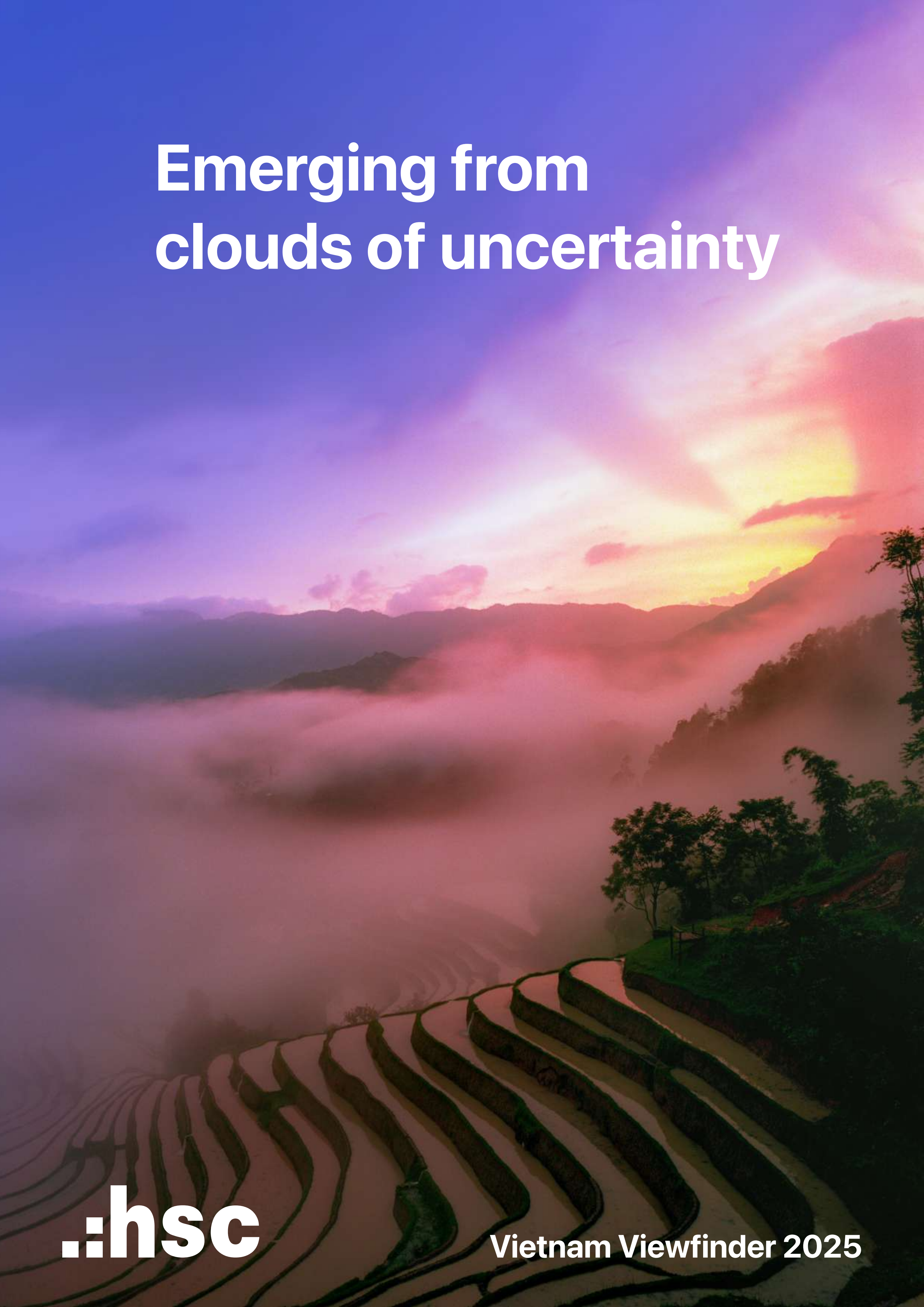
Emerging from clouds of uncertainty



Vietnam Viewfinder 2025

Emerging from clouds of uncertainty

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- The second half of 2024 has seen the positive impacts of a relatively robust Vietnam economy offset by a series of issues (domestic and international), including political change here as well as abroad along with a general risk-off stance leading to weakness across all Emerging and Frontier markets.
- More recent worries around potential tariffs out of the US and high geopolitical risks have caused a flurry of research activity in order to predict likely outcomes. Again, this uncertainty has held markets back.
- We believe this is overdone and see Vietnam as resilient and likely to out-perform others in 2025. We forecast an index target of 1468 for 2025 (over 18% upside).

FY25 index target of 1,468

In our index model, we now expect the VN Index will reach 1,468 by the end of FY25. Vietnam remains very attractive when compared to its regional peers in terms of value, growth and profitability metrics (see the Strategy section from Tyler Nguyen later).

Domestic catalysts from new leadership and legislation

We are enthusiastic about the political change we have seen in Vietnam. The new leadership team has shown high energy domestically and abroad. The recent raft of new legislation aims to speed up change and to reignite growth and investment.

Strong economy and market earnings growth at a cheap price

We predict that initial fears of US tariffs may be overdone and expect any significant effects from any such moves to be more of a 2026 feature than 2025. We see a strong year next year via enhanced infrastructure spending and strong earnings from most sectors in the market. We see the industrial sector as particularly strong. Compared to Asian peers the market is cheap and high growth. With Emerging Market status now a distinct possibility in September with the non pre-funding hurdle cleared, we see a number of larger cap names as likely beneficiaries of re-rating. Our Top Picks are shown here in Figure 1. Of these we particularly highlight; **VCB, TCB, CTG, SSI, PDR, CTD, IDC, VGC, PVD, HPG, DGC, and MWG.**

Figure 1: Sector views and top stock picks

Sector	Mkt. cap. Weight	FY25F earnings growth	Upside	Top picks
Banks	46.7%	16.6%	19.5%	ACB, TCB, VCB, CTG, BID
Consumer	11.9%	16.6%	25.6%	PNJ, MWG, TCM
Real Estate - Residential	7.0%	19.5%	10.7%	KDH, PDR, NLG
Industrials	9.1%	21.9%	22.3%	HPG, ACV, HVN, VEA, DGC
Energy & Utilities	7.1%	31.3%	22.5%	PVD, GEG, PVS, TDM
Technology	5.6%	21.5%	4.4%	FPT
Agriculture	2.5%	24.6%	20.7%	VHC, FMC
Others	10.1%	50.1%	16.3%	BVH, SSI, CTD, VGC, IDC

Source: HSC Research

Contents

Rewind 2024 and outlook for 2025

- The VN Index endured significant uncertainties in FY24, driven by domestic and international factors, alongside heavy net selling from foreign investors.
- However, FY25 outlook is increasingly positive, supported by domestic factors such as political stability, policy reforms, market upgrades, and macro recovery. Global tailwinds include a stable USD, resilient US economy, and clearer policy visibility. We now forecast an FY25 VN Index target of 1,468 points..
- We prioritize stock selection over sector-level allocation to enhance performance. Our attention is on companies well-positioned within key macro trends, backed by robust management, healthy balance sheets, and considerable growth potential.

FY25 outlook: Residual uncertainties but positive overall

As we look forward to 2025, the outlook for Vietnam's stock market appears increasingly promising, with much of the uncertainty seemingly left in the rearview mirror. Although there are existing uncertainties, with a broad-based recovery on the horizon and an array of compelling catalysts in play, we still anticipate decent upside potential from current levels. For Vietnam's local market, the key areas of focus for the year - spanning both domestic and global dimensions - are as follows:

Domestic factors: (1) Political stability: Expectations of finalized top leadership appointments for the next term, signaling greater political clarity; (2) Policy reforms: Tangible outcomes from ongoing reforms and the fruits of recent global diplomatic initiatives by the new leadership; (3) Market upgrades: Progress on the market upgrades and the long-awaited implementation of the new trading system; (4) macroeconomic recovery: A stronger recovery in corporate earnings, further supporting market sentiment.

Global factors: (1) US's economic health: Signs of a soft landing in the US economy, which could reverse fund flow trends and renew interest in riskier assets like Vietnam; (2) Trump's policies: Clarity on the potential policies and tariffs of Trump's administration, particularly regarding Vietnam; (3) Exchange rate stabilization: A normalization of the USD, easing pressures on the VND and reducing FX-driven risks.

Our VN Index target

Under HSC coverage, we project aggregate net profit growth of 19.5% for FY25, up from 14.3% in FY24. Most sectors are expected to return to growth in FY25, compared to many recording negative growth in FY24, signaling a broader based of recovery. However, the timing of recovery varies across sectors. This reflects a rotation in sector recoveries following a bottoming-out in 2023.

Accordingly, our VN Index target for FY25 is set at 1,468, reflecting an 18.3% upside from 4 December, 2024, over the next 12 months. This implies a forward P/E of 12.6x (aligned with the 3-year average), driven by a projected 16.4% profit growth for the index. For our coverage universe, profit growth is estimated at 19.5%, with non-coverage assumptions incorporating GDP growth of 6.7%

Figure 2: Upside calculations

We employ a target price-based bottom-up approach to estimate the upside potential for our coverage universe, while using forecasted GDP growth as a proxy to gauge the upside for companies outside our coverage

	Market cap (VNDbn)	Weight	Upside to end-FY24	Upside to mid-FY25	EPS Growth 2024	EPS Growth 2025
VN Index:	**211,467**	**100.0%**	**1.3%**	**9.2%**	**12.5%**	**16.4%**
HSC Coverages (HSX Only)	160,206	75.8%	1.6%	11.1%	14.3%	19.5%
Other uncovered companies	51,261	24.2%	0.6%	3.5%	6.7%	6.7%

Source: HSC Market Strategy compilation

Figure 3: Sector views and top stock picks

Sector	Mkt. cap. Weight	FY25F earnings growth	Upside	Top picks
Banks	46.7%	16.6%	19.5%	ACB, TCB, VCB, CTG, BID
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Agriculture	2.5%	24.6%	20.7%	VHC, FMC
Others	10.1%	50.1%	16.3%	BVH, SSI, CTD, VGC, IDC

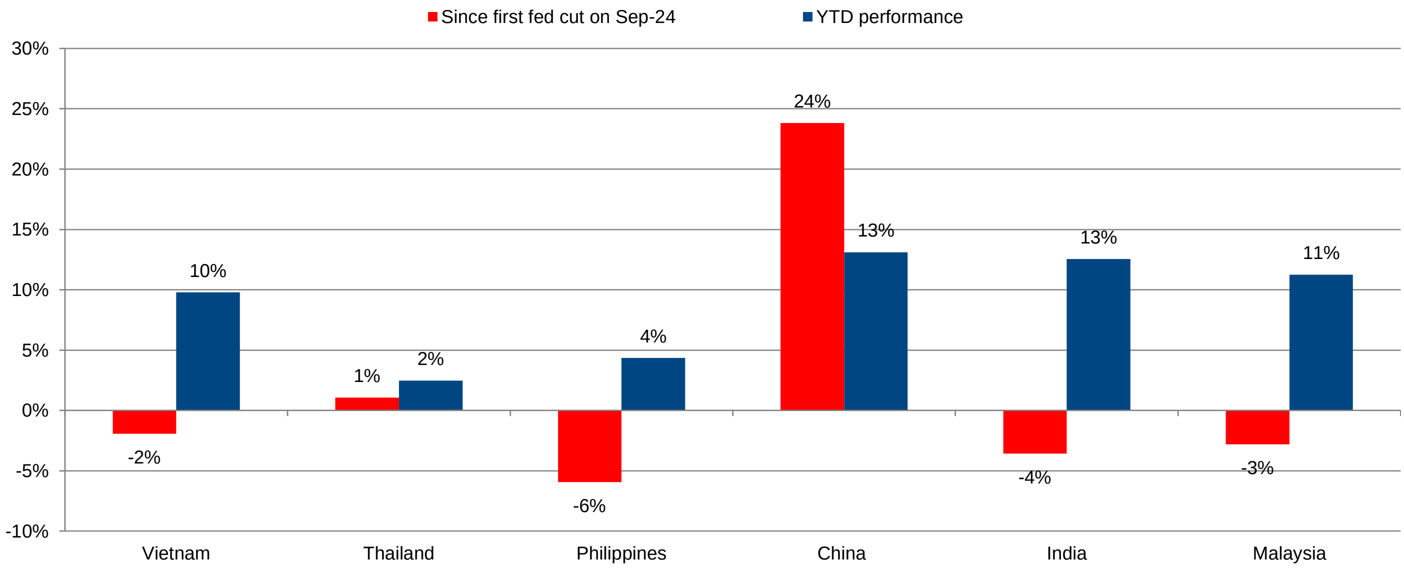
Our current top-picks are listed on P.106. We favor a stock-specific approach over broad sector allocation, and notable names we want to highlight from within our top picks are: **VCB, TCB, CTG, SSI, PDR, CTD, IDC, VGC, PVD, HPG, DGC, and MWG.**

2024 recap: Resetting the dynamic amid volatility

The Vietnamese stock market demonstrated impressive resilience in 1H24, with the VN-Index advancing 9.6% from a low base, outperforming regional peers on the back of strong liquidity. However, 2H24 marked a period of consolidation, as the VN-Index traded within a narrow range of 1,200–1,300 points following multiple failed attempts to break resistance. During this time, regional peers gained ground (Fig. 3). Liquidity also tapered off significantly in 2H24, averaging VND16–17tn (USD650–750mn) per session, compared to the more robust VND20–22tn (USD800–900mn) average in 1H24.

Figure 4: Vietnam and other market performance YTD

Following the Fed's rate cut, most emerging markets experienced losses, with the notable exceptions of Thailand and China, which showed resilience

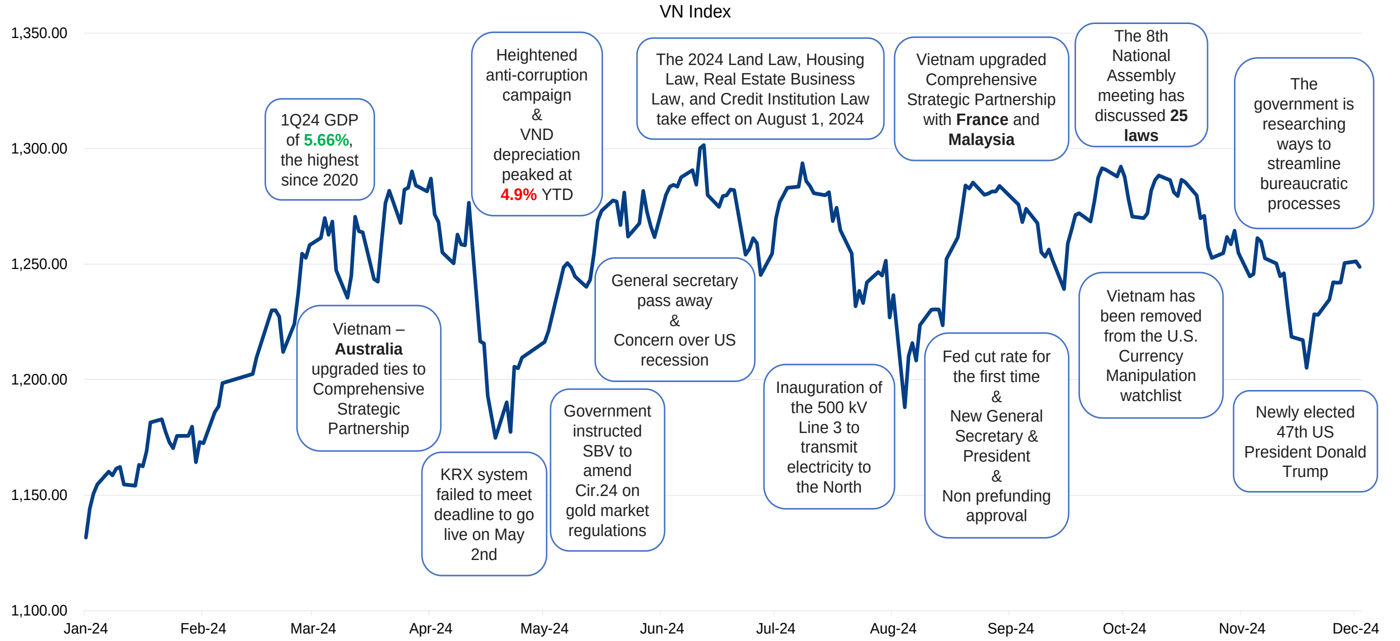


Source: HSC Market Strategy compilation

The year 2024 served as a foundation year after a reset in 2023 for Vietnam's stock market, as it navigated peaks of both political and economic uncertainty domestically. Combined with turbulent global dynamics, Vietnam, as a frontier market, was not immune to fluctuations. A confluence of uncertainties triggered successive waves of foreign outflows, driven by local factors (political and economic instability) and global concerns (currency volatility and a shift away from emerging markets). (Fig. 4)

Figure 5: VN Index 2024 recap & key events

Vietnam endured a challenging 2024, marked by both trials and triumphs

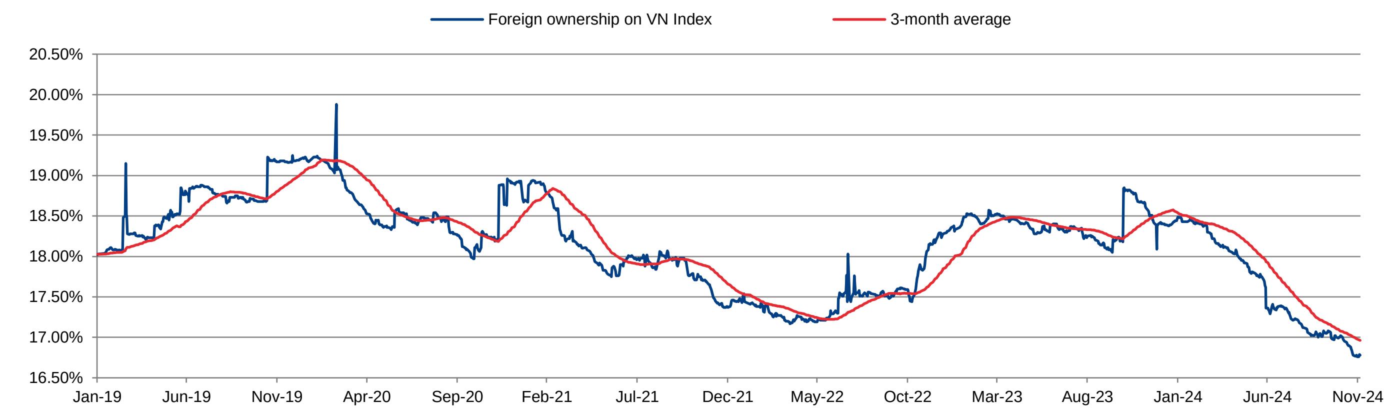


Source: HSC Market Strategy compilation

As a result, Vietnam experienced significant foreign net outflows, with preliminary data revealing net sales of around VND87.9tn (USD3.4bn) in 2024. Outflows escalated notably in 2H24, coinciding with USD25.5bn of fund flows exiting emerging markets in October alone - the largest since March 2020. Cumulatively, Vietnam recorded net outflows of around VND109.1tn/USD4.4bn between 2023 and 2024, reducing foreign ownership in Vietnamese equities to a historic low of less than 17% total outstanding shares (Fig. 5).

Figure 6: Foreign investor holding

Foreign ownership in the VN Index has dropped to its lowest level in five years



Source: HSC Market Strategy compilation

Despite this turbulence, the market's transition into a consolidation phase is a constructive signal, in our view. While the lack of dramatic movement may appear unremarkable, it underscores stability and suggests that downside risks are now limited.

Figure 7: VN Index corrections

The magnitude of each correction becomes milder

Factor/ correction	1	2	3	4
Local politics	**Negative** President Phuc stepped down	**Negative** President Thuong stepped down	**Mild** General Secretary passed away; new leadership transition	**Positive** Mr. To Lam became the new General Secretary cum President New state president Luong Cuong appointed
Major key event	**Negative** Concerned over SBV ability to defend VND Political instability news flow War broke out between Israel and Hamas	**Negative** Anti-corruption campaign continued 2nd president stepped down	**Mild** Local bond crisis resurfaced but largely factored in Increased in bad debt and NPLs in banking The Yen unwind carry trade Concerned over US recession	**Mild** Fed first cut 50bps Uncertainty amid the US election First time run non-prefunding Release of a Securities draft sparking market concerns
VND depreciation	**Negative** Peaked at 4.5% YTD	**Negative** Peaked at 4.9% YTD	**Negative** Down to 4.4% YTD	**Negative** Climbed back to 4.7% YTD
Foreign flows	**Negative** Net sell USD450mn	**Negative** Net sell USD273mn	**Negative** Net sell USD298mn	**Negative** Net sell USD509mn
Proprietary sentiments	**Positive** Net buy USD84mn	**Positive** Net buy USD29mn	**Positive** Net buy USD75mn	**Positive** Net buy USD203mn
Retailer sentiments (channels check)	**Mild** Range-bound trading for quick profit	**Mild** Range-bound trading for quick profit	**Mild** Range-bound trading for quick profit	**Positive** Money is waiting for bottom fishing
Margin level (channels check)	**Negative** Selected force selling Margin ratio/ Equity c. 80%	**Mild** Under control Margin ratio/ Equity c. 89%	**Mild** Under control Margin ratio/ Equity c. 89%	**Mild** Under control Margin ratio/ Equity c. 87%

Source: HSC Market Strategy compilation

FY25 outlook: residual uncertainties but positive overall

1. Domestic Factors: Confidence in stable, pro-growth new leadership

Vietnam's political leadership has demonstrated an unprecedentedly unified commitment to driving economic growth post-anti-corruption campaign. The urgency to propel the economy forward is unmistakable, marked by a discernible shift in governance priorities. While the transformation may be subtle from an external perspective, our observations reveal a fundamental change: a gradual easing of anti-corruption crackdowns and investigations, replaced by a strong focus on reform and efficiency.

These reforms, already underway, span regulatory frameworks and the streamlining of government administration to accelerate approval processes and reduce costs. While the market eagerly awaits tangible outcomes, early signs of positivity are emerging. By 2025, as Vietnam finalizes its key leadership for the 2026–2030 period, the benefits of these efforts are expected to become more evident.

From our observations, the government's current strategy centers on two key pillars:

1. **Promoting FDI and Trade Diversification** through robust diplomatic efforts aimed at engaging new economic powers and markets.

2. **Reforming regulatory frameworks and streamlining government operations** to reduce costs and improve public investment efficiency.

These initiatives are designed to address Vietnam's most pressing need—bolstering cash flow—and lay the foundation for sustained economic growth.

1. Diplomatic Efforts

Within just three months of the leadership transition following the late Party Secretary General Trong, the government has undertaken 28 high-level diplomatic engagements. These efforts have elevated relationships with nations like France and Malaysia to Comprehensive Strategic Partnerships, expanded ties with emerging markets in the Middle East (UAE, Qatar), and opened new opportunities in regions such as BRICS, Dominica, and Chile.

The strategic objective is clear: to diversify Vietnam's export markets and reduce over-reliance on a few key destinations, such as the United States. While these diplomatic initiatives will take time to materialize, they signify a long-term strategy to mitigate concentration risks and unlock fresh trade and investment opportunities for Vietnam's export-oriented economy.

2. Major Reforms Across the Country

Vietnam's governance strategy has shifted focus from fighting corruption to combating inefficiency and waste, streamlining the political system to enhance effectiveness. This transition marks a more stable phase for the stock market, reducing the frequency of disruptive news compared to the anti-corruption era.

A key emphasis is on execution efficiency, a longstanding challenge for Vietnam. Reforms are aimed at eliminating overlapping functions, removing intermediate layers of bureaucracy, and clarifying responsibilities across the organizational structure. This initiative represents a "revolution" in governance, delivering structural changes across the Party and the political system.

Regulatory reforms have also become a centerpiece of this agenda. The 8th National Assembly session tackled an unprecedented legislative workload, reflecting the urgency of reform. In this session alone, 18 new laws and 21 decrees were approved, with input provided for 10 additional draft laws (Fig. 7). These measures address core bottlenecks in government regulation, infrastructure, and human resources.

Notable amendments include updates to the Electricity Law, Securities Law, and Public Investment Law, which aim to resolve systemic inefficiencies and unlock Vietnam's economic potential. These reforms represent more than a policy shift—they serve as a long-term catalyst for economic transformation, paving the way for sustainable growth.

Figure 8: Key legislation discuss in XV national assembly sessions

The government's emphasis on the economy is increasing through various sessions

	2021 2nd meeting	2022 3rd meeting	2022 4th meeting	2023 5th meeting	2023 6th meeting	2024 7th meeting	2024 8th meeting
Laws approved	**2**	**5**	**6**	**9**	**9**	**10**	**18**
Laws for consideration	**5**	**6**	**8**	**9**	**8**	**11**	**10**
Laws relevance to economy	**1**	**2**	**7**	**9**	**5**	**4**	**11**
Critical Laws	1.Insurance Business Law*	1.Insurance Business Law* 2. Petroleum Law *	1.Petroleum Law * 2.Land Law* 3.Bidding Law* 4.Law on Cooperatives* 5.Consumer Protection Law* 6.Price Law* 7.Electronic Transaction*	1.Land Law * 2.Bidding Law * 3.Law on Cooperatives * 4.Consumer Protection Law * 5.Price Law * 6.Electronic Transaction Law * 7.Credit Institutions Law * 8.Real Estate Business Law * 9.Housing Law *	1.Land Law* 2.Law on Credit Institutions* 3.Real Estate Business Law* 4.Housing Law* 5.Law on Property Auction*	1.Law on Property Auction* 2.Trade Union Law* 3.Urban and Rural Planning 4.Value Added Tax Law*	**1.Investment Law** **2.Public-private Partnership** **3.Bidding Law** **4.Electricity Law*** **5.SecuritiesLaw*** **6.State Budget Law** **7.State Capital Investment** **8.Public Investment Law*** **9.Corporate Tax Law*** **10.VAT Law* (Revision)** **11.Special Consumption Tax***

Source: HSC Market Strategy compilation

New GDP growth mindset and public investment as a major theme from 2025

Recently, General Secretary To Lam underscored that the government is streamlining initiatives to achieve far more than mere administrative efficiency or budget optimization, though these benefits are considerable. Presently, approximately 70% of government spending is allocated to administrative functions, leaving only 30% for development and investment. By streamlining bureaucratic processes, Vietnam can accelerate execution, reduce waste, and significantly expand resources available for investment.

More ambitiously, the new leadership has set its sights on achieving double-digit GDP growth, a critical milestone for Vietnam to transition into an upper-middle-income country by the 2030s. The ongoing drive to reform the government and eliminate inefficiencies, combined with legislative and regulatory updates, is crucial to addressing bottlenecks and unlocking Vietnam's latent growth potential.

To contextualize this vision, we analyzed historical precedents from economies like Taiwan, Singapore, and South Korea. When these nations had GDP per capita levels like Vietnam's current figure of approximately USD4,000, they achieved sustained double-digit growth, fueling their economic transformations. Similarly, Malaysia maintained annual growth above 9% during a comparable phase.

Figure 9: GDP growth of Asian Tigers

Ample of room for improvements in terms of GDP growth speed

	Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Vietnam	GDP growth (%)	4.8	6.8	6.2	6.3	6.9	7.5	7.5	7.0	7.1	5.7	5.4	6.4	6.4	5.5	5.6	6.4	7.0	6.7	6.9	7.5	7.4	2.9	2.6	8.1	5.0
	GDP per cap (USD)	367	395	409	435	485	552	693	791	913	1,158	1,226	1,684	1,954	2,190	2,367	2,559	2,595	2,761	2,992	3,267	3,491	3,586	3,760	4,179	4,347

	Year	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Taiwan	GDP growth (%)	16.6	16.0	15.2	16.3	19.9	29.9	34.1	7.4	20.1	17.2	19.7	20.9	24.8	18.5	7.4	11.9	11.5	4.8	17.0	12.8	8.1	11.5	11.0	12.2	11.8
	GDP per cap (USD)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,367	2,691	2,675	2,882	3,203	3,294	4,008	5,325	6,338	7,576	8,167	9,082	10,716
Singapore	GDP growth (%)	13.5	13.8	13.9	12.4	13.3	10.6	6.1	4.0	7.4	6.9	7.8	9.6	10.1	10.8	7.1	8.6	8.8	-0.6	1.3	10.8	11.3	10.2	9.8	6.7	6.6
	GDP per cap (USD)	2,169	2,488	2,834	3,280	3,857	4,740	5,755	6,068	6,542	7,033	7,791	8,870	10,717	11,984	12,840	14,195	15,274	14,935	14,960	16,415	18,774	20,918	23,134	25,053	26,285
South Korea	GDP growth (%)	13.2	14.6	10.1	10.5	7.2	14.9	9.5	7.8	13.2	12.3	11.0	8.7	-1.6	7.2	8.3	13.4	10.6	7.8	11.3	12.7	12.0	7.1	9.9	10.8	6.2
	GDP per cap (USD)	198	243	279	301	324	407	563	617	834	1,056	1,406	1,784	1,715	1,883	1,993	2,199	2,413	2,482	2,835	3,555	4,749	5,817	6,610	7,637	8,127

	Year	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Malaysia	GDP growth (%)	9.4	11.7	8.3	0.8	11.6	7.8	6.7	9.3	7.4	6.9	5.9	6.3	7.8	-1.0	1.2	5.2	9.9	9.1	9.0	9.5	8.9	9.9	9.2	9.8	10.0
	GDP per cap (USD)	402	467	693	838	800	928	1,075	1,304	1,648	1,853	1,843	1,925	2,123	2,311	2,065	1,783	2,007	2,135	2,282	2,513	2,728	3,194	3,512	3,802	4,405

Source: HSC Market Strategy compilation

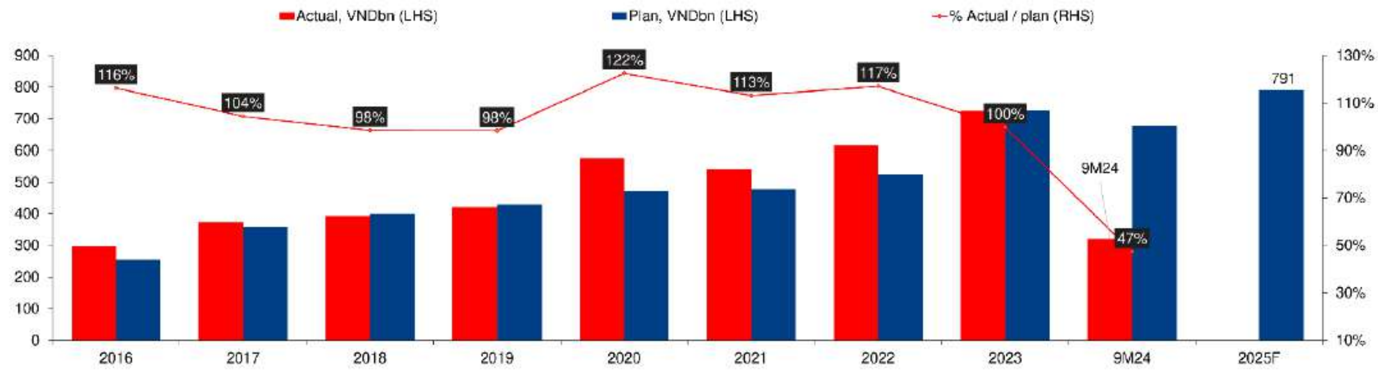
While Vietnam's current 7% GDP growth is commendable of which our Chief Economist Long Pham projected a 6.7% GDP growth for 2025, it highlights significant room for acceleration. The General Secretary's ambitious double-digit target, while challenging, is a necessary objective if Vietnam is to escape the middle-income trap. Achieving this will require the successful implementation of comprehensive reforms, from streamlining governance structures to modernizing the regulatory landscape.

Looking ahead, To Lam emphasized that reaching upper-middle-income status by 2030 and high-income status by 2045 will demand consistent double-digit growth. While it is too early to draw definitive conclusions about Vietnam's trajectory, the proactive stance of the new leadership underscores their commitment to driving transformative economic progress and positioning Vietnam as a leading emerging market.

Regarding public investment, Vietnam has thus far achieved its budgetary targets (Fig 9). However, we believe the government has ample capacity to exceed these levels, given the fiscal headroom available for increased spending or an expanded budget from 2025 onward. Notably, Vietnam's public debt stands at approximately 37.6% of GDP, well below the 60% ceiling (Fig 10). We believe the story of public investment will play a big role in Vietnam's market from 2025 onwards. For more details on public investment and GDP growth, please refer to the Economic Section by our Chief Economist, Long Pham, in this report.

Figure 10: Public investment disbursement

The total public investment disbursement always falls short of expectation, hindering the economy growth

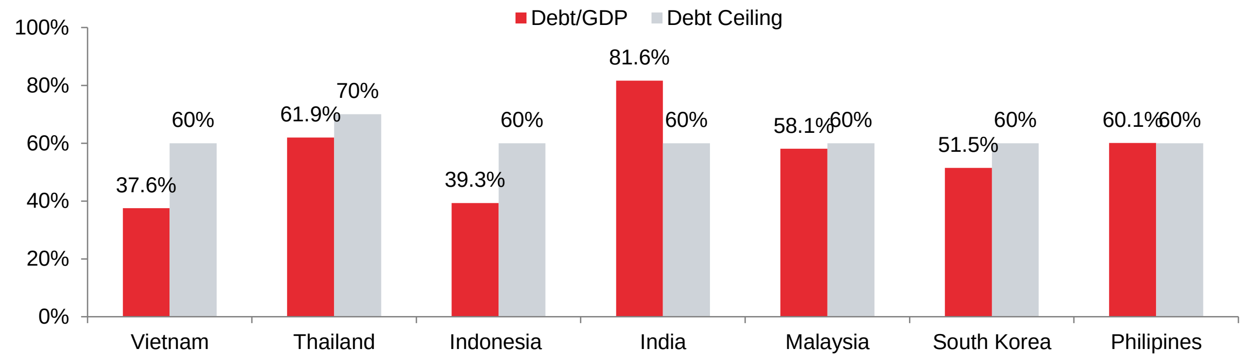


VNDbn	2016	2017	2018	2019	2020	2021	2022	2023	9M24	2025F
Actual, VNDbn (LHS)	296,451	372,792	393,304	421,845	576,432	540,046	615,640	725,016	320,567	
Plan, VNDbn (LHS)	254,950	357,150	399,700	429,300	470,600	477,300	526,106	726,684	677,349	790,700
% Actual / plan (RHS)	116%	104%	98%	98%	122%	113%	117%	100%	47%	

Source: HSC Market Strategy compilation

Figure 11: 2023 Public Debt- to-GDP of Vietnam and Peers

Vietnam stands out with a significantly lower public debt-to-GDP ratio compared to its regional peers



Source: Investing, HSC Market Strategy compilation

3. Market upgrades: FTSE reclassification, new trading system, and sovereign rating prospects

Vietnam's ambition to achieve Emerging Market (EM) status is a cornerstone of its broader reform agenda. A critical milestone in this journey was the removal of non-prefunding requirements for foreign institutional investors in November 2024, aligning with FTSE's prerequisites for an upgrade. While hurdles such as the implementation of a Central Counterparty (CCP) system for ETF netting remain, the government's outlined timeline to secure EM status by 2025–2026 highlights its unwavering commitment to reform.

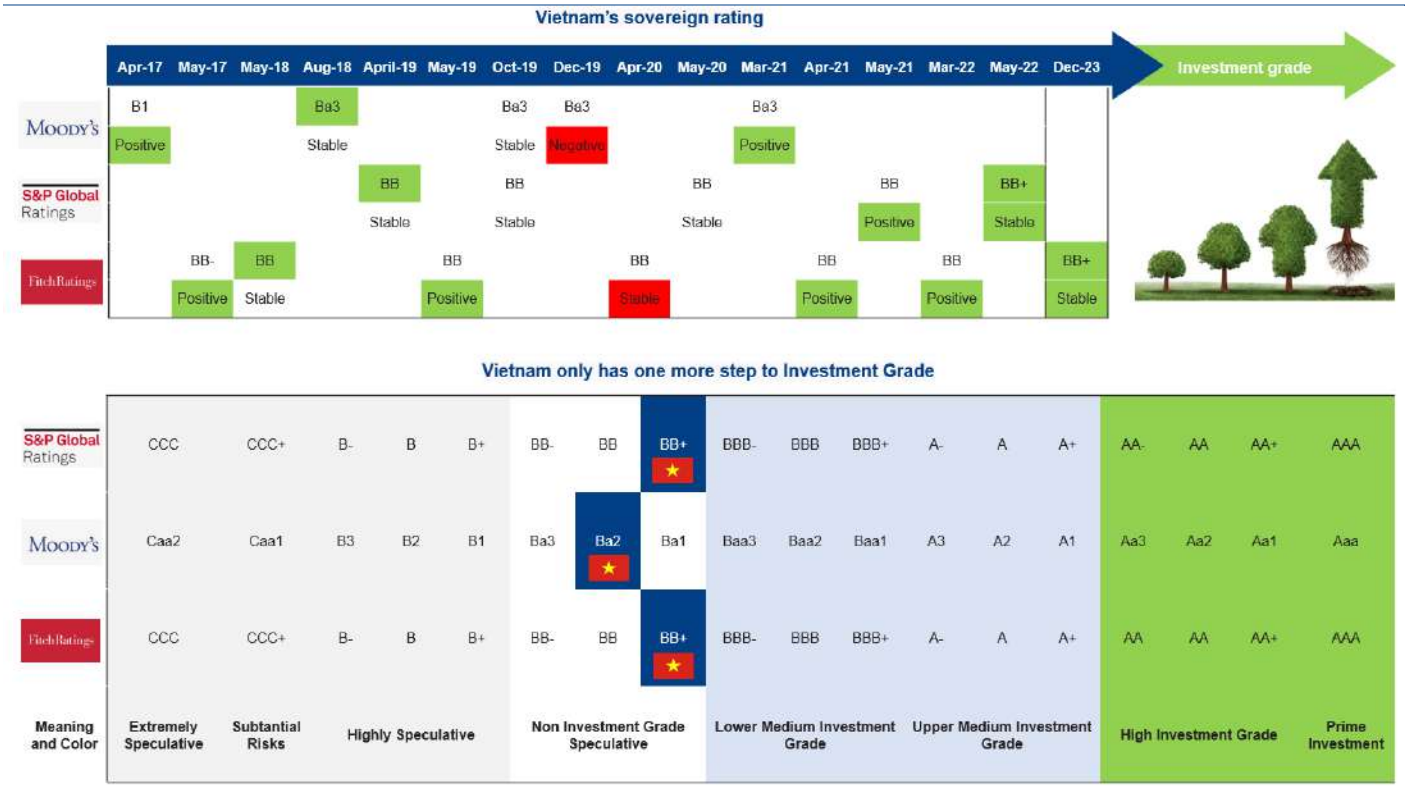
Market participants are closely watching developments related to FTSE's reclassification decision. While there is a possibility Vietnam will only be shortlisted in September 2025, with an official upgrade potentially arriving in March 2026, the narrative of an impending upgrade continues to generate anticipation. Market visibility around this milestone will play a pivotal role in shaping both the risk and upside scenarios for 2025.

Another underappreciated aspect is Vietnam's sovereign credit rating. Currently rated one notch below investment grade (Fig. 11), the country stands poised for a potential upgrade within 2–3 years, contingent on sustained progress in legal and regulatory reforms. Achieving investment-grade status would deliver transformative benefits, including reduced borrowing costs and bolstered investor confidence.

These parallel efforts to secure a sovereign rating upgrade and EM classification would not only enhance Vietnam's economic standing but also significantly elevate its financial markets. While the sovereign rating upgrade may take time to materialize, sentiment around this long-term narrative is likely to strengthen well before the official announcement, reinforcing Vietnam's appeal to global investors.

Figure 12: Vietnam and other market valuation

The VN Index trades at a discount compared to peers, despite having higher EPS growth and ROE



Source: HSC Market Strategy compilation

4. Macroeconomic recovery and corporate earnings

We maintain an optimistic outlook on Vietnam's macroeconomic recovery, which we expect to align with robust corporate earnings growth. Aggregate net profit is projected to expand by 19.5% y/y for FY25F, outpacing the estimated growth of 14.3% y/y in FY24. While performance will vary across sectors, the recovery is anticipated to be both broader and more robust than in 2024.

Key macroeconomic indicators, including exports, disbursed FDI, PMI, IIP, retail sales, and tourist arrivals, continue to show positive momentum (Fig. 12). Although the recovery trajectory resembles a U-shape, the underlying direction signals improving economic fundamentals. Detailed projections from the macroeconomic team led by our Chief Economist Long Pham can be found in the economics section of this report.

Figure 13: Vietnam key macro indicators

Indicator	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	1Q24	2Q24	3Q24
Exports *(USDbn)*	34.5	24.6	33.6	31.0	32.2	33.6	36.2	37.7	34.1	35.59	92.7	96.8	108.6
Trade balance *(USDmn)*	3,630	1,380	2,780	1,070	-460	3,200	2,360	4,050	2,320	1,990	7,792	3,811	8,730
Disbursed FDI *(USDbn)*	1.4	1.3	1.8	1.6	1.9	2.5	1.7	1.6	3.2	2.3	4.6	6.2	6.5
Disbursed public investment *(VNDtn)*	31.5	28.4	29.9	35.2	18.6	53.0	29.9	42.5	46.1	40.5	89.8	106.8	118.4
PMI	50.3	50.4	49.9	50.3	50.3	54.7	54.7	52.4	47.3	51.2	50.2	51.7	51.4
IIP *(%)*	18.8	-5.9	4.7	7.3	10.0	12.3	11.2	9.5	10.8	7.0	5.9	9.9	10.5
Retail sales growth *(nominal terms, %)*	8.1	8.5	9.2	9.0	9.5	9.1	9.4	7.9	7.6	7.1	8.6	9.2	8.3
Nominal retail sales *(VNDtn)*	521.7	506.5	511.9	520.1	516.7	521.2	528.2	526.6	535.8	545.7	1,537	3,098	4,703
Total tourist arrivals *(million)*	1.5	1.5	1.6	1.5	1.3	1.2	1.1	1.4	1.3	1.4	4.6	4.0	3.8
Tourist growth *(Growth y/y)*	(+74%)	(+64%)	(+79%)	(+58%)	(+51%)	(+28%)	(+11%)	(+17%)	(+20%)	(+28%)	(+77%)	(+43%)	(+43%)
Credit growth *(YTD, %)*	-0.6	-0.7	1.4	2.0	2.4	6.0	5.6	6.6	9.0	10.1	1.4	6.0	9.0
Inflation *(CPI, Growth y/y)*	3.4	4.0	4.0	4.4	4.4	4.3	4.3	3.4	2.6	2.9	3.8	4.4	3.4
USD/VND *(avg.; Vietcombank rate)*	24,595	24,820	24,970	25,458	25,474	25,473	25,420	24,780	23,875	25,270	24,795	25,468	24,691

Notes: Green = better y/y vs. same period last year; red = lower y/y vs. same period last year.
Source: HSC Market Strategy compilation, GSO

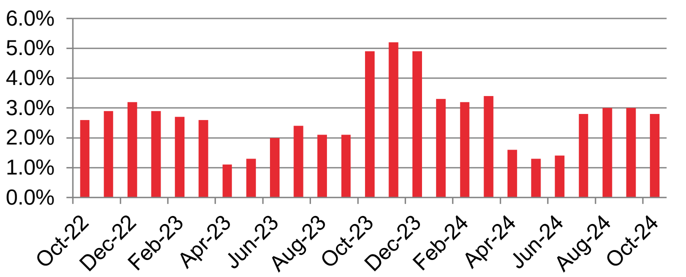
Global factors: What the local market anticipates and identified downside risks

The US economy

While we do not position ourselves as global economic specialists, our observations underscore that the stability of the global economy largely hinges on the US successfully achieving a soft landing. Encouragingly, recent data underscores the resilience of the US economy. In 3Q24, GDP growth recorded a stable 2.8% y/y (Fig. 13), with unemployment holding at a manageable 4.1% as of October 2024 (Fig. 14). Simultaneously, PCE continues its downward trajectory (Fig. 15), fueling optimism for the US to avoid a hard landing.

Figure 14: US GDP growth (% y/y)

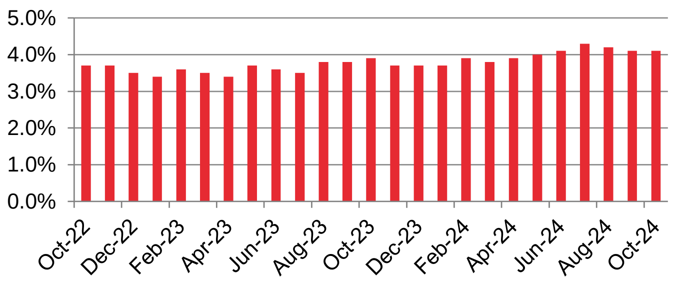
US 3Q24 GDP reached 2.8% y/y



Source: Bloomberg

Figure 15: US Unemployment rate (%)

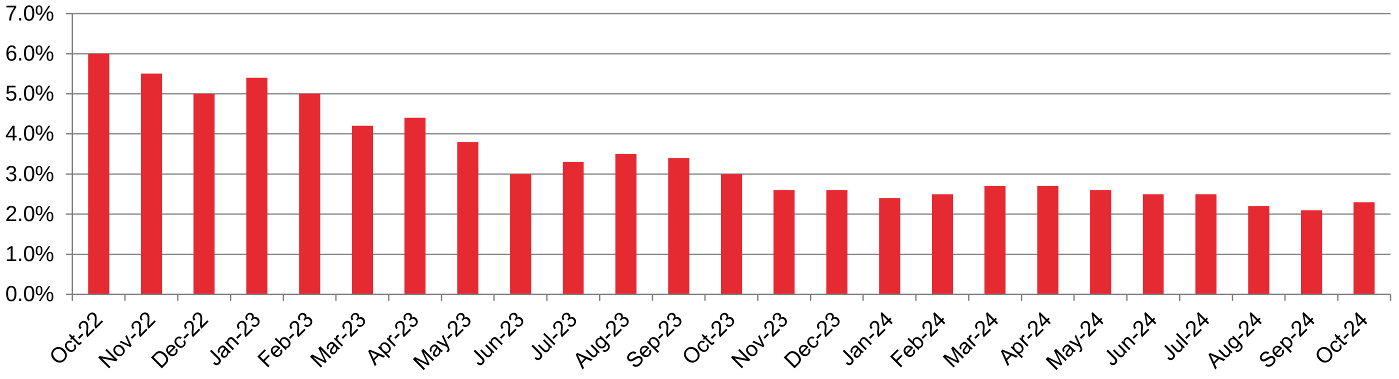
US Oct 24 unemployment rate remain at 4.1%



Source: Bloomberg

Figure 16: US PCE (% y/y)

Fed favorite inflation gauge – PCE is establishing a cooling trajectory



Source: Bloomberg

President-elect Trump's proposed economic agenda, which includes corporate and personal income tax cuts and the establishment of a Department of Government Efficiency focused on deregulation and budget optimization, could further reinforce this trajectory. These initiatives may offset the costs of increased imports while sustaining inflation moderation.

The US market is currently factoring in a soft landing, contributing to the S&P 500 achieving new record highs. With the initial speculative phase of Trump's election victory now behind us, clarity on his trade policies and tariff measures should stabilize both the equity markets and the DXY. Given Vietnam's growing reliance on global markets, sustained visibility into the US economic outlook could redirect capital flows back into emerging markets (EMs), particularly riskier assets like Vietnam. This dynamic will be a critical focus for 2025.

The US - Vietnam Trade Outlook: risks and opportunities

For Vietnam, the greatest uncertainty lies in potential US tariffs under President Trump's administration. These anticipated tariffs could present significant challenges to Vietnam's growth. However, the narrative has two sides.

Predicting Trump's policy direction during his second term is inherently challenging. However, historical data from his first term (2016–2021) provides some context. During this period, Vietnam emerged as a key beneficiary of the China+1 strategy, as global manufacturers diversified production bases to avoid steep US tariffs on Chinese goods. This dynamic spurred robust FDI inflows, solidifying Vietnam's role as a regional manufacturing hub.

In Trump's second term, a potential escalation in tariffs on Chinese goods - potentially reaching up to 60%, with an additional 10% hike - could further accelerate this trend. Vietnam stands well-positioned to seize these opportunities due to:

1. **Strategic geographic advantage:** Proximity to major shipping routes and regional markets.

2. **Cost-effective labor market**: Backed by a skilled and expanding workforce.

3. **Competitive electricity prices**: Among the most affordable in Southeast Asia, ranking 42nd globally.

4. **Proactive upcoming government policies**: Proposed incentives to attract FDI, particularly amid the implementation of the Global Minimum Tax (GMT).

Downside risks: Tariffs directly targeting Vietnam

The worst-case scenario involves US tariffs aimed specifically at Vietnam, driven by political considerations or the trade imbalance between the two countries. While Vietnam could attempt to mitigate this by increasing imports from the US - such as LNG or aircraft - such measures may fall short due to the structural realities of a global economy characterized by high-income consumption economies and export-oriented manufacturing hubs.

This risk is challenging to quantify as it hinges entirely on diplomatic negotiations. Market speculation suggests that such tariffs could slash FY25 profit growth from an average of 16–18% to 4–5%. However, we believe the actual longer term impact could be far more severe, creating a grim scenario for Vietnam's economy.

Nevertheless, Vietnam's diplomatic positioning differs markedly from China's, as evidenced during Trump's first term when negotiations mitigated potential risks. We anticipate a similar approach in the event of escalating trade tensions and the fact that the size of Vietnam's economy is nowhere near US's top trading targets.

While the probability of US-imposed tariffs targeting Vietnam remains relatively low, the downside risks are significant and warrant close monitoring. Greater clarity will be essential to assessing Vietnam's economic prospects in 2025. Until then, this remains a key area of uncertainty requiring careful attention.

Market valuations and Index forecasts

Earnings and valuations

At the sector level (Fig. 16), we forecast stronger recoveries in Construction, Construction Materials, Real Estate (both residential and industrial parks). Kindly refer to the respective sector briefings in this note, prepared by our analysts Trang Ho and Han Vo.

We also see Oil & Gas (led by Nam Nguyen), while Banks (led by Ha Pham), Consumer (led by My Tran), and Diversified Financials (led by Ha Pham) are expected to see more moderate growth trajectories. Please refer to their respective pieces in this report.

Under HSC coverage, we project aggregate net profit growth of 19.5% for FY25, up from 14.3% in FY23. Most sectors are expected to return to positive growth in FY25, compared to many recordings of negative growth in FY24, signaling a broader based recovery. However, the timing of recovery varies across sectors. This reflects a rotation in sector recoveries following a bottoming-out in 2023.

While Consumer, Construction Materials, and Automobile & Parts are expected to see slower growth in FY25 compared to the high growth in FY24 (driven by an exceptionally low base in FY23), sectors such as Real Estate and Oil & Gas are rebounding from a negative base. Cash flow rotation is anticipated as investors target attractive opportunities.

Overall, we expect a general improvement in consumer sentiment as the real estate sector recovers over the next 6–12 months, which should also lift growth in other sectors such as Banks and Diversified Financials. Foreign investors' net selling has put pressure on quality blue-chip stocks, many of which are trading below their potential. We favor a stock-specific approach over broad sector allocation, and notable names we want to highlight from our top picks are: **VCB, TCB, CTG, SSI, PDR, CTD, IDC, VGC, PVD, HPG, DGC, MWG.**

Figure 17: Sector earnings growth forecast & upside from current market prices, HSC coverage on HSX

No.	Industry	Market cap weight	FY23 aggregate net profit growth	FY24 aggregate net profit growth	FY25 aggregate net profit growth	Target price upside (%)	HSC View
1	Financial: Banks	46.7%	5.0%	15.5%	16.6%	19.5%	Neutral
2	Consumer	11.9%	-30.5%	46.3%	16.6%	25.6%	Neutral
3	Industrials: Construction Materials	4.8%	-20.4%	83.6%	29.7%	28.9%	Overweight
4	Industrials: Transportation	0.6%	140.3%	-33.4%	2.1%	24.4%	Neutral
5	Industrials: Automobile and Parts	0.1%	-48.2%	49.7%	26.6%	20.8%	Neutral
6	Industrials: Capital Goods	0.4%	3.4%	5.5%	2.7%	13.9%	Neutral
7	Industrials: Aviation	3.2%	N/a	N/a	-23.0%	13.2%	Overweight
8	Real Estate: Residential	7.0%	1.1%	-24.7%	19.5%	10.7%	Neutral
9	Real Estate: Industrial Park	1.2%	2.6%	-54.4%	46.8%	22.0%	Overweight
10	Real Estate: Retail	1.0%	59.1%	-10.5%	-7.6%	22.1%	Neutral
11	Real Estate: Conglomerates	3.8%	7.9%	-19.1%	108.4%	5.6%	Underweight
12	Energy - Oil & Gas	4.4%	-18.1%	-1.4%	40.9%	24.4%	Neutral
13	Utilities - Electricity, Gas, and Water	2.7%	-30.4%	26.0%	17.2%	19.3%	Overweight
14	Technology	5.6%	19.6%	19.6%	21.5%	4.4%	Neutral
15	Materials - Chemicals	1.9%	-69.1%	13.3%	15.7%	20.5%	Overweight
16	Agriculture: Fishery, Rice and Rubber	0.6%	-55.8%	28.1%	24.6%	21.6%	Neutral
17	Textiles	0.2%	-54.9%	27.5%	17.3%	15.2%	Overweight
18	Health Care	0.4%	5.4%	-22.8%	8.5%	-0.4%	Underweight
19	Financial: Diversified Financials	2.2%	26.0%	15.7%	22.0%	30.7%	Overweight
20	Financial: Insurance	1.0%	17.2%	4.8%	15.8%	14.7%	Neutral
21	Real Estate: Construction & Construction Materials	0.2%	1008.5%	62.0%	25.2%	43.3%	Overweight
	Total	**100.0%**	**-1.2%**	**14.3%**	**19.5%**	**18.9%**	

Source: HSC Research

Valuations and index forecasts

Under HSC coverage, we project aggregate net profit growth of 19.5% for FY25, up from 14.3% in FY24. Most sectors are expected to return to growth in FY25, compared to many recording negative growth in FY24, signaling a broader based recovery. However, the timing of recovery varies across sectors. This reflects a rotation in sector recoveries following a bottoming-out in 2023.

We project the VN Index to reach 1,468 points by the end of FY25, driven by an anticipated 16.4% market profit growth based on our in-house forecasts. This represents an upside potential of 18.3% from 4 December 2024. The broad-based earnings improvement across key sectors from low base combined with a much better political environment and policies are the key basis for our optimism.

As of 4 December, 2024, the VN Index presents an attractive valuation, trading below its 5-year average in terms of forward P/E and P/B ratios. Furthermore, a comparison of the market's EPS growth and P/E for FY24 (Fig. 19) and FY25 (Fig. 20) highlights Vietnam's growing appeal. With robust earnings growth, compelling valuations, and leading profitability in the ASEAN region, Vietnam remains a standout investment destination.

Figure 18: VN Index forward P/E

Forward VN Index P/E still between -1 SD and the average of its 5-yr average band, indicating appealing valuation remains

Source: Bloomberg, HSC Market Strategy compilation

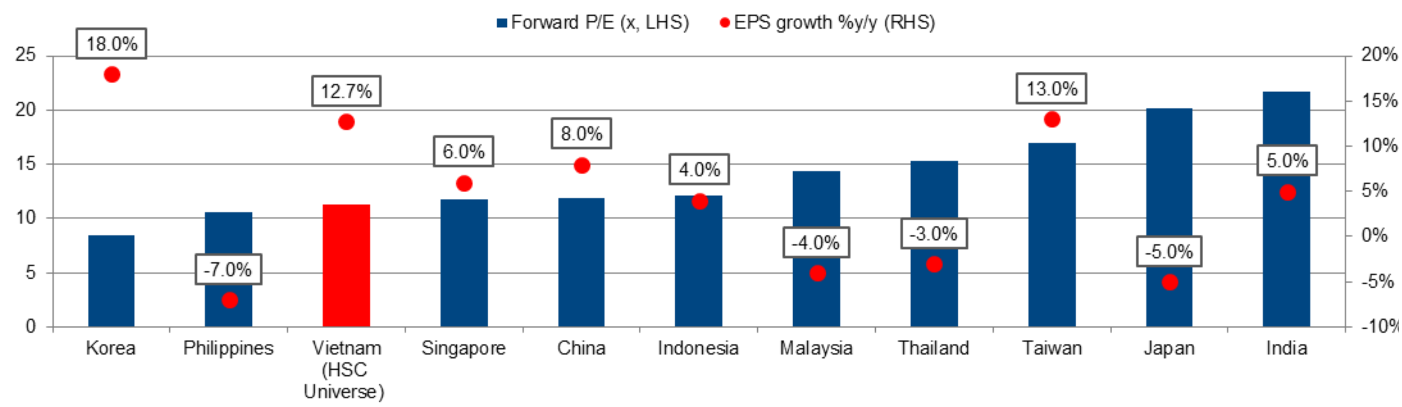
Figure 19: VN Index forward P/B

Forward VN Index P/B is also trading between -1 SD and the 5Y average, indicating undemanding valuation

Source: Bloomberg, HSC Market Strategy compilation

Figure 20: 2024 forward P/E (x) and EPS growth

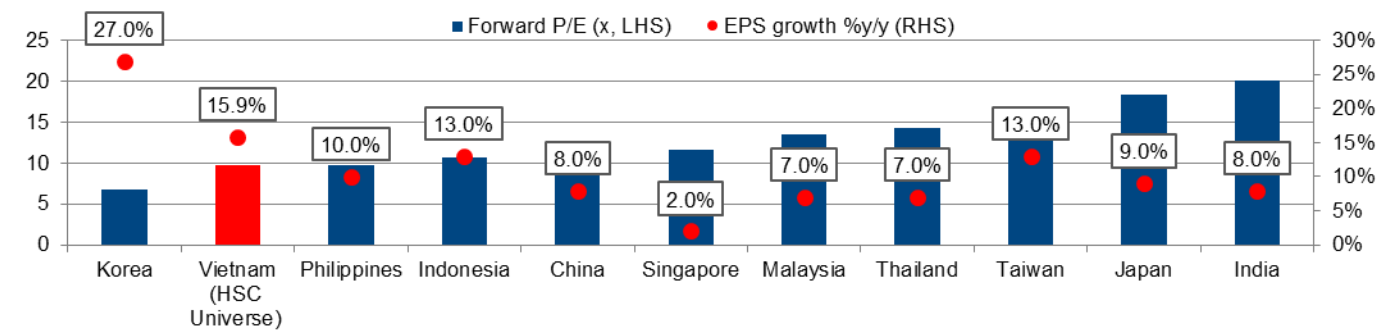
Vietnam's growth outlook remains positive, enhancing forward valuation as year-end approaches



Source: Bloomberg, HSC Market Strategy compilation

Figure 21: 2025 forward P/E (x) and EPS growth

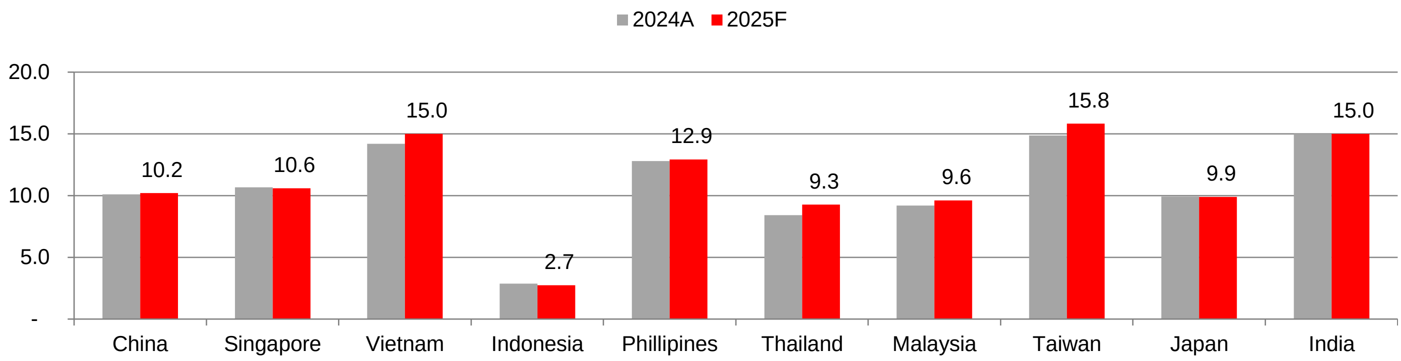
Our projected EPS growth for Vietnam is among the highest in the region, standing at 15.9%, slightly trailing behind Indonesia.



Source: Bloomberg, HSC Market Strategy compilation

Figure 22: Regional ROE comparisons

A strong picture of ROE vs. the region



Source: Bloomberg

Vietnam economy 2025-2026: Resilience in volatile world

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- We upgrade Vietnam's 2025 GDP growth forecast to 6.7%, supported by stronger investments and continued momentum in trade and consumption.
- The outlook for 2026 is shaped by uncertainties surrounding US trade policies, particularly tariffs, which could affect Vietnam's export market, especially its US dependence. As a result, GDP growth is expected to slow to 5.8%, driven also by a potential decline in FDI & via a cyclical reduction in public investment.
- The govt is pursuing reforms to address concerns, including infrastructure, legal frameworks & administrative procedures. A new set of laws will take effect in 2025, alongside ongoing institutional reforms aimed at ushering Vietnam into a new era.

Vietnam's economy in 2025: Resilient amid global volatility

In 2024, the global economy is nearing pre-pandemic levels, with projected GDP growth of 3.2% & CPI at 5.8%. Global growth expectations for the next five years are positive, as nations rebuild disrupted supply chains & inflation is contained. ASEAN economies, particularly Vietnam, have become increasingly significant drivers of global growth, with Vietnam's export-oriented manufacturing sector leading the region.

Looking to 2025, we upgrade VN's GDP growth forecast to 6.7%, driven by stronger investment contributions and sustained momentum in trade and consumption. The country's public investment plan featuring a record-high budget (up 17% compared to 2024), is expected to advance critical infrastructure projects, particularly in the southern region, which has lagged behind the north. Key projects include Phase 2 of the eastern section of the North-South Expressway, Long Thanh International Airport, and Ho Chi Minh City's Ring Road 3. However, for 2026, GDP growth is projected to slow to 5.8%, mainly due to a potential decline in foreign direct investment (FDI), a cyclical reduction in public investment, and a moderation in trade growth. This outlook is also influenced by uncertainties regarding the US's trade policies, especially tariffs, which could impact Vietnam's export market, particularly its reliance on the US.

We recognize that the government is actively pursuing reforms to address three major concerns of foreign investors: infrastructure, legal frameworks & administrative procedures. A new generation of laws will come into effect starting in 2025, including the Securities Law, Public Investment Law, PPP Law, Electricity Law amongst others. Additionally, institutional reforms are underway, with proposals to reduce five ministries, merge the Ministry of Finance with the Ministry of Planning and Investment, as well as the Ministry of Construction with the Ministry of Transport & dissolve the Committee for Management of State Capital. These plans, expected to be finalized in 2025, and aim to enhance state governance efficiency, helping VN enter a new era.

Figure 23: Key forecasts

We raise 2025 GDP growth to 6.7% on stronger investment contributions but lowering 2026 to 5.8% due to expected investment and net trade slowdowns

	2021	2022	2023E	2024F	2025F	2026F
Currency (VND: USD) (at YE)	22,765	23,555	24,265	25,450	26,000	26,000
GDP annual growth rate (%)	2.58	8.10	5.05	6.68	6.70	5.80
GDP (USDbn)	370	408	434	446	481	524
GDP per capita (USD)	3,757	4,101	4,324	4,406	4,713	5,088
12M average inflation (y/y %)	1.8	3.1	3.3	3.8	3.4	3.3
Policy interest rate (%)	4.00	6.00	4.50	4.50	4.75	5.00
Overnight interbank rate (%)	0.7	4.4	0.5	4.0	3.8	3.3
Government bond 10Y (%)	2.9	4.8	2.2	2.8	3.2	3.3
FX reserves (USDbn)	107	85	90	80	85	95
Balance of trade (USDbn)	3.3	12.1	28.4	24.2	26.8	24.7
Current account to GDP (%)	-2.2	-0.3	6.5	4.5	3.7	3.2
Public debt to GDP (%)	44.7	38.0	38.8	38.1	38.3	38.7
Gov't budget deficit (% of GDP)	2.5	3.1	3.5	3.5	3.8	3.5
Credit to GDP	124.4	125.3	132.7	136.9	141.5	146.8
Imports (y/y %)	26.7	8.0	-9.2	17.5	11.0	8.5
Exports (y/y %)	18.9	10.6	-4.6	15.0	11.0	7.5
FDI disbursement (USDbn)	19.7	22.4	23.2	25.3	26.8	27.9
Annual manufacturing prod. (%)	6.0	8.0	3.6	9.0	8.8	7.0
Annual retail sales (%)	-9.1	19.8	9.6	9.0	8.5	8.0

Source: HSC Research

VN economy to remain strong in the Year of the Snake

The global economy is nearing pre-pandemic levels, with Vietnam emerging as a key growth driver in ASEAN, supported by its export-oriented manufacturing sector. Vietnam's GDP growth is forecasted to rise to 6.7% in 2025, fueled by robust investment, trade, and consumption, particularly record-high public investment focused on critical southern infrastructure projects. However, growth is expected to slow to 5.8% in 2026, due to moderating FDI, reduced public investment plan, and trade uncertainties linked to US policies. The Vietnamese government is addressing investor concerns through significant reforms, including new laws effective from 2025 and institutional restructuring, to enhance governance efficiency and support long-term economic progress.

ASEAN and global outlook

Figure 24: Changes to economic forecasts in this report

We upgrade 2025 GDP growth to 6.7%, driven by stronger investment contributions, while lowering 2026 projection to 5.8% due to anticipated slowdowns in investment and net trade

	2024F		2025F		2026F	
	Old	New	Old	New	Old	New
GDP and employment						
GDP annual growth rate (%)	6.68	6.68	6.50	6.70	6.50	5.80
Business & consumer						
Annual manufacturing production (%)	8.0	9.0	8.5	8.8	8.5	7.0
Annual retail sales (%)	9.0	9.0	9.0	8.5	9.0	8.0

Source: HSC Research

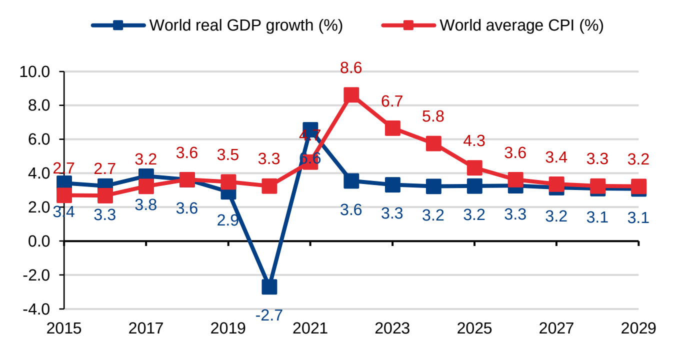
The year 2024 marks five years since the global economy began recovering from the aftermath of COVID-19, with macroeconomic conditions nearing pre-pandemic levels. Global economic growth and inflation over the next five years are projected to approach a “normal” phase, with GDP growth at 3.2%—slightly below the pre-pandemic five-year average of 3.4%—and CPI at 3.6%, slightly above the pre-pandemic level of 3.2% (Figures 25 and 26).

This reflects positive expectations on continued improvements from the low growth rate of 2.8% and high inflation of 5.8% experienced during the 2020–2024 period. The relentless efforts of nations to reconnect severely disrupted supply chains—which not only dampened economic activity but also fueled surging inflation—have restored the foundation for global growth.

With inflation now well-contained and returning to target levels in many countries, global monetary policy is shifting toward a more accommodative stance to foster stronger economic growth.

Figure 25: World economic projections: growth vs. inflation

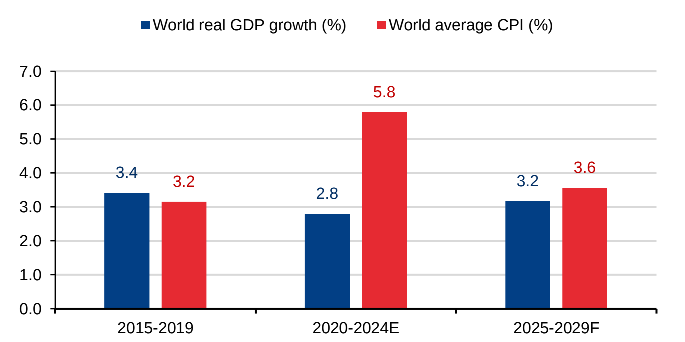
Global inflation is declining, and economic growth is recovering



Source: IMF and HSC Research

Figure 26: Growth vs. inflation: 2015-29F

Over the next five-year, global GDP growth is projected at 3.2% & CPI at 3.6% on average

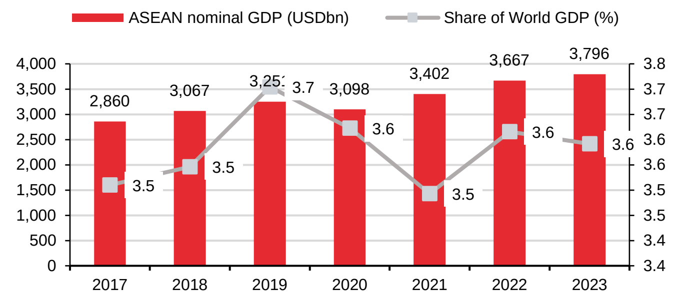


Source: IMF and HSC Research

In this context, ASEAN economies have become increasingly dynamic and play a more significant role in the global economy. Since the onset of US-China trade tensions in 2018, the economies of the 10 ASEAN nations have generally benefited, contributing an additional 8bps to the global economic scale, reaching a share of 3.6% (USD3.8tn) by the end of last year (Figure 27).

Figure 27: ASEAN share of global economy

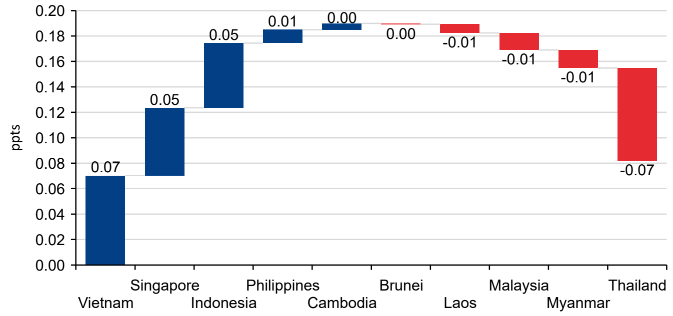
The ASEAN economy's share of the global economy grew by 8bps, reaching 3.6% during the 2017–2023 period



Source: IMF and HSC Research

Figure 28: Change in share of world GDP, 2023 vs. 2017

Vietnam accounted for the largest contribution to this growth, adding 7bps

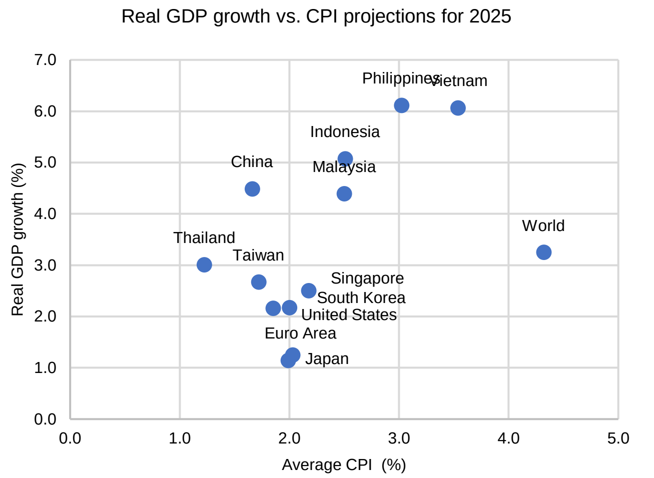


Source: HSC Research

Notably, Vietnam accounted for the largest contribution to this growth, adding 7bps (Figure 28). This underscores the trend of production relocating to Vietnam, a neighbor of China with a prime location along the Asia Pacific Ocean, serving as a gateway to mainland Asia & the world for global trade.

Figure 29: Real GDP growth vs. CPI projections for 2025

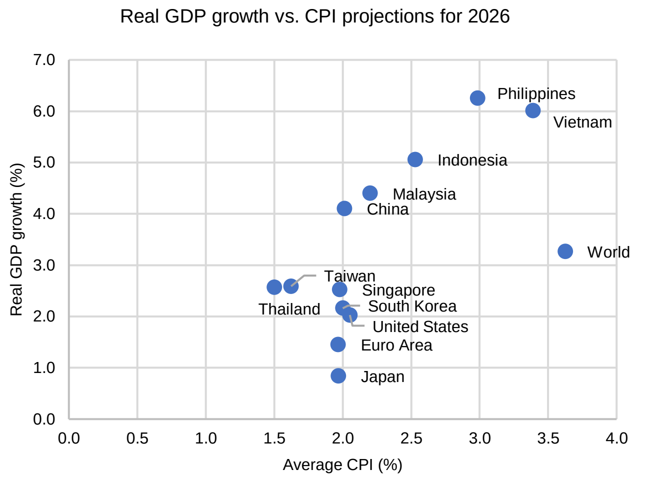
VN is projected to remain among the top performers in terms of growth within ASEAN & its key global economic partners



Source: IMF and HSC Research

Figure 30: Real GDP growth vs. CPI projections for 2026

However, Vietnam's inflation rate is also higher than all its trade partners

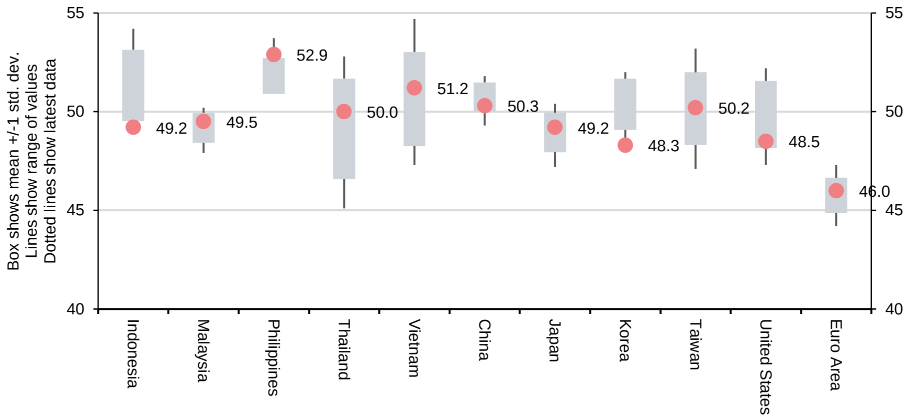


Source: IMF and HSC Research

Over the next two years, Vietnam is projected to remain among the top performers in terms of growth within ASEAN and compared to its key global economic partners (Figures 29 and 30). However, Vietnam's inflation rate is also higher than all its trade partners, limiting the monetary policy space available to support further easing in the near term. This contrasts sharply with most other economies, as Vietnam still has considerable room for fiscal policy adjustments due to its low public debt levels. Meanwhile, other nations are leaning towards fiscal consolidation after implementing massive pandemic support packages that have driven public debt to high levels.

Figure 31: S&P global manufacturing PMI over the last 12 months

Vietnam's manufacturing PMI leads the region, particularly in contrast to the sluggish factory activity seen in developed economies

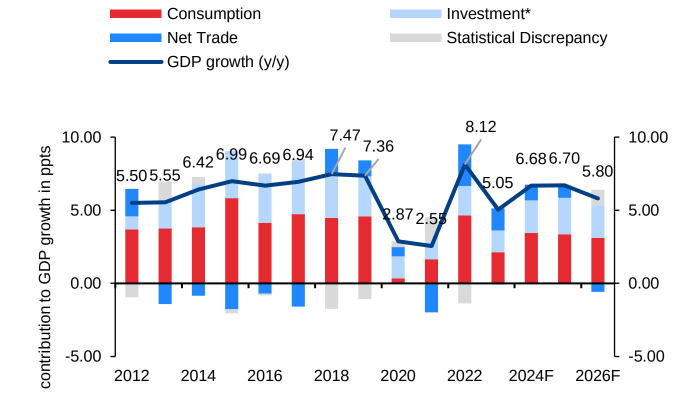


Source: CEIC and HSC Research

The robust growth in Vietnam stems from the dynamism of its export-oriented manufacturing sector, where FDI enterprises account for over 70% of total outbound shipments. Vietnam's manufacturing PMI leads the region, particularly in contrast to the sluggish factory activity seen in developed economies like Japan, the US, and the Euro area (Figure 31).

Figure 32: GDP projections 2025-26: demand side

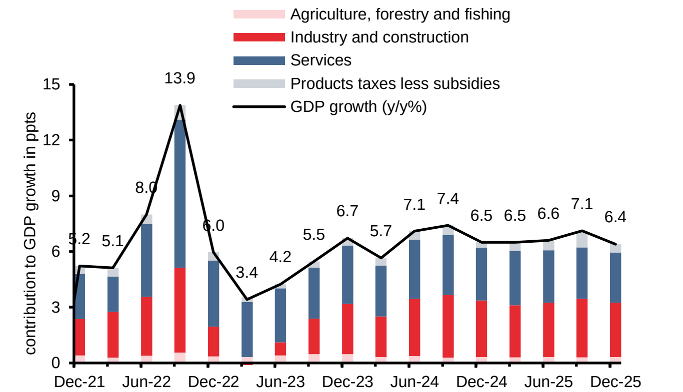
We raise our 2025 GDP growth forecast to 6.7%, driven by stronger investment contributions



Source: HSC Research

Figure 33: GDP projections 2025-26: supply side

Quarterly projections for 1Q-4Q25: 6.5% y/y, 6.6% y/y, 7.1% y/y and 6.4% y/y



Source: HSC Research

Vietnam outlook

We raise our 2025 GDP growth forecast for Vietnam to 6.7%, an increase of 20bps from the previous projection, driven by stronger investment contributions. This comes amid robust but slightly lower contributions from consumption and net trade compared to 2024 (Figure 32). Conversely, we revise down the 2026 GDP growth forecast to 5.8%, 70bps lower than the prior estimate, reflecting a potential slowdown in both FDI and public investment and a decline in net trade. These factors will be analyzed in detail below.

On the supply side, quarterly GDP growth and the breakdown for three sectors of the economy—agriculture, forestry, and fisheries (AFF); industry and construction; and services—are presented in Figures 33 and 34. Overall, manufacturing is expected to gain support from sustained robust trade activity, while the construction sector will benefit from increased public investment and a slowly recovering real estate market.

Figure 34: Quarterly GDP projections 2025-26: supply side

Manufacturing is anticipated to be bolstered by sustained robust trade activity, while the construction sector is set to benefit from higher public investment and a recovering real estate market

	GDP growth	AFF	Industry & construction	Manufacturing	Construction	Services	Wholesale and retail trade
1Q23	3.4	2.9	-0.3	-0.4	1.9	6.9	8.0
2Q23	4.2	3.8	2.0	0.5	7.2	6.6	8.6
3Q23	5.5	4.3	5.2	5.6	8.0	6.4	8.7
4Q23	6.7	4.1	7.4	8.0	9.3	7.3	9.9
1Q24	5.7	3.0	6.3	7.0	6.8	6.1	6.9
2Q24	7.1	3.6	8.6	10.4	7.8	7.1	6.5
3Q24	7.4	2.6	9.1	11.4	7.1	7.5	6.9
4Q24F	6.5	2.8	8.3	8.8	7.3	6.5	7.0
1Q25F	6.5	3.0	8.0	8.3	7.6	6.5	7.0
2Q25F	6.6	3.1	8.1	8.4	7.5	6.3	6.8
3Q25F	7.1	2.9	8.4	9.0	7.5	6.4	7.0
4Q25F	6.4	3.0	7.8	8.0	7.6	6.2	6.5

Source: HSC Research

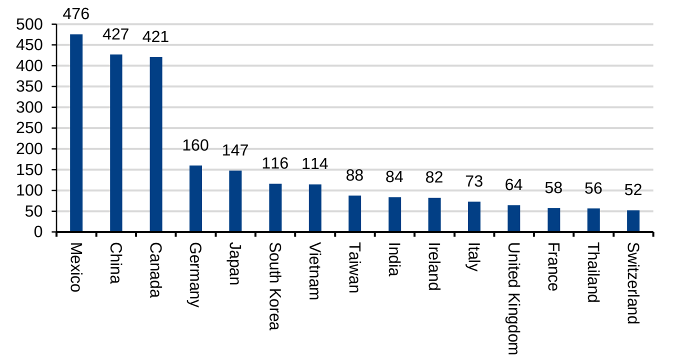
Trade activities

The trend of globalization is clearly being reversed, giving way to protectionism and trade polarization. A prime example is the world's largest economy, the US, which, under the leadership of President-elect Donald Trump over the next four years, is likely to impose higher tariffs on countries with significant trade surpluses with the US. The tariffs currently imposed by the US on other countries, particularly China, suggest that the US may continue to strengthen duties under Section 201 or 301 of the Trade Act of 1974 or Section 232 of the Trade Expansion Act of 1962.

Statistics reveal that Vietnam is the 7th largest import market for the US (Figure 35) and ranks 3rd among the economies with which the US faces a trade deficit in 2023 (Figure 36).

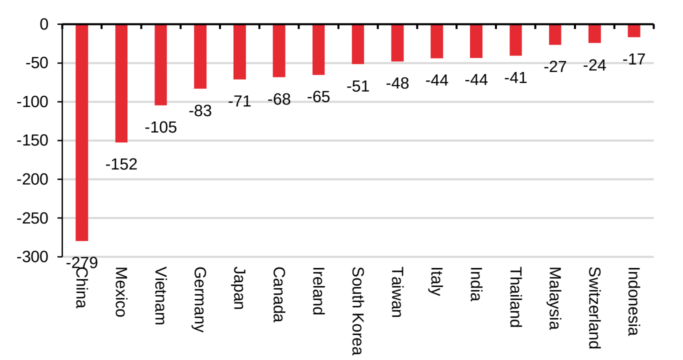
Figure 35: US imports by trading partners in 2023

Vietnam is the 7th largest import market for the US



Source: USITC DataWeb/Census and HSC Research

Figure 36: US trade balance by trading partners in 2023

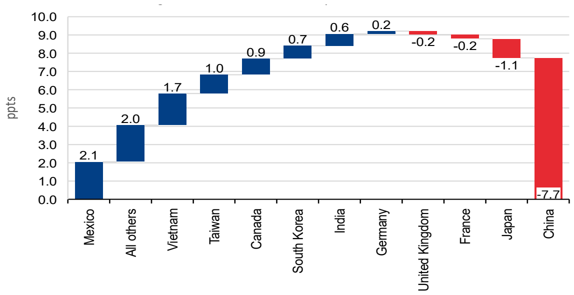


Source: USITC DataWeb/Census and HSC Research

Since the onset of US-China trade tensions, China has seen a 7.7% drop in its share of the US import market. In contrast, Mexico (up 2.1ppts), Vietnam (up 1.7ppts), Taiwan (up 1ppts), Canada (up 0.9ppts), South Korea (up 0.7ppts), and India (up 0.6 ppts) have emerged as the top six beneficiaries of China’s diminishing stake (Figure 37).

Figure 37: Change in market share of US imports, 2023 vs. 2017

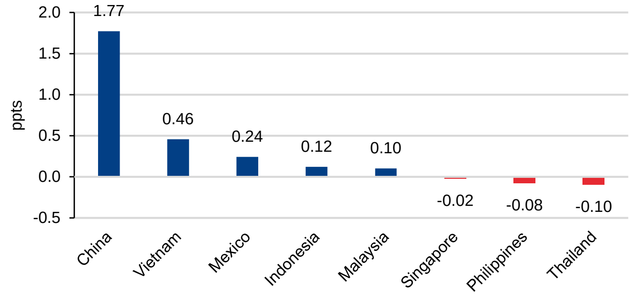
CN has seen a 7.7% drop in its share of the US import market. Mexico, VN, TW & Canada have emerged as top beneficiaries



Source: USITC DataWeb/Census and HSC Research

Figure 38: Change in market share of world exports, 2023 vs. 2017

CN increased its global export market share by 1.77%. Vietnam has also led the ASEAN region in gaining global export market

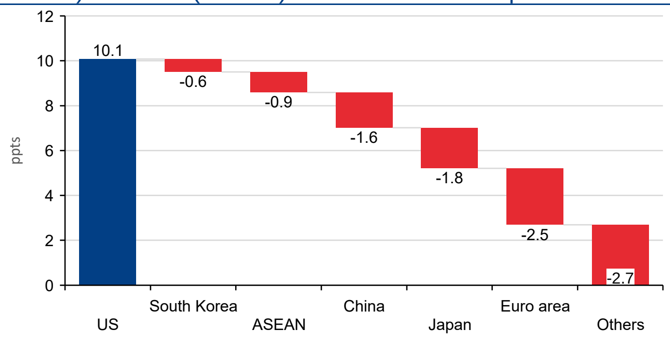


Source: CEIC and HSC Research

That said, over the past seven years, China has successfully diversified its export markets, not only mitigated the negative impact of US tariffs but also increased its global export market share by 1.77%. Vietnam has also led the ASEAN region, expanding its export share globally by 0.46ppts (Figure 38).

Figure 39: Change in market share of VN exports by destinations, 2024YTD vs. 2017

Vietnam's export market share expansion is entirely driven by a surge in exports to the US, from 19.3% (in 2017) to 29.4% (in 2023) of Vietnam's total exports



Source: Vietnam Customs and HSC Research

However, unlike China, Vietnam's export market share expansion is entirely driven by a surge in exports to the US, which increased by 10.1ppts, from 19.3% (in 2017) to 29.4% (in 2023) of Vietnam's total export value. Whereas exports to other destinations have significantly declined compared to the end of 2017 (Figure 39).

Figure 40: Assessment of Vietnam exports to the US by categories

The categories most vulnerable to higher tariffs by the US would include: computers & electrical products; machinery & equipment; telephones & mobile phones; wood & wooden products; other means of transportation; plastic products; fishery products etc…

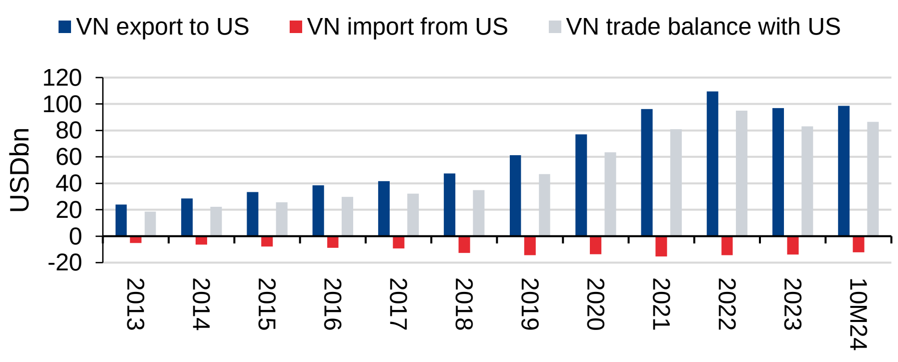
	Exports to US (USDbn) in 10M24	Exports to US (USDbn) in 2017	Share of VN total exports in 10M24	Share of total exports by category in 10M24	Share of total exports by category in 2017	US market share changes (ppts, 10M24 vs. 2017)	US (MFN) tariff on VN (exceptions for iron & steel)
Comp, electrical prod, spare-parts and cpnt thereof	19.1	3.4	5.7%	32.6%	13.2%	19.4	Low tariff (headphones, earphones, amplifier: 0%)
Machine, equipment, tools and instruments	18.0	2.4	5.4%	41.7%	18.8%	23.0	Low tariff (generally below 5%)
Textiles and garments	13.3	12.3	4.0%	43.5%	47.0%	-3.5	As high as 22.8%, generally 10% (clothing, trousers, jackets etc)
Telephones, mobile phones and parts thereof	8.7	3.7	2.6%	18.7%	8.2%	10.6	Low tariff (Line telephone sets: 0%)
Wood and wooden products	7.3	3.3	2.2%	55.5%	42.4%	13.1	Low tariff (as high as 7%: outer ply of tropical wood)
Foot-wears	6.9	5.1	2.0%	36.9%	34.8%	2.1	As high as 21.3% (sports footwear; tennis shoes etc)
Other means of transportation, parts & accs thereof	2.7	1.2	0.8%	21.3%	16.8%	4.5	Low tariff (generally below 5%)
Plastic products	2.4	0.4	0.7%	44.6%	14.8%	29.8	Low tariff (Plasticisers, compound: 5.8%)
Fishery products	1.5	1.4	0.5%	18.5%	16.9%	1.6	Low tariff (generally below 5%)
Toys and sports requisites; parts & accs thereof	1.5	0.4	0.4%	47.1%	35.0%	12.1	Low tariff (generally below 5%)
Handbags, purses, suit-cases, headgear and umbrellas	1.5	1.3	0.4%	42.4%	40.7%	1.7	Low tariff (generally below 8%, as high as 11.2%)
Iron and steel	1.2	0.4	0.4%	15.4%	13.5%	1.8	Since Mar-18: 25% for steel and 10% aluminum under section 232; others: low tariff (generally below 5%)
Iron and steel products	1.1	0.4	0.3%	28.8%	15.7%	13.0	Since Mar-18: 25% for steel and 10% aluminum under section 232; others: low tariff (generally below 5%)
Still image, video cameras and sparts thereof	1.0	0.1	0.3%	15.0%	1.7%	13.3	Low tariff (generally below 5%)
Total exports to US	98.7	41.6	29.4%	29.4%	19.3%	10.1	

Source: WITS, Vietnam Customs and HSC Research

If the US were to impose tariffs ranging from 10% to 20% on Vietnamese goods, the categories most vulnerable to these higher tariffs would include: computers & electrical products (5.7% of Vietnam's total exports); machinery & equipment (5.4%); telephones & mobile phones (2.6%); wood & wooden products (2.2%); other means of transportation (0.8%); plastic products (0.7%); fishery products (0.5%); toys & sports (0.4%); handbags, purses, suitcases, headgear, and umbrellas (0.4%); still image & video cameras (0.3%). Together, these categories represent 19% of Vietnam's total exports (Figure 40).

Figure 41: Vietnam's two-way trades with the US: 2013 – 2024YTD

Vietnam is unlikely to reverse its growing trade deficit with the United States, with exports roughly seven times higher than imports



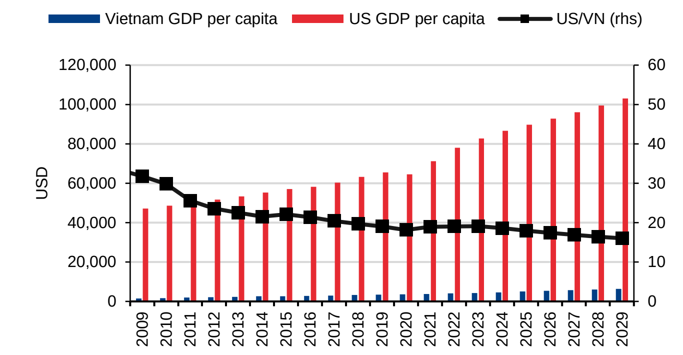
Source: Vietnam Customs and HSC Research

Vietnam is unlikely to reverse its growing trade deficit with the United States, with exports roughly seven times higher than imports (Figure 41). This is in-line with the 16-fold difference in per capita income between the two nations (Figure 42). In other words, as long as Vietnam remains a middle-income country, closing this gap will be challenging.

In 10M24, imports from the US only accounted for 3.9% of Vietnam's total imports, with a few notable exceptions, such as soybeans (32% of total imports by this category), other means of transportations (28%) and cotton (26%). Broadly speaking, Vietnam's imports are predominantly focused on production materials to sustain its export-driven manufacturing model. In the first ten months of 2024, GSO data showed that production materials constituted 93.7% of total imports, with machinery, equipment, tools, and spare parts accounting for 47.3%, and raw materials, fuels, and supplies comprising 46.4%. Consumer goods imports, by contrast, made up only 6.3% of the total.

Figure 42: GDP per capita: US vs. VN

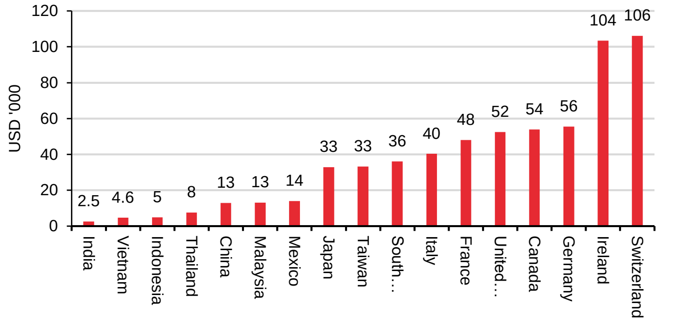
This is in line with the 16-fold difference in per capita income between the two nations



Source: IMF and HSC Research

Figure 43: GDP per capita of US's major trading partners

Vietnam's relatively modest per capita income is an advantage in maintaining low labor costs compared to competitors

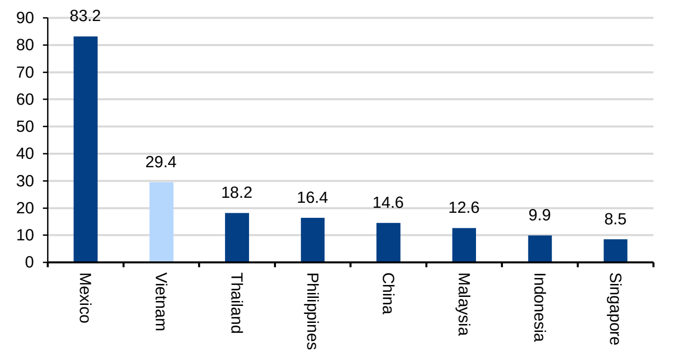


Source: IMF and HSC Research

Compared to other major exporting or trade-surplus countries with the US, Vietnam's relatively modest per capita income is an advantage in maintaