33	1.08	6.8%	13.4%	26,250	32,900	25%
	Utilities	REE	8,900	4%	2,298	5%	5,608	13.84	1.18	7.7%	12.4%	67,500	72,200	7%
	Fertilizer	DCM	12,888	3%	1,621	46%	3,069	11.69	1.88	10.8%	16.1%	35,800	46,100	29%
	Fertilizer	DPM	14,094	4%	615	18%	1,550	22.92	1.18	4.2%	5.1%	36,000	42,000	17%
	Fertilizer	DDV	3,445	8%	142	106%	973	18.20	1.92	7.9%	10.5%	17,700	20,000	13%
	Rubber Tires	DRC	4,878	9%	305	24%	2,518	13.06	0.16	1.2%	8.4%	33,550	36,000	7%
Steel – Real Estate	Chemicals	DGC	11,085	14%	3,317	7%	8,735	12.19	12.19	21.5%	26.9%	106,500	135,000	27%
	Steel	HSG	36,369	15%	731	3081%	1,222	16.52	1.01	3.7%	6.3%	19,600	28,350	45%
	Steel	HPG	141,544	19%	12,300	80%	1,923	13.10	1.40	5.9%	10.7%	25,200	36,000	43%
	Construction	DPG	4,612	34%	236	16%	3,719	13.03	1.55	4.6%	12.2%	48,800	72,400	48%
	Construction	LCG	2,044	2%	123	19%	644	16.43	0.75	2.1%	4.6%	10,500	14,000	33%
	Construction	C4G	4,028	53%	212	63%	594	15.33	0.82	1.9%	5.3%	9,100	11,800	30%
	Construction	HHV	3,061	14%	414	28%	1,004	12.07	0.60	1.1%	4.5%	11,550	14,500	26%
	Industrial Real Estate	IJC	1,731	16%	496	26%	1,261	10.62	1.01	6.7%	9.5%	13,950	18,800	35%
	Industrial Real Estate	KBC	3,847	-32%	1,081	-47%	1,409	17.68	0.89	2.8%	5.0%	24,900	32,000	29%
	Commercial Real Estate	NLG	7,059	122%	724	50%	1,806	19.80	1.42	3.0%	6.4%	37,250	50,300	35%
Trade- Logistics - Retail	Commercial Real Estate	KDH	3,827	83%	874	22%	1,049	36.94	1.97	3.2%	5.3%	35,500	44,500	25%
	Textiles & Garments	TNG	7,932	12%	324	49%	2,874	10.29	1.49	5.5%	15.9%	27,200	30,500	12%
	Technology	ELC	1,239	26%	110	42%	1,334	16.81	1.44	5.0%	9.0%	22,200	29,400	32%
	Technology	CTR	12,611	12%	557	8%	4,867	24.56	5.26	7.0%	22.0%	119,600	130,000	9%
	Technology	FPT	63,880	21%	7,867	22%	5,755	23.89	5.48	12.0%	22.0%	128,700	146,000	13%
	Ports & Logistics	HAH	3,495	34%	395	3%	3,504	12.29	1.51	7.0%	12.0%	40,000	53,500	34%
	Marine Transportation	PVT	12,584	32%	1,225	26%	3,235	8.08	0.93	7.0%	14.0%	27,800	34,300	23%
	Retail	MSN	81,413	5%	1,827	366%	1,276	75.28	3.13	3.0%	9.0%	75,000	100,000	33%
	Retail	MWG	133,837	13%	4,221	2417%	2,883	22.82	3.50	7.0%	15.0%	65,900	82,400	25%
	Retail	PNJ	40,142	21%	2,154	9%	5,865	15.05	2.88	14.0%	19.0%	96,900	118,000	22%
	Retail	VNM	63,595	5%	9,716	9%	4,165	15.87	5.01	19.1%	28.8%	73,800	79,600	8%
	Automobiles	VEA	3,910	3%	6,368	3%	4,955	8.70	1.72	17.0%	17.6%	41,700	51,600	24%

# RECOMMENDATION FOR USE

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