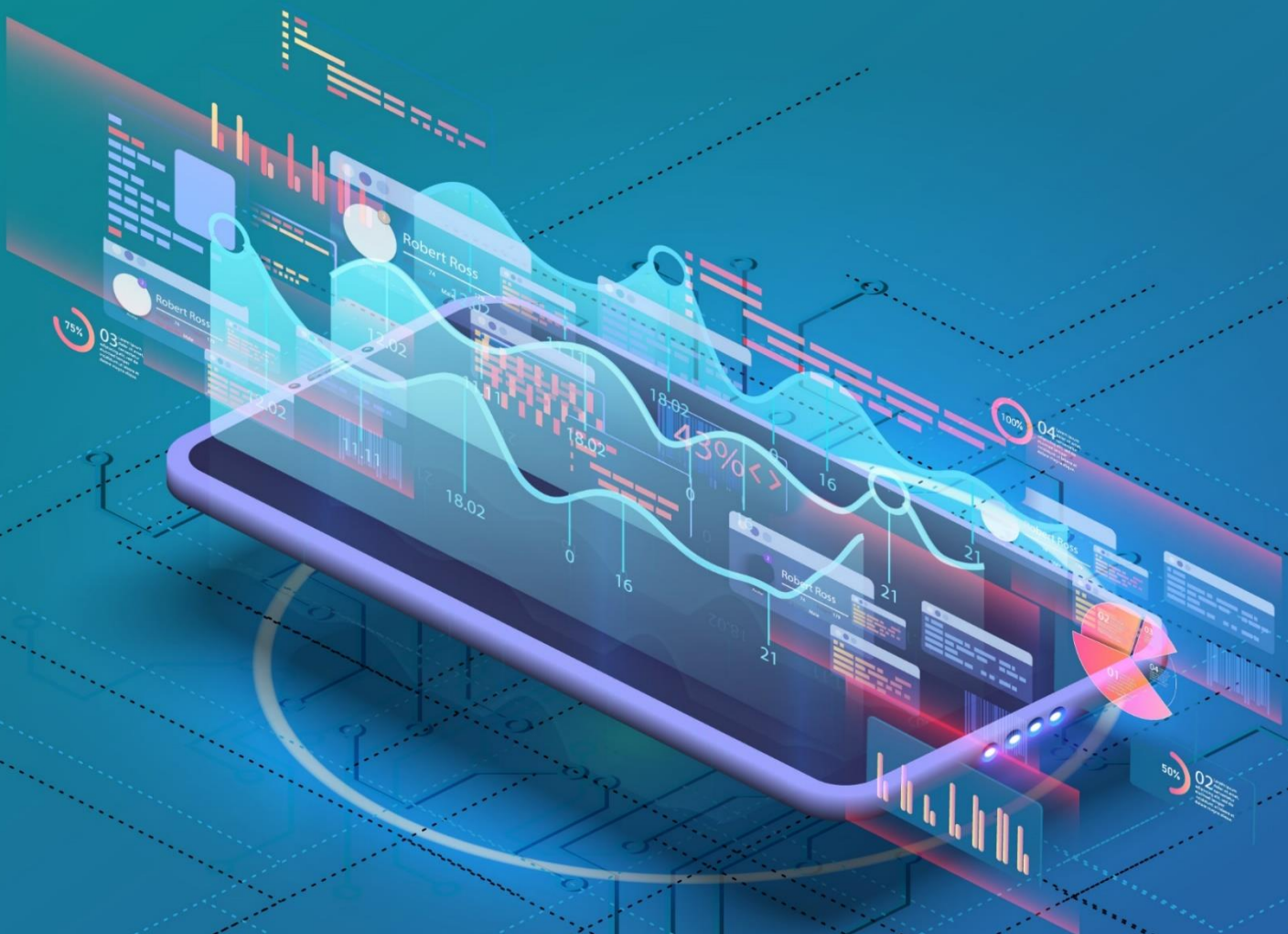




OUTLOOK

Q4/2022



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I. MARKET MOVEMENTS IN Q3/2022

1. Index movement: By the end of Q3.2022, VN-Index and HNX-Index decreased by 5.47% and 9.88% respectively compared to the end of Q2. After the negative decline in Q2 earlier, the index had positive recovery sessions that lasted from July to the beginning of September, but in the face of negative news and strong tightening moves from central banks around the world. The index continues to see deep declines. At the end of September, VN-Index and HNX-Index decreased by 11.59% and 14.27% respectively compared to the previous positive August.

2. Market movements: The market capitalization reaches 5.89 million billion (down 5.21% compared to 30/06/2022). The average transaction value reached 666 million USD/session in Q3 – down 21.45% compared to Q2/2022. Liquidity in Sep witnessed a sharp decline although there was an improvement in Aug as the market witnessed deep declines and negative sentiment overwhelmed previous bullish efforts, especially Sep recorded a trading session with VAT execution of less than VND 10 trillion on the HSX.

- In Q3 2022, HSX had 123 tickers increased, 275 tickers decreased. Top 5 tickers supporting VN-Index include: BCM (contribution 6.91 points), NVL (contributed 5.32 points), SAB (contributed 5.21 points), VNM (contributed 1.62 points), BID (contributed 1.44 points).

3. Tier 1 Sectors: The deep downward correction in the September period caused 10/11 tier 1 sectors to decline in Q3 and take away all positive developments in the previous period. The impressive rally from mid-July until the end of August was not enough motivation for sector groups to perform better in the rest of the quarter. In the downward trend of the whole market, the group: Telecommunications increased by 14.37% while Community Utilities and Consumer Goods was the 02 sectors with the least decline; Oil and Gas, Consumer Services and Materials were the 03 sectors with the most negative developments.

4. Regarding foreign transactions: Q3/2022 saw the group of state-owned investors return to net selling momentum after net buying in Q2, especially when the market adjusted deeply in September, foreign investors sold more than VND 3 trillion, so state-owned investors sold net in the last 08/12 months with a total accumulated value of VND 43,866 billion from the beginning of 2021. In the net buying trend, foreign investors focus on net buying in codes: VNM, PVD, KDC, in the opposite direction they focus on net selling codes: FUEVFN, NVL and VHM.

5. Some important macro factors:

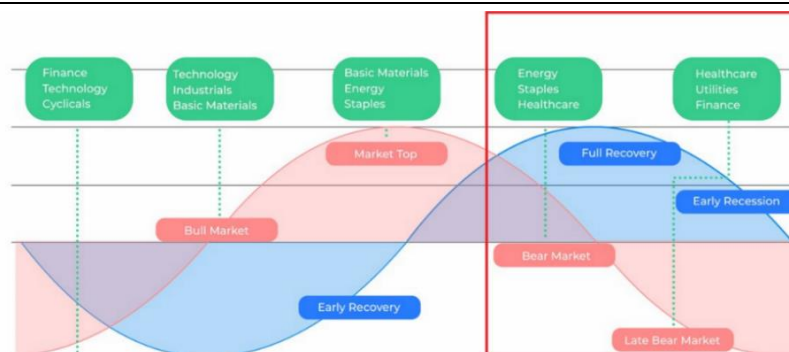
- **Domestic:** (1) GDP growth in Q3/2022 reached 13.67% YoY, mainly thanks to the low background of the same period last year – the peak period of the Covid-19 epidemic. Average GDP in the first 9 months increased by 8.83% YoY; (2) October CPI increased by 0.15% MoM and increased by 4.3% YoY. On average 10 months, CPI increased by 2.89% YoY; USD/VND exchange rate by the end of October increased by 9.17% YoY; FDI increased by 15.18% YoY, registered FDI decreased by 7.5% YoY, newly registered FDI increased sharply in October, causing the 10-month accumulation to narrow the decline compared to the same period last year; (3) SBV has made moves to stabilize the exchange rate: raising the operating interest rate 2 times in September and October, 1% each; flexibly pumping/sucking money through OMO channel, adjusting the exchange rate margin from $\pm 3\%$ to $\pm 5\%$;
- **World:** (1) Fed, ECB and other central banks around the world continue to tighten monetary policy with the goal of curbing inflation, potentially a global recession in the near future; (2) In China, the real estate market is frozen, the Covid-19 epidemic control situation continues to be complicated, directly affecting the global supply chain and the country's economic growth prospects and (3) The geopolitical conflict between Russia and Ukraine continues to develop unpredictably in addition to sanctions and retaliation with a degree of aggressiveness. between the West and Russia will keep the world in a state of instability, stifling the momentum of world economic growth.

II. MARKET OUTLOOK IN 2022 – "SAND FOR GOLD"

The stock market in Q3/2022 and the first half of Q4/2022 continued to record negative developments with a sharp decline from many "black swan" factors both at home and abroad. In the first 6 months of 2022, BSC has published strategic reports 2022, reports on [fisheries](#), [textiles](#), oil and gas, [macro update](#) reports, [oil price fluctuations in crisis](#), [public investment reports \(2nd\)](#) and weekly reports assessing the impacts from major events such as Fed interest rate hikes, [Russo-Ukrainian war](#), CPI (inflation), [Chinese real estate market – 3 red lines](#), [Vietnam and economic downturns](#), Q3/2022 fertilizer industry update report, [Q4/2022 Chemical industry outlook report](#). In the 10M2022, the Vietnamese market witnessed many "important events" such as the Fed's stronger interest rate pressure, the Russia-Ukraine war, fluctuating exchange rates, the "market purification" event investigating some leaders of some large corporations related to real estate and the bond market. , especially in which the risk factor of the world economic downturn covers the pessimistic sentiment of the world stock markets in general and Asia in particular.

In the context of uncertain risk factors, BSC believes that it is necessary to determine which cycle the world market and economy and Vietnam are in? Accumulated to the end of T9/2022, some industries recorded better performance than VNI-index (-24%) such as Utilities (-1. 0% YoY), Information Technology (-0.5% YoY), Telecommunications (+4% YoY), Non-Essential Consumer (-12% YoY), Healthcare (-1 7% YoY), Essential Consumer (-20% YoY), while some industries such as Banking (-24% YoY), Real Estate (-31% YoY), Chemicals (-24.3 % YoY), Industry (-34% YoY) and Energy (-35% YoY) recorded significantly sharper declines. **After the strong correction of the VN-Index in Q3/2022, Vietnam's stock market has partly reflected the general risks of the world and domestic stock markets.**

Figure: The change in the selection of sectors in economic cycles



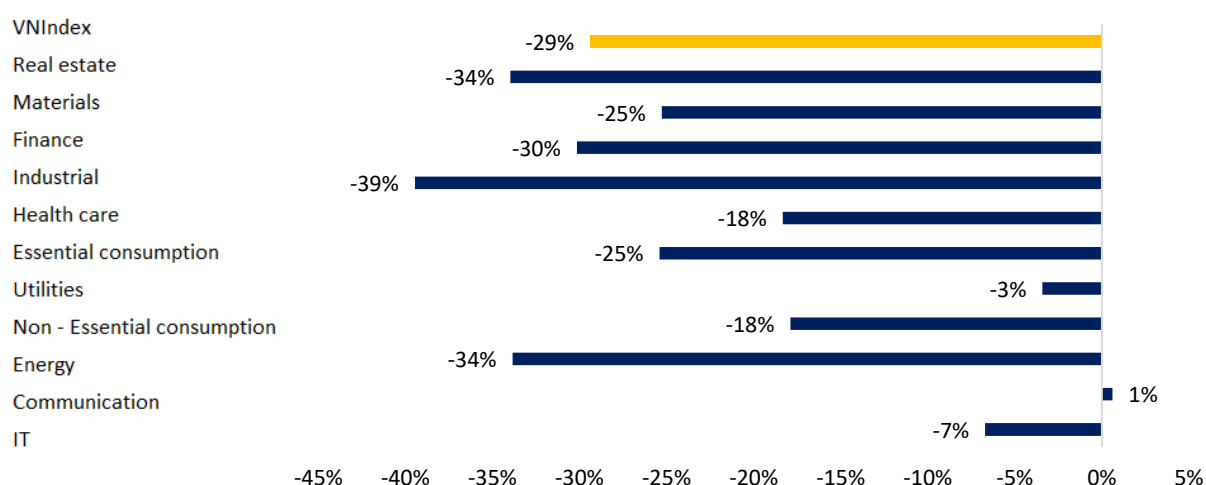
Source: BSC Research

Figure: Trading movements of industries from Q1/2017 – Q3/2022

Sectors	2017				2018				2019				2020				2021				2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Retail	107.1	128.6	142.6	176.0	155.3	152.5	163.2	150.6	143.2	158.0	205.4	185.0	102.7	140.2	172.2	205.0	235.4	266.3	337.5	369.7	411.7	379.4	341.1
Insurance	104.7	103.7	101.4	113.7	149.0	127.9	145.7	137.9	146.4	129.9	122.7	117.1	74.6	87.2	93.8	120.9	114.3	121.4	135.9	136.6	150.4	129.6	125.8
Real Estate	109.5	116.3	125.8	156.9	207.8	200.3	197.6	183.5	214.4	207.0	221.4	215.7	150.8	182.9	194.3	239.5	275.7	316.9	291.8	356.6	332.1	257.8	238.0
Technology	104.6	120.8	123.8	142.7	150.0	122.0	138.3	127.9	137.9	155.2	191.3	190.9	137.0	176.6	196.7	223.1	291.6	368.9	408.4	431.9	480.2	440.0	427.0
Oil & Gas	100.7	122.2	118.7	147.0	154.7	113.4	133.4	99.6	102.7	103.9	96.9	86.6	65.5	71.4	79.8	96.9	120.3	133.7	126.9	141.6	155.8	133.3	106.6
Financial Services	114.0	138.6	141.5	167.4	209.2	160.7	180.1	140.8	146.2	134.3	134.1	127.1	90.7	116.8	135.9	220.0	242.5	375.0	419.1	558.1	490.3	292.0	302.2
Utilities	94.1	102.5	115.6	149.7	183.9	143.6	175.6	147.7	164.2	165.4	175.8	162.7	115.4	137.6	146.6	174.4	179.8	183.7	203.0	216.5	226.9	222.5	217.3
Travel & Leisure	89.0	87.3	96.3	134.1	175.1	141.1	158.3	131.7	141.7	152.8	147.9	150.0	97.8	116.8	116.3	130.7	140.0	129.3	139.2	140.0	150.0	122.4	106.0
Industrial Goods & Services	106.7	111.6	130.4	176.9	175.2	157.3	158.6	161.4	170.4	177.5	166.2	160.7	111.2	135.8	153.3	182.1	177.5	195.9	219.2	231.8	252.9	207.6	199.1
Personal & Household Goods	95.0	104.4	103.3	109.5	131.6	105.9	119.7	108.9	118.6	119.0	116.3	116.2	82.9	97.3	102.6	126.9	164.8	172.1	177.8	200.2	215.6	189.9	165.7
Chemicals	104.7	117.0	116.7	112.2	105.3	100.0	103.6	114.8	125.1	125.1	130.4	109.8	92.1	120.4	142.5	251.8	252.6	306.2	346.7	390.5	412.1	311.7	278.2
Banks	110.5	125.2	123.2	165.7	232.1	172.7	188.2	161.2	178.9	169.3	192.6	204.4	148.7	186.9	210.6	261.4	293.0	384.7	334.2	371.8	380.1	299.8	286.8
Automobiles & Parts	103.9	111.2	94.3	107.5	107.3	98.8	112.1	93.4	106.7	99.6	111.5	131.2	65.3	106.4	119.4	125.1	142.4	142.1	144.6	199.7	185.4	128.1	127.7
Basic Resources	106.2	113.0	124.4	141.1	165.2	143.8	154.9	121.9	128.8	121.5	118.0	123.4	98.7	129.8	150.2	215.6	247.7	339.5	362.3	345.2	340.7	219.1	208.1
Food & Beverage	103.6	108.9	115.5	134.9	144.2	123.2	128.7	125.6	130.5	130.4	128.5	114.7	83.6	103.6	117.0	133.3	131.0	134.5	145.3	154.7	151.3	134.8	133.2
Media	124.8	110.1	123.1	121.9	108.5	107.3	104.1	115.4	138.9	129.1	126.4	120.8	94.1	125.8	116.7	105.9	148.0	140.0	147.3	213.7	218.2	130.7	109.9
Telecommunications	110.6	98.7	95.9	101.4	105.9	103.2	140.9	76.7	117.7	130.9	155.5	124.6	101.1	139.3	143.1	172.7	205.7	185.5	195.0	183.9	203.2	144.6	164.4
Construction & Materials	118.0	104.9	112.2	131.9	117.6	87.7	91.4	86.8	88.1	85.5	88.5	80.8	65.2	77.1	88.4	104.2	118.4	118.0	132.9	185.7	194.3	126.6	124.4
Health Care	121.7	157.2	141.8	155.2	145.8	133.2	135.0	120.8	135.9	127.7	124.2	124.4	106.8	123.0	136.7	148.1	154.3	164.2	175.6	189.9	190.0	158.1	153.6
VNIndex	107.5	115.5	119.7	146.5	174.8	143.0	151.4	132.8	145.9	141.4	148.3	143.0	98.6	122.8	134.7	164.3	177.3	209.6	199.7	223.0	223.0	178.4	168.5

Source: BSC Research

Figure: Growth performance of accumulated sector groups from the beginning of the year to 20/10/2022

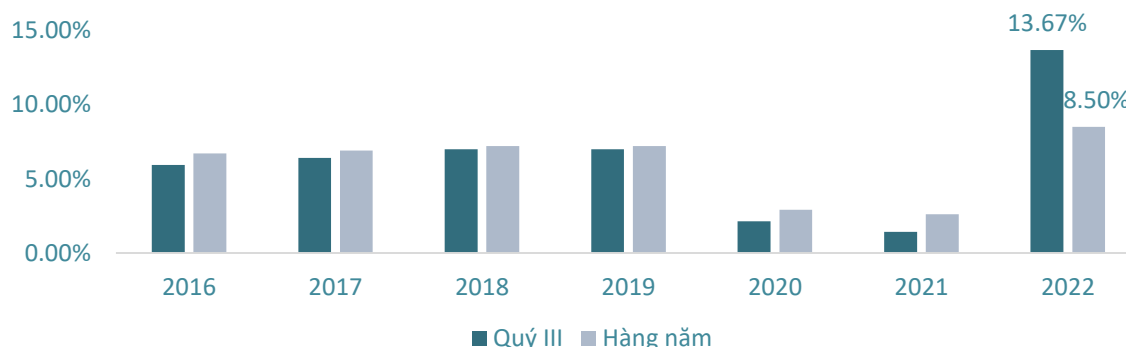


Source: FiinPro

As usual, BSC continues to give key updates on macro and stock markets in Q4/2022.

1. Vietnam's economic growth forecast remains positive, but inflation is showing signs of acceleration. GDP growth rate in Q3/2022 reached 13.7%, higher than the same period in 2021 and 2020 thanks to: (1) Low background in Q3/2021 due to the impact of the epidemic, (2) Production and business activities; (3) Trade agreements and (4) Recovery of domestic and international consumption. However, in the face of the risk of the global economy falling into recession, these factors may be limited. Investors can refer to more updates on the macro situation in the [macro report in October 2022: Vietnam's inflation is high, VN-Index maintains a downward momentum.](#)

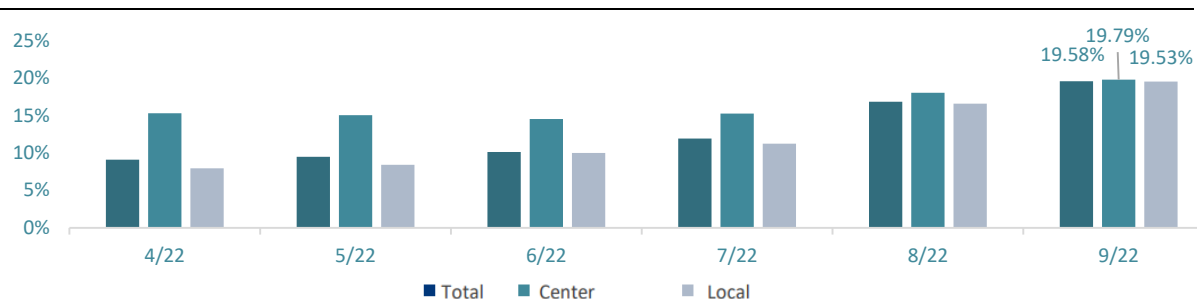
Figure: Q3/2022 GDP and estimated GDP 2022



Source: Bloomberg, BSC Research

2. The Government continues to promote the disbursement of public investment. By the end of October 2022, according to GSO's data, the total state budget disbursement capital is estimated at 46.4% of the plan, up 20.1% over the same period, but the increase is low due to the epidemic spreading in the southern region in Q3/2021. The main reason why the disbursement of public investment capital is slower than planned due to the addition of a new target assigned on October 12, 2022 from the capital of the socio-economic recovery and development program, equivalent to about 6.6% of the total plan assigned by the Prime Minister earlier. The government has also decided to further accelerate the disbursement of public investment in the remaining months of 2022 in order to try to fulfill the previously assigned target. Measures to promote such as **(1)** Terminating contracts with contractors who do not complete the contract, do not meet the quality of progress and **(2)** Transfer and cut capital sources of units that are slow to allocate to other units, etc.

Figure: Monthly disbursement rate of public investment over the same period (%)



Source: General Statistics Office, BSC Research

Figure: Total value of public investment plan (unit: Billion VND)

Total value of public investment plan (billion VND)	2016	2017	2018	2019	2020	2021	2022FC	2023FC		
	274,561	307,661	352,017	383,336	512,037	502,263	533,010	553,477		
% Implementation of the 12-month plan							KB1	KB2	KB1	KB2
Total	97.83	94.41	92.3	89.46	91.13	84.3	80	90	90.4	95
Center	95.33	91.13	89.94	85.29	91.42	81.2	80	90	89.4	95
Local		95.38	92.84	90.25	91.06	85.0	80	90	90.6	95
Growth (% YoY)										
Total	15.09	7.23	12.52	5.81	34.45	-8.60	0.7	13.2	4.3	9.6
Center	14.89	3.91	-6.14	-12.03	59.69	-8.25	12	26.3	3	10
Local	15.15	8.21	17.75	9.78	29.95	-8.68	-1.7	10.5	4.5	9.6

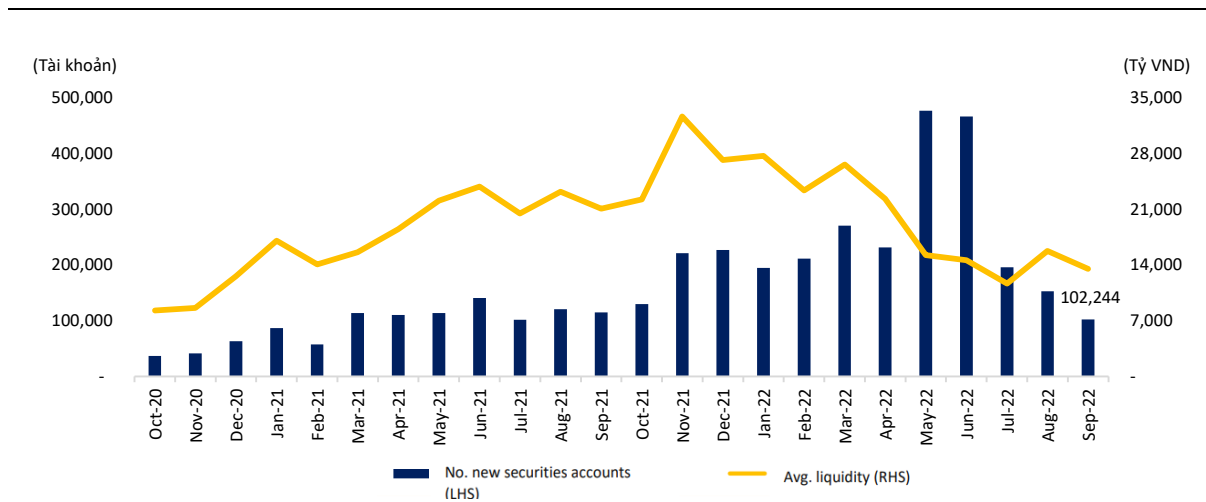
Source: BSC Research

3. The total number of accounts as of the end of Q3/2022 continues to record an increase, but the momentum has recorded a strong downward trend compared to the previous period, along with which market liquidity is also suspected of a decline. Accumulated by the end of Q 3/2022, the total number of new accounts reached nearly 2.3 million accounts. Accordingly, the number of securities accounts is estimated at 6.6% of the population assuming each individual owns an account. Although, the number of securities accounts recorded a record increase in 5-6 months, but in the context of a sharp decline in the stock market, the number of new accounts opened from July to September recorded a corresponding sharp decline.

The market continues to record a low level, equivalent to Q2/2022 on average about ~1 0,000-12,000 billion VND/session (compared to the peak of ~30,000 billion VND/session). This may be partly

influenced by the sharp market downturn, the "purge of the bond market", as well as the fact that investment opportunities are more difficult, the cash flow is mainly in the waiting stage. In the long term, the current liquidity level is still much higher than the period before the covid 2016-2019 epidemic, so we think that the stock market will still be an investment channel that attracts great attention of people in the long term.

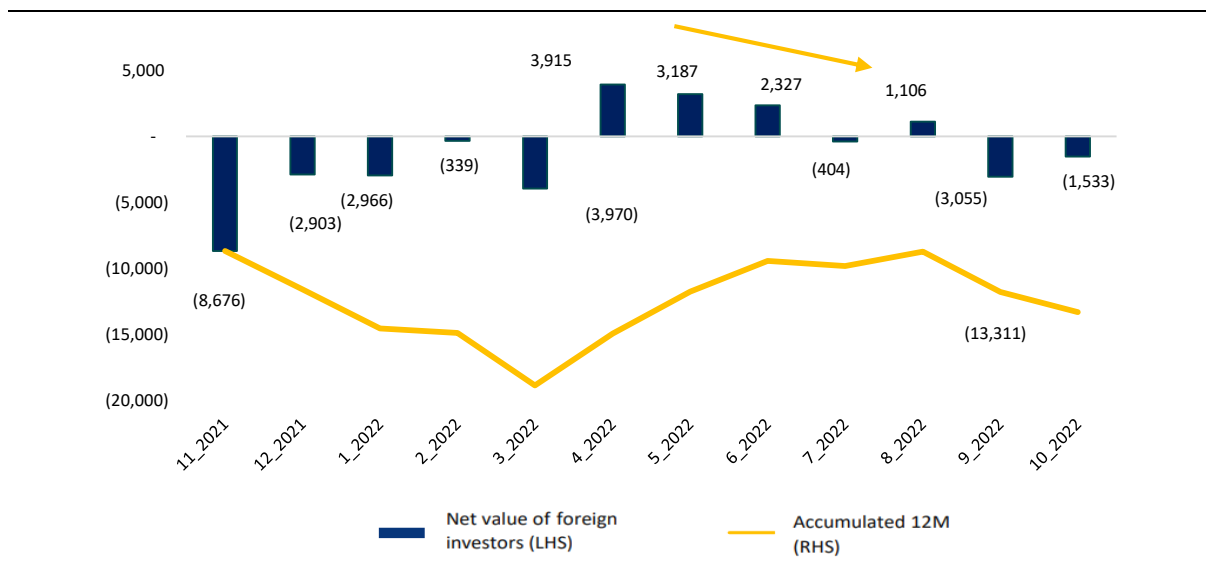
Figure: Number of new personal accounts opened



Source: VSD, BSC Research

4. Foreign capital inflows in Q3/2022 reversed compared to the "net buy" status in Q2/2022. In the context of the Fed continuing to increase the "hawkish" level in its interest rate management policy, this has more or less affected the state of foreign capital inflows in Q3/2022. In Q3/2022, foreign capital inflows recorded a net sale of VND 3,757 billion, bringing the total accumulated net sales from the beginning of the year of the whole market to VND 6,257.

Figure: Foreign net trading value



Source: FiinPro, BSC Research

5. Divestment and equitization activities have not yet had positive developments. Accumulated by the end of October 2022, corporations and corporations have divested capital in enterprises with a value of VND 526.5 billion (+37% compared to the end of Q2/2022), earning VND 2,180 billion (+54% compared to the end of Q2/2022), but the above completion level is still relatively low compared to

the set plan, in the second half of 2022, BSC believes that it will be unlikely to have a spike in the implementation of divestment in the context that the stock market is relatively unfavorable for capital sales. In addition, one of the core factors that make the divestment progress slow comes from the fact that many enterprises equitize and divest with large scale, wide scope of operation, multidisciplinary, multi-sectoral, many specialized assets, difficult to determine value, so the financial handling of assets, debts, determining the value of enterprises, the value of state capital and the preparation of dossiers and plans take a long time.

Figure: Divestment list of some notable listed companies (unit: Billion)

No.	Company Name	Ticker	Charter Capital	State capital	Proportion (%)
1	Binh Minh Plastic JSC	BMP	818	0.2	0.02%
2	Vietnam Fisheries Corporation – JSC*	SEA	1,250	792	63.4%
3	VN Electronics and Informatics Joint Stock Corporation	VEC	438	385	88%
4	Vinacontrol Group Joint Stock Company	VNC	105	31.5	30%
5	Bao Minh Corporation*	BMI	914	463	50.7%
6	Building Materials Corporation No. 1	FIC	1,270	509	40%
7	Quang Ninh Thermal Power Joint Stock Company	QTP	4,500	514	11%
8	Licogi Corporation	LIC	900	366	41%

Source: SCIC, BSC Research

6. Positive profit growth in Q3/2022 is a supporting factor for the market, but the growth rate tends to slow down. (Figure 1.1).

According to FiinPro statistics, the total NPAT of VN-Index enterprises in Q3/2022 increased by 12.2% over the same period, with a clear divergence of profit growth across industries. In terms of growth, the banking and real estate groups contributed mainly to the growth of the market, recording an increase of 53.4% and 37.9% over the same period, respectively. In the group of non-financial sectors, some industries such as Steel, Oil and Gas, Rubber recorded a sharp decrease due to the fluctuation of commodity prices. In addition, some export-related industry groups also recorded slowing growth. **Profit growth in 2022F remains high, however revised down from our previous forecast (Q3 2022 industry report).** In its Q3/2022 outlook strategy report, BSC has outlined the growth scenario of BSC's industry (estimated to account for ~70% of market capitalization). As of Q3/2022, the profit movement of all industries is relatively close to the BSC forecast, except for some industries with more negative developments than forecast such as Steel, F&B, Real Estate, Construction Materials.

Accordingly, BSC adjusted to reduce NPAT growth in 2022, BSC's stock portfolio tracked from 28% to 22.2% YoY due to the downward adjustment of expected profit in some industries such as Real Estate, Banking, Retail, Building Materials, Telecommunications, Textiles. The reason for the downward adjustment comes from (1) The high interest rate environment, (2) The decline in orders from the US and EU markets and (3) the quiet real estate market in Q3 and Q4/2022.

Accordingly, BSC assessed that in 2022, the profits of the industry and VN-Index still recorded strong growth, thereby partially supporting the valuation of the market to continue at an attractive level. **However, the sectors that adjusted sharply were mainly those related to cyclical factors. In the context that commodity prices are tending to adjust, strong profit growth in 2022 will create a high background for 2023, thereby creating pressure for maintaining profit growth in 2023.**

In addition, some headwinds such as (1) High interest rate environment, (2) Liquidity pressures related to the real estate bond market, (3) The possibility of recession of some major economies in the world (US, EU) as well as (4) China's Zero Covid policy will be other risk factors that can create pressure on profit growth as well as industry and stock valuations in 2023.

Figure: Industry after-tax profit growth (BSC stock list recommended and tracked)

Thời điểm dự báo: Q3/2022				Thời điểm dự báo: Q4/2022			
% Tăng trưởng LNST	2021	2022F	% Tỷ trọng vốn hóa ngành	% Tăng trưởng LNST	2021	2022F	% Tỷ trọng vốn hóa ngành
Công nghiệp	118%	159%	19%	Công nghiệp	118%	148%	19%
Thủy sản	20%	104%	91%	Thủy sản	20%	144%	91%
Dầu Khí	176%	78%	98%	Dầu Khí	176%	85%	98%
Cảng	197%	53%	37%	Cảng	197%	77%	37%
Tiền Ích	-1%	49%	69%	Tiền Ích	-1%	39%	69%
Bán lẻ	35%	30%	96%	Bán lẻ	35%	20%	96%
Ngân hàng	23%	41%	100%	Ngân hàng	23%	29%	100%
Bất động sản	34%	9%	77%	Bất động sản	34%	-13%	77%
Thực phẩm và đồ uống	40%	-14%	68%	Thực phẩm và đồ uống	40%	-33%	68%
VLXD	154%	-21%	79%	VLXD	154%	-52%	79%
Xây dựng	-153%	274%	20%	Xây dựng	-153%	243%	20%
Hàng không	-28%	150%	93%	Hàng không	-28%	161%	93%
Đệt may	72%	29%	41%	Đệt may	72%	4%	41%
Công nghệ thông tin	22%	27%	92%	Công nghệ thông tin	22%	55%	92%
Y tế Thông	2%	23%	100%	Y tế Thông	2%	17%	100%
Dược Phẩm	16%	12%	36%	Dược Phẩm	16%	12%	36%
Tổng tăng trưởng nhóm cp BSC theo dõi (%)	50%	28%		Tổng tăng trưởng nhóm cp BSC theo dõi (%)	50%	22%	

Source: BSC Research

Market valuations are already at very attractive levels. With the market continuing to record a sharp correction after the rally in Q3/2022, the market's trailing PE is trading at 10.7 times as of October 31, 2022, deep below -1.5 times the standard deviation (PE = 12.2 times), equivalent to the lowest time of VN-index in 2020. BSC forecasts after-tax profit growth BSC shares remain high at 22.2% YoY, equivalent to post-diluted EPS growth of about 16% (dilution rate for 2019-2021 is 5%).

BSC said that this will be a "great opportunity" for the long-term investment target of 2023-2024 in the condition that Vietnam's economy can withstand the pressure of raising interest rates of the Fed, inflation and continue to maintain growth. Compared to other countries in Vietnam's PE FWD region (8.9 times) still recorded attractiveness compared to the regional average (12.6 times).

Image: P/E ratio VNIndex

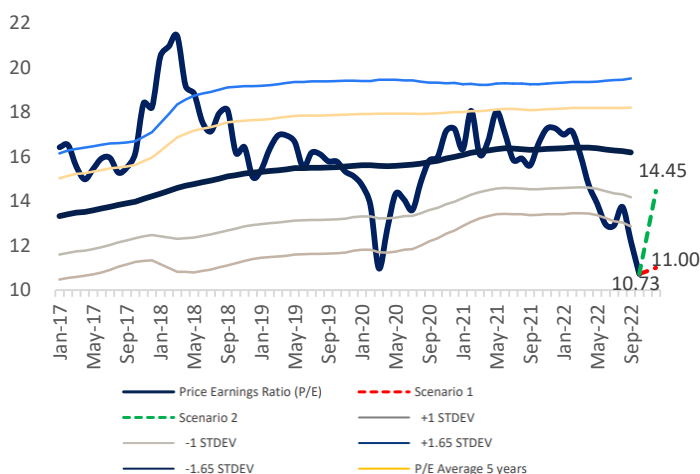
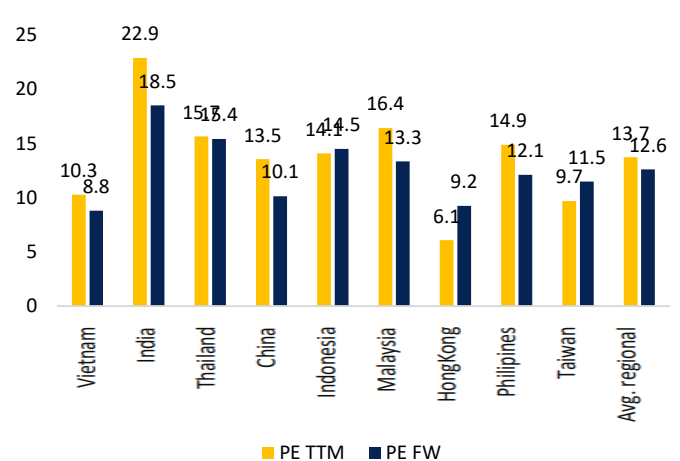


Figure: PE TTM and PE FW some markets

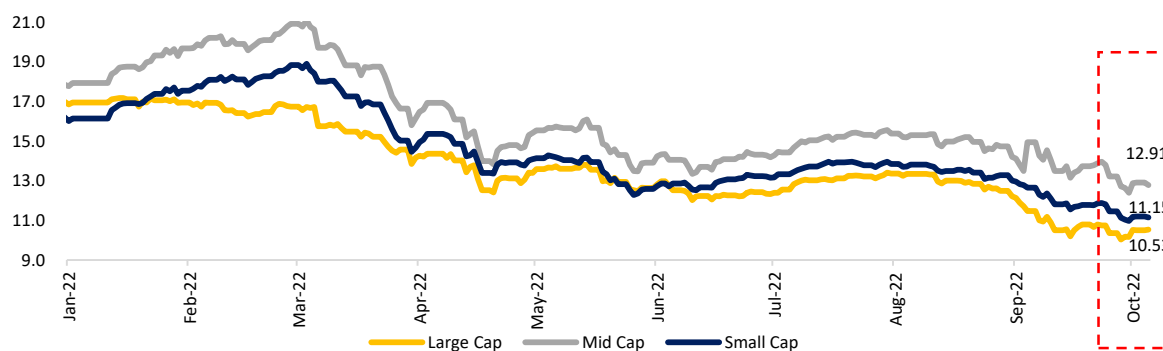


Source: FiinPro, BSC Research forecast

According to Bloomberg data and BSC calculations, BSC is divided into 3 large-cap groups (>15,000 billion), medium-cap group (3,000 billion to =<15,000 billion), small-cap group (<=3,000 billion). We can see that after the general correction period of the whole market in Q3/2022, the group of large-cap stocks is the group of stocks that are showing some positive signals after recording efforts to recover in price. In terms of valuation, the profit growth of the large-cap industry group in the second

half of 2022 continues to be expected to record double-digit positive levels in the context that the share price is also at a more attractive discount with PE at only 10.5 times, as of October 31, 2022. **Do then we expect large-cap stocks to be the focus for the market in the second half of 2022.** For small and medium-sized stocks, cooling commodity prices will be a "headwind" that makes the profit outlook less optimistic while the valuation of small and medium-cap industries is still higher than that of large-cap sectors.

Figure: PE for each industry group: Large cap, Mid-cap and Small Cap



Source: Bloomberg, BSC Research forecast

Banks, basic resources, real estate, building materials, seaports and utilities are industry groups with attractive valuations compared to the 5-year average. As mentioned above, these are industry groups that expect to record good earnings growth, accompanied by attractive valuations compared to the 5-year median. Although some industries still maintain a good profit growth rate in 2022 such as retail, seafood, textiles, and information technology, the above factor is partly reflected in the price, so this is a group with a valuation that is no longer very attractive compared to the group above. Therefore, BSC continues to expect the above group of stocks to have a good performance compared to the rest in the second half of 2022. At the heart of cash flow are well-grounded businesses that have their own stories with profitable growth and healthy balance sheets.

Figure: Pricing of industry groups

Industry	P/E trailing	5-year P/E median	2022 FW P/E (Expected P/E)	% Spread
Basic Resources	3.8	8.3	3.9	113%
* Real Estate (P/B)	1.7	2.7	1.4	93%
Industry	6.2	9.2	4.8	92%
Build	24.5	11.4	6.3	81%
Petroleum	9.3	17.1	10.5	63%
* Banking (P/B)	1.2	1.6	1.0	60%
Telecommunication	17.1	19.5	13.4	46%
Seaports	10.5	13.1	9.7	35%
What does it do?	11.3	11.5	8.5	35%
F&B	12.9	19.5	14.9	31%
Fisheries	8.6	8.3	7.4	12%
Retail	16.6	14.6	13.2	11%
Textile	6.6	6.2	5.8	7%
Technology	14.4	12.1	12.2	-1%
Aviation	-36.6	19.1	-87.4	-122%

*Change: Difference between expected P/E and 5-year P/E median. Source: Bloomberg, BSC Research

Figure: Comparison of industry P/E and P/B compared to region (Using average PP not in % of capitalization)

	Vietnam		Median		Indonesia		Malaysia		Philippines		Thailand	
	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B
Finance	9.06	0.98	12.83	0.81	14.2	0.8	13.31	1.07	11.01	0.76	12.36	0.77
Consumeables	7.62	1.07	12.36	1.13	10.6	1.1	11.55	1.98	13.18	0.86	14.84	1.17
Industry	9.36	0.82	13.25	0.98	13.3	1.0	20.39	0.91	12.26	1.21	13.25	0.98
Oil & Gas	14.20	1.30	8.13	0.83	8.1	0.8	33.96	3.69	6.99	0.21	8.13	0.83
Consumer Services	12.37	1.31	16.03	1.65	16.0	1.7	8.29	1.11	17.69	1.64	16.03	1.66
Materials	7.88	0.73	6.31	1.52	6.3	1.2	11.90	1.89	4.70	1.98	6.31	1.15
Utilities	9.13	1.88	9.63	1.02	7.9	1.0	12.85	0.81	11.33	0.99	7.93	1.05
IT	10.88	1.67	13.25	3.34	13.3	3.3	N/A	N/A	N/A	N/A	13.25	3.34
Health care	13.52	1.28	14.16	1.80	14.2	1.8	26.57	2.10	N/A	N/A	13.25	0.98
Telecommunication	15.72	4.16	18.52	2.57	16.6	1.8	20.47	3.34	20.47	3.34	16.57	1.80

Source: Bloomberg, BSC Research

III. ECONOMIC CYCLES AND SECTOR VALUATION ACCEPTANCE

In the first 10 months of 2022, macro uncertainties caused by the Covid-19 epidemic such as **(1)** disruption of the production chain due to China's Zero Covid campaign; **(2)** stagnant trade movements, rising prices of goods due to the Russo-Ukrainian war, and **(3)** Rising inflation in many countries are affecting the identification of the economic cycle that poses the risk of a world economic recession. Vietnam with high economic openness is also in the above spiral and more or less affects economic growth, but the internal strength of the economy is still maintained well through GDP still maintaining high growth. However, Vietnam's economy began to show external influences such as (1) inflation began to accelerate and (2) Import and export activities slowed down, (3) The VND exchange rate fell sharply in October, (3) the State Bank increased the operating interest rate. Vietnam's current economic indicators show that we are **in a period of deceleration**, typically because most of the signs such as inflation are starting to rise, long-term deposit rates are starting to rise again, the government is starting to tighten economic policies, stock prices fell after peaking, bond prices fell.


Figure: Economic cycles and signs


Economic cycle	Inflation	Policy economic	Market signs
Initial recovery (Initial Recovery)	Reducing inflation	Stimulate	Short-term interest rates are low or falling. Long-term interest rates hit the bottom and peak of bond prices The share price began to rise.
Pre-growth (Early Upswing)	Low inflation Good economic growth	Reduce Arousal	Short-term interest rates rise. Long-term interest rates bottom out or rise & bond prices start falling. Stock prices rose.
Post-growth (Late Upswing)	Rising inflation	Start tightening	Short-term and long-term interest rates rise, bond prices fall. Stock prices fluctuate around the top.
Deceleration (Slowdown)	Inflation continues to rise	Reduce tightening	Short- and long-term interest rates peaked and began to fall with bond prices rising again. The share price fell.
Economic downturn (1)	Inflation peaks	Loosen	Short- and long-term interest rates fell and bond prices continued to rise. Stock prices showed signs of rising again at the end of the Recession cycle.

Source: BSC Research

IV. POLICIES AND INFORMATION AFFECTING THE INDUSTRY IN 2022

Macro information at home and abroad, along with policies to amend and supplement new regulations, will have a mixed impact to many different levels on the stock market in general and businesses in particular. BSC has listed important policies and events worth noting in 2022:

Unaffected: 

In effect: 













Affected: 

Image: Important policies and events worth noting in 2022

No.	Policy and Macro Information Disclosure	Day effect	Influence	Impact	Status 21/11/2022
International Macro and Economic Policy					
Monetary policy					
1	Fed: tightening monetary policy, raising interest rates	26/01/2022	Negative	Very strong	
2	PBoC: China's economy slows, RMB falls; keeps operating interest rates low and offers real estate rescue packages.	Q2/2022	Negative	Very strong	
3	ECB: move to monetary tightening policy, aiming for 2%.	27/07/2022	Negative	Strong	
4	Prices of commodity materials create a peak	06/2022	Mixed	Strong	
Regional Macro Policy					
1	Zero-COVID policy	23/01/2020	Mixed	Strong	
2	OPEC meeting	05/10/2022	Mixed	Strong	
Domestic Macro and Economic Policy					
Law Amendment Policy					
1	Implementation of the economic stimulus package	02/2022	Positive	Strong	
2	Law on Public-Private Partnership (PPP) Investment	2021	Mixed	Strong	
3	Amendments to the Land Law	2023	Mixed	Strong	
4	Revised Securities Act	01/01/2021	Positive	Strong	
5	Promulgating Decree No. 65/2022/ND-CP amending and supplementing a number of articles of Decree No. 153/2020/ND-CP regulating the offering and trading of individual corporate bonds in the domestic market and offering corporate bonds to the international market	16/09/2022	Mixed	Strong	

No.	Policy and Macro Information Disclosure	Day effect	Influence	Impact	Status 21/11/2022
6	Decision 1435/QD-TTg 2022 Establishing the Prime Minister's Working Group on reviewing, urging and guiding the removal of difficulties and obstacles in the implementation of real estate projects for localities and enterprises	17/11/2022	Positive	Average	✗
7	Falling gas prices	01/07/2022	Mixed	Average	✓
Monetary policy					
1	Raising the operating rate	23/09/2022	Negative	Strong	✓
2	Liquidity regulation via OMO	21/06/2022	Mixed	Strong	✓
3	Easing the exchange rate range from $\pm 3\%$ to $\pm 5\%$	17/10/2022	Positive	Average	✓
4	The minimum capital adequacy ratio of banks is at 8%	01/01/2020	Mixed	Average	🔌
Securities Policy					
1	Depository certificate, non-voting depository certificate	2023-2024	Positive	Strong	✗
2	The scheme of grouping listed stocks, widening the margin	2023-2024	Mixed	Strong	✗
3	Listing and raising capital at commercial banks	2023-2024	Positive	Strong	✗
4	Raising public company conditions	2023-2024	Mixed	Average	✗
5	Research to revise some indicators of the VN30 index	2023	Positive	Strong	✓
6	Using the KRX stock trading system and gradually moving towards T+0 trading	2023-2024	Positive	Strong	✓
Free Trade Agreements					
1	EVFTA	01/08/2020	Positive	Strong	✓
2	UKVFTA	31/12/2020	Positive	Strong	✓
3	RCEP ASEAN	01/01/2022	Positive	Strong	✓
4	Vietnam – ETFTA and Vietnam – Israel Agreement	Are negotiate	Positive	Strong	✓

Source: General, BSC Research

V. INDUSTRY GROUP OUTLOOK Q4. 2022

Figure: Summary of industry group outlook Q4.2022

Attitude	Industry
Positive	<u>Bank</u>
	<u>Industrial park real estate</u>
	<u>Information Technology</u>
	<u>Petroleum</u>
	<u>Air service</u>
	<u>Fisheries</u>
	<u>Consumer – Retail</u>
	<u>Breed</u>
	<u>Automobile</u>
	<u>Tire tubes</u>
Neutral	<u>Non-life insurance</u>
	<u>Seaports</u>
	<u>Textile</u>
	<u>Electricity</u>
	<u>Food</u>
	<u>Fertilizers- Chemicals</u>
	<u>Shipping</u>
Less positive	<u>Commercial Real Estate</u>
	<u>Steel</u>
	<u>Build</u>
	<u>Cement</u>

Industry	Attitude	Notes	Stock
<u>Bank</u>	Positive	<ul style="list-style-type: none"> • Credit growth by the end of T10/2022 reached 11.5% compared to the beginning of the year • The proportion of corporate bonds held in enterprises is divided between enterprises, and only focuses on 4 joint stock commercial banks. • Banks with large CASA deposits will help reduce pressure amid the trend of rising deposit costs in the second half of 2022. • BSC forecasts NIM banking system to remain at 3.7% in 2022. • Currently, the banking industry is being valued at 1.0x P/B FW 2022 by the end of October 31, 2022, this is a relatively deep discount compared to the historical period, while the financial health of banks is still relatively good, so it deserves a higher valuation than at the present time. BSC maintains a positive outlook on the prospects of the banking industry • However, some headwinds may affect the banking industry in 2023 such as (1) The world economic recession, (2) The trend of increasing the ratio of credit costs and reducing the rate of appropriation will somewhat limit the prospects for valuation of the banking industry in Q4/2022 and 2023. 	
<u>Industrial park real estate</u>	Positive	<ul style="list-style-type: none"> • Vietnam is still a potential and attractive destination for manufacturers around the world in the context that FDI activities on an international scale have not recovered; • The legal environment is gradually clear and complete, which is expected to shorten administrative procedures and develop sustainably thanks to the coordination between ministries/departments and provincial People's Committees. • Industrial center focused on the southern region with the trend of expanding in Ho Chi Minh City satellite province / city • BSC maintains POSITIVE view on the industrial real estate industry. 	BCM, KBC, LHG, NTC, GVR, IDC, SZC
<u>Information Technology</u>	Positive	<ul style="list-style-type: none"> • Accumulated in the first 9 months of 2022, telecommunications revenue is estimated at VND 248.5 trillion, up 7.1% over the same period last year. • In 2023, BSC believes that the outlook for the Technology and Telecommunications industry is positive due to (i) the continued trend of Digital Transformation and Investment in Smart Transportation by the Government (ii) 5G networks to promote the business of enterprises in the telecommunications industry. • We continue to maintain POSITIVE view on the Information Technology – Post and Telecommunications industry in 2023. 	CTR, ELC
<u>Breed</u>	Positive	<ul style="list-style-type: none"> • Domestic hog prices have increased since the beginning of July due to supply problems and the influence of the "domino" effect from hog prices in the Chinese market; • KQKD of the livestock industry group expects to recover due to the low background of 1H/2022; • BSC recommends POSITIVE for the livestock industry in 2023. 	DBC

<p><u>Oil&Gas</u></p>	<p>Positive</p>	<ul style="list-style-type: none"> Oil prices fluctuated sharply, and returned around the \$90/barrel mark. Demand for petroleum remains stable, while supply in the short term is tight due to OPEC production cuts. The decline in output from Vietnam's long-standing oil and gas fields will prompt new projects to be implemented soon. The LNG trend continues to be accelerated in the long term. BSC holds a positive view on the oil and gas industry group, and recommends BUY with GAS, BSR, PVD stocks. 	<p>GAS, PVD, BSR, PVS, PLC</p>
<p><u>Aviation</u></p>	<p>Positive</p>	<ul style="list-style-type: none"> By the end of 9M.2022, domestic passenger volume through ACV port = 68 million (+59.5% yoy), equivalent to 120% compared to 2019, ≈ thanks to (1) travel demand has recovered after the epidemic has been well controlled, (2) eastern airlines opened new routes By the end of 9M.2022, the number of international passengers passing through ACV port = 7.0 million (+1,930% yoy), equivalent to 20% compared to 2019≈ thanks to the well-controlled epidemic, Vietnam and neighboring countries are gradually reopening flight routes. BSC has a positive rating for the Air Services group in Q4 2022 and 2023 due to positive recovery in travel demand. 	<p>SCS, ACV</p>
<p><u>Fisheries</u></p>	<p>Positive</p>	<ul style="list-style-type: none"> Accumulated in the first 9 months of 2022, the country's seafood export turnover is estimated at 8.5 billion USD, up 38% over the same period last year: shrimp +23% YoY, pangasius +82% YoY Business prospects in 2023: For the shrimp industry: The fact that the main consumption markets (US, EU) are expected to face many difficulties in the economy will negatively affect the demand for Vietnamese shrimp. For the pangasius industry: BSC expects that China's opening will lead to an increase in demand for pangasius after a long period of repression, helping the whole pangasius industry grow. BSC maintains a positive view of the Fisheries sector in 2023. 	<p>VHC, ANV</p>
<p><u>Consumer – Retail</u></p>	<p>Positive</p>	<ul style="list-style-type: none"> The retail industry in 9M/2022 continues to grow on the low level of 2021 In 2023, there is a reverse divergence between the two groups of retail and consumer industries: The retail group faces a high background of 2022 while the consumer group is growing on a low background. BSC maintains POSITIVE for retail consumer sector in 2023 	<p>MWG, PNJ, DGW, VNM</p>
<p><u>Automobile</u></p>	<p>Positive</p>	<ul style="list-style-type: none"> In the first 9 months of 2022, VAMA members' automobile consumption reached 264,951 units, up 56% over the same period. BSC maintains a positive outlook on the Automotive sector in Q4 2022 and 2023 due to: (1) improved component supply; (2) expect demand for car ownership to continue to grow thanks to low car ownership rates and improved average income. 	<p>VEA</p>

<p><u>Tire tubes</u></p>	<p>Positive</p>	<ul style="list-style-type: none"> • Business results in Q3/2022 of tire enterprises are positive thanks to: (1) domestic demand recovers and exports continue to grow; (2) the comparative background level is low over the same period. • We believe that in Q4 and 2023, the tire business will maintain its growth momentum thanks to: (1) revenue growth driven by domestic demand and major export markets continue to recover and (2) <i>operational</i> efficiency is improved by cutting material and logistics costs. • BSC maintained positive view on the Tire industry in Q4 2022 and 2023. 	<p>DRC</p>
<p><u>Non-life insurance</u></p>	<p>Neutral</p>	<ul style="list-style-type: none"> • Principal premium revenue growth remained at 2 digits, but rising insurance business costs caused profits from insurance business to decline in many businesses; • Financial revenue is forecast to increase in 2023 thanks to the rising interest rate; • BSC holds NEUTRAL view towards the insurance industry group in Q4.2022. 	<p>BMI, PVI, MIG</p>
<p><u>Seaports</u></p>	<p>Neutral</p>	<ul style="list-style-type: none"> • By the end of 9M.2022, container volume through Vietnamese seaports increased by + 7% yoy. In 2023, BSC believes that container production will still grow slowly due to the slowing global economy. • Competition will return in 2023 as Hai Phong ports still have 20-25% capacity surplus. • BSC lowered its recommendation from POSITIVE to NEUTRAL for the Seaport group in Q4 2022, and 2023 due to concerns about slowing import and export activities. 	<p>GMD</p>
<p><u>Textile</u></p>	<p>Neutral</p>	<ul style="list-style-type: none"> • In Q3 2022, textile and garment exports reached a turnover of 10.4 billion USD (+29% YoY and 28% QoQ). Fiber exports continued to record a sharp decline with turnover reaching 1 billion USD (-31% YoY, -25% QoQ) due to a 31% decline in output over the same period. • Textile industry outlook for 2023: BSC believes that in Q4 2022 and 2023, textile enterprises continue to face many challenges: garment enterprises face many difficulties in signing orders as customers continue to handle high inventories in the context of a difficult economy. • We hold NEUTRAL view on the Textile industry in 2023 	<p>MSH, TNG</p>
<p><u>Electricity</u></p>	<p>Neutral</p>	<ul style="list-style-type: none"> • Commercial power output 9M2022 grew by +6.3% YoY. • The El Niño cycle is expected to return soon as a positive signal for thermal power plants. • The new circular will revise the power generation prices of some wind and solar power plants. • We maintain a NEUTRAL view of the Electricity sector 	<p>HND, QTP, POW, NT2, REE</p>
<p><u>Food</u></p>	<p>Neutral</p>	<ul style="list-style-type: none"> • The signal of rice exports prospered in the Chinese market at the end of Q3/2022, due to abnormal weather developments and the fact that India restricted the export of many rice products. • Although the rice export industry has appeared many positive signals in 2023, the business results of enterprises still face 	<p>LTG</p>

		<p>growth challenges due to (1) low competitiveness and (2) pressure from high input costs.</p> <ul style="list-style-type: none"> BSC makes NEUTRAL recommendations for rice exports in 2023. 	
<u>Fertilizer-Chemical</u>	Neutral	<ul style="list-style-type: none"> Q3 2022 business results of gas protein producers are positive thanks to: (1) Ure consumption increased by 20% over the same period and (2) the average selling price of Ure increased by 32% over the same period. The business outlook for <u>Q4 2022</u> is expected to remain positive thanks to: (1) output and selling prices continue to recover and (2) input gas prices decrease according to the downward trend of world oil prices. In 2023: BSC expects Ure prices to adjust downwards and put pressure on growth due to the high background in 2022. BSC maintained a POSITIVE view of the Fertilizer industry in Q4 2022 and considered NEUTRAL view in 2023. 	DPM, DCM
	Positive	<ul style="list-style-type: none"> BSC maintains a positive view for Q4.2022 thanks to the high selling price level over the same period although business results may decrease compared to the first 6 months of the year. BSC considers lowering its stance to Neutral for the Chemical industry in 2023 due to the high selling price of 2022. In the context that chemical prices do not have a clear motivation to overcome the peak price zone of 2022, the growth momentum will come from (i) cutting production costs (vertical development) or (ii) expanding investment in traditional and new products (horizontal development) 	DGC, CSV
<u>Shipping</u>	Neutral	<ul style="list-style-type: none"> By the end of 9M.2022, the global spot container freight rate decreased by 62% Ytd. Fixed rental rates have also fallen sharply since the end of Aug 2022, after moving sideways for 1H. The reason for the decrease in freight rates comes from (1) the global economy slowing, (2) the bottleneck in ship supply has improved. Oil freight rates are still high. In particular, long routes to/from Europe increased by 70-100% ytd due to i) disruption of oil supply chains in Europe, ii) low ship supply. In Q4.2022 and 2023, BSC held a NEUTRAL view due to the divergence in freight rate outlook. 	HAH, PVT
<u>Commercial Real Estate</u>	Less positive	<ul style="list-style-type: none"> Real demand remains unmet due to the shortage of mid-end products. The high-end segment continues to dominate the Ho Chi Minh City and Hanoi markets in the context of limited supply. The average selling price continues to increase due to many new projects in the high-end segment, but the absorption rate decreased sharply compared to the previous quarter Corporate bonds continue to be a hot story in the coming time, strongly impacting the real estate market in Vietnam 	VHM, DXG, KDH, NLG, VRE, NVL

		<ul style="list-style-type: none"> • Cash flow pressure is quite large in the context of tightly controlled credit to the real estate industry, rising interest rates and most of the value of bonds maturing in 2023. • The size of bond maturity in 2023 of the whole real estate industry is 80% higher than 2022 and of listed enterprises is more than double that of 2022. • BSC downgraded its view from NEUTRAL to LESS positive for the Commercial Real Estate industry in the medium term. 	
<u>Steel</u>	Less positive	<ul style="list-style-type: none"> • Q4/2022 consumption volume is forecasted to improve compared to Q3/2022 due to seasonality, but still less positive due to the difficulties of the domestic real estate industry and weak export demand. • The gross profit margin of steel enterprises is forecasted to improve slightly in Q4/2022, the price of raw materials has fallen sharply. • BSC lowers its recommendation from NEUTRAL to LESS POSITIVE for the Steel industry in Q4/2022 	HPG, NKG, HSG
<u>Build</u>	Less positive	<ul style="list-style-type: none"> • The civil construction industry is recovering from a low level, but expectations for a new growth cycle face many challenges because the real estate industry cycle along with high interest rates, provisioning for difficult receivables negatively affects the profitability and operating cash flow of enterprises; • Construction activities continue to be delayed, the backlog value will not be reflected in the KQKD when investors are facing difficulties in terms of capital and project implementation plans. • Opportunities in 2023 come from the Infrastructure Construction industry • BSC lowered its recommendation from NEUTRAL to LESS positive for the construction sector in Q4 2022. 	CTD, CII
<u>Cement</u>	Less positive	<ul style="list-style-type: none"> • Domestic demand recovered to pre-epidemic levels, but export activity was less positive. • Gross profit margin decreased due to rising selling prices but was still not enough to offset the rise in raw material prices, especially coal prices. • BSC lowered its recommendation from NEUTRAL to LESS positive for the Cement industry in Q4 2022. 	HT1, BCC

VI. SUMMARY OF RECOMMENDED STOCKS 2022

Figure: Summary of recommended stocks 2022

Ticker	Net Rev 2022 (billion VND)	%YoY	NPAT 2022 (billion VND)	%YoY	EPS 2022 (VND/share)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
BCM	8,447	21%	2,597	85%	2,306	32.5	4.1	5%	14%	74,900	94,200	26%
KBC	4,816	13%	3639	365%	6321	2.8	0.5	11%	19%	17,700	19,200	8%
LHG	728	-7%	315	6%	5,805	3.3	0.6	11%	19%	19,300	23,600	22%
NTC	483	78%	449	53%	18134	6.1	2.9	10%	49%	110,797	N/A	N/A
IDC	7,615	77%	2,221	389%	6,663	4.8	1.4	16%	37%	32,000	43,400	36%
FPT	44,068	24%	6771	56%	4768	15.1	3.6	17%	26%	72,000	84,600	18%
CTR	8,578	15%	462	23%	4,875	9.2	2.6	11%	30%	45,000	51,200	14%
ELC	1,106	68%	48	0%	970	8.5	0.5	4%	7%	8,200	7,700	-6%
DBC	12,825	19%	425	-49%	2,176	5.8	0.5	4%	8%	12,600	15,600	24%
GAS	105,313	33%	14546	68%	4028	26.0	3.4	16%	23%	104,800	142,400	36%
PVD	5,568	39%	-102	-622%	-131	(103.1)	0.5	-1%	-1%	13,500	19,700	46%
PVS	16,528	16%	670	11%	2044	9.5	0.7	4%	7%	19,400	26,000	34%
PLC	8,087	18%	142	-19%	1,757	10.0	1.0	3%	10%	17,500	17,400	-1%
BSR	148,689	47%	14062	109%	4490	2.9	0.7	18%	27%	13,215	18,700	42%
SCS	927	10%	643	14%	6,619	10.7	4.6	39%	43%	70,900	76,000	7%
ACV	14,597	207%	7297	824%	3352	24.4	4.0	12%	16%	81,910	90,000	10%
VHC	12,378	37%	2,200	100%	11,900	5.0	1.5	27%	34%	59,800	87,200	46%
ANV	6,858	96%	798	520%	4900	4.0	0.8	21%	26%	19,550	21,300	9%
MSN	77,088	-13%	3,830	-55%	2,689	35.0	8.2	4%	14%	94,000	90,100	-4%
MWG	140,086	14%	4512	-8%	3040	12.4	2.2	7%	19%	37,800	43,700	16%
PNJ	34,067	74%	1,793	74%	6,910	15.4	3.2	15%	24%	106,200	118,900	12%
FRT	30,991	38%	513	16%	3641	16.2	4.3	5%	28%	59,000	65,500	11%

VEA	4,275	6%	6,779	18%	5,050	7.5	1.9	25%	25%	38,097	45,000	18%
DRC	5,202	19%	322	11%	2,656	7.2	1.1	17%	10%	19,000	25,000	32%
BMI	4,145	9%	244	-4%	2,228	9.0	0.9	3%	9%	20,000	22,300	12%
PVI	5,470	15%	938	13%	3821	10.7	1.1	3%	11%	40,900	44,500	9%
MIG	3,460	30%	146	-35%	885	16.2	1.1	2%	8%	14,300	16,000	12%
GMD	3,755	17%	952	56%	3161	14.6	1.4	7%	10%	46,000	53,500	16%
MSH	5,952	25%	361	-18%	6,200	6.1	1.2	13%	26%	37,600	39,000	4%
TNG	6,375	17%	320	38%	3100	4.3	0.7	7%	20%	13,400	13,600	1%
HND	10,553	17%	780	71%	1,562	7.9	0.9	10%	12%	12,399	15,700	27%
QTP	10,250	20%	881	52%	1765	6.9	0.8	10%	13%	12,096	16,000	32%
POW	26,651	9%	1,911	6%	827	13.1	0.8	4%	7%	10,850	13,000	20%
NT2	8,619	40%	877	64%	3047	8.3	1.7	12%	20%	25,250	28,000	11%
REE	8,503	46%	3,101	67%	8,423	8.4	1.3	10%	19%	70,400	86,000	22%
LTG	11,848	16%	343	-18%	3445	6.4	0.8	11%	4%	21,970	20,000	-9%
VNM	60,601	-1%	8,786	-17%	3,743	22.0	4.5	17%	25%	82,200	85,900	5%
DPM	19,700	54%	5,671	82%	14,637	2.6	1.1	23%	18%	37,600	48,000	28%
DCM	15,730	59%	3,876	113%	5,860	4.5	1.5	28%	36%	26,100	34,000	30%
DGC	14,954	57%	6340	165%	16900	3.0	1.6	21%	26%	50,400	73,700	46%
.CSV	2,091	33%	475	127%	9,200	3.1	1.0	17%	21%	28,600	30,000	5%
HAH	3,116	59%	921	107%	13477	2.2	0.8	19%	30%	29,800	33,000	11%
PVT	8,780	18%	1,113	69%	2,817	6.5	0.7	8%	14%	18,300	24,300	33%
VRE	6,740	14%	2542	93%	1091	25.1	1.9	6%	8%	27,400	31,800	16%
HPG	142,594	-5%	10,288	-70%	1,769	8.6	0.9	6%	11%	15,300	16,000	5%
HSG	50,856	-10%	1,033	-76%	3,177	3.1		4%	9%	9,860	9,000	-9%
CTD	12,299	35%	88	267%	1115	27.4	0.3	1%	1%	30,500	N/A	N/A
CII	2,734	-4%	969	-392%	3,662	3.5	0.4	3%	12%	12,750	N/A	N/A
HT1	8,852	25%	298	-19%	782	11.3	0.7	3%	6%	8,810	10,000	14%

Source: BSC Research

VII. THE INFLUENCE OF MACRO FACTORS ON INDUSTRY GROUPS

Figure: Influence of macro factors on industry groups

	Public investment policy	Russia-Ukraine tensions/ (Oil prices rise)	Fed Raises Interest Rates	EU economic slowdown	Domestic interest rates rise	Zero Covid policy from China	CPTPP Agreement	Các Hiệp định FTAs
Shipping		(-)		(-)		(-)	(+)	(+)
Real Estate	(+)		(-)		(-)			
Build	(+)		(-)		(-)			
Cement	(+)				(-)	(-)		
Textile		(-)		(-)	(+)		(+)	(+)
Electricity	(+)	(-)			(-)			
Medicine				(+)	(-)			
Resin	(+)	(-)			(-)			
Tire tubes		(-)				(-)		
Bank			(-)	(-)	(-)		(+)	(+)
Steel	(+)				(-)	(-)		
Fisheries		(+)		(-)	(-)	(-)		
Petroleum		(+)				(-)		
Fertilizer		(+)			(+)	(+)		
Tire tubes		(-)			(-)	(+)		
Breed		(-)			(-)	(-)		
Technology	(+)			(-)				(+)
Seaports				(-)			(+)	
Aviation	(+)	(-)					(+)	(+)
Automobile					(-)		(+)	(+)
Insurance					(+)			
Retail			(-)		(-/+)		(+/-)	(+/-)
Expend		(-)	(-)		(-/+)		(-/+)	(+/-)

Source: BSC Research

VIII. TIMELINE EVENTS

Image: Timeline events

MARCH 10						
2nd	3rd	4th	5th	6th	7th	Sunday
					1	2
3	4	5	6	7	8	9
2nd Xiii TW Conference						
10	11	12	13	14	15	16
			IEA annual meeting			
17	18	19	20	21	22	23
	ETF VFM VN30 Review		Deadline for submission of Q3 financial statements, maturity of contracts			
24	25	26	27	28	29	30
				ECB meets and announces CSTT, interest rates		ETF VFM VN30 changes DM ratio
31						

MARCH 11						
2nd	3rd	4th	5th	6th	7th	Sunday
	1	2	3	4	5	6
			Fed meets and announces financial institutions and interest rates			
7	8	9	10	11	12	13
	National Assembly	National Assembly	National Assembly	MSCHI semiannual index review, Congressional meeting	National Assembly	National Assembly
14	15	16	17	18	19	20
			Contract maturity			
21	22	23	24	25	26	27
	Ishare MSCI review	Ishare MSCI review	Ishare MSCI review	Ishare MSCI review	Ishare MSCI review	
28	29	30				

MARCH 12						
2nd	3rd	4th	5th	6th	7th	Sunday
			1	2	3	4
			MSCI: New assessment list takes effect			
5	6	7	8	9	10	11
12	13	14	15	16	17	18
			Fed meets and announces financial institutions and interest rates, bodily maturity	ECB meets and announces CSTT and interest rates		
19	20	21	22	23	24	25
26	27	28	29	30	31	

Some other events: 4-17: ETF FTSE VN announces portfolio, 11-17: ETF VNM announces portfolio; Month 12: ETF VNM, ETF FTSE make transactions.

IX. Sectors Outlook Q4/2022

BANKING INDUSTRY [POSITIVE]

Analyst: Phan Quoc Buu

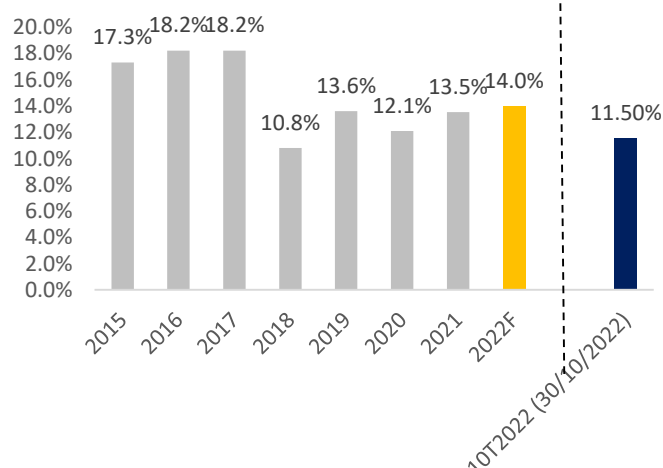
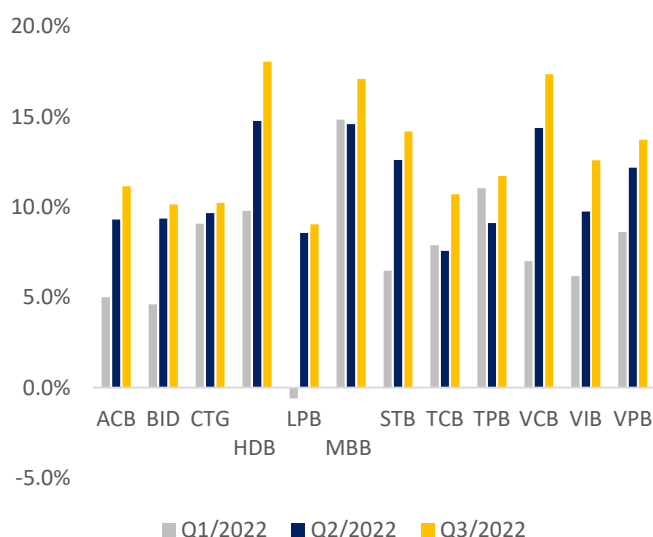
Email: buupq@bsc.com.vn

- Credit growth by the end of T10/2022 reached 11.5% compared to the beginning of the year
- The proportion of corporate bonds held in enterprises is divided between enterprises, and only focuses on 4 joint stock commercial banks.
- Banks with large CASA deposits will help reduce pressure amid the trend of rising deposit costs in the second half of 2022.
- BSC forecasts NIM banking system to remain at 3.7% in 2022.
- Currently, the banking industry is being valued at 1.0x P/B FW 2022 by the end of October 31, 2022, this is a relatively deep discount compared to the historical period, while the financial health of banks is still relatively good, so it deserves a higher valuation than at the present time. **BSC maintains a positive outlook on the prospects of the banking industry**
- However, some headwinds may affect the banking industry in 2023 such as (1) The world economic downturn, (2) The trend of increasing the ratio of credit costs and the rate of appropriation will somewhat limit the prospects for valuation and profit growth of the banking industry in Q4/2022 and 2023.

Credit growth by the end of T10/2022 reached 11.5% compared to the beginning of the year. This credit growth was supported by the restoration of production and the increased demand for capital after the epidemic. This is in line with our view in our [Q3 2022 industry outlook report](#). We expect the credit growth target in 2022 to be close to 14.0%. In Q3 2022, some banks that have lent out credit lines were granted new credit in September. With the goal of controlling inflation and macroeconomic stability, we believe that there will not be much room for new credit in the last months of the year.

Figure: Credit growth of banks 6M2022

Figure: Credit growth forecast 2022

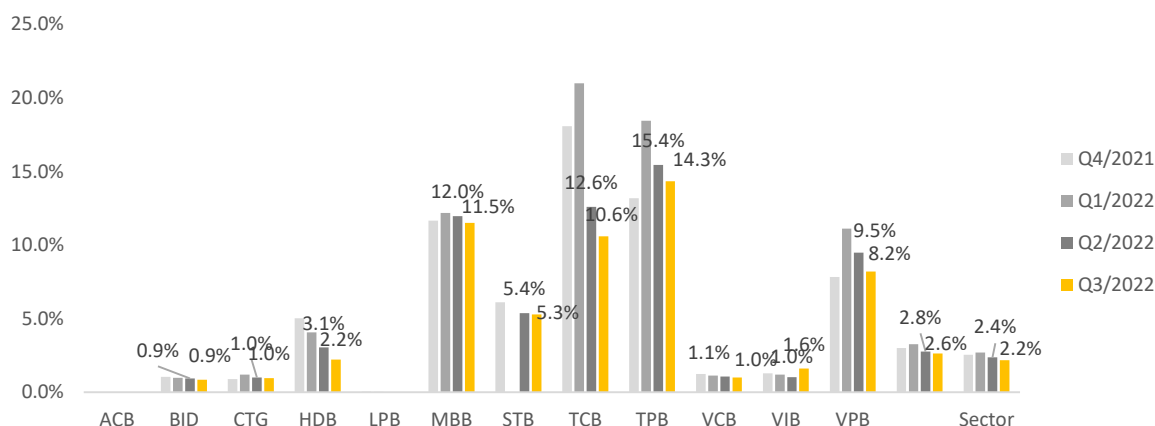


Source: Listed bank financial statements(ACB, BID, CTG, HDB, LPB, MBB, STB, TCB, TPB, VCB, VIB, VPB), BSC Research

The proportion of corporate bonds held by banks shows a divergence and focuses only on 4 commercial banks. By the end of Q3/2022, the total outstanding balance of corporate bonds held in the portfolio of some large listed banks is at ~218,221 billion VND (equivalent to 2.2% of the total credit balance of statistical enterprises, down 6% compared to Q2/2022 in terms of scale). There are

a few banks that are oriented towards corporate bond investment of large enterprises due to (1) higher interest rates than conventional loans and (2) a portfolio spanning industries to help reduce risks. Currently, NĐ 153 is affecting the cash flow of the BDS group due to the highly leveraged nature and the issuance of many corporate bonds to ensure debt repayment and liquidity. We believe that with a portfolio spanning many industries and accounting for a small proportion of the lending structure, the risk impact on the safety of the banking system is not large. However, the risk of provisioning these investments will put pressure on profit growth for some banks in Q4/2022 and 2023.

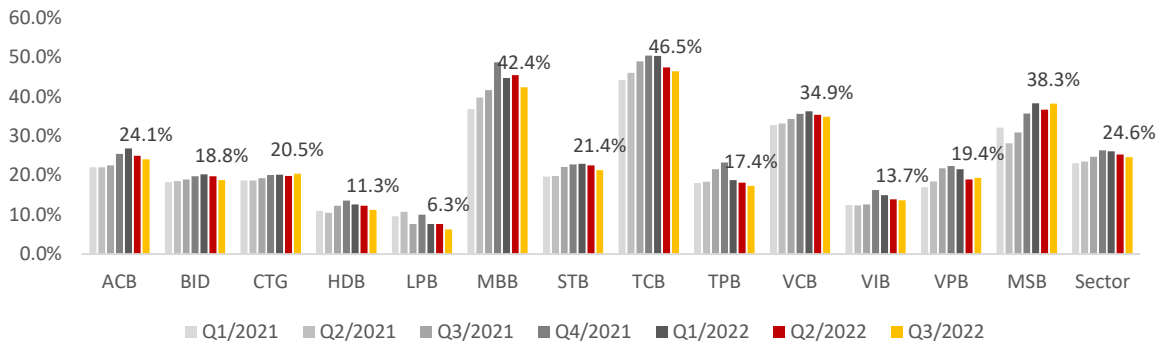
Figure: The proportion of corporate bonds in the credit structure of listed enterprises at the end of Q3/2022 tends to decline and remains low



Source: Listed bank financial statements (ACB, BID, CTG, HDB, LPB, MBB, STB, TCB, TPB, VCB, VIB, MSB, VPB), BSC Research

Banks with large CASA deposits will help reduce pressure amid the trend of rising deposit costs in the second half of 2022. CASA ratio continued to record a slight decline in Q3/2022 mainly due to (1) banks expiring credit growth limits and (2) the context of deposit rates tending to increase. In Q3/2022, the State Bank of Vietnam has decided to adjust the operating rate increase under pressure from (1) the Fed to raise interest rates and (2) The trend of the dollar strengthens, according to which the Casa downward trend may continue in Q4/2022. Some banks have the advantage of a high CASA ratio (more than 30%), a low LDR ratio will help these banks have a low cost of capital, thereby increasing their resilience to the trend of rising deposit costs and maintaining NIM at a better level than the rest.

Figure: CASA ratio of banks listed at the end of Q2/2022



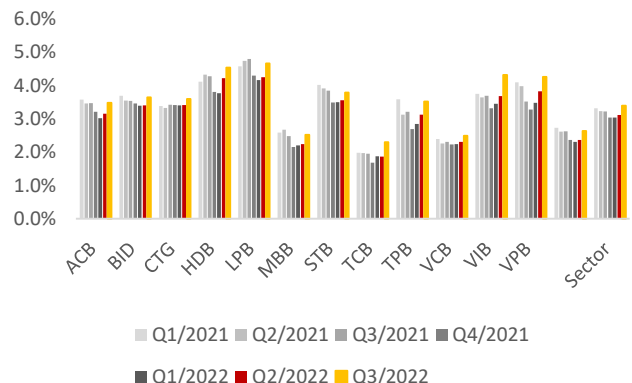
Source: Listed bank financial statements (ACB, BID, CTG, HDB, LPB, MBB, STB, TCB, TPB, VCB, VIB, VPB), BSC Research

BSC forecasts the banking system NIM to remain at 3.7% in 2022 due to **(1)** The recovery of the economy helps high credit growth, especially focusing on SMEs and individuals with high NIM; **(2)** Loan interest rates recover after the support period (estimated by the end of 2021); **(3)** Increasing the CASA structure in 2022 helps reduce capital expenditures. With the increase in the operating rate in T9/2022, we believe that NIM will be under downward pressure in the short term when deposit rates are trending up while credit growth space will be limited, but the NIM reduction will also be relatively differentiated between banks depending on (1) CASA rate, (2) LDR ratio and (3) Short-term capital ratio for medium and long-term loans.

Figure: Average lending interest rate in Q1/2022



Figure: Average deposit interest rate in Q4/2022



Source: Listed bank financial statements, SBV, BSC Research

Figure: NIM of listed banks at the end of Q3/2022

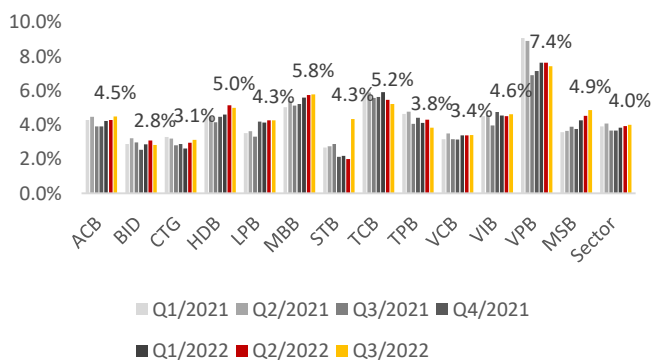
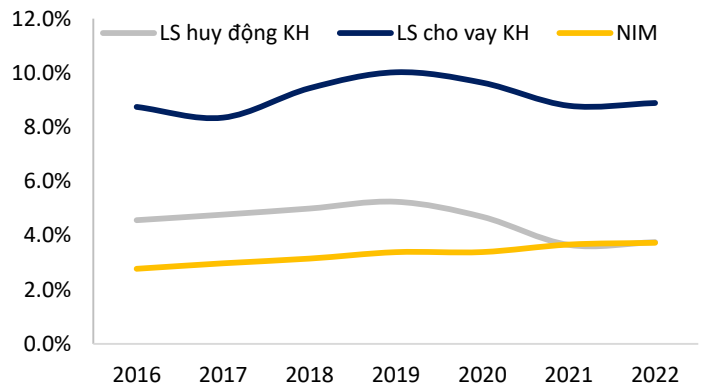


Figure: NIM forecast for 2022



Source: Listed bank financial statements (ACB, BID, CTG, HDB, LPB, MBB, STB, TCB, TPB, VCB, VIB, VPB), BSC Research

II/ ASSET QUALITY – Within control, however, there is a risk of headwinds related to corporate bonds.

Figure: Bad debt in controlled at ~1.4-1.5%

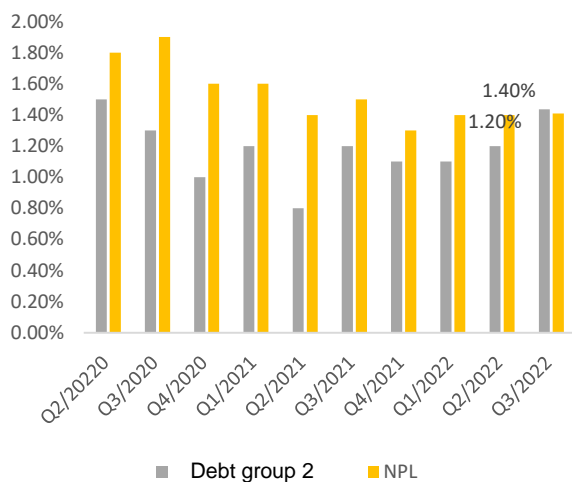
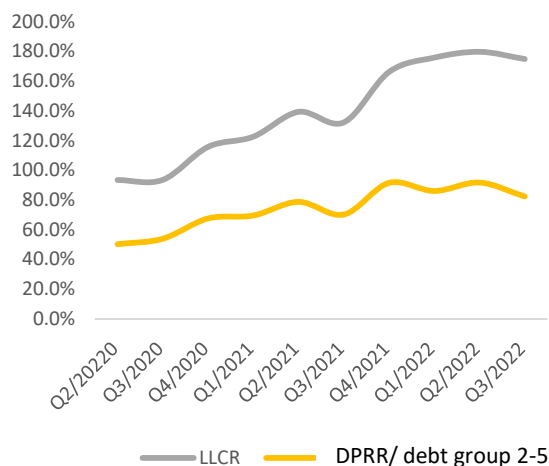


Figure: Improved debt coverage ratio

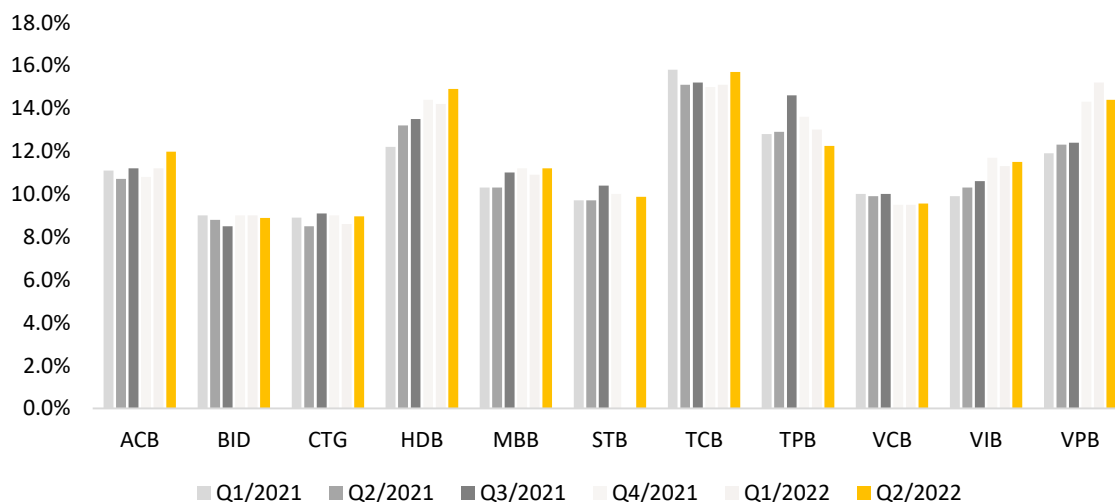


Source: Listed bank financial statement (ACB, BID, CTG, HDB, LPB, MBB, STB, TCB, TPB, VCB, VIB, VPB), BSC Research

(1) Non-performing loan ratios and debt coverage continue to improve in line with our forecasts, with a large contingency buffer against new risks. BSC said that, despite the impact of reducing asset quality due to the impact of the new VNĐ 65 and the end of TT14 on debt restructuring affected by COVID-19, with strict credit censorship policies and high bad debt coverage ratio, banks can manage asset quality well and keep it at the current level (~1.4% NPLs). Some banks have increased provisioning, and sharply improved the coverage ratio of non-performing loans. This helps banks have a large reserve buffer, hedging against risks due to market fluctuations in the near future.

(2) The capital adequacy ratio continues to remain high. The Basel II CAR ratio continues to be kept high, and the ratio of short-term capital to medium-long-term loans remains at a safe level. The ratios all ensure the required ratio of SBV, and BSC expects this to be maintained in the future with capital increase plans, thereby helping to grow the size and LN of banks.

Figure: Basel II CAR ratio kept high



Source: Listed bank financial statements (ACB, BID, CTG, HDB, LPB, MBB, STB, TCB, TPB, VCB, VIB, VPB), BSC Research

INDUSTRIAL PARK REAL ESTATE INDUSTRY [POSITIVE]

Analyst: Lam Viet

Email: vietl@bsc.com.vn

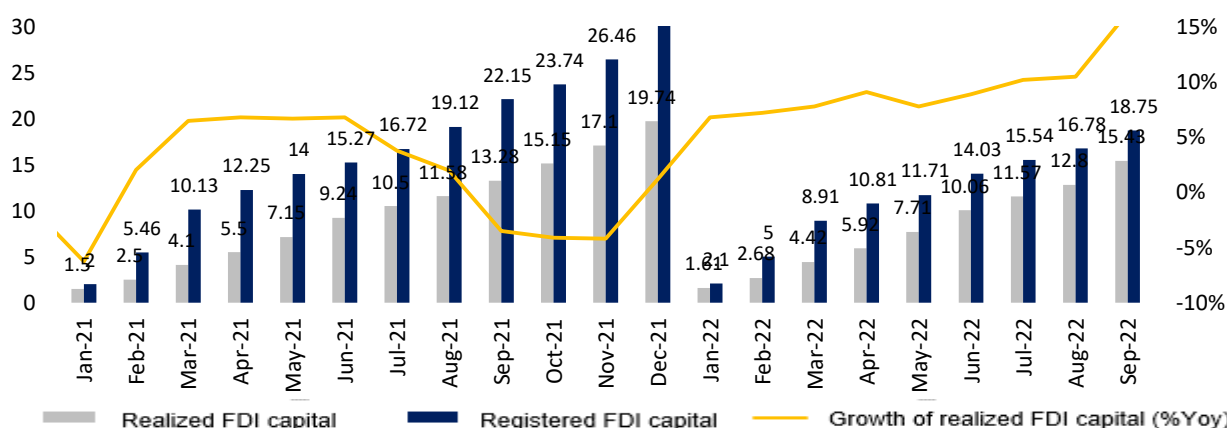
- Vietnam is still a potential and attractive destination for manufacturers around the world in the context that FDI activities on an international scale have not recovered;
- The legal environment is gradually clear and complete, which is expected to shorten administrative procedures and develop sustainably thanks to the coordination between ministries/departments and provincial People's Committees;
- Industrial center focused on the southern region with the trend of expanding in Ho Chi Minh City satellite province / city;
- BSC maintains a **POSITIVE** view on the industrial real estate industry.

FDI disbursement continued to achieve impressive growth while registered FDI slowed down, creating pressure on FDI disbursement value growth in 2023.

According to the General Statistics Office, in 9M2022, the total registered FDI reached 18.75 billion USD, down -15.3% YoY because the same period recorded two newly registered projects with a sudden capital (LNG I&II power plant project 3.1 billion USD and O Mon II power plant project 1.31 billion USD) while FDI disbursement reached 15.43 billion USD (+16.3% YoY) - high 9 months most in the period 2018-2022. We note that the growth rate of newly registered FDI has decreased sharply in the last two months of 3Q2022 (T8/2022 decreased by -48.3%YoY and T9/2022 decreased by -35%YoY), the level of FDI implemented in 2022 at a high background while the registered FDI decreased sharply will put pressure on FDI growth implemented next year 2023 in the context of (1) the global macro economy is facing the risk of recession, (2) rising inflation and (3) China's reopening of its economy.

However, we believe that with the competitive advantages of geopolitical stability, exchange rate stability as well as advantages in human resources, and many free trade agreements, Vietnam is still a potential and attractive destination for manufacturers around the world in the context that FDI activities on an international scale have not recovered.

Figure: FDI registered and implemented in Vietnam 2021-3Q2022 (USD billion)

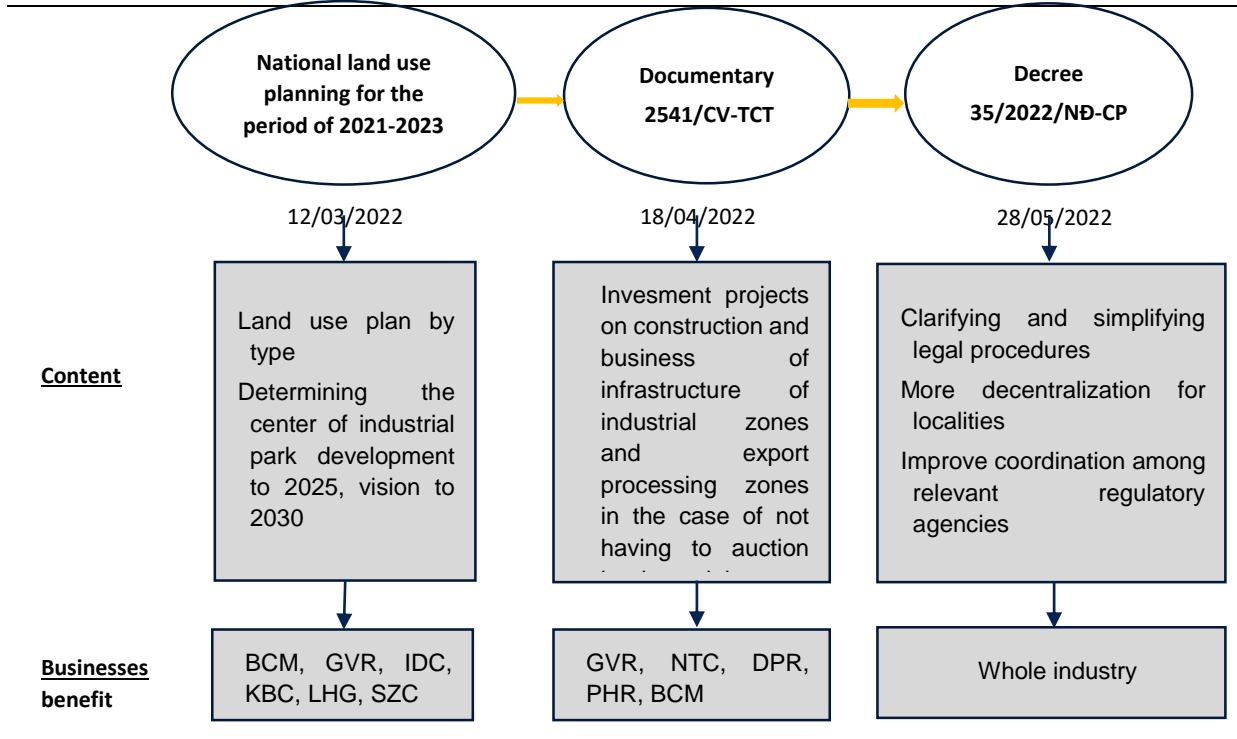


Source: GSO

The legal environment is gradually clear and complete, which is expected to shorten administrative procedures and develop sustainably thanks to the coordination between ministries/departments

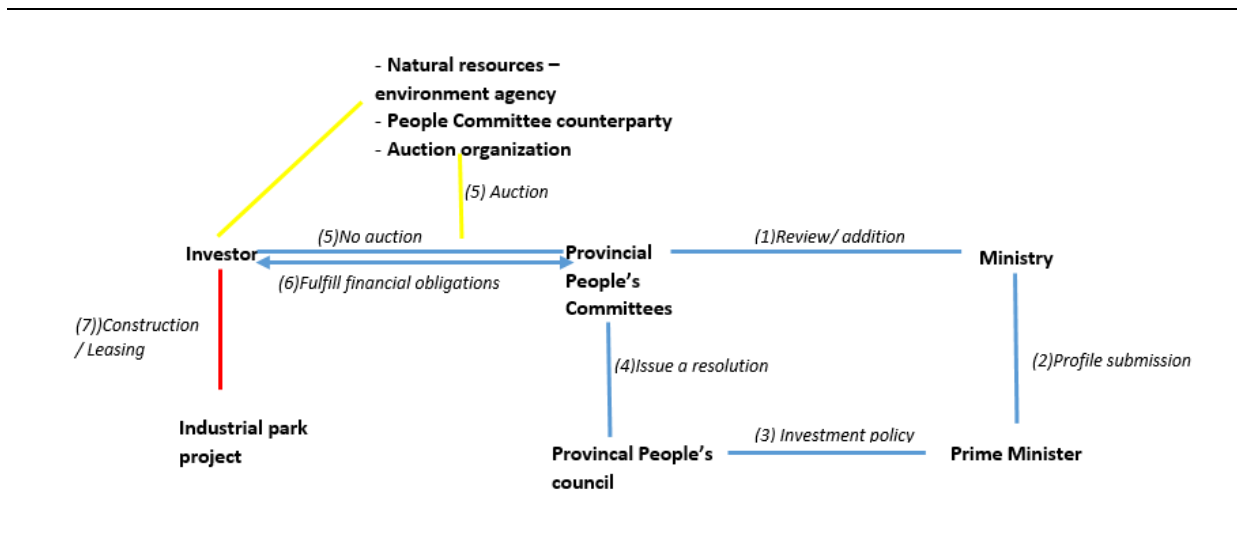
and provincial People's Committees. In 9M2022, Vietnam has officially adopted 3 documents directly related to the development of industrial zones including (1) National land use planning for the period 2021-2030, (2) Official Letter 2514/CV-TCT, (3) Decree 35/2022/ND-CP and is aiming to adopt (4) the amended Land Law.

Figure: Improved industrial park investment legal environment



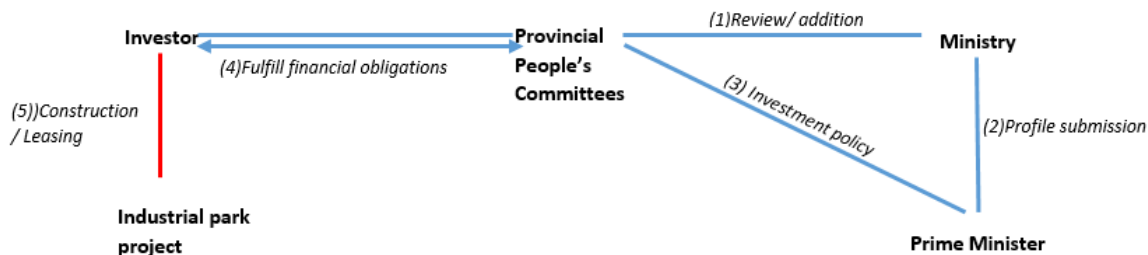
Source: Chinhphu.vn, BSC Research

Figure: Investment process of industrial park infrastructure before July 15, 2022



Source: Land Law 2013, Decree 82/2018/ND-CP, BSC Research

Figure: Industrial park infrastructure investment process after 15/07/2022



Source: Land Law 2013, Decree 35/2022/ND-CP, BSC Research

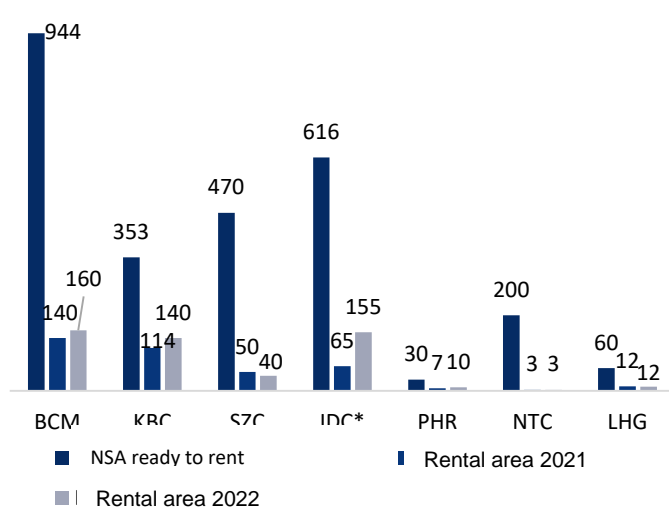
In addition to simplifying unnecessary procedures, Decree 35/2022/ND-CP also clarifies the concepts, conditions and requirements for each step in the process. According to our assessment, the legal bottlenecks gradually resolved will help the industrial park system in Vietnam develop more synchronously (thanks to the close coordination of the Ministry of Planning and Investment, Ministry of Construction, Provincial People's Committee), more effective (stricter appraisal of experience, financial capacity, technical standards) and more sustainable (regulations on works serving workers in the industrial park, conditions for expanding the industrial park).

Industrial center focused on the southern region with the trend of expanding in Ho Chi Minh City satellite province / city.

According to the national land use plan for the period 2021-2030, industrial centers focusing on satellite provinces of big cities including 5 southern provinces (Dong Nai, Binh Duong, Vung Tau, Long An, Binh Phuoc) account for 31.2% of the total industrial park area in 2025 and 6 northern provinces (Hai Phong, Bac Giang, Bac Ninh, Ha Nam, Hung Yen, Quang Ninh) account for 17.6% of the total industrial park area in 2025 of the country. BSC believes that the industrial real estate market in the Southern market will continue to be promoted "unlocked" in 2022, especially Binh Duong and Dong Nai when the occupancy rate in this area is over 90% and no more IPs will be approved investment policies in the period 2020-2021.

We have reassessed the land fund ready for lease within the next 1 year of leading enterprises, led by BCM 944 ha (excluding industrial zones of joint venture companies), IDC 616ha, SZC 470 ha, KBC 353ha (excluding Trang Due 3 Industrial Park which has not been legally completed).

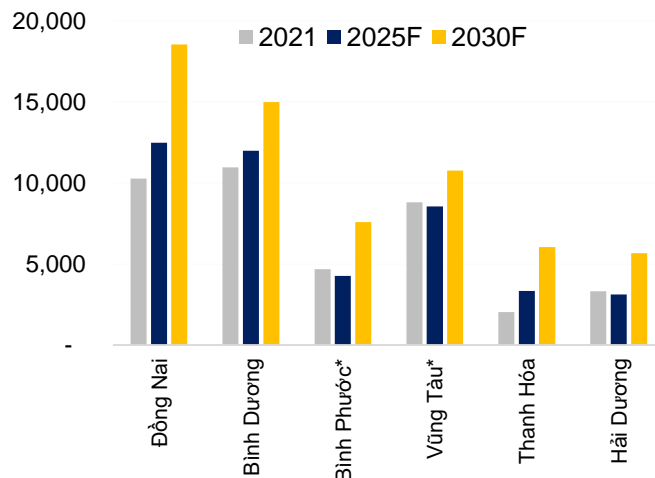
Figure: Commercial area ready for lease in 2022-2023 (ha)



Source: BSC Research

Note: Only includes legally completed IPs, GPMB, construction or high probability of completion in 2022-2023

Figure: Industrial park area according to national land use plan in key provinces/cities



Source: MPI, BSC Research

Note: The area of established industrial zones including IPs that have not been approved for investment policies of the Prime Minister

Overview of the financial situation of industrial real estate enterprises.

Business	Net cash/ (Net Debt)	Outstanding loan	Debt/Total assets	Bond debt/Total debt	Remaining NSA (ha)	NSA ready(ha)	Tenant files
Group 1: Enterprises with a high proportion of bond debt							
BCM	(12,742)	(15,848)	32%	67%	944	944	FDI enterprise – specializing in import and export and high technology
KBC	(3,766)	(6,888)	22%	56%	1,053	353	FDI enterprise - high technology in the field of chips, electronics, assembly
Group 2: Enterprises with a low proportion of bond debt							
SZC	(1,911)	(2,205)	37%	18%	651	470	SME – Assembling, Processing, Mechanical, Engineering
IDC	(971)	(3,343)	21%	12%	1,079	616	FDI-heavy industry group (Phu My 2 Industrial Park) Logistics enterprises, warehouses (Huu Thanh Industrial Park)
Group 3: Enterprises without net debt							
GVR	7,644	(8,502)	11%	0%	N/A	N/A	
SIP	3,607	(1,038)	5%	0%	N/A	N/A	SME – labor-intensive industry (wood, garment, footwear)
PHR	1,685	(429)	7%	0%	836	30	
NTC	1,091	(419)	10%	0%	200	200	
LHG	1,098	(163)	5%	0%	270	60	SME - logistics, warehousing

Source: BSC Research

We found that industrial park real estate enterprises have a relatively good financial foundation, especially those belonging to Vietnam Rubber Group (GVR) when there is no net debt, no bond debt, most of the short-term loan debt is used to supplement working capital and pay dividends. For enterprises with a ratio of bond debt to total balance High debt such as BCM and KBC, we realize that the ratio of Debt to Total Assets is still at a safe level, all debt loans have real estate, asset quality is relatively good while the bond maturity value in 2023 is not much (VND 1,000 billion for BCM and VND 2,900 billion for KBC).

INVESTMENT PERSPECTIVE – POSITIVE

We maintain a **POSITIVE** rating for the Industrial Park Real Estate industry thanks to (1) Limited supply and recovering demand are still factors that help industrial park rental prices remain high and (2) Production and business activities are no longer interrupted due to the epidemic, (3) Legal issues are resolved to help enterprises deploy to meet demand, (4) Prospects for improving transport infrastructure are accelerated in the medium term.

Figure: Estimated business result some enterprises in the industrial park real estate industry

Stock code	Net revenue (bil VND)	% YoY	Net income 2022 (bil VND)	% YoY	EPS 2022 (VND/share)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price 16/11/2022	Target price	Upside
BCM	8,447	21%	2,597	85%	2,306	32.4	4.1	5%	14%	74,800	94,200	26%
KBC	4,816	13%	3,639	365%	6,321	2.5	0.5	11%	19%	16,000	18,100	13%
LHG	728	-7%	315	6%	5,805	2.7	0.5	11%	19%	15,600	23,600	51%
NTC	483	78%	449	53%	18,134	5.2	2.5	10%	49%	93,888	N/A	
IDC	7,615	77%	2,221	389%	6,663	4.3	1.2	16%	37%	28,800	43,400	51%

Source: BSC Research

INFORMATION TECHNOLOGY – POST AND TELECOMMUNICATIONS [POSITIVE]

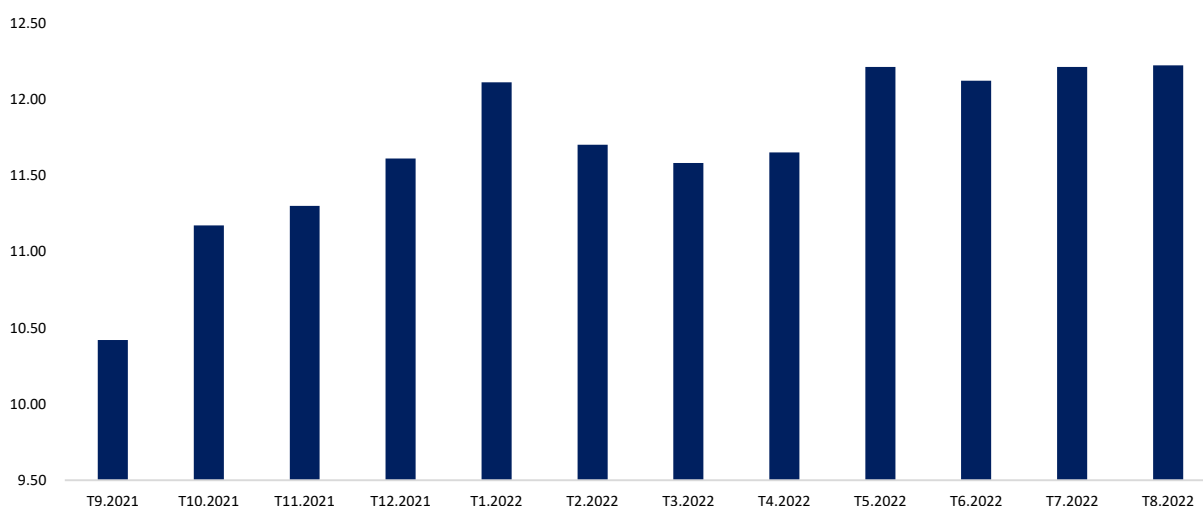
Analyst: Nguyen Cam Tu, CFA

Email: tuntc@bsc.com.vn

- Accumulated in the first 9 months of 2022, telecommunications revenue is estimated at VND 248.5 trillion, up 7.1% over the same period last year.
- In 2023, BSC believes that the outlook for the Technology and Telecommunications industry is positive due to (i) the continued trend of Digital Transformation and Investment in Smart Transportation by the Government (ii) 5G networks to promote the business of enterprises in the telecommunications industry.
- We continue to maintain a **POSITIVE** view on the Information Technology – Post and Telecommunications industry in 2023.

According to the General Statistics Office, telecommunications revenue in the third quarter of 2022 is estimated at VND 79.9 trillion, up 8.1% over the same period last year. Accumulated in the first 9 months of 2022, telecommunications revenue is estimated at VND 248.5 trillion, up 7.1% over the same period last year.

Figure: Telecommunications revenue (trillion VND)



Source: Ministry of Information and Communications

As for the outlook for 2023, BSC said that the prospects of the two industries of Technology and Telecommunications continue to be positive thanks to the following factors:

- **The trend of Digital Transformation and Public Investment in Smart Transportation (ITS) will have a positive impact on technology businesses.** Customer transformation needs will remain positive while the Vietnamese government promotes government digitization and supports Make in Vietnam products that will help domestic technology enterprises benefit (e.g. FPT, CMG). Another trend is that the demand for public investment in Smart Transport is expected to be accelerated in the period of 2022 – 2025. BSC found that two groups (i) ITS at 12 routes of the North-South expressway (with a scale of 200-300 billion/package) (ii) ITS inner-city (with an average scale of 100-200 billion/package) will be the main driving force for businesses (ELC, ITD) to benefit (e.g. ELC, ITD). However, the delay in public investment will affect the progress of smart transport implementation.

- **The progress of 5G deployment in Vietnam is expected to boost the business activities of telecommunications enterprises.** BSC believes that the gradual transition to 5G networks is an inevitable trend in Vietnam, and this deployment will be the driving force for the entire telecommunications industry. The government aims to commercialize 5G in 2022, however, in 2022 it is difficult to achieve this goal. Telecommunications infrastructure enterprises (e.g., CTR) will benefit from increased workload on infrastructure installation, system maintenance, and increased infrastructure sharing rates among carriers.

However, **BSC noted that the devaluation of some currencies (Japanese yen, Korean won)** may affect the business results of some businesses providing technology services in these markets (FPT, CMG). From the beginning of 2022, the Japanese yen depreciated by 22%, the South Korean won depreciated by 13%.

INVESTMENT PERSPECTIVE – POSITIVE

We continue to maintain a **positive** view on IT – Telecommunications stocks. For IT stocks, we expect the digital transformation trend to continue in Vietnam as well as the world even after the epidemic ends (businesses benefit: FPT). For the telecommunications industry, BSC expects CTR to benefit due to increased infrastructure installation workload, system maintenance, increasing the rate of infrastructure sharing between carriers.

Figure: Estimated business result some information technology enterprises

Ticker	Net rev (bil VND)	% YoY	NPAT 2022 (bil VND)	% YoY	EPS 2022 (VND/sha re)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price 16/11/2022	Target price	Upside
FPT	44,068	24%	6771	56%	4768	15.1	3.6	17%	26%	72,000	84,600	18%
CTR	8,578	15%	462	23%	4,875	9.2	2.6	11%	30%	45,000	51,200	14%
ELC	1,106	68%	48	0%	970	8.5	0.5	4%	7%	8,200	7,700	-6%

Source: BSC Research

LIVESTOCK INDUSTRY [POSITIVE]

Analyst: *Pham Thi Minh Chau*

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- Domestic hog prices have increased since the beginning of July due to supply problems and the impact of the "domino" effect from hog prices in the Chinese market.;
- KQKD of the livestock industry group expects to recover due to the low background of 1H/2022;
- BSC recommends **POSITIVE** for the livestock industry in 2023.

Domestic hog prices **have increased since the beginning of July 2022 due to supply problems and the impact of the "domino" effect from hog prices in the Chinese market.** The average pork price in Q3/2022 increased by +18% YoY, equivalent to an increase of +17% compared to 1H/2022, mainly due to (1) the demand for steam meat continued to grow and (2) the actual supply decreased due to pressure from feed costs in 9M/2022 still increased (+28%YoY), African swine fever is still complicated in 20 localities,...), making it difficult for small-scale livestock households (accounting for 70% of the domestic meat supply) to re-herd;

Figure: Slightly exported meat output over the years (thousand tons)

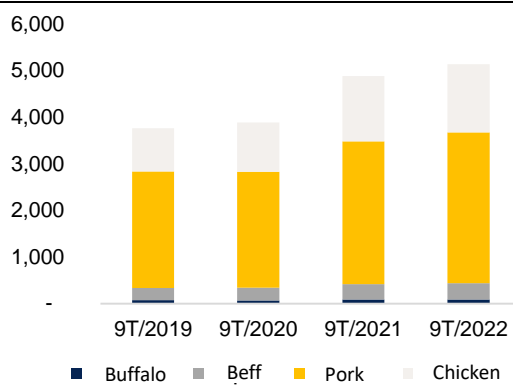
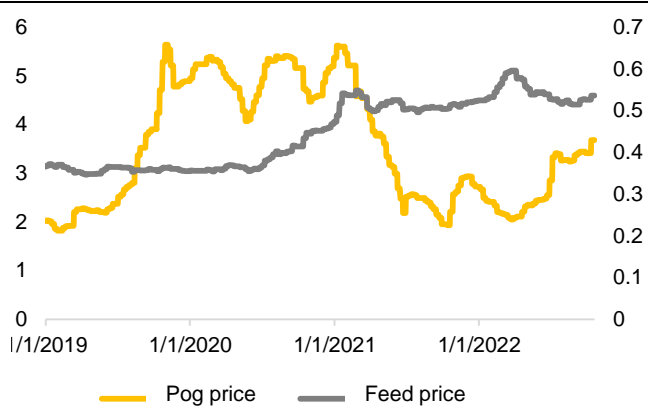


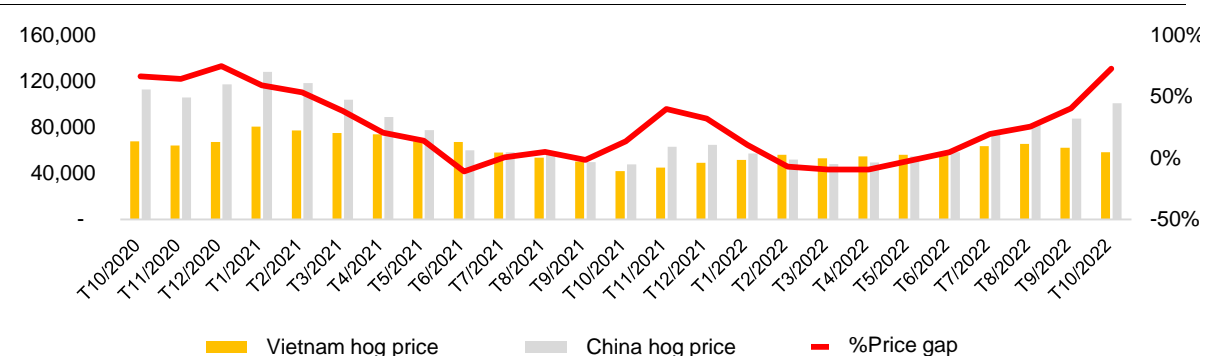
Figure: Chinese hog price movement and feed price in 2017-2022 (USD/KG)



Source: DBC, Bloomberg, BSC

In addition, the upward trend in Vietnamese hog prices is also positively supported by Chinese hog prices from the end of 6/2022, through sub-quota export channels. Chinese hog prices in Q3/2022 have recorded an increase of more than +53% compared to 6M/2022 and have not tended to cool down after National Day, because (1) supply is tight due to complicated developments of weather and disease, the psychology of keeping pigs waiting for higher prices of many livestock units, based on the "Zero-covid" Nation's reopening expectations; while (2) demand gradually recovers due to the mentality of hoarding meat for the winter and preparing for Tet.

Figure: Fluctuations in the same phase of Chinese and Vietnamese hog prices, the price gap is widened from 9/2022



Source: BBG, Agromonitor, BSC

However, the price gap between Vietnamese and Chinese hog prices has widened since September 2022 due to the outbreak of the disease and preparations for the Chinese Party Congress in October 2022, causing China to control the border more closely, significantly reducing sub-quota export activities. We expect this gap to narrow as China proceeds to reopen its economy. **We maintain the expectation that the gross profit margin of livestock enterprises in 2023 is expected to recover positively** thanks to:

(1) Hog prices in 2023 will remain high around 60,000-70,000 VND/KG because (1.1) supply is expected to remain tight due to pressure from input costs, epidemics and delays in re-herding activities of smallholders, while, businesses face environmental challenges and apply for new livestock licenses; (1.2) Demand for hogs is expected to grow steadily and expectations of China's reopening also positively support domestic hog prices in the short term

(2) NVL TACN costs, transportation costs tend to cool down after the peak of geopolitical instability in 6M/2022, bringing advantages to businesses that actively value chain (DBC, BAF, HAG,..).

However, we also note the risk of exchange rates affecting the import of feed materials and the trend of rising interest rates that may affect the cost of using capital of enterprises.

INVESTMENT PERSPECTIVE – POSITIVE

BSC maintains a **POSITIVE 2023** recommendation for livestock industry groups thanks to (1) low background levels and (2) improved gross margins.

Figure: Estimated business result some livestock enterprises

Stock code	Net revenue (bil VND)	% YoY	Net income 2022 (bil VND)	% YoY	EPS 2022 (VND/share)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price 16/11/2022	Target price	Upside
DBC	12,825	19%	425	-49%	2,176	5.8	0.5	4%	8%	12,600	15,600	24%

Source: BSC Research

OIL & GAS INDUSTRY [POSITIVE]

Analyst: Dương Quang Minh

Email: Minhhdq@bsc.com.vn

- Oil prices fluctuate sharply, and returned around the \$90/barrel mark.
- Demand for petroleum remains stable, while supply in the short term is tight due to OPEC production cuts.
- The decline in output from Vietnam's long-standing oil and gas fields will prompt new projects to be implemented soon.
- The LNG trend continues to be accelerated in the long term.
- BSC holds a **positive** view on the oil and gas industry group, and recommends BUY with GAS, BSR, PVD stocks.

World: Tight supply can make it difficult for oil prices to fall deeply.

The price of oil (Brent) continued the correction trend and retreated to around \$90 per barrel. After peaking around \$130 per barrel in the middle of the year, crude oil prices have seen a sharp correction, and have returned to \$90 per barrel at the end of Q3. Besides, gas prices are also down 33% from the peak, and are trading in the range of 6-7 USD/mmbtu. The reason for the correction in oil and gas prices mainly comes from fears of a global economic recession, causing demand for crude oil and energy in general to fall.

Figure: World crude oil prices

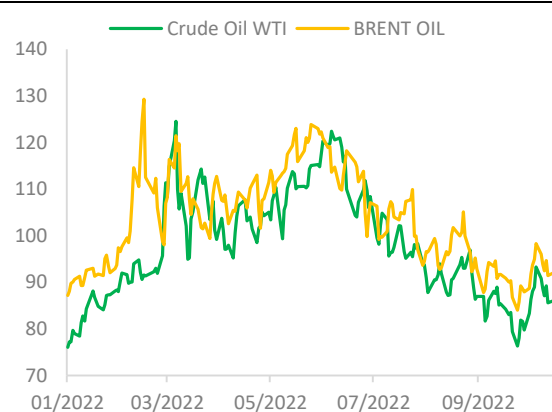


Figure: World natural gas prices

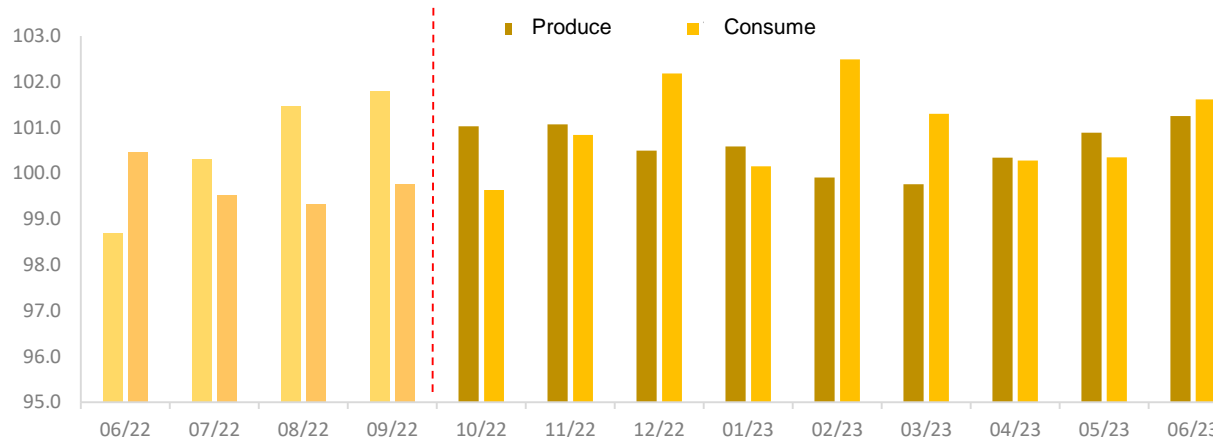


Source: Bloomberg, BSC Research

Global oil demand is expected to remain stable above 100 million bpd. In the first 9 months of 2022, the total global demand for crude oil averaged about 99 million barrels per day, up 3.7% over the same period in 2021. In addition, the limited supply of gas will indirectly push the demand for crude oil to continue to increase. According to OPEC, demand for crude oil is expected to reach about 102 million bpd by Q4 2022, and to average 102.7 million bpd for 2023.

We expect **oil prices to remain high in the near term**, as supply is still tight. In the latest developments, the OPEC+ group has decided to cut oil production in November at 2 million bpd compared to October, equivalent to 2% of the total world oil supply. With sanctions banning imports and imposing a price ceiling on Russian oil that will take effect from December, the shortage of oil supply will tend to continue, thereby pushing up crude prices. Therefore, BSC forecasts that oil prices will remain around \$90 per barrel in the period of late 2022 and early 2023.

Figure: Forecast of global crude oil production and consumption



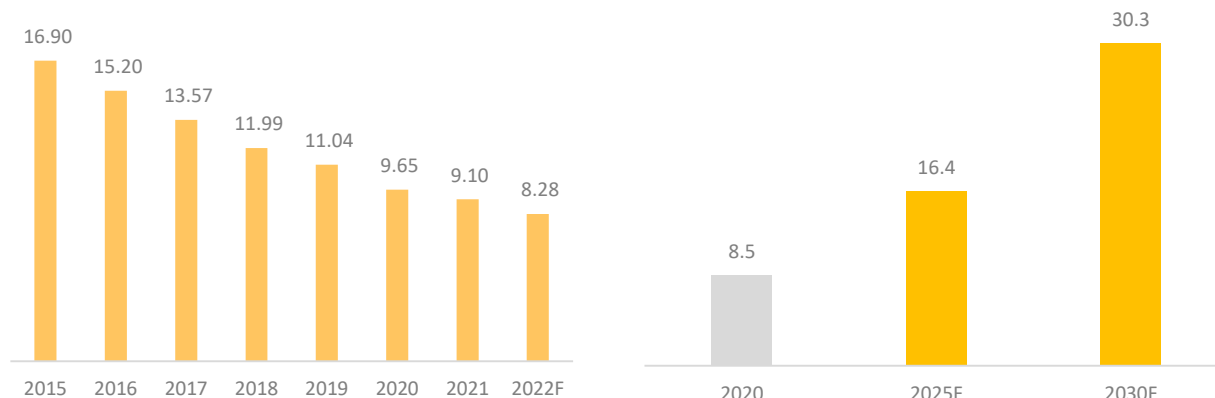
Source: EIA, BSC Research

Vietnam: Expectations of new projects

Vietnam's major oil and gas fields are declining production by 8-10% per year. According to statistics from 2015 to now, domestic oil production has continuously declined, from 16.9 million tons in 2015 to 9.1 million tons in 2021. According to PVN, most of the oil and gas fields being exploited in Vietnam have been exploited for 15-36 years, and are at the end of their mining life. Therefore, oil and gas production from existing fields is forecasted to continue to decline by 5-8% in the following years. Meanwhile, power plants are expected to mobilize up to 16 billion m3 of gas by 2025, and 30 billion m3 for 2030, according to the draft National Energy Development Plan. Therefore, the development of new oil and gas projects is extremely necessary, to meet the demand for energy in the medium and long term.

Figure: Domestic crude oil production declines by 8-10% per year

Figure: Vietnam's gas demand by power plants



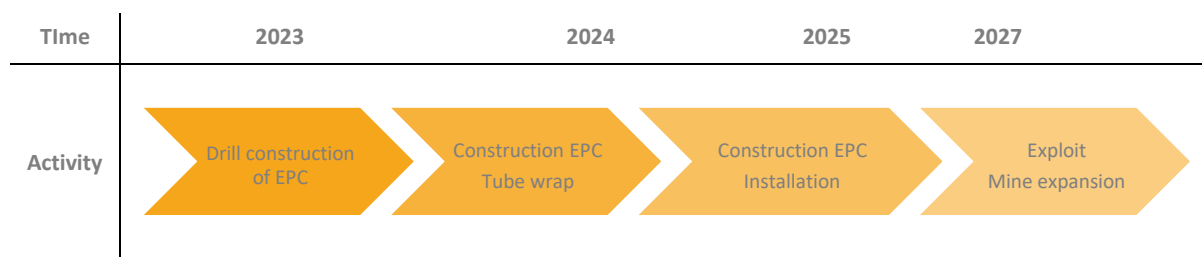
Source: PVN, Draft National Energy Development Plan 2021-2030, BSC Research

Lot B – O Mon project is expected to start construction in the near future. Recently, the Government issued a Decree paving the way for O Mon III power plant to receive ODA. The project operator is expected to start implementation in early 2023. Block B - O Mon is one of the largest gas exploration projects in Vietnam up to now, with a total investment of about 10 billion USD from upstream to downstream.

We expect that the Block B – O Mon project implemented in the near future will bring a large source of work for upstream and midstream oil and gas enterprises in the period of 2023-2025. Concrete:

- First phase: Drilling, exploring, construction and installation of trusses create a large workload for enterprises providing upstream stitching services such as PVS or PVC.
- The following phase: The work related to the installation and sealing of pipes in the gas pipeline project will help businesses such as PVS and PVB benefit.
- Exploitation phase: GAS, the main investor of the Block B pipeline project (51% capital contribution), will transport up to 7 billion m3 of natural gas per year, equivalent to about 70-80% of Vietnam's current pipeline gas production.

Figure 4: Estimated progress of Lot B – O Mon project (if approved)



Source: BSC Research

The LNG trend continues to be accelerated in the long term. In the context of insufficient domestic gas supply, LNG imports are necessary to meet domestic energy demand. According to the Master Plan of Vietnam Gas Industry, up to now, there have been more than 10 projects approved for investment, with a total capacity expected to reach over 20 million tons / year. In addition, a number of other LNG projects such as Cai Mep or Nam Van Phong LNG are also being proposed to be included in the master plan. However, power plant projects using LNG in Vietnam are mostly still in the investment phase ([refer to the report](#)). As a result, the BSC assumes that LNG projects will only start to actually contribute from 2024 onwards.

Table : Some LNG projects in Vietnam have been approved and included in the master plan

Dự án	Area	Capacity (million tons/year)	Implementation time
LNG Hai Linh	Southeast	1-3	2020 – 2022
LNG Thi Vai	Southeast	1-3	2020 – 2022
LNG Tien Gian	Southwest	4-6	2022 – 2025
LNG Ca Mau 1, 2, 3	Southwest	1-3	2022 – 2025
LNG Bac Lieu	Southwest	2	2022 – 2025
Son My 1,2,3	Southeast	1-6	2023 – 2035
LNG Long Son	Southeast	3-6	2024 – 2026
LNG Long An	Southwest	1-3	2024 – 2025
FSRU Thai Binh	Northern	0.2-0.5	2026 – 2030
LNG Khanh Hoa	Central	3	2030 – 2035
LNG Hai Phong	Northern	1-3	2030 – 2035

Source: Vietnam Gas Industry Master Plan, BSC Research

BSC maintains a **POSITIVE** view on the Oil and Gas industry due to:

- World oil prices continue to remain high, and are forecast to average \$90 per barrel in the late 2022 and 2023 periods;
- The demand for gas mobilization from power plants continues to remain stable;
- Some oil and gas projects will soon have investment decisions in the near future, helping to improve the source of work for some upstream enterprises.

For the upstream group, BSC offers a positive view on stocks in the upstream group of oil and gas industry such as PVS or PVD due to (1) new/renewed rig service prices and improved performance (refer to [PVD update report](#)), and (2) potential from new projects in the near future that will bring great jobs to PVS.

For the midstream group, we recommend positive for GAS with the expectation that 2H2022 profit will continue to maintain positive growth momentum, and potential from LNG projects in the near future (refer to [the GAS update report](#)). In addition, **PVT's** business results in the year-end period will also be improved thanks to the increase in newly signed freight rates, along with the profit from the liquidation of Athena.

For the downstream group, although crack spreads no longer maintain the high levels of the first half of the year, BSC still holds a positive recommendation for BSR, as valuations have fallen to attractive levels, and KQKD 2022 is forecast to continue to be positive (refer to [the BSR update report](#)). Meanwhile, the sharp fluctuations in gasoline prices, along with unstable supply from domestic refineries, will negatively affect the profits of **PLX** or **OIL**.

Figure: Estimated business result some oil and gas enterprises

Stock code	Net revenue (bil VND)	% YoY	Net income 2022 (bil VND)	% YoY	EPS 2022 (VND/share)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price 16/11/2022	Target price	Upside
GAS	105,313	33%	14546	68%	4028	26.0	3.4	16%	23%	104,800	142,400	36%
PVD	5,568	39%	-102	-622%	-131	(103 .1)	0.5	-1%	-1%	13,500	19,700	46%
PVS	16,528	16%	670	11%	2044	9.5	0.7	4%	7%	19,400	26,000	34%
PLC	8,087	18%	142	-19%	1,757	10.0	1.0	3%	10%	17,500	17,400	-1%
BSR	148,689	47%	14062	109%	4490	2.9	0.7	18%	27%	13,215	18,700	42%

Source: BSC Research

AVIATION SERVICES INDUSTRY [POSITIVE]

Analyst: *Pham Quang Minh*

Email: *minhpbq@bsc.com.vn*

- **By the end of 9M.2022, the volume of domestic passengers through ACV port = 68 million (+59.5% yoy), equivalent to 120% compared to 2019**, thanks to (1) the demand for travel has recovered after the epidemic has been well controlled, (2) airlines actively open new routes
- **By the end of 9M.2022, the number of international passengers passing through ACV port = 7.0 million (+1.930% yoy), equivalent to 20% compared to 2019** thanks to the well-controlled epidemic, Vietnam and neighboring countries are gradually reopening flight routes.
- BSC has a **positive** rating for the Air Services group in Q4 2022 and 2023 due to positive recovery in travel demand.

Figure: Domestic passenger output +59.5% yoy

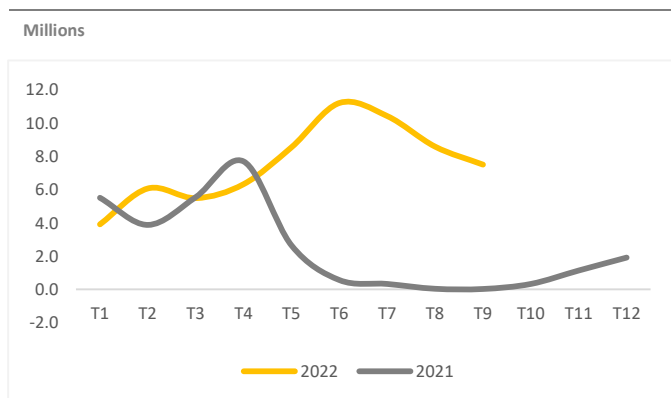
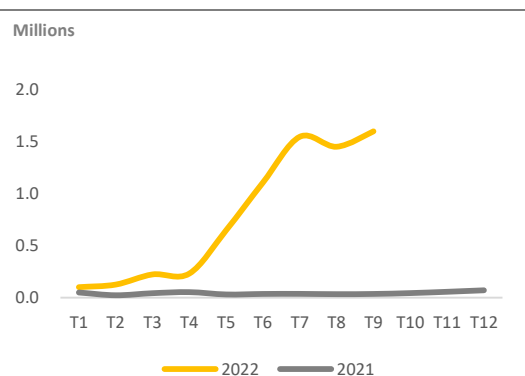


Figure: International passenger volume +1930% yoy



Source: BSC Research tổng hợp

DOMESTIC PASSENGER TRANSPORT – 9M.2022 RECOVERED 120% COMPARED TO BEFORE THE EPIDEMIC

By the end of 9M.2022, the volume of domestic passengers through ACV port = 68 million (+59.5% yoy), equivalent to 120% compared to 2019, thanks to (1) travel demand has recovered after the epidemic has been well controlled, (2) eastern airlines have opened new routes to compensate for the international network has not been restored, helping to create new domestic supply. For example, VNA Group has opened 10 new routes in 2022 compared to the end of 2021.

Compared to the [previous Industry Report](#), BSC raised its forecast for domestic passenger volume in 2022 from 77 million to 91.7 million (+310% yoy), equivalent to 123% compared to 2019 due to a stronger-than-expected recovery in travel demand, based on the assumption that output per month = 8 million (+17% compared to before the epidemic) in the year-end 3T. With the epidemic fully under control, BSC forecasts production = 92 million (+0.3% yoy) in 2023.

INTERNATIONAL PASSENGER TRANSPORT - 9M.2022 RECOVERED 20% COMPARED TO BEFORE THE EPIDEMIC

By the end of 9M.2022, international passenger volume via ACV = 7.0 million (+1.930% yoy), equivalent to 20% compared to 2019 thanks to the well-controlled epidemic, Vietnam and neighboring countries are gradually reopening flight routes. According to data from GSO, most of

Vietnam's main markets are still recovering very well, except, China due to maintaining the Zero - Covid policy and Russia due to being affected by the Russia-Ukraine war.

Compared to [the previous Industry Report](#), BSC raised its forecast for international passenger volume in 2022 from 3.4 million to 10.4 million (+310% yoy), equivalent to 37% compared to 2019 as routes to South Korea, Taiwan, Japan and small and medium markets are recovering better than forecast.

Figure: Recovery level Top 10 largest markets for tourists to Vietnam - compared to the same period in 2019

Markets	Q1/2022	Q2/2022	Q3/2022
-China	1%	2%	2%
-South Korea	1%	10%	36%
-Japan	2%	11%	27%
-Taiwan	4%	7%	17%
-United States	5%	33%	62%
-Russia	3%	3%	7%
-Malaysia	1%	14%	40%
-Thailand	1%	17%	61%
-Australia	3%	28%	55%
- United Kingdom	2%	21%	44%
-Singapore	1%	43%	77%
-Different	3%	29%	67%

Nguồn: BSC Research tổng hợp

In 2023, in addition to South Korea, the United States and small and medium-sized markets, BSC expects China to gradually reopen. At the end of Q3, China is still maintaining its Zero Covid policy. However, BSC sees some positive signals such as:

- (1) The government relaxed immigration regulations to gradually reopen such as reducing the number of quarantine days,
- (2) Besides, airlines such as China Eastern Airlines, China Southern Airlines, . . . is pushing for the resumption of the route network in November.

BSC expects China to gradually reopen in 2023. From a cautious point of view, BSC forecasts international passenger volume = 17 million (+62% yoy), or 60% compared to 2019, thanks to China, South Korea, the United States, Taiwan and small and medium-sized markets recovering.

FREIGHT TRANSPORTATION

Figure: Air cargo volume + 11% YoY

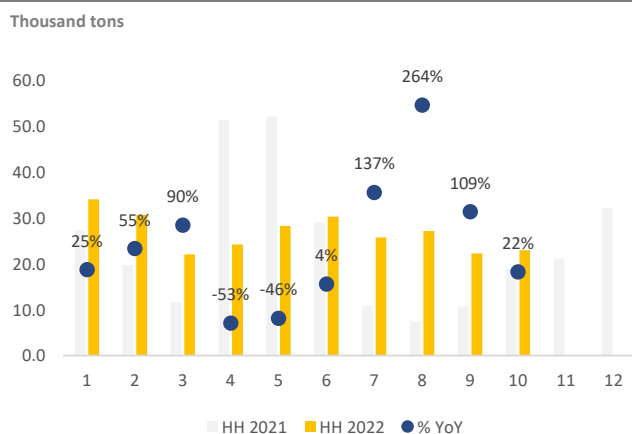
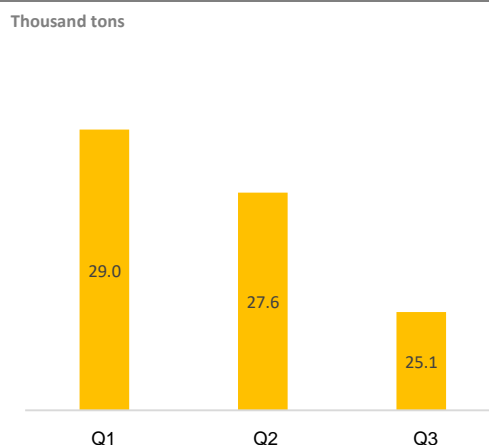


Figure: Average monthly output of goods



Source: GSO

At the end of 9M.2022, the volume of goods transported by air +11% yoy, mainly due to the low background in 2021. The average monthly volume of goods in Q3 decreased by –13% compared to the beginning of the year due to (1) China maintaining a Zero Covid policy, affecting the domestic supply chain of goods, (2) slowing global transport demand in general, (3) seasonal factors. In 2023, BSC believes that commodity production will still grow slowly (+1-2% yoy) due to the slowing global economy.

Highly fluctuating exchange rates continue to affect the contracts of aviation enterprises, due to the use of foreign currency loans to invest in terminals and aircraft. In particular, the depreciation of the JPY will have a positive impact on ACV's KQKD. BSC estimates that for every % discount of JPY, ACV will record 120-130 billion profits from the exchange rate difference. **On the contrary, the strengthening dollar will negatively affect HVN's KQKD**. BSC estimates that for every % increase in the price of USD, HVN will record 200-220 billion losses from the exchange rate difference.

No	Company	Foreign currency loan balance (VND billion)	Currency	% Total Debt	% Total Assets	Foreign currency trend compared to VND	Impact on business result
1	ACV	12,007	JPY	100%	22%	Depreciate	Positive
2	HVN	20,620	USD	56%	31%	Appreciate	Negative
3	VJC	3,372	USD	18%	5%	Appreciate	Negative but insignificant

Oil prices remained high, negatively affecting the air transport group. At the end of October 2022, the price of Jet A1 oil was at 140 USD/bbl (+45% ytd). Compared to Q2, Jet A1 oil prices were flat due to supply disruptions from Russia-Ukraine tensions. This negatively affects the air transport group's contract because it is impossible to transfer 100% of gasoline costs to domestic fares. In the near future, BSC believes that **oil prices will remain high** due to tight supply (Details see Oil and gas industry).

INVESTMENT PERSPECTIVE – POSITIVE

For the outlook for Q4.2022 and 2023, BSC evaluates:

- **For passenger-related air service businesses (such as ACV)** BSC has a positive rating due to directly benefiting from the recovery of passenger output.
- **For air transport enterprises (such as HVN, VJC)**, BSC reviews are less positive. Although demand is recovering, oil prices will remain high in the second half of 2022 and 2023, which will affect air transport businesses.

Figure: Estimated business result some aviation enterprises

Stock code	Net revenue (bil VND)	% YoY	Net income 2022 (bil VND)	% YoY	EPS 2022 (VND/share) fw	P/E fw	P/B fw	ROA 2022	ROE 2022	Price 16/11/2022	Target price	Upside
SCS	927	10%	643	14%	6,619	10.7	4.6	39%	43%	70,900	76,000	7%
ACV	14,597	207%	7297	824%	3352	24.4	4.0	12%	16%	81,910	90,000	10%

Source : BSC Research

FISHERIES [POSITIVE]

Analyst: Nguyen Cam Tu, CFA

Email: tuntc@bsc.com.vn

- Accumulated in the first 9 months of 2022, the country's seafood export turnover is estimated at 8.5 billion USD, up 38% over the same period last year: shrimp +23% YoY, pangasius +82% YoY
- Business prospects in 2023: For the shrimp industry: The fact that the main consumption markets (US, EU) are expected to face many difficulties in the economy will negatively affect the demand for Vietnamese shrimp.
- For the pangasius industry: BSC expects that China's opening will lead to an increase in demand for pangasius after a long period of repression, helping the whole pangasius industry grow.
- BSC maintains a **positive** view of the Fisheries sector in 2023.

Accumulated in the first 9 months of 2022, the country's seafood export turnover is estimated at 8.5 billion USD, up 38% over the same period last year. In which, shrimp export turnover reached nearly 3.4 billion USD, up 23% over the same period, accounting for 40% of export turnover. Pangasius export turnover is estimated at 2 billion USD, up 82% over the same period, accounting for 24% of the price of the export value of the whole seafood industry. The growth rate of the pangasius group decelerated when the US market reduced imports (compared to Q2) when inventories at the port were high.

Picture: Vietnam's shrimp exports

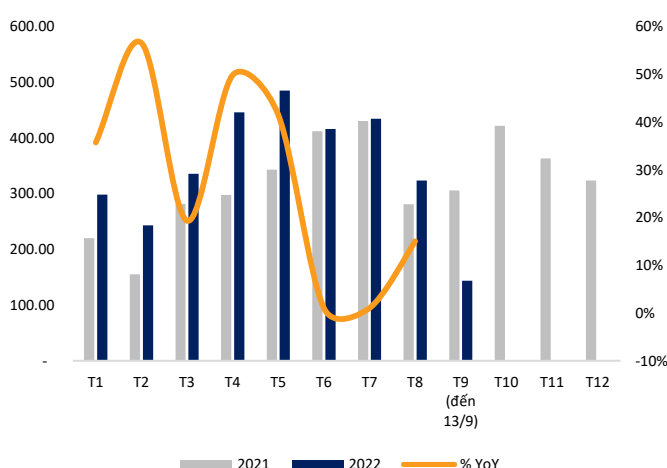
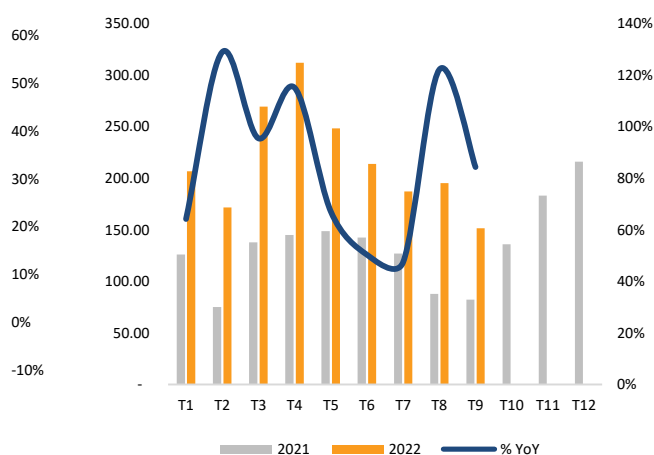


Image: Pangasius export



Nguồn: Agromonitor

Up to now, 6/7 seafood enterprises have announced Q3 business results with revenue of 9,352 billion (+47% YoY) and 784 billion (+137% YoY). The growth rate is high due to (i) The low level of last year when southern businesses affected production due to social distancing orders) and (ii) Enterprises still benefited from high gross margins in Q3 2022.

Business Outlook 2023:

- For the shrimp **industry**: BSC believes that the economies of the main consumption markets (US, EU) are forecasted to face many difficulties in 2023. This will negatively affect the demand for shrimp when (i) shrimp is a high-priced seafood product (ii) Vietnamese shrimp costs 10-15% higher than shrimp from rival countries.
- **For the pangasius industry**: BSC believes that the growth of the industry will depend on China's opening up after a long pursuit of the Zero – Covid campaign. BSC expects that China's opening up will lead to an increase in demand for pangasius after a long period of repression, helping the whole pangasius industry increase growth. For the US market, BSC expects export turnover to be positive again when inventories at the port are consumed.

Figure: U.S market

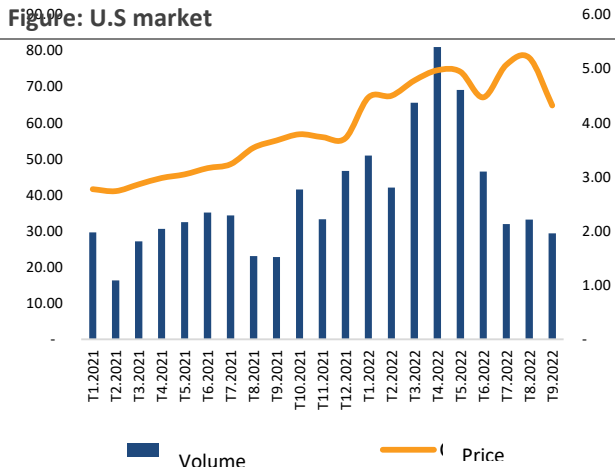


Figure: Chinese market



Source: Agromonitor

Freight rates continue to decline sharply, gradually approaching pre-Covid rates. Rates from Southeast Asia to the U.S. averaged around \$3,417 (-81% from the top, - 83% YoY). Rates from Southeast Asia to Europe are around \$7,241 (-51% from peak, -49% YoY). In Q3, VHC and ANV's transportation costs both recorded a decrease compared to Q2 2023 when freight rates cooled down: VHC (-61% QoQ, -14% YoY); ANV (-11% QoQ, +40% YoY).

Figure: Rates from Southeast Asia to the U.S

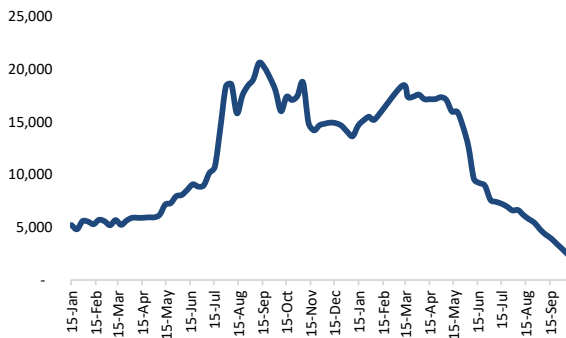
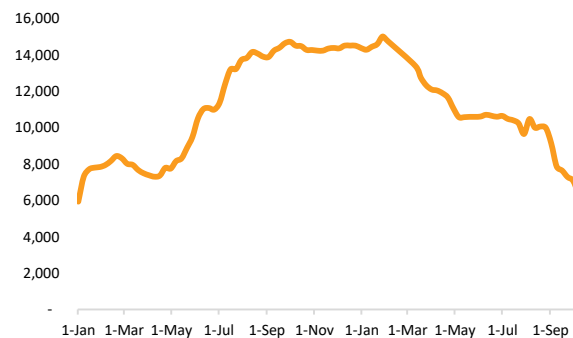


Figure: Rates from Southeast Asia to Europe



Source: FBX

INVESTMENT PERSPECTIVE – POSITIVE

We maintain a **POSITIVE** view of the Fisheries sector in 2023. BSC believes that the growth of the industry will depend on China's opening up after a long pursuit of the Zero – Covid campaign. BSC expects that China's opening up will lead to an increase in demand for pangasius after a long period of repression, helping the whole pangasius industry grow.

Figure: Estimated business result some fisheries enterprises

Stock code	Net revenue (bil VND)	% YoY	Net income 2022 (bil VND)	% YoY	EPS 2022 (VND/sha re)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price 16/11/2022	Target price	Upside
VHC	12,378	37%	2200	100%	11900	5.0	1.5	27%	34%	59,800	87,200	46%
ANV	6,858	96%	798	520%	4,900	4.0	0.8	21%	26%	19,550	21,300	9%

Source: BSC Research

RETAIL – CONSUMER SERVICE SECTOR [POSITIVE]

Analyst: Pham Thi Minh Chau

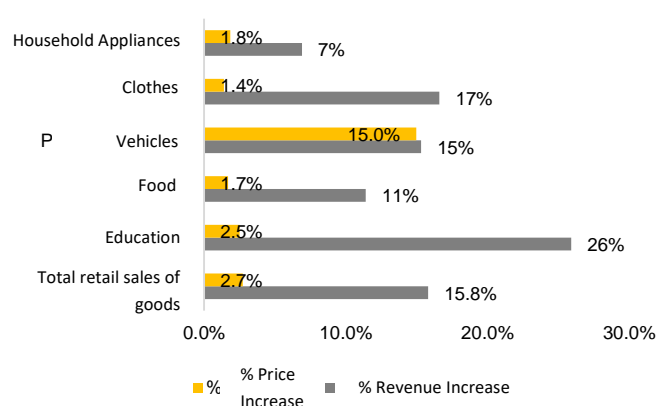
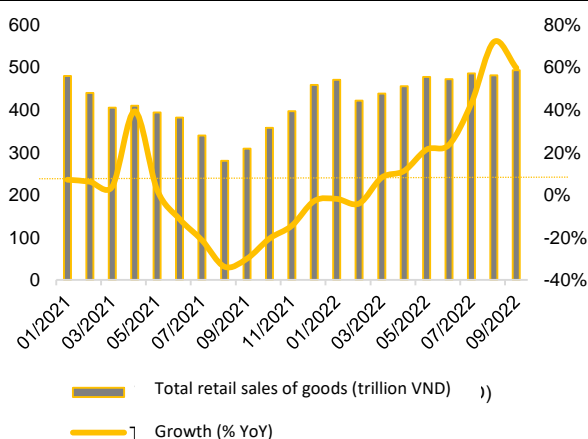
Email: Chauptm@bsc.com.vn

- The retail sector in 9M/2022 continues to grow on the low level of 2021
- In 2023, there is a reverse divergence between the two segments of retail and consumer industries: The retail segment faces a high base of 2022 while the consumer segment is growing on a low base.
- BSC maintains **positive** for the retail consumer sector in 2023

Accumulated 9M/2022, the total retail sales of goods is estimated at VND 3,330 trillion, which rises by +15.8% over the same period in last year, (excluding the increase in price of +11.6%YoY), thanks to (1) the low base in 2021 due to the Covid19 pandemic and (2) The price increase mainly derives from the sale of vehicles (+15%YoY) which comes from fuel prices increasing +41.07%YoY as a result of geopolitical instability, the education group (+2.5%YoY) because of the tuition fee exemption period during the epidemic has ended in many localities, and the food group (+1.7%YoY) due to the pressure of high material prices and the demand for eating out increased again after the epidemic (+4.4%YoY).

Figure: Total retail sales of goods recovered after the Covid19 pandemic

Figure: Price fluctuations and retail sales of goods 9M/2022



Source: GSO, BSC Research.

In 2023, there is a reverse divergence between the two segments of retail and consumer service sector: The retail segment faces a high base of 2022 while the consumer service segment is growing on a low base.

- **For the retail segment - The high base of 2022 along with pressure from declining interest rates and purchasing power: making competition in the sector fierce, that has posed a common growth challenge for this sector in 2023. However, BSC expects large enterprises possessing financial strength, pursuing modern consumption trends to continue to grow higher than the industry average in 2023, but the increase may be lower than the high base of 2022, due to:**
 - (1) Gain more market share by scaling up, (PNJ, TGDD & ĐMX of MWG) and conduct M&A
 - (2) Comprehensive restructuring (MWG's BHX), digitization and optimization of the operating model of the business (SAB, TLG, PNJ).

Figure: Factors affecting the operations of enterprises 9M/2022

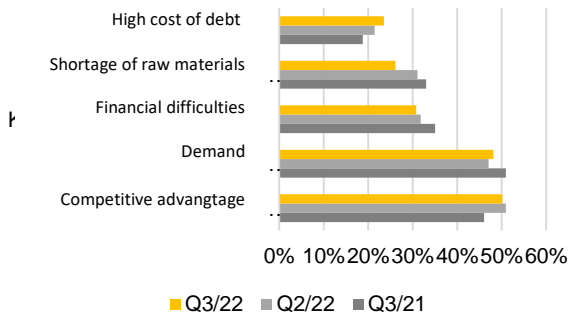
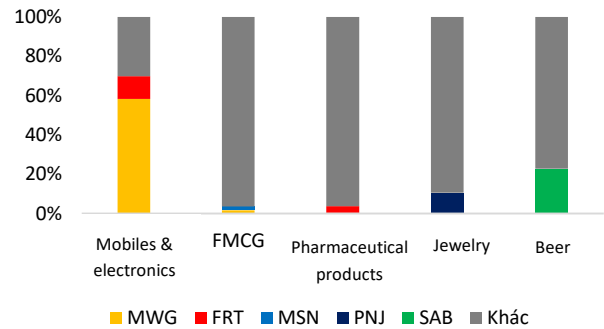


Figure: Market share estimate on the value of large enterprises in the retail segment in 2021



Source: GSO, VIRA, MWG, BSC

- For the consumer service segment (VNM, QNS, ...) – Growth from the low base of 2022:** The gross profit margin of the segment is improved thanks to (1) Revenue growth from stable demand which adapted to higher prices in 1H/2022 (2) the downward trend of material prices and transportation costs after the peak of geopolitical tensions in the world. In addition, the expectations from China’s Reopening have solved the problem of goods circulation and support the export revenue of many current enterprises.

Figure: the downward trend of the price of milk powder imported from New Zealand (USD/ Ton)

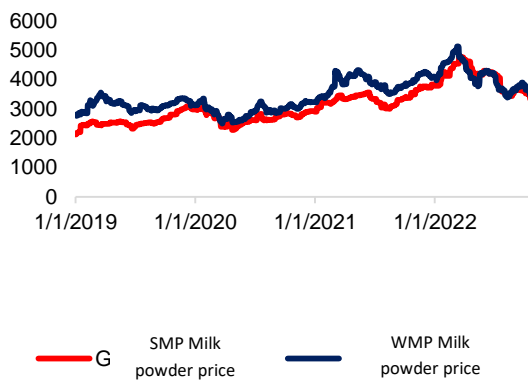
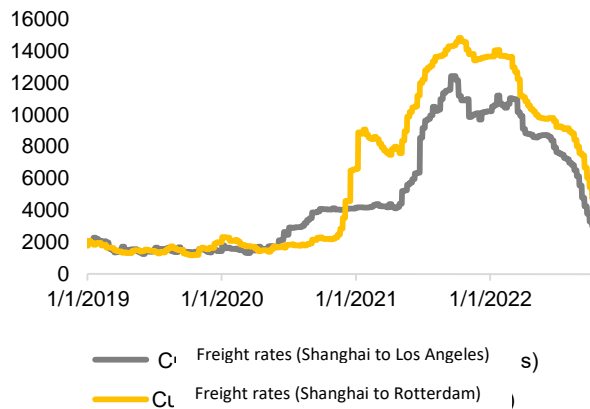


Image: Deep drop in freight rates after the climax of world war tensions (USD)



Source: DBC, Bloomberg, BSC

BSC maintains **POSITIVE** recommendations for retail and consumer service sector, thanks to (1) consumer service businesses that can improve gross profit margins after the low levels of 2022 and (2) **Retail businesses** in 2023 with competitiveness and financial strength will record slowing growth but still higher than the industry average in 2023

Figure: Estimated business results of several consumer service – retail enterprises

Ticker	Net Rev 2022 (billion VND)	% YoY	NPAT 2022 (billion VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
MSN	77,088	- 13%	3830	-55%	2689	35.0	8.2	4%	14%	94,000	90,100	-4%
MWG	140,086	14%	4,512	-8%	3,040	12.4	2.2	7%	19%	37,800	43,700	16%
NPC	34,067	74%	1793	74%	6910	15.4	3.2	15%	24%	106,200	118,900	12%
FRT	30,991	38%	513	16%	3,641	16.2	4.3	5%	28%	59,000	65,500	11%
MSN	77,088	- 13%	3830	-55%	2689	35.0	8.2	4%	14%	94,000	90,100	-4%

Source: BSC Research

AUTOMOTIVE SECTOR [POSITIVE]

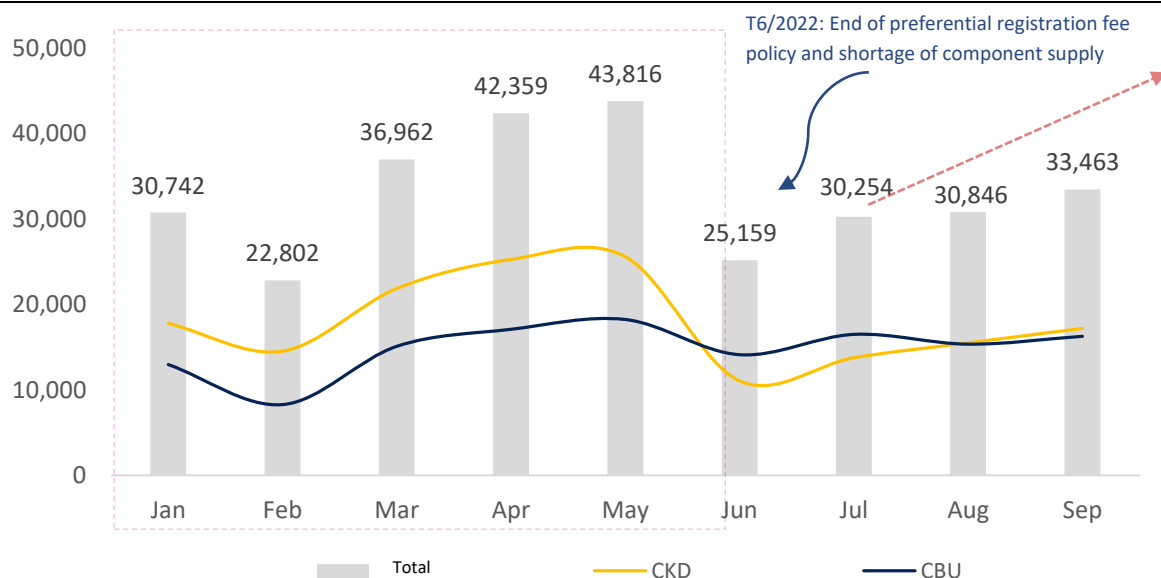
Analyst: *Luu Thuy Linh*

Email: *Linhl2@bsc.com.vn*

- In the first 9 months of 2022, VAMA members' automobile consumption reached 264,951 units, rose by 56% over the same period.
- BSC maintains a **positive** outlook on the Automotive sector in Q4 2022 and 2023 due to: **(1)** improved components supply; **(2)** expect demand for car ownership to continue to grow thanks to low car ownership rates and improved average income.

According to the Vietnam Automobile Manufacturers Association (VAMA), VAMA members' automobile sales in Q3/2022 reached 79,484 units (+134% YoY, +24% compared to the previous level). In the first 9 months of 2022, sales reached 264,951 units (+56% YoY, +35% compared to the previous level). Similar to the momentum of automobile sales, the net profit of automobile enterprises in Q3 was estimated to grow by 224% over the same period and 8% compared to the previous quarter.

Figure: Car consumption recovers from T7/2022 (unit)

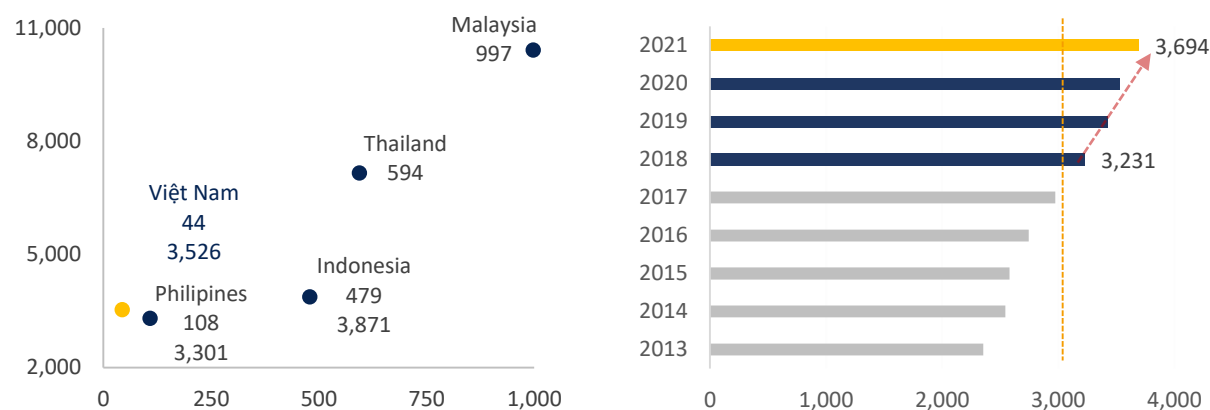


Source: VAMA, BSC Research

BSC maintains a positive outlook on the Automotive sector in Q4/2022 and 2023 due to:

- (1) BSC expects auto sales to continue to grow thanks to improved component supply** as China relaxes its "Zero – Covid" policy. We believe that a shortage of components will push manufacturers to increase production, ensure supply to meet demand as well as reduce customer wait times thereby boosting auto sales.
- (2) Low car ownership rates and improved average income are expected to be the driving forces behind auto sales.**
 - Vietnam has a relatively lower car ownership rate than comparable middle-income countries in the region, the Philippines and Indonesia. Car ownership rates per 1,000 people in Vietnam, the Philippines and Indonesia are: 44, 108 and 479 cars per 1,000 people, respectively.
 - Average GDP and a rapidly growing middle class drive demand for car ownership because the middle class tends to spend more on homes and vehicles. According to the World Data Lab, Vietnam ranks 7th globally in terms of middle class growth and in the next 10 years Vietnam will add 23.2 million new people to the middle class.

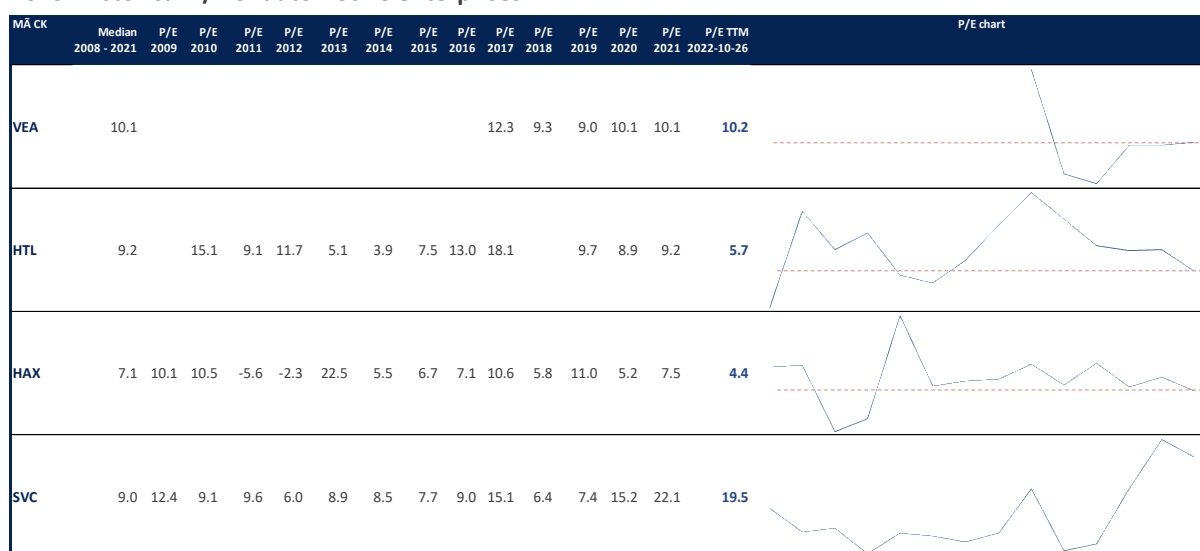
Figure: Car ownership rate (Car per 1000 people – horizontal axis) and average GDP (USD/person – vertical axis) in 2020



Source: BSC Research

In addition, **automotive businesses** maintain regular cash dividends and **are currently trading at historically low P/E, with VEA preferred with a large cash position and attractive dividend yield.**

013: Historical P/E of automotive enterprises



Source: FiinPro, BSC Research

INVESTMENT PERSPECTIVE – POSITIVE

BSC maintains a **positive** outlook on the Automotive sector in Q4 2022 and 2023 due to: **(1)** improved component supply; **(2)** The demand for car ownership continues to increase thanks to low car ownership rates and improved average income.

Figure: Estimated business results of several automotive enterprises

Ticker	Net Rev 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
VEA	4,275	6%	6,779	18%	5,050	7.5	1.9	25%	25%	38,097	45,000	18%

Source: BSC Research

TIRE SECTOR [POSITIVE]

Analyst: Luu Thuy Linh

Email: Linhlt2@bsc.com.vn

- Business results in Q3/2022 of tire enterprises are positive thanks to: **(1)** domestic demand recovers and exports continue to grow; **(2)** the comparative base level is low over the same period.
- We believe that in Q4 and 2023, the tire business will maintain its growth momentum thanks to: **(1)** revenue growth driven by domestic demand and major export markets continue to recover and **(2)** operational efficiency is improved by cutting material and logistics costs.
- BSC maintained a **positive** view on the Tire sector in **Q4 2022 and 2023**.

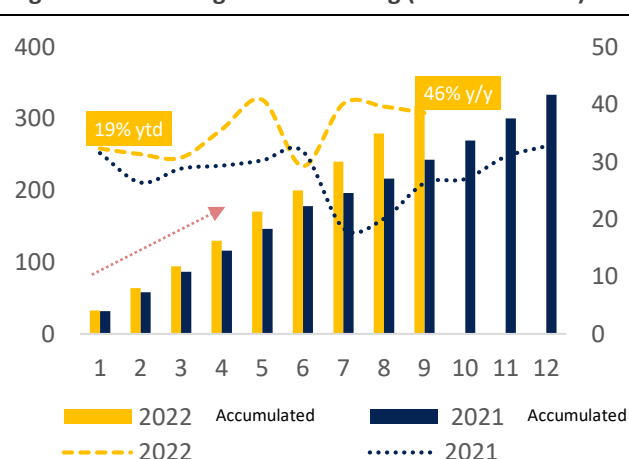
Q3/2022 growth of tire enterprises was positive thanks to: (1) Domestic demand recovered, and exports continued to grow; **(2)** Low comparative base over the same period. BSC estimates that net income and profit after tax in Q3 of tire businesses will grow by +30% and 74% respectively in 2021.

Q4 and 2023 business prospects:

(1) BSC expects revenue growth driven by domestic transport activity and key export markets to continue to recover which will help increase demand for tires.

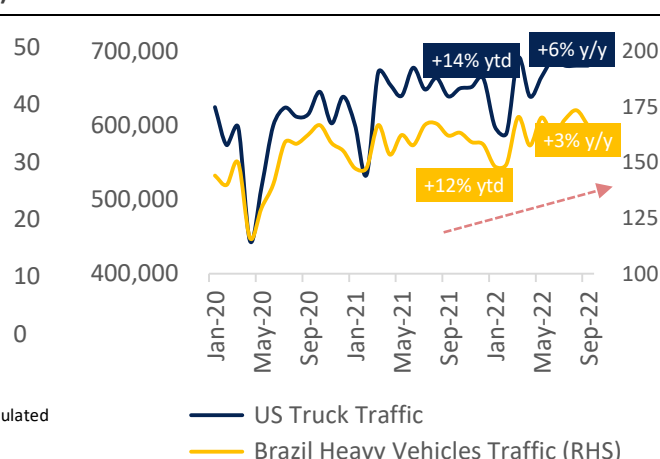
The volume of domestic goods continued to recover in 9M/2022, rose by +46% YoY and +19% YTD. At the same time, truck traffic in September in major export markets such as Brazil and the US recovered by 6% and 3% respectively.

Figure: Volume of goods circulating (Million tấn.km)



Source: GSO, BSC Research

Picture: Truck traffic in Brazil and the U.S. recovers



Source: Bloomberg, BSC Research

(2) Moreover, we expect performance to be improved thanks to: (2.1) reduced material costs and (2.2) reducing logistics costs.

(2.1) Material expenses tend to decrease

The main production materials such as rubber, chemicals, steel adjust while global goods prices fall. In particular, natural rubber (accounting for 30% – 35% of raw materials) has adjusted by 34% compared to the peak in March 2022 (-23% YTD and -19% YoY respectively).

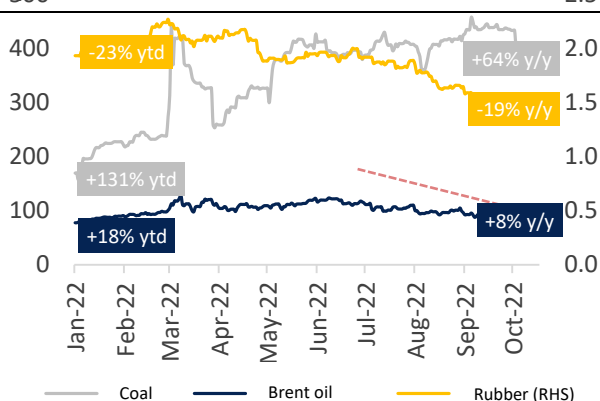
However, black coal (accounting for 10% - 15% of raw materials) tends to increase in price as countries increase the use of coal as an alternative to other energy sources.

BSC expects that, following the decline of crude oil, the prices of major production materials will continue to adjust in Q4/2022 and 2023, thereby supporting the improvement of gross profit margins of tire enterprises.

Image: Rubber price has cooled down since the March peak (USD/kg)



H: Price movements of rubber, Brent oil and coal prices



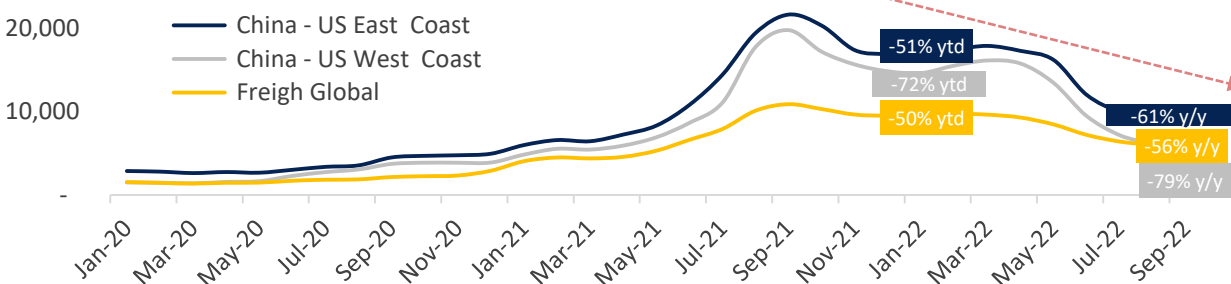
Source: Bloomberg, BSC Research

(2.1) Reducing logistics costs

World shipping rates have decreased by 51% since the peak of T9/2021, along with this adjustment trend, sea freight rates from China to the US East Coast have also decreased by 53% from the corresponding peak to -50% YTD and -61% YoY (but still 3 times higher than in 2019).

We expect ocean freight rates to continue to decrease in the near future thanks to the increased supply of ships, thereby helping tire businesses reduce sales costs and improve operational efficiency.

Image: Global ocean freight rates cool down



Source: Bloomberg, BSC Research

INVESTMENT PERSPECTIVE – POSITIVE

BSC maintained a **positive** outlook on the Tire sector in Q4 2022 and 2023 based on (1) revenue growth driven by continued domestic demand and key export markets and (2) improved operational efficiencies due to reductions in material and logistics costs.

Figure: Estimated business results of several enterprises in the tire sector

Ticker	Net revenue 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
DRC	5,202	19%	322.0571904	11%	2656.87	7.2	1.1	17%	10%	19,000	25,000	32%

Source: BSC Research

NON-LIFE INSURANCE SECTOR [NEUTRAL]

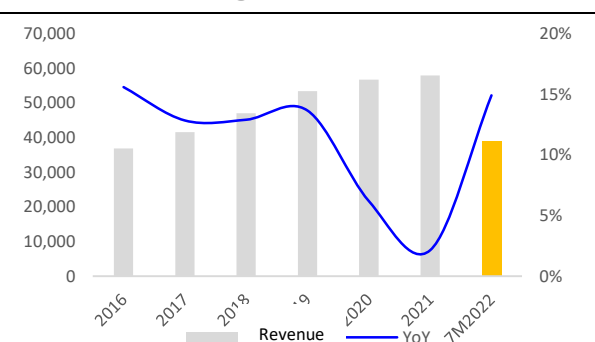
Analyst: Dinh Manh Thang

Email: thangdm@bsc.com.vn

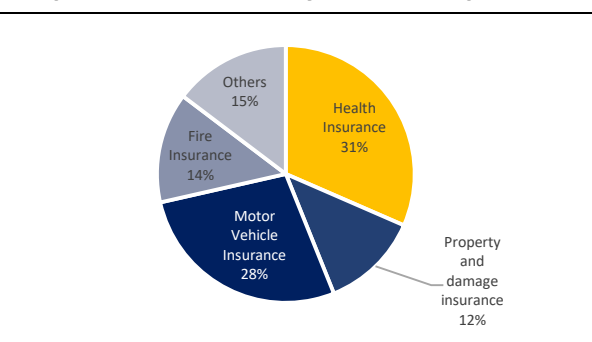
- Principal premium revenue growth rate remained at 2 digits but rising insurance business costs caused profits from insurance business to decline in many businesses;
- Financial revenue is forecast to increase in 2023 thanks to the rising interest rate;
- BSC holds a **NEUTRAL** view towards the insurance sector group in Q4 2022.

Premium revenue growth rate remained at double digits. Total non-life insurance premium revenue in the first 7 months of 2022 is estimated at VND 38,789 billion (+14.9% yoy) – according to the Vietnam Insurance Association. The health insurance segment (accounting for 32% of the sector's total premiums) recorded a rapid growth of +22.7% YoY, the motor insurance segment (which accounts for 28% of the sector's total premiums) grew at +11.4% yoy.

Premium revenue growth



Proportion of revenue by insurance operations

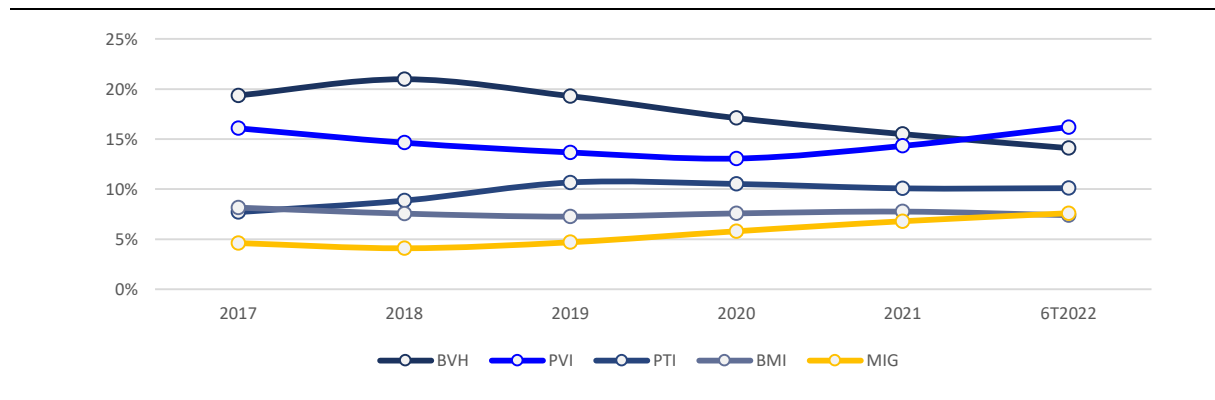


Nguồn: IAV, BSC Research

Sector-wide premium revenue growth is in line with our findings in the previous report ([link](#)). As a result, **BSC maintains its forecast for non-life insurance sector principal fee revenue growth to be at 10% in 2022.**

MIG's market share surpasses BMI to enter the top 4 enterprises. Top 3 has not changed much compared to the end of Q1/2022: PVI (16.2%) continues to lead despite the decline in market share in Q2/2022, followed by BVH (14.1%), PTI (10.1%). MIG (7.6%) surpassed BMI for the first time (7.4%) to rank 4th in terms of market share. We believe that the top 5 market share will remain until the end of 2022 because the leading enterprises do not have much change in business strategy and the gap between the leading group and the inferior business is relatively large.

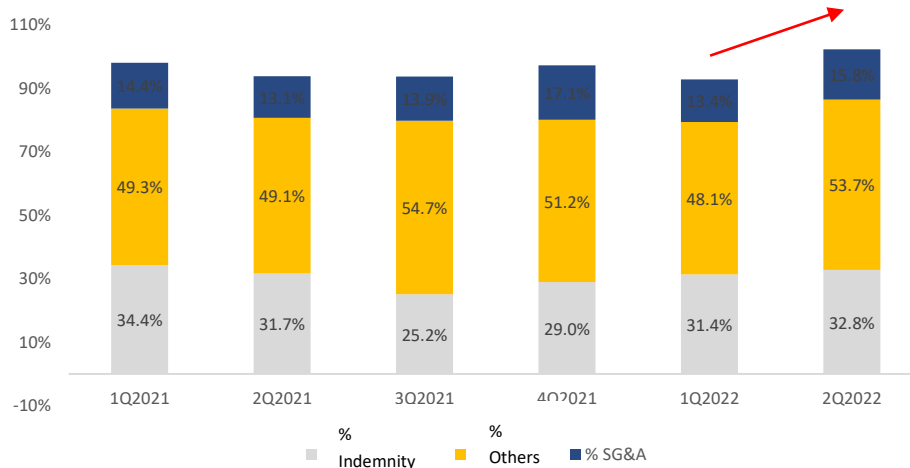
Non-life insurance market share (by original premium revenue)



Source: IAV, company financial statements, BSC Research

The sector-wide combined rate increased sharply in Q2/2022, in line with our forecast in the previous report ([link](#)). Compensation ratios, other expense ratios, and sales and business management (SG&A) spend ratios all increased in Q2 2022, with increases of 140, 560, and 240 basis points, respectively. We believe that the percentage of other expenses increases sharply because businesses that focus on selling health insurance products often have a higher sales commission share than other businesses.

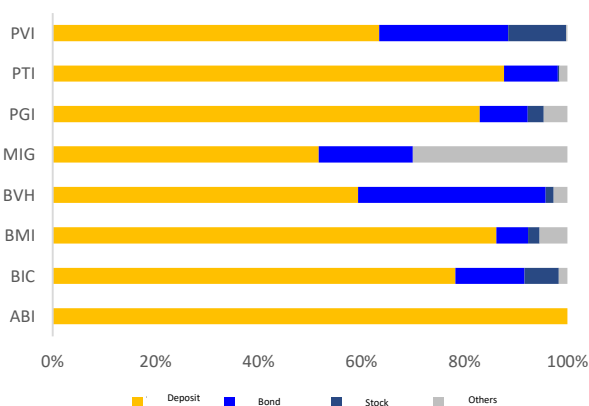
The combined rate of the whole sector increased sharply in Q2/2022



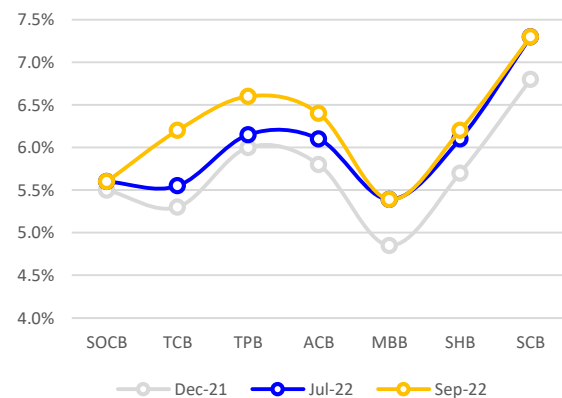
Source: Company financial statements, BSC Research

We expect the financial profitability of insurers to increase in 2023 thanks to the increase in deposit rates. Since most of the portfolio is deposits, insurers will be benefited as deposit rates tend to increase in the near term due to increased liquidity pressures in recent quarters. However, we think that in 2022, the return from financial investments will be negatively impacted by: (i) the return from stock investment will decline; (ii) liquidity risks to the corporate bond market.

Bank deposits make up the majority of the portfolio structure of insurance companies



Deposit interest rates (12-month terms) continue to increase in many banks in Q3/2022



Source: Company financial statements, BSC Research

INVESTMENT PERSPECTIVE – NEUTRAL

We recommend **NEUTRAL** to the non-life insurance sector in 2022 due to (1) Good growth in principal premium revenue, (2) Increased costs sharply reduce profits from insurance operations, (3) Increased interest rates will increase financial revenue in 2023.

Some stocks are of interest to us due to the prospect of state divestment and have discounted relatively much in recent times:

Figure: Estimated business results of several non-life insurance enterprises

Ticker	Net Rev 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
BMI	4,145	9%	244	-4%	2,228	9.0	0.9	3%	9%	20,000	22,300	12%
PVI	5,470	15%	938	13%	3821	10.7	1.1	3%	11%	40,900	44,500	9%
ME	3,460	30%	146	-35%	885	16.2	1.1	2%	8%	14,300	16,000	12%

Source: BSC Research

SEAPORT SECTOR [NEUTRAL]

Analyst: Pham Quang Minh

Email: minhpbq@bsc.com.vn

- **By the end of 9M/2022, container volume through Vietnamese seaports increased by +7% yoy.** In 2023, BSC believes that container production will still grow slowly due to the slow growth in global economy.
- **Competition will return in 2023** as Hai Phong ports still have 20-25% capacity surplus.
- BSC lowered our recommendation from **POSITIVE** to **NEUTRAL** for the Seaport group in Q4 2022, and 2023 due to concerns about slowing import and export activities.

By the end of 9M/2022, container volume through Vietnamese seaports increased by +7% yoy. The growth was +5% yoy, mainly due to the low base in Q3/2021. If the low base effect is removed in 2021, BSC estimates that Container 9T production will only increase by 2-3% yoy due to (1) slowing import and export activities and (2) China maintaining a Zero-Covid policy. **In 2023, BSC believes that container production will still grow slowly due to the slowing global economy.**

Figure: Container volume through Vietnam + 7% yoy in 8M/2022

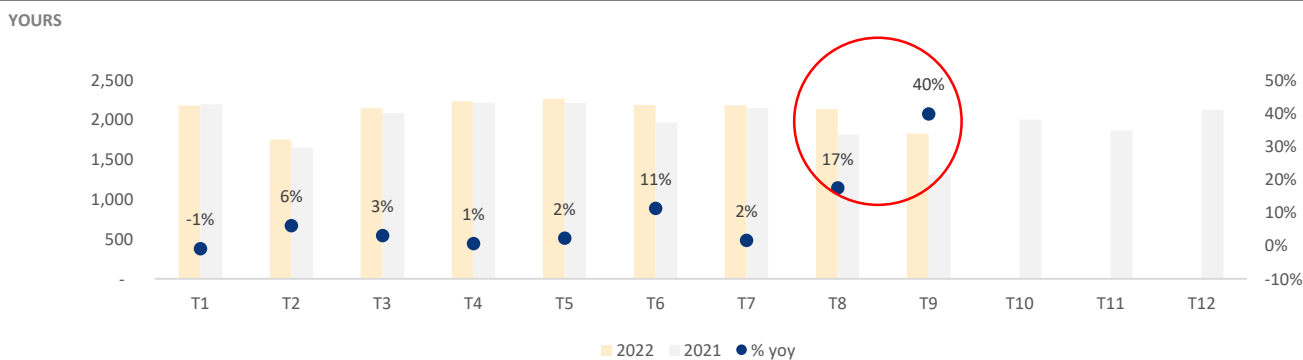


Figure: Container output through Hai Phong in 9M/2022

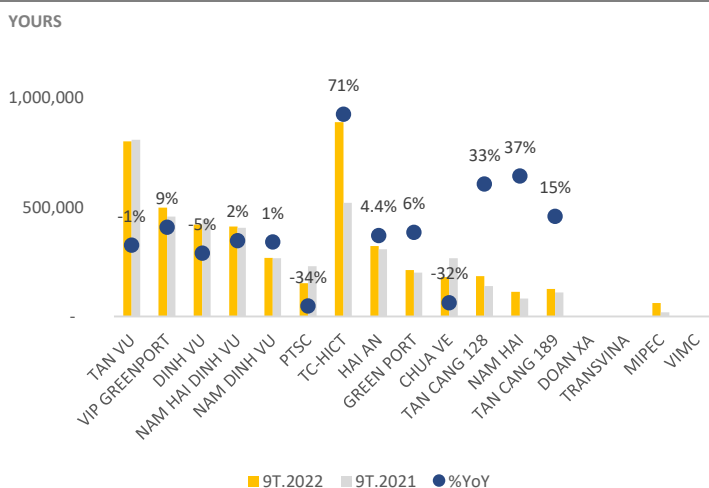
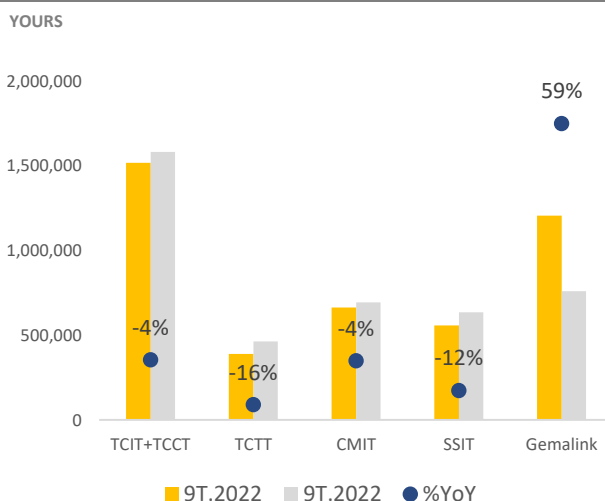


Image: Numbers of Container via CMTV in 8M/2022



Source: BSC Research

Many major ports are still slowing down:

1. Hai Phong Port Group:

- **The output of Cam River ports, excluding Lach Huyen +0.8% yoy.** The majority of ports output was flat due to slowing import and export activities. However, Tan Cang 128/189 + 33%/+ 15% yoy, VIP Green & Green 9%/+6% yoy due to receiving routes from PTSC and NHDV, Nam Hai +37% yoy as receiving routes from Nam Dinh Vu.
- **Lach Huyen port output + 71% yoy, mainly from the low base of 2021** due to the port being sagging. Since Q2/2022, Lach Huyen's sedimentation situation has been resolved, so there is a possibility of receiving mother ships again, helping to increase production sharply in 9M/2022.

2. Cai Mep – Thi Vai Port Group: CMTV port group output rose by + 5% yoy. The majority of ports grew negatively, with the exception of GML + 59% yoy due to receiving service routes from other ports.

Competition will return in 2023 as Hai Phong ports still have 20-25% capacity surplus. In the coming period from 2022-2025, BSC forecasts that Hai Phong area will continue to have 20%-25% capacity (+ 5-10 percentage points compared to 2017-2018). The case of VIP Green Port will be different cause it has the advantage of shareholder EverGreen. In addition, the remaining ports are competing mainly on price. So, with the global economy slowing, BSC thinks GMD, VSC, PHP, . . . will be under great competitive pressure in 2023.

Figure: Forecast of output/capacity of KV Hai Phong

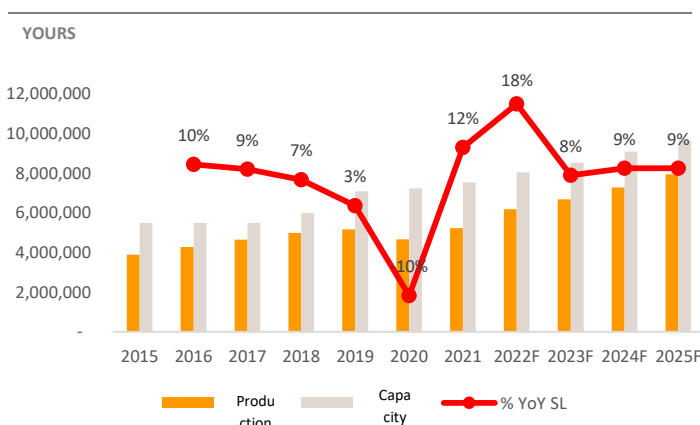
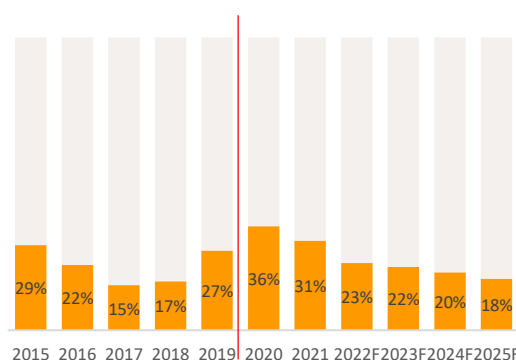


Figure: Oversupply at 20-25% from 2022-2025F



Source: BSC Research

Tracking factors: As of Q3/2022, China is still maintaining a Zero-Covid policy. However, BSC expects China to gradually relax regulations and reopen in 2023. If China begins to reopen again, supply chain disruptions could be improved, helping to restore output.

INVESTMENT PERSPECTIVE – NEUTRAL

BSC lowered its recommendation from **POSITIVE** to **NEUTRAL** for the Seaport Sector due to concerns about the risk of import and export activities slowing down because of the global economy recession in 2023.

Figure: Estimated business results some seaport enterprises

Ticker	NET REV 2022 (billion đ)	% yoy	NPAT 2022 (billion đ)	% yoy	EPS 2022 (d/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 9/11/2022	Target price	Upside
GMD	3,755	17%	952	56%	3161	14.6	1.4	7%	10%	46,000	53,500	16%

TEXTILE SECTOR [NEUTRAL]

Analyst: Nguyen Cam Tu, CFA

Email: tuntc@bsc.com.vn

- In Q3/2022, textile and garment exports reached a turnover of 10.4 billion USD (+29% YoY and 28% QoQ). Fiber exports continued to record a sharp decline with turnover reaching 1 billion USD (-31% YoY, -25% QoQ) due to a 31% decline in output over the same period.
- Textile sector outlook for 2023: BSC believes that in Q4/2022 and 2023, textile enterprises continue to face many challenges: garment enterprises face many difficulties in signing orders as customers continue to handle high inventories in the environment of a troublesome economy.
- We hold a **NEUTRAL** view on the Textile sector in 2023

In Q3/2022, textile and garment exports reached a turnover of 10.4 billion USD (+29% YoY and 28% QoQ). The growth came from the low base in the same period when the export activity of Q3/2021 was affected by the pandemic prevention lockdown. However, fiber exports continued to record a sharp decline with turnover reaching 1 billion USD (-31% YoY, -25% QoQ) due to a 31% decline in output over the same period and a decrease in textile demand due to high inventories. BSC thinks that the downtrend will continue in Q4 and yarn prices stabilize at low levels in 2023.

Image: Textile and garment export turnover – USD billion

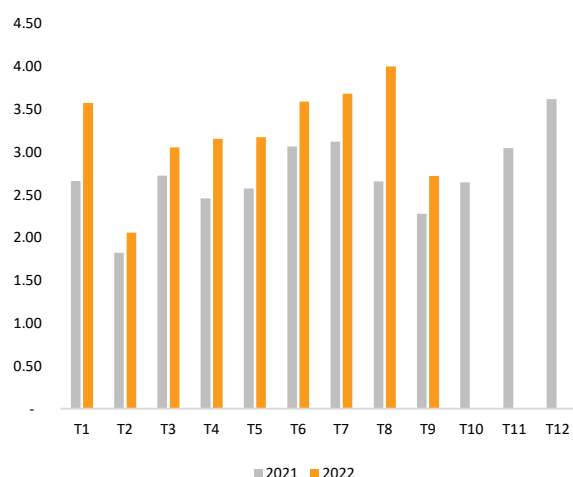
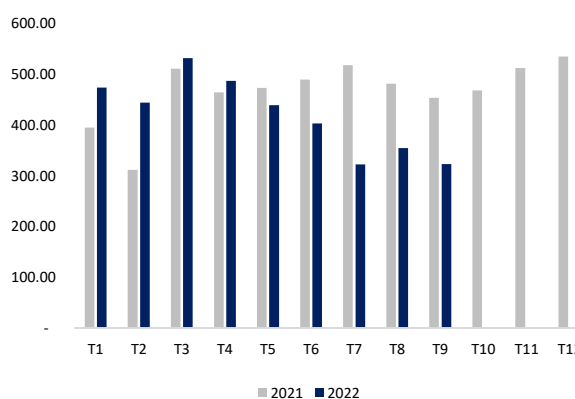


Image: Fiber export turnover (million USD)



Source: TCHC

Up to now, 11/12 textile and garment enterprises have announced Q3 business results with revenue of 14,082 billion (+21% YoY) and 799 billion (+58% YoY). The growth rate was high due to (i) The low base of last year when some southern enterprises affected production due to social distancing regulations (PPH, TCM, VGG) and (ii) Orders were still exported because customers had not reduced orders in Q3.

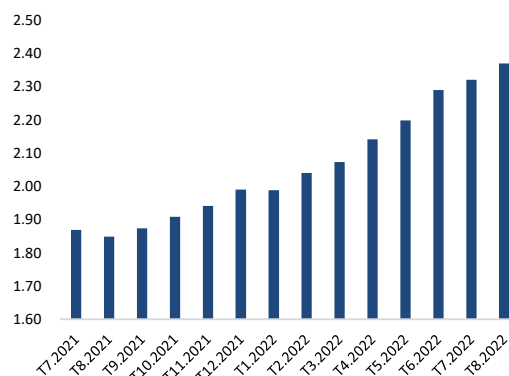
Textile sector outlook for 2023: BSC believes that in Q4/2022 and 2023, textile enterprises continue to face many challenges: garment enterprises face many difficulties in signing orders as customers continue to handle high inventories in the environment of a troublesome economy.

+ Traditional garment segment: BSC believes that the US market with high inventory levels and the risk of recession continues to reduce the value of new orders in 2023. The EU market, whose economy is expected to face more difficulties than the US market, will also face pressure to cut new orders for next year.

Figure: Proportion of export markets

Business	U.S. market share	EU market share
MSH	60%	40%
TNG	42%	33%
TCM	24%	4%

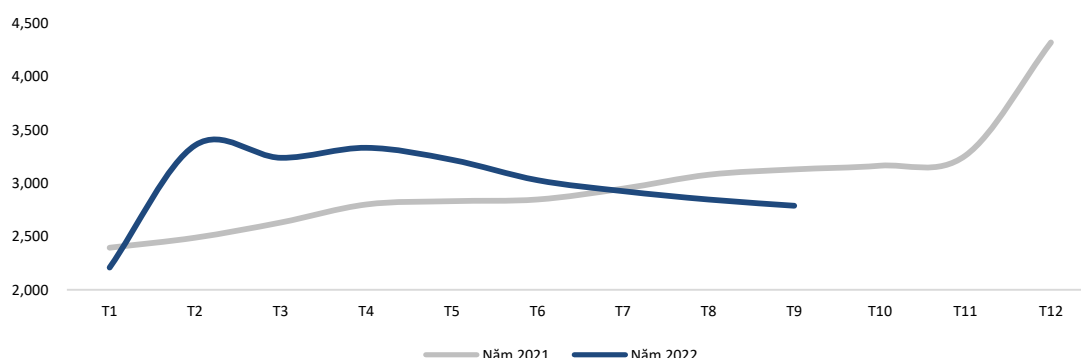
Image: Clothing inventory in the US (Billion USD)



Source: Ycharrrt

+ Yarn segment: After a year of difficulties due to declining yarn prices, BSC believed that in 2023, yarn prices will continue to trade around low levels when traditional garment demand declines due to high inventories and reduced shopping demand when the world economy declines.

Figure: Export price of fiber and yarn of Vietnam



Source: General Department of Customs

INVESTMENT PERSPECTIVE – NEUTRAL

BSC holds a **NEUTRAL** view on the textile sector in 2023 due to the risk of demand decelerating as consumers tighten spending and high inventory levels affect order volumes. Fiber businesses face many challenges as yarn prices are expected to continue to be traded at around low prices.

Figure: Estimated business results of several textile enterprises

Ticker	NET REV 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
MSH	5,952	25%	361	-18%	6200	6.1	1.2	13%	26%	37,600	39,000	4%
TNG	6,375	17%	320	38%	3,100	4.3	0.7	7%	20%	13,400	13,600	1%

Source: BSC Research

POWER SECTOR [NEUTRAL]

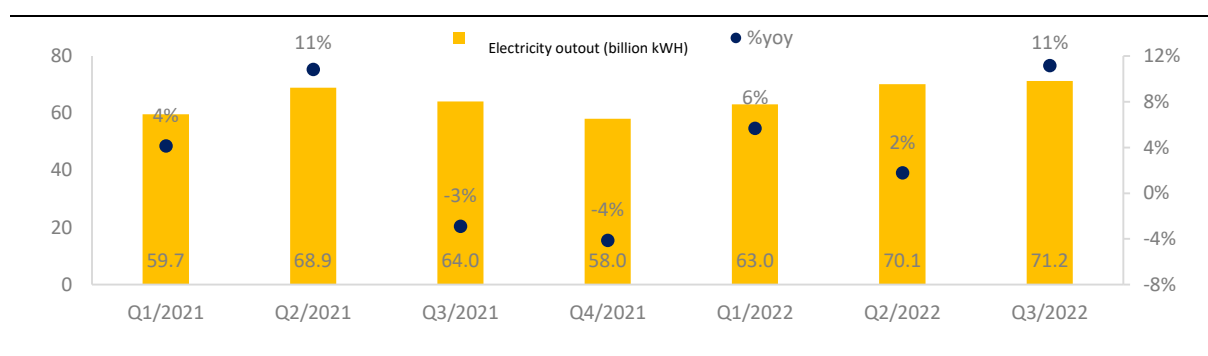
Analyst: Duong Quang Minh

Email: Minhhdq@bsc.com.vn

- Commercial electricity output of 9T2022 rose by +6.3% YoY.
- The El Niño cycle is expected to return soon as a positive signal for thermal power plants.
- The new circular will revise the power generation prices of some wind and solar power plants.
- We maintain a **NEUTRAL** view of the Electricity sector.

Power output produced throughout the system for 9T2022 rose by +6.3% YoY. Accumulated in 9 months of 2022, the electricity production and import of the whole system reached 204.3 billion kWh (+6.3% YoY). In terms of output structure, coal-fired thermal power and hydropower accounted for the largest proportion with 39.4% and 34.8% of total production respectively.

Figure: Electricity output of the whole system by quarter (billion kWh)



Source: EVN, BSC Research

Thermal power is expected to benefit soon thanks to high power generation prices and favorable hydrology. Electricity prices on the competitive generation market (CGM) in the first 9 months of the year tended to increase sharply and reached an average of 1,479 VND/kWh (+42% YoY) due to the recovery of electricity demand. Besides, according to forecasts from IRI, the La Nina cycle has passed its peak, and El Nino is forecast to return soon from next year (2023). Therefore, we expect thermal power plants to be mobilized more in electricity output, and profits will also be improved thanks to high electricity prices.

Figure: Electricity prices in the competitive market increased higher over the same period

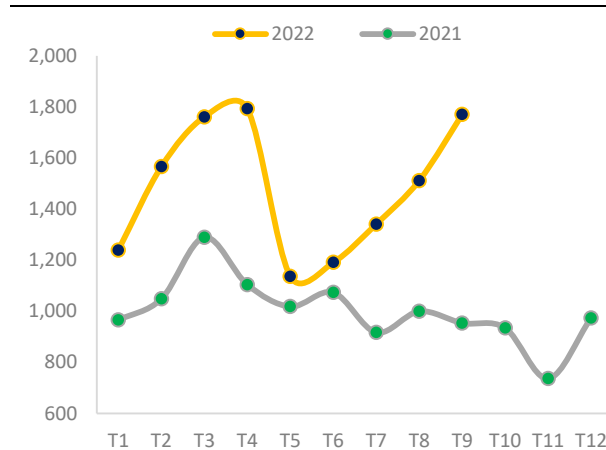
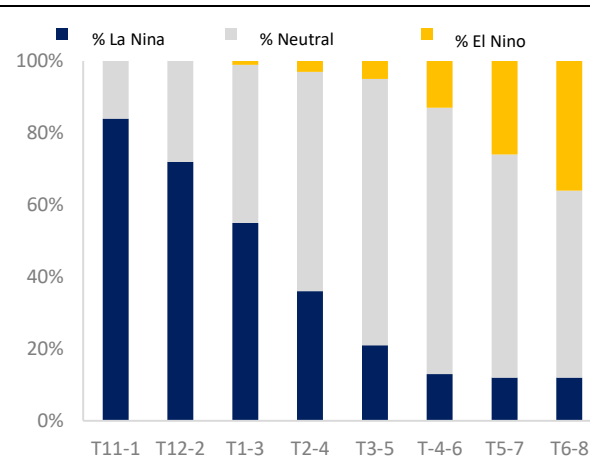


Image: El Nino is forecast to return from 2023



Source: EVNGENCO3, IRI, BSC Research

The new circular regulating wind and solar power prices will re-regulate the power generation prices of some power plants. Recently, the Ministry of Industry and Trade has issued a circular regulating the method of building a power generation price frame of solar and wind power plants. Accordingly, solar power plants and wind power plants that have signed power purchase contracts before 1/11/2021 will have to resubmit documents for EVN to rebuild the power generation price bracket. We assess that in the short term, solar and wind power projects that have signed contracts in the previous phase will be affected by no longer enjoying the preferential price FIT (from 7.69 cents to 9.8 cents/kWh). But in the long term, the trend of implementing new solar and wind power projects will become more sustainable thanks to the new higher market price mechanism.

INVESTMENT PERSPECTIVE – NEUTRAL

We hold a **NEUTRAL** view on the Electricity sector group for 2022 due to a sharp divergence in the outlook for power sector stocks:

- Hydropower stocks: Hydropower plants are likely to continue to maintain positive economic growth in the remaining months of 2022 thanks to the favorable hydrological situation. However, BSC has a **NEUTRAL** view on hydropower stocks for 2023, as the La Nina cycle comes to an end.
- Gas thermal power stocks: The price of input gas remained high, which is a risk factor for the mobilized electricity output of gas electricity (POW, NT2). Therefore, BSC has a **NEUTRAL** view towards gas thermal power stocks in the short term.
- Coal-fired power stocks: Due to the return of electricity demand and the El Niño cycle is forecast to return next year, it is likely that thermal power plants will be able to increase the mobilization rate from A0. Therefore, BSC has a **POSITIVE** view on coal-fired power stocks such as QTP and HND.
- Electrical construction stocks: BSC holds a **positive** view based on the increased demand for construction and installation with a large backlog for businesses such as PC1 and REE.

Figure: Estimated business results of several enterprises in the Electricity sector

Ticker	NET REV 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
HND	10,553	17%	780	71%	1,562	7.9	0.9	10%	12%	12,399	15,700	27%
QTP	10,250	20%	881	52%	1765	6.9	0.8	10%	13%	12,096	16,000	32%
POW	26,651	9%	1,911	6%	827	13.1	0.8	4%	7%	10,850	13,000	20%
NT2	8,619	40%	877	64%	3047	8.3	1.7	12%	20%	25,250	28,000	11%
REE	8,503	46%	3,101	67%	8,423	8.4	1.3	10%	19%	70,400	86,000	22%

Source: BSC Research

FOOD SECTOR [NEUTRAL]

Analyst: *Pham Thi Minh Chau*

Email: *Chauptm@bsc.com.vn*

- The signal of rice exports prospered in the Chinese market at the end of Q3/2022, due to abnormal weather developments and the fact that India restricted the export of many rice products.
- Although the rice export sector has appeared many positive signals in 2023, the business results of enterprises still face growth challenges due to (1) low competitiveness and (2) pressure from high input costs.
- BSC makes a **neutral** recommendation for the rice export sector in 2023.

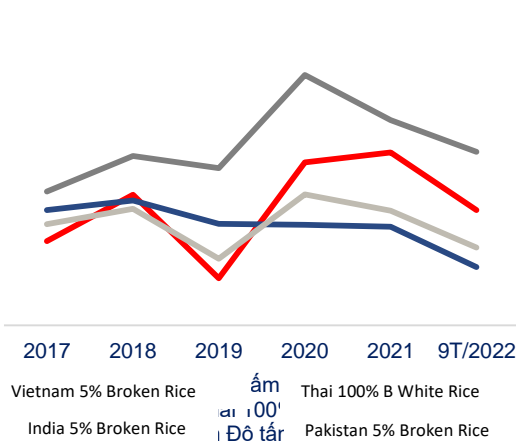
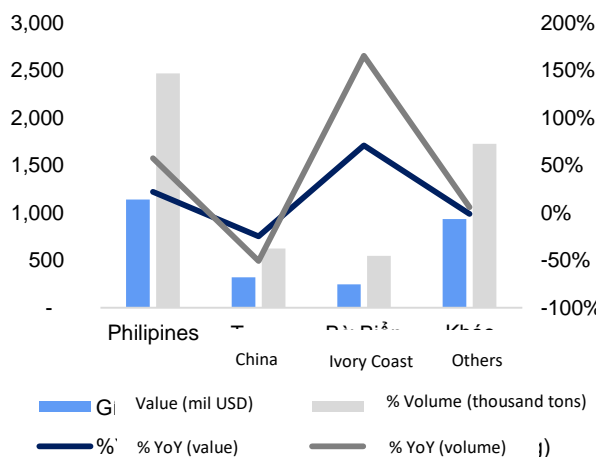
The export situation of rice 9M/2022 is positive but under competitive pressure on price. The value and export volume of 9M/2022 rice reached 2,640 million USD (+10%YoY) and 5.4 million tons (+21%YoY), respectively, of which, the main growth leaders are the Philippines market (+22% YoY in value/+35% YoY in volume) and Ivory Coast market (+71%YoY value/+94%YoY volume) due to the need to store food in the situation of complex geopolitical and adverse weather developments.

On the other hand, the Chinese market – Vietnam's second largest rice export market, has recorded a decline of -25% in value and -26% in volume over the same period of 9M/2021, due to the implementation of "Zero-Covid" policies throughout the territory, leading to restrictions on import and export activities.

However, the **Chinese market has recorded positive signals in 9M/2022**, respectively increasing by +89.6% in export turnover and +94.7% of export volume compared to August 2022, equivalent to +5% YoY value and -5.5% of volume, mainly due to adverse weather affecting the season and [the fact that India restricted the export of some important rice groups](#) in early September 2022.

Figure: chart of rice export volume and value through 2019-2022

Figure: Fluctuations in rice export prices of other countries



% La Nina

Nguồn: FAO, Customs, USDA

Although the rice export sector has shown many positive signals in 2023, the business results of enterprises still face growth challenges due to (1) low competitiveness and (2) pressure from high input costs.

We assess the events that will positively impact Vietnam's rice export prices, including:

(1) Adverse weather developments caused major exporters such as India and Pakistan to reduce export output, while major importers such as China still increased rice imports in anticipation of opening the economy;

(2) the fact that Vietnam and Thailand are expected to hold negotiations to increase export rice prices in the context of rising input material prices;

(3) benefit from exchange rate differentials;

However, we assess the business results of businesses that still face growth challenges, especially in the medium term, due to

(1) Competitiveness: the nature of Vietnam's rice export sector is mainly competitive in terms of selling price compared to current competitors because it largely does not meet the requirements of production process and quality assurance to export to major markets such as the EU, Sun... making the price increase expected to be lower than the increase in the world average export price,

(2) Input costs: the level of specialization is not high, production capacity is limited, the cultivated area is fragmented, and logistic costs are also higher than other competitors in the world, along with the input material cost remains high, will continue to put pressure on the profit margins of companies in the sector

INVESTMENT PERSPECTIVE – NEUTRAL

BSC makes **NEUTRAL** recommendations to the business results of the export rice sector group due to low competitiveness and high production costs, which still significantly impacts the profitability of enterprises.

Figure: Estimated business results of some food enterprises

Ticker	NET REV		NPAT		EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
	2022 (VND billion)	% YoY	2022 (billion VND)	% YoY								
LTG	11,848	16%	343	-18%	3,445	6.4	0.8	11%	4%	21,970	20,000	-9%

Source: BSC Research

FERTILIZER SECTOR [NEUTRAL] - CHEMICALS SECTOR

[POSITIVE]

Analyst: Luu Thuy Linh

Email: Linhl2@bsc.com.vn

- Q3/2022, business results of nitrogen fertilizer producers are positive thanks to: (1) Urea fertilizer consumption increased by 20% over the same period and (2) the average selling price of Urea fertilizer increased by 32% over the same period.
- Q4/2022, business prospects are expected to remain positive thanks to: (1) output and selling prices continue to recover and (2) input gas prices decrease according to the downward trend of world oil prices. In 2023: BSC expects Urea prices to adjust downwards and put pressure on growth due to the high base in 2022.
- BSC maintained a **POSITIVE** view of the Fertilizer sector in **Q4/2022** and considered a **NEUTRAL** view in **2023**.

Q3 business results of nitrogen fertilizer producers were positive thanks to: (1) Urea fertilizer consumption increased by +20% YoY and (2) selling prices remained high +32% YoY. BSC estimates that net revenue and profit after tax in Q3 of nitrogen fertilizer enterprises will grow by +55% and 73% respectively over the same period in 2021.

BSC expects Q4/2022 business results of fertilizer enterprises to continue to be positive thanks to:

(1) Production and selling prices continue to recover

BSC expects domestic urea consumption to improve thanks to:

- (i) Rising rice prices boost the demand for fertilizers in the peak season - the Winter-Spring crop;
- (ii) The supply of Urea imported to Vietnam is forecast to decrease due to the narrowing of the domestic/imported Urea price difference and the increase in USD/VND exchange rate, causing traders to reduce urea imports.

Domestic Urea prices are now recovering ~10% from the 2022 bottom and we expect this recovery to continue in Q4 thanks to:

- (i) Domestic demand improved and;
- (ii) World urea prices are anchored high as Chinese coal prices remain high and fertilizer plants in Europe continue to close/operate at low capacity due to fears that gas prices could climb in the winter.

Figure: Urea in world markets recovers 20-30% compared to the bottom in 2022

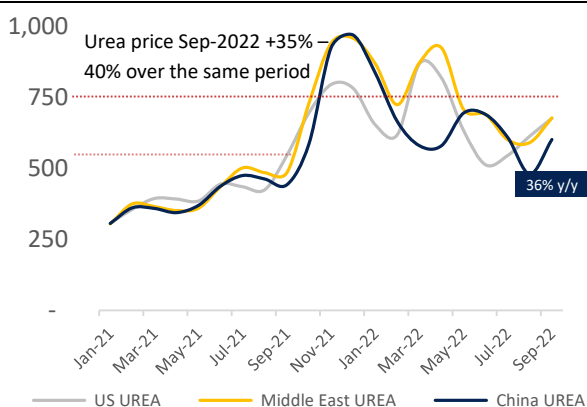
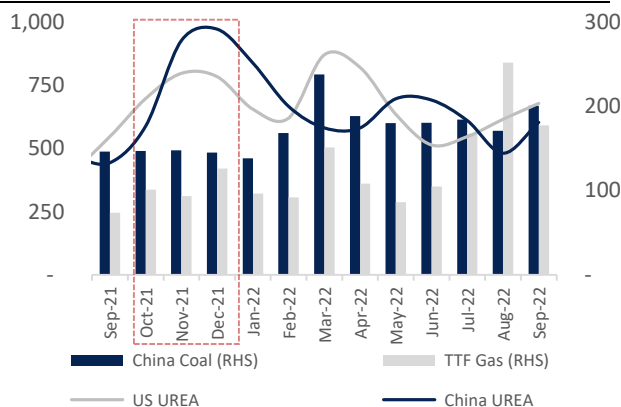


Figure: Major production materials (coal, natural gas) anchored at high levels support the Urea price recovery



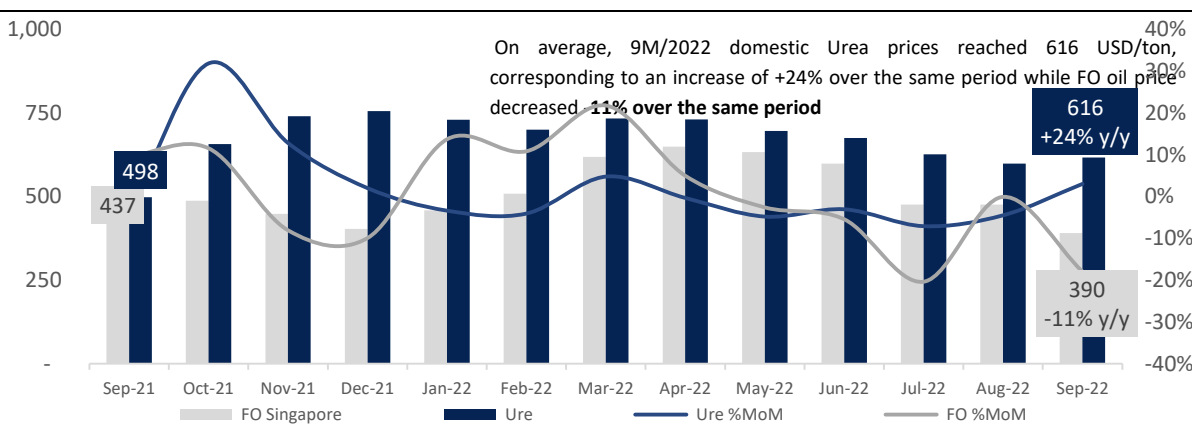
Source: Bloomberg, BSC Research

(2) In addition, we believe that the input gas prices of domestic nitrogen enterprises (*affected by FO Singapore oil*) will continue to decrease following the downward trend in world oil prices, thereby positively supporting the gross profit margin of gas nitrogen enterprises.

However, BSC also noted that in case China eases restrictions and reopens, it will negatively affect our positive view because China is the world’s largest fertilizer exporter.

BSC maintains a neutral view on the fertilizer sector in 2023 due to the expectation that Urea prices will adjust downwards and put pressure on growth in 2023 because of the high base in 2022. We believe that there is currently no clear motivation to help domestic Urea prices surpass the peak set in 1H/2022 and Urea prices will adjust downwards in 2023 because: (1) world Urea prices are expected to decrease due decreasing prices of major manufacturing materials; (2) policies restricting fertilizer exports of Russia and China due December 31, 2022.

Figure: Domestic urea price movement and FO oil price from 9M/2021 – now (USD/ton)



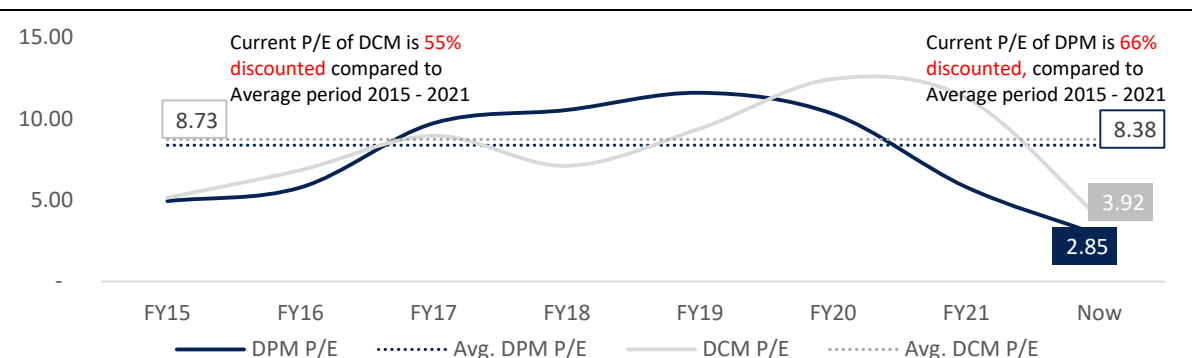
Source: Agromonitor, Bloomberg, BSC Research

INVESTMENT PERSPECTIVE – POSITIVE

BSC maintained a **POSITIVE** view on the Fertilizer sector in **Q4/2022** and considered a **NEUTRAL** view in **2023**:

- Q4/2022 is expected to remain positive thanks to: (1) selling prices and output continue to recover and (2) input gas prices decrease following the downward trend of world oil prices.
- 2023: we expect Urea prices to adjust downwards and put pressure on fertilizer businesses' growth due to the high base in 2022. In terms of valuation, DPM and DCM shares are currently trading at a low PE compared to the 8-year average (DPM, DCM are trading at a discounted P/E of 66% and 55% respectively compared to the historical average).

Figure: P/E fluctuations of DPM and DCM in the period 2015 - present



Source: Agromonitor, Bloomberg, BSC Research

Figure: Estimated business results of some fertilizer enterprises

Ticker	NET REV 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
DPM	19,700	54%	5,671	82%	14,638	2.6	1.1	23%	18%	37,600	48,000	28%
DCM	15,730	59%	3876.48	113%	5860	4.5	1.5	28%	36%	26,100	34,000	30%

Source: BSC Research

CHEMICALS SECTOR [POSITIVE]

BSC maintains a positive view for **Q4/2022** thanks to the high selling price level over the same period although business results may decrease compared to the first 6 months of the year.

BSC recognizes that the business prospects of chemical enterprises are highly dependent on fluctuations in commodity prices in the near future. Although commodities have undergone a period of adjustment, BSC believes that most chemicals have established a new high price base and it will be difficult to reduce further in future, especially when the last quarter of the year is the main consumption season. At the same time, (i) the Russia-Ukraine war and (ii) China's continued implementation of the Zero-Covid policy are still two uncertain factors that continue to tighten supply.

BSC holds a **neutral** view towards the Chemical sector in 2023 due to the high selling price of **2022**. In the situation that chemical prices do not have a clear motivation to surpass the peak price zone of 2022, the growth momentum will come from (i) cutting production costs (vertical expand) or (ii) expanding investment in traditional and new products (horizontal expand). However, BSC found that private chemical enterprises will have more advantages than state-owned enterprises in expanding development investment.

- **For DGC, BSC expects that in 2023, DGC will continue to benefit because export commodity prices continue to be traded at a high base compared to the time before the pandemic** (however, the growth rate of selling prices in 2023 will be low). In addition, the DGC's continued intention to purchase new mines also supports the management of input costs. At the same time, Duc Giang – Nghi Son project will increase the installation process in 2023. In terms of valuation, DGC shares are currently trading at the lowest PE over the last 8 years (4.85 vs 8.05).
- **For CSV, BSC believes that in 2023, CSV will benefit because caustic soda prices are still high compared to the time before the pandemic.** In terms of valuation, CSV shares are currently trading at the lowest PE in the last 8 years (4.46 vs 6.51).

Image: CSV's historical P/E

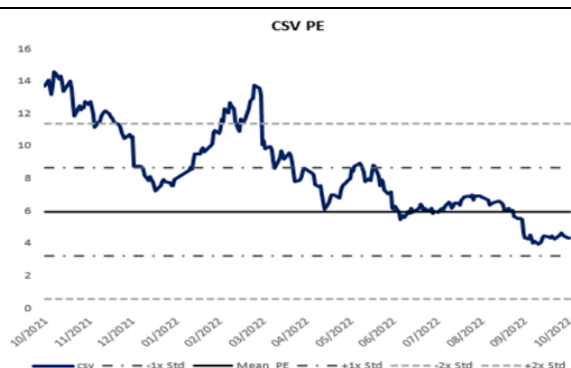


Image: DGC's historical P/E



Figure: Estimated business results of some chemical enterprises

Ticker	NET REV 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
DGC	14,954	57%	6,340	165%	16,900	3.0	1.6	21%	26%	50,400	73,700	46%
CSV	2,091	33%	475	127%	9200	3.1	1.0	17%	21%	28,600	30,000	5%

Source: BSC Research

OCEAN SHIPPING SECTOR [NEUTRAL]

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- **By the end of 9M/2022, the global spot container freight rate decreased by 62% Ytd. Fixed rental rates have also fallen sharply since the end of T8.2022**, after moving sideways for 1H. The reason for the decrease in freight rates comes from (1) the global economy slowing, (2) the bottleneck in ship supply has improved.
- **Oil freight rates are still high.** In particular, long routes to/from Europe increased by 70-100% ytd due to i) disruption of oil supply chains in Europe, ii) low ship supply.
- In Q4/2022 and 2023, BSC held a **NEUTRAL** view due to the divergence in freight rate outlook.

At the end of 9M/2022, container freight indexes decreased sharply. Specifically:

1. **Global spot container rates decreased by 62% ytd.** In particular, the main maritime routes such as China to the US decreased by 75% YTD, China to Europe decreased by 65% YTD. Compared to Q2, global rates are still in a sharp decline.
2. **Term rental rates have also dropped sharply since the end of 8M/2022** (after going sideways in 1H/2022). Compared to the beginning of the year, the term rental price decreased by 50-60% Ytd (depending on the size of the ship)

The reason for the drop in freight rates is (1) the global economy has slowed down, (2) the bottleneck in ship supply has improved. **In Q4/2022 and 2023, BSC maintained its view compared to the previous sector report, saying that container freight rates remained in a downward trend due to (1) ship handover from 2H/2022 – 2024, (2) import and export activities continued to decline in the situation of high inflation.** Therefore, the business results of enterprises such as HAH, VOS will be negatively affected.

Figure: Global spot container rates reduced by 62% ytd

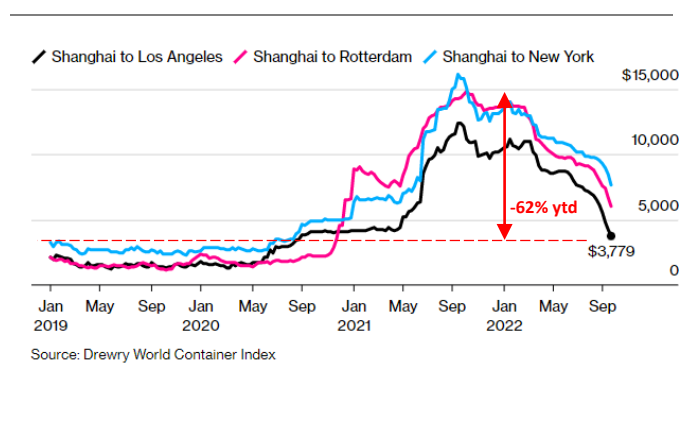
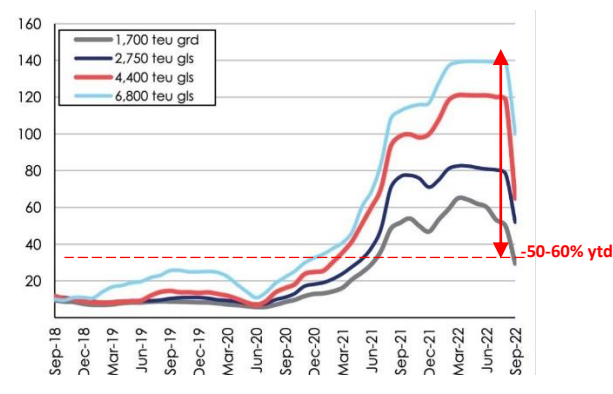


Figure: 6-12T fixed-term rental price reduced by 50-60% ytd



Oil freight rates remained high. Long-distance routes to/from Europe increased by 70-100% ytd due to (1) disruption of the oil supply chain in Europe, (2) low supply of oil tankers. Compared to 1H/2022, the freight rate of finished oil has been adjusted down in Q3 due to (1) having passed the peak season at June - July, and (2) gasoline prices adjusted downward. **Going into Q4.2022 and the whole year of 2023, BSC maintained its view compared to the previous Sector Report, saying that oil freight rates will still be high because the oil supply chain disruption will not be completely dismantled, and the supply of ships is still limited.** Therefore, the business results of enterprises such as PVT will be positive.

Figure: Crude oil freight rate +70-100% ytd

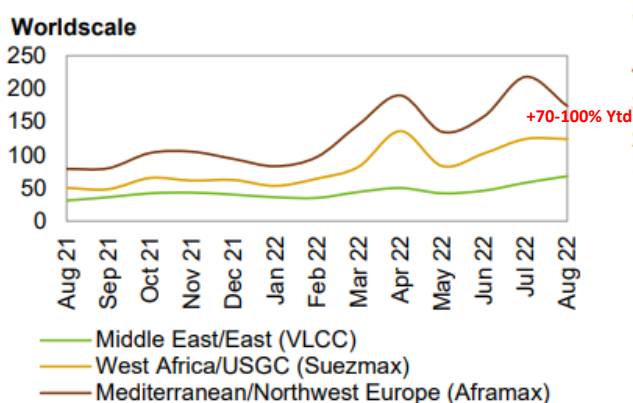
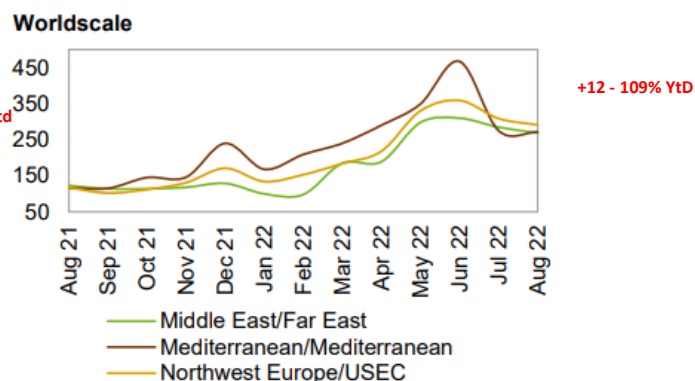


Figure: Freight rate of finished oil + 12-109% ytd



Source: Argus Media, OPEC

INVESTMENT PERSPECTIVE – NEUTRAL

In Q4/2022 and 2023, BSC held a **NEUTRAL** view due to the divergence in freight rate outlook.

- **For the Container Transport group (such as HAH),** BSC assesses the **outlook is NEGATIVE** due to container freight rates in a downward trend soon.
- **For the Oil Transport group (such as PVT),** BSC assesses the outlook **positively** as oil freight rates remain high. In addition, in the last period of 2022, PVT will record about VND 200 billion more profit from the liquidation of Athena.

Figure: Estimated business results of some shipping enterprises

Ticker	NET REV 2022 (billion d)	% yoy	NPAT 2022 (billion d)	% yoy	EPS 2022 (d/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 9/11/2022	Target price	Upside
HAH	3,116	59%	921	107%	13477	2.2	0.8	19%	30%	29,800	33,000	11%
PVT	8,780	18%	1,113	69%	2,817	6.5	0.7	8%	14%	18,300	24,300	33%

Source: BSC Research

COMMERCIAL REAL ESTATE SECTOR [NEGATIVE]

Analyst: Lam Viet Email: vietl@bsc.com.vn

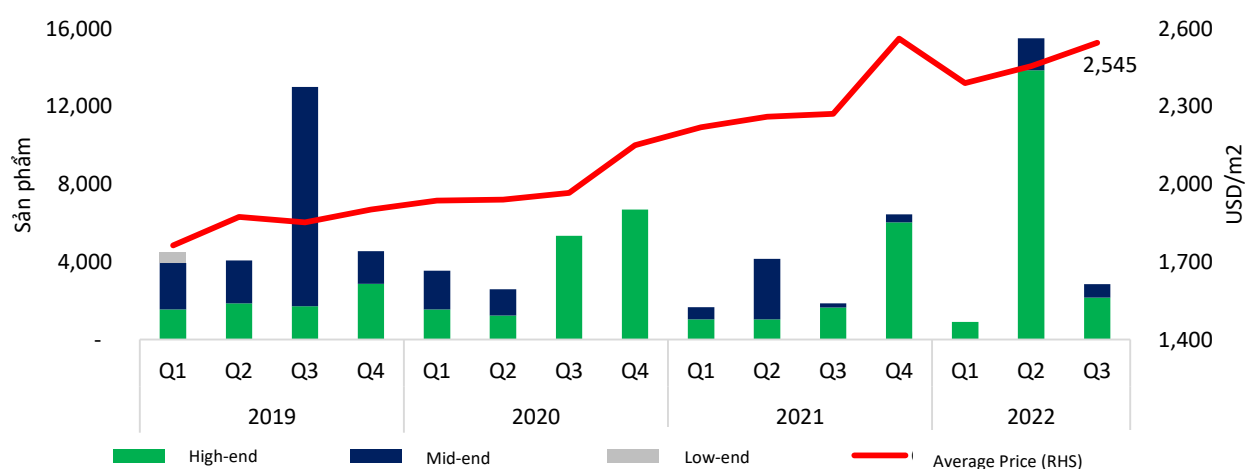
- Real demand remains unmet due to the shortage of mid-end products. The high-end segment continues to dominate the Ho Chi Minh City and Hanoi markets in the situation of limited supply.
- The average selling price continues to increase due to many new projects in the high-end segment, but the absorption rate decreased sharply compared to the previous quarter
- Corporate bonds continue to be a heated topic in the future, strongly impacting the real estate market in Vietnam
- Cash flow pressure is quite large in the situation of tightly controlled credit to the real estate sector, rising interest rates and most of the value of bonds maturing in 2023.
- The size of bond maturity in 2023 of the whole real estate sectors is 80% higher than 2022 and of listed enterprises is more than double that of 2022.
- BSC downgraded its view from **NEUTRAL** to **NEGATIVE** for the Commercial Real Estate sector in the medium term.

The high-end segment continues to dominate the market in both Ho Chi Minh City and Hanoi in the situation of limited supply.

The supply of new apartments in Q3/2022 in Hanoi reached 3,640 products (+5% YoY) and HCMC reached 2,851 products (+49% YoY, -80% QoQ), recording an impressive increase over the same period last year mainly because Q3-Q4/2021 is the time of the outbreak but new supply in Q3/2022 in Ho Chi Minh City decreased to -80% compared to the previous quarter. New launches are relatively limited, most of these apartments are at later stages of implemented projects. The high-end segment still dominates the new supply with 76% of the total newly opened products in Ho Chi Minh City and 67% of the total newly opened products in Hanoi.

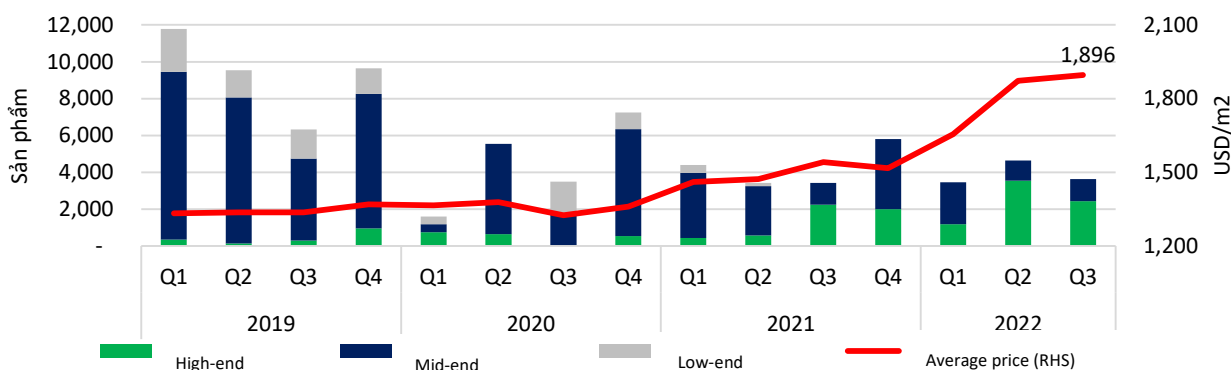
The average selling price of apartments is constantly increasing because the high-end segment accounts for a higher proportion of the total supply offered for sale in the market. Specifically, the average selling price of apartments is 2,545 USD/m² (+12% YoY, +3.7% QoQ) in Ho Chi Minh City and 1,896 USD/m² (+23% YoY, +1.3% QoQ) in Hanoi.

Apartment market in Ho Chi Minh City



Source: CBRE

Apartment market in Hanoi



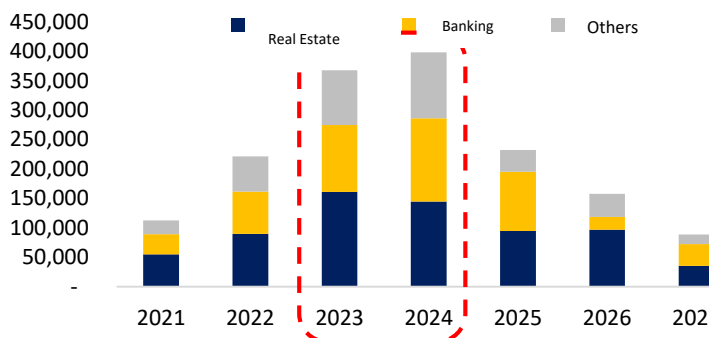
Source: CBRE

Real demand remains unmet due to the shortage of mid-end products. According to Dat Xanh Services Institute of Economics - Finance - Real Estate (FERI), while new supply decreased sharply compared to the previous quarter, the average absorption rate in Ho Chi Minh City only reached 65% (compared to 80% at the end of Q2/2022) due to the high selling price, focusing on the high-end segment that has not met the real needs.

Corporate bonds continue to be a heated topic in the future, strongly impacting the real estate market in Vietnam. In 9M/2022, the real estate market receives information from (1) "purging the market" and (2) mistakes in the issuance of bonds of leading real estate corporations, making bond issuance activity also relatively declined. According to VBMA, the total volume of bond issuance in Q3/2022 reached VND 61,374 billion (down -68% YoY), of which the individual issuance rate accounted for 97.39%. The Construction and Real Estate group reduced the most, losing 98.7% and 93.4% respectively in terms of issuance value as well as decreased respectively 83% and 90% in the number of issuing enterprises.

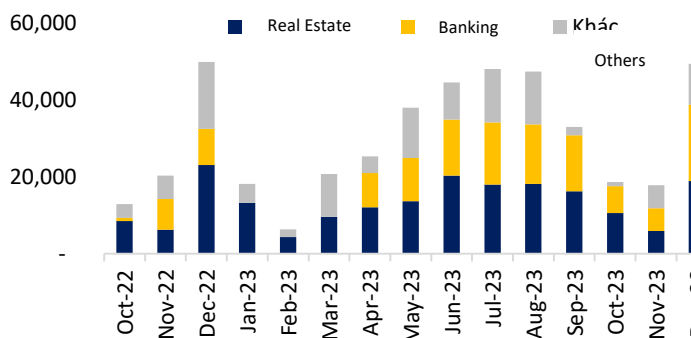
The bond maturity slump is focused on 2023-2024, in which the size of bond maturity of real estate enterprises in 2023 increases by nearly 80% compared to 2022 and account for 44% of the total maturity value of the whole market. Statistics from Fiinpro and HNX as of the end of Q3/2022 show that the bond maturity value of the whole market in 2023 is VND 367,031 billion (67% higher than that of 2022) and the bond maturity value of real estate enterprises is 160,682 billion VND (+80% YoY). Therefore, the pressure on the cash flow of real estate enterprises is quite large in the situation of tightly controlled credit, project absorption rates are reducing, and interest rates tend to increase for the whole sector.

Corporate bond maturity value of the whole market focused on 2023-2024



Source: FiinPro, HNX, BSC Research

Corporate bond maturity value of the whole market in 4Q2022 and 2023

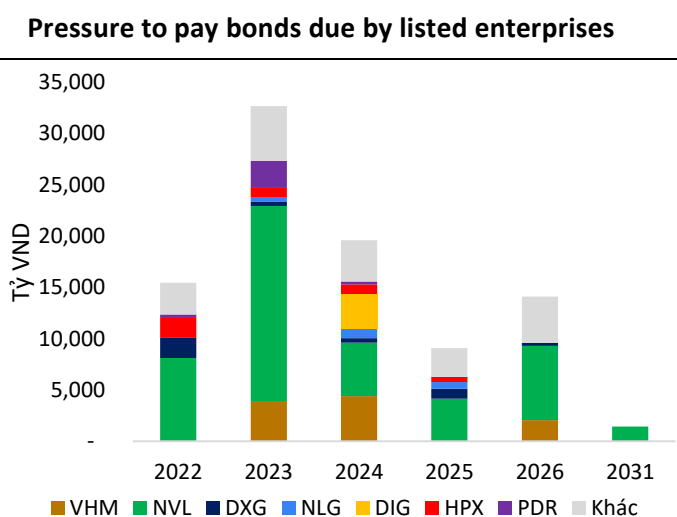


Source: FiinPro, HNX, BSC Research

The trend of rising interest rates and strict control of credit to the real estate sector will be a headwind, creating pressure on new borrowing, which results in the high cost of borrowing and low demand. We see that the absorption rate of projects has slowed down a lot in Q3/2022, especially in the high-end and vacation real estate segments. Therefore, the time for launching new sales and selling prices will change a lot compared to the original plans of businesses as well as the value of opening new sales/handing over old projects will be less eventful soon.

For listed enterprises, the value of bonds maturing in 2023 is 2 times higher than that of 2022, accounting for about 20% of the total bond maturity value of the whole real estate sector.

According to information from the financial statements of listed enterprises, the total size of bond maturity of listed enterprises in 2023 and 2024 is respectively VND 32,666 billion and VND 19,582 billion. In particular, the major maturity in 2023 includes NVL (VND 19,109 billion), VHM (VND 3,834 billion), PDR (VND 2,546 billion) and AGG (VND 1,209 billion). We assess that although 80% of the maturity value of the real estate sector in 2023 is mainly in unlisted real estate companies, the pressure on the cash flow of maturing bonds also weighs on listed enterprises in the situation that nearly all sources of capital mobilization become difficult including sales, which make enterprises to have a large amount of bank loans maturing in 2023.



(% bond maturity)	2022	2023	2024	2025	2026	2031
VHM	0.00%	11.58%	18.87%	0.00%	14.71%	0.00%
NVL	54.62%	57.71%	22.44%	51.14%	51.69%	100.00%
DXG	13.32%	1.26%	1.91%	12.31%	2.15%	0.00%
NLG	0.00%	1.34%	4.02%	8.04%	0.00%	0.00%
YOU	0.00%	0.00%	14.58%	0.00%	0.00%	0.00%
KDH	1.23%	0.00%	0.00%	3.72%	0.00%	0.00%
VPI	3.21%	0.00%	1.82%	0.00%	0.00%	0.00%
HPX	13.75%	2.99%	4.00%	6.14%	0.00%	0.00%
AGG	5.60%	3.65%	0.00%	0.00%	0.00%	0.00%
CEO	0.00%	0.66%	0.00%	0.00%	0.00%	0.00%
PDR	1.55%	7.69%	1.16%	0.00%	0.00%	0.00%
YOU	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
KBC	2.70%	8.76%	4.31%	0.00%	0.00%	0.00%
BCM	4.93%	3.02%	11.19%	30.96%	32.18%	0.00%
HDG	3.32%	0.00%	0.00%	0.00%	0.00%	0.00%
Total value	14,828	33,111	23,225	8,074	13,985	1,438

Source: Financial statements of enterprises, BSC Research

In 9M/2022, except for VHM with good cash flow from the operations when opening the new project, The Empire (Hung Yen), handing over the projects Ocean Park, Smart City and Grand Park, the cashflow of real estate enterprises almost all comes from raising capital through debt borrowing/bond issuance including NVL, DXG, KDH and NLG. Although the ratio of debt to total assets of these enterprises is still not too high, the pressure to pay debts due in 2023-2024 is relatively large, especially when the presales value in 9M/2022 decreased significantly over the same period and the whole year 2021. The new opening value has only begun to witness a sharp decrease from Q3/2022 with a decrease of 50-80% in value compared to the first two quarters of the year. **We believe that the downward trend in the value of new opening products will continue in the near future as existing projects diverge, which mainly comes from the high-end segment that has not met the real needs, the ability to implement new projects of enterprises faces many difficulties, credit tightening and macroeconomic instability.**

	Debt/Total Assets	Bond Maturity 2023	Presales 2021	Presales 6M/2022	Presales 9M/2022	CFO 9T2022	CFI 9T2022	CFF 9T2022
NVL	29%	19,109	84,900	55,536	73,500	1,955	(7,150)	9,114
VHM	10%	3,834	78,900	92,500	110,200	24,818	(10,226)	(4,474)
DXG	20%	416	4,352	2,300	2,600	(3,776)	346	1,770
NLG	18%	443	8,800	6,500	9,922	(24)	11	804
KDH	30%	-	N/A	N/A	N/A	(2,315)	(4)	3,666
AGG	18%	1,209	N/A	N/A	N/A	3,318	(1,769)	(53)

Decree 65/2022/ND-CP and the new Draft Land Law bring long-term prospects, healthy and increase efficiency for the real estate market

The highlight of Decree 65/2022/ND-CP is to allow issuers to restructure loans in addition to stricter regulations on professional investors, issuance conditions, etc. They help limit the risk of system-wide defaults affecting the whole economy.

Meanwhile, the Draft Land Law (amended) just promulgated by the National Assembly in Q3/2022 has new points, which, in our opinion, will improve efficiency in implementing the project and making the real estate market healthier, including **(1) Removal of the land price bracket (every 5 years)** by developing an annual land price list and publicly announce it on January 1 to keep the most closely followed market price, accelerating land clearance for all projects including Commercial Real Estate, Industrial Park Real Estate, Transport Infrastructure as well as avoiding speculation, **(2) Supplementing financial revenues from land in projects that are delayed from schedule, not putting land in use.**

INVESTMENT PERSPECTIVE – NEGATIVE

We downgrade and hold the **NEGATIVE** outlook on the real estate sector due to "headwinds" including (1) the rising interest rate environment, (2) tighter credit for real estate sector affecting capital mobilization and purchasing power of the market, (3) maturing bonds create great pressure upon the cash flow of many businesses. However, we also see some positive factors from (1) Decree 65/2022/ND-CP, (2) Amended Land Law, (3) attractive valuations for enterprises with good financial potential and products aimed at the mid-end segment, meeting real needs.

Ticker	NET REV 2022 (VND billion)	% YoY	NPAT 2022 (billion VND)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
VRE	6,740	14%	2542	93%	1091	25.1	1.9	6%	8%	27,400	31,800	16%

Source: BSC Research

STEEL SECTOR [NEGATIVE]

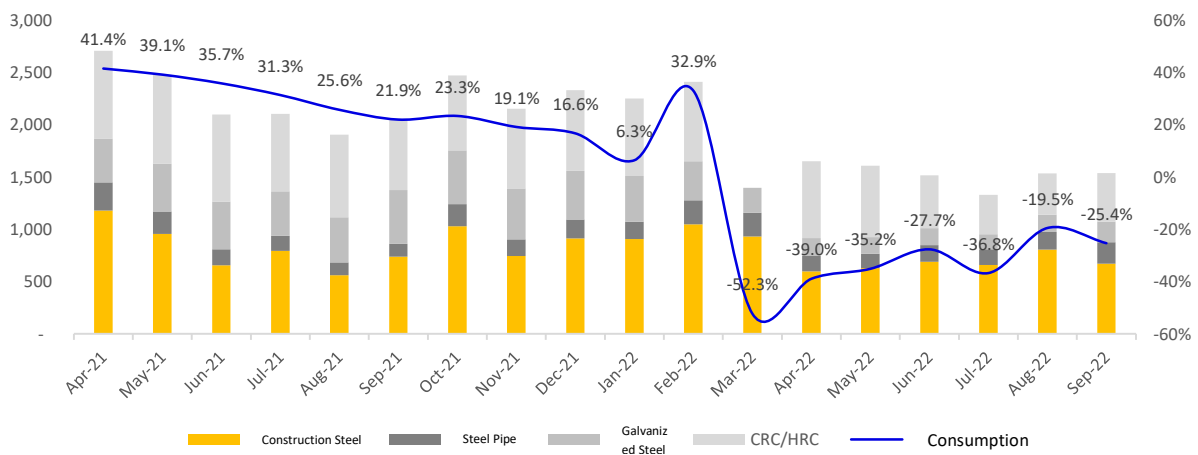
Analyst: Dinh Manh Thang

Email: thangdm@bsc.com.vn

- Q4/2022, consumption volume is forecast to improve compared to Q3/2022 due to seasonality, but still NEGATIVE due to the difficulties of the domestic real estate sector and weak export demand.
- The gross profit margin of steel enterprises is forecast to improve slightly in Q4/2022, the price of raw materials has fallen sharply.
- BSC lowered its recommendation from **NEUTRAL** to **NEGATIVE** for the Steel sector in Q4 2022.

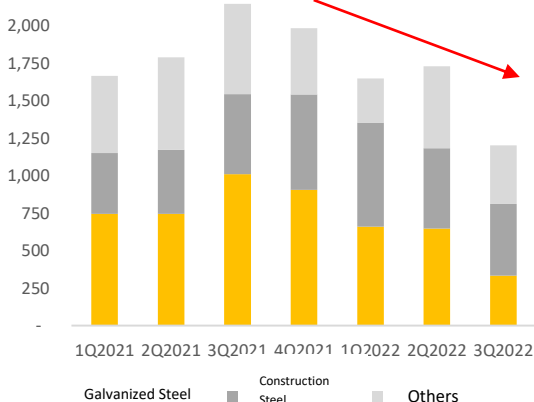
The outlook for consumption is poor in both domestic and export markets. Cumulative domestic steel consumption in the first 9 months of the year decreased slightly (-9% yoy), while export volume decreased sharply (-18% yoy). The export of galvanized steel faced many difficulties due to the deep decrease in steel prices in the export market, causing the consumption of galvanized steel and hot-rolled and cold-rolled coils (raw materials to produce galvanized steel) to decrease sharply.

Domestic steel consumption has declined since March 3/2022 (thousand tons)

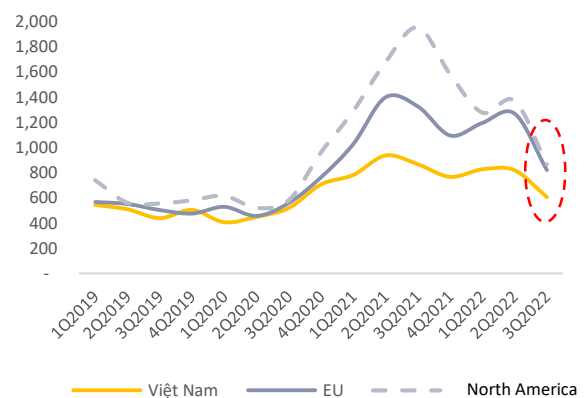


Source: Fiinpro, BSC Research

Export volume, especially galvanized steel, decreased sharply in Q3/2022 (thousand tons)



Steel price difference between Vietnam and the export market decreased sharply (HRC price – USD/ton)



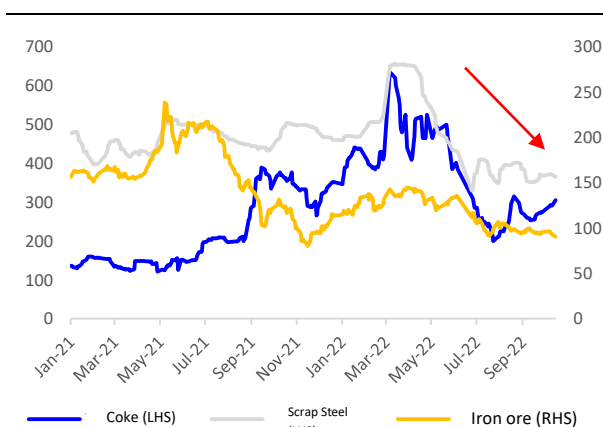
Source: Fiinpro, Bloomberg, BSC Research

We believe that the consumption situation of the whole sector in Q4/2022 will improve compared to the previous quarter due to seasonality, but still lower than the same period due to: (i) capital

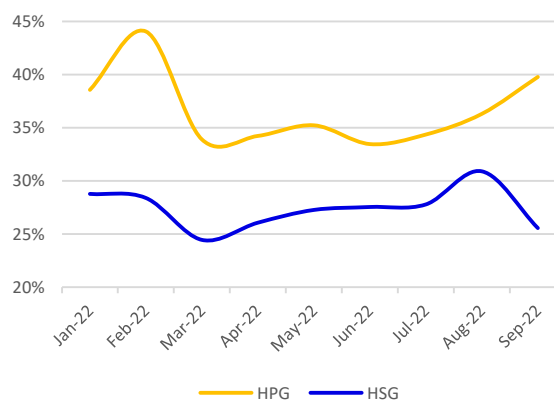
flows into real estate are tightly controlled, limiting supply from new projects, (ii) low export demand due to war and recession.

We expect the profit margins of steel enterprises to improve slightly in Q4/2022 thanks to the deep decline in raw material prices. Although the selling price of steel has decreased by 15-20% since the peak due to weak demand, the price of steelmaking materials such as iron ore, coking coal and scrap steel has fallen sharply and remained low since April 2022, which is the basis for reducing capital prices in Q4/2022. We believe that businesses that focus on the domestic market, which has a large market share, will have higher profit margins thanks to faster consumption of high-priced inventory.

Prices of iron ore, coking coal and scrap steel fell sharply (USD/ton)



HPG, HSG still maintain the domestic market share in construction steel and galvanized steel products



Source: Bloomberg, Fiinpro, BSC Research

INVESTMENT PERSPECTIVE – NEGATIVE

We lowered our recommendation from **NEUTRAL** to **NEGATIVE** for the Steel sector in Q4 2022 as the steel sector is in a downward cycle. Although we believe that the sales volume and profit margin of steel enterprises may improve compared to the previous quarter, the poor consumption outlook is expected to last into 2023, making corporate profits unlikely to recover to high levels soon.

Figure: Estimated business results of some steel enterprises

Ticker	NET REV 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
HPG	142,594	-5%	10288	-70%	1769.28	8.6	0.9	6%	11%	15,300	16,000	5%
HSG	50,856	-10%	1033	-76%	3177	3.1	-	4%	9%	9,860	9,000	-9%

Source: BSC Research

CONSTRUCTION SECTOR [NEGATIVE]

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- The civil construction sector is on the rebound from a low level, but expectations for a new growth cycle face many challenges because of the real estate sector cycle, high interest rates and provisioning for receivables negatively affect the operating cash flow of enterprises.
- Construction activities continue to be delayed, the backlog value will not be reflected in the business results when investors are facing difficulties in terms of capital and implementation plans.
- Opportunities in 2023 come from the Infrastructure Construction sector
- BSC lowered its recommendation from **NEUTRAL** to **NEGATIVE** for the construction sector in Q4 2022.

CIVIL ENGINEERING SECTOR – POLICY RISKS

Construction activity recovered from a low base, in line with our judgment. Construction enterprises have a good growth rate in the first 9 months of 2022 thanks to the workload accumulated in the two years of the Covid-19 epidemic. However, growth in the coming time continues to face challenges when lots of commercial real estate projects are suspended construction and postponed project implementation.

Tightening capital flows into real estate poses a high risk of provisioning for doubtful receivables in 2022-2023. We believe that this is the biggest risk for the construction sector in Q4/2022 and the whole period of 2023-2024 when cash flow pressure on developers will affect the ability to pay debts and supply from new projects to the market.

The backlog value will not reflect the upcoming business results when most investors are facing difficulties in terms of capital and project implementation plans. Although the value of new contracts and current backlogs is still at a high level during the epidemic, the signs of slowing down in the real estate market in terms of product supply and capital of investors show that implementation activities will continue to be stalled soon.

TRANSPORT INFRASTRUCTURE CONSTRUCTION SECTOR – PRESSURE TO DISBURSE PUBLIC INVESTMENT CAPITAL

Pressure to disburse public investment capital in the year-end period. The disbursement progress is relatively slow in the first 9 months of 2022 (only 58.7% of the year plan – 65% in 2021) due to legal procedures and high prices of construction materials. We expect that with the close guidance of the Government recently, more favorable weather conditions and declining prices of some materials will create conditions for construction contractors to increase progress and record higher revenue in Q4/2022.

Update of the progress of some public investment projects as of the end of 9/2022:

Table: Progress of North-South Expressway projects (phase 1)

North-South Expressway (Phase 1)	Rate of progress	Status (as of end of 9M/2022)	Expected completion
My Thuan Bridge 2	58.5%	Meet the plan	Dec/2023
Phan Thiet - Dau Giay	55.7%	Behind schedule	Dec/2022
Vinh Hao - Phan Thiet	51.0%	Behind schedule	Dec/2022
Cam Lam - Vinh Hao	24.3%	Behind schedule	Mar/2024
Nha Trang - Cam Lam	47.2%	Meet the plan	Sep/2023
Cam Lo - La Son	95.0%	Basic completion	Oct/2022
Dien Chau - Bai Vot	13.7%	Behind schedule	May/2024
Nghi Son - Dien Chau	46.0%	Meet the plan	Jul/2023
QL45 - Nghi Son	50.5%	Behind schedule	2023
Mai Son - QL45	70.8%	Exceeding plans	Dec/2022
Cao Bo - Mai Son	100.0%	Completed	Jan/2022

Source: Ministry of Transport, BSC Research

Table: Progress of infrastructure projects

Infrastructure projects	Scale	Total construction investment (VND billion)	Contractors	Status (as of end of 9M/2022)
SOUTHERN				
Trung Luong - My Thuan Expressway	81 km	21,000	CII, Deo Ca	Completed
CMTV Interport Road		2,605		Phase 2 - Phuoc An Bridge started construction in Q3/2022
Bien Hoa - Vung Tau Expressway GD1	53.7 km	19,600		Approved investment capital of VND 17,837 billion
Long Thanh - Dau Giay Expressway Expanded	24 km	11,505		Deployed on Q4/2022
Ben Luc - Long Thanh Expressway	57.8 km	31,320		Completed 79.96% of the plan. Waiting for acceptance for delaying the completion time to Q4/2025 (+2 years)
Metro 1 (Ben Thanh - Tham Luong)		43,757	C4G	The rate of handing over the premises reached more than 85%
Metro 2 (Ben Thanh - Suoi Tien)		47,800		Complete 92% of the plan, expected to reach 93% by the end of 2022
HCM - TDM - Chon Thanh Expressway	68.7 km	24,275		Binh Duong has approved the project construction resolution and allocated the land clearance budget (VND 314 billion)
NORTHERN				
Metro No. 2A - Hanoi (Cat Linh-Ha Dong)		18,000		Put into operation
Metro No. 3 - Hanoi		6,500		Behind schedule, currently reaching 75% of the plan
Ring road 2 - Hanoi		9,400		Expected to be put into use in early 2023
Ring road 4 - Hanoi		110 km		The investment decision of Component 3 Project (PPP) has been reached. Total investment is 56,536 billion VND
Tuyen Quang - Phu Tho Expressway		3,271		Complete 30% of the plan. Expected completion is of Sec/2023
Vinh Tuy 2 Bridge - Hanoi		2,540		Completed more than 50% of the project volume, ahead of schedule
Thai Binh Thermal Power Plant 2	600 MW	41,000		Complete 96.15% of the plan. Unit 2 prepares to connect to the grid
Long Phu 1 Thermal Power Plant	1,200 MW	29,500		Delayed progress due to Power Machine General Contractor (Russia) being put on the US Government under sanctions
Song Hau Thermal Power Plant 1	2,120 MW	72,000		Completed

Source: Ministry of Transport, Ministry of Construction, Ministry of Planning and Investment, BSC Research

INVESTMENT PERSPECTIVE – NEGATIVE

We lowered our recommendation from **NEUTRAL** to **NEGATIVE** for the construction sector as (1) profitability is corroded by the risk of high receivables provisioning that could cause businesses to record losses; (2) investors face difficulties affecting the construction schedule; (3) the cost of construction materials has gone down but is still high and (4) the cycle of the commercial real estate sector and the time when normal construction activities return is still unknown.

Figure: Estimated business results of some construction enterprises

Ticker	NET REV 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
CTD	12,299	35%	88	267%	1115	27.4	0.3	1%	1%	30,500	N/A	N/A
CII	2,734	-4%	969	-392%	3,662	3.5	0.4	3%	12%	12,750	N/A	N/A

Source: BSC Research

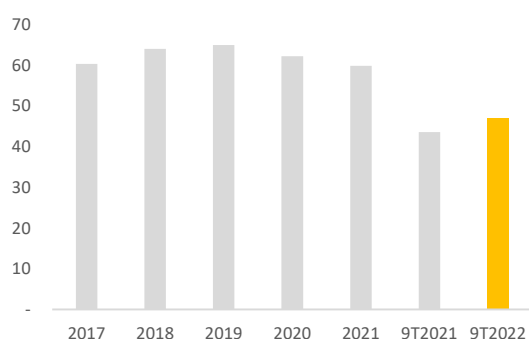
CEMENT SECTOR [NEGATIVE]

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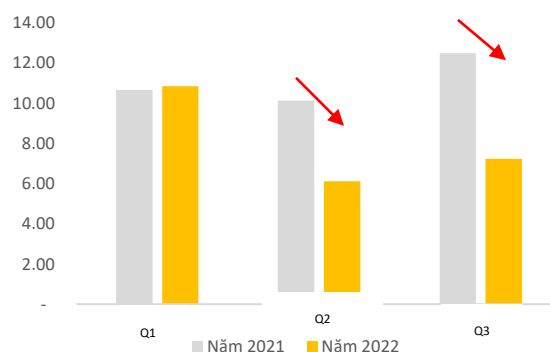
- Domestic demand recovered to pre-pandemic levels, but export activity was **NEGATIVE**.
- Gross profit margin decreased due to rising selling prices but was still not enough to offset the rise in raw material prices, especially coal prices.
- BSC lowered its recommendation from **NEUTRAL** to **NEGATIVE** for the Cement sector in Q4/2022.

Total consumption decreased due to export difficulties. Domestic cement consumption rose by (+9% yoy), while cement export volume in the first 9 months of the year decreased sharply (-57% yoy). Export activities face difficulties, causing manufacturers to shift to the domestic market, but limited domestic demand creates great competitive pressure among enterprises, limiting the ability to increase product prices.

Domestic cement consumption increased slightly (million tons)



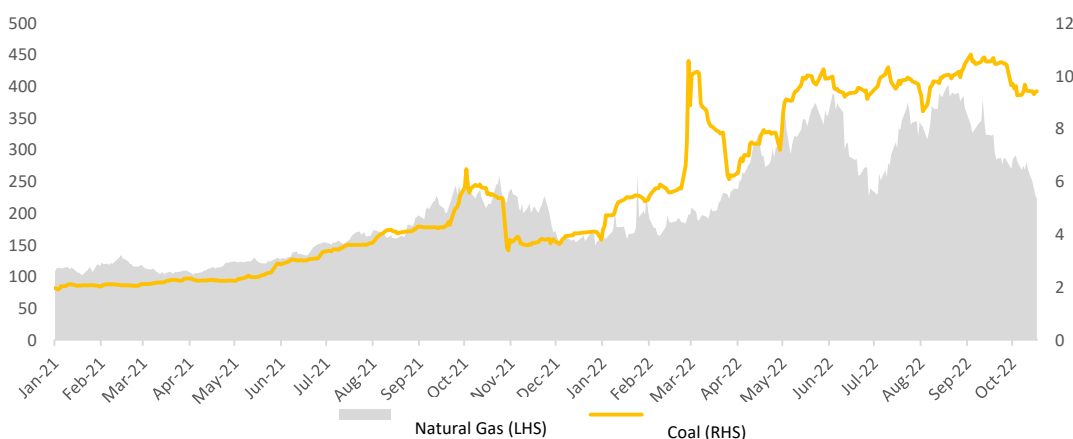
Cement and clinker export volume in 2022 is sharply decreasing svck (million tons)



Source: VNCA, General Department of Customs, BSC Research

Gross profit margin decreased due to a sharp increase in input coal prices. The average import coal price in the second half of 2022 rose by +30%, which was equivalent to a +126% yoy rise compared to the first half of the year. The sharp increase in coal prices increased the cost of coal in clinker production by 56%. **We forecast that the price of imported coal will continue to be high until the end of 2022 due to increased world demand.** The shortage of gas supply causes many countries to sharply increase coal imports to produce electricity for the coming winter. Rising coal prices will continue to reduce profit margins in the situation that it is difficult for cement enterprises to increase selling prices due to excess domestic supply.

Correlation of coal prices (USD/ton) and natural gas prices (USD/mmBTU)



Source: Bloomberg, BSC Research

INVESTMENT PERSPECTIVE – NEGATIVE

We lowered our recommendation from **NEUTRAL** to **NEGATIVE** for the Cement sector in Q4/2022 due to (i) domestic oversupply increasing competitive pressure and difficulties for businesses to increase selling prices; (ii) profit margins decreased due to high coal prices.

Figure: Estimated business results some cement enterprises

Ticker	NET REV 2022 (VND billion)	% YoY	NPAT 2022 (VND billion)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 25/11/2022	Target price	Upside
HT1	8,852	25%	298	-19%	782	11.3	0.7	3%	6%	8,810	10,000	14%

Source: BSC Research

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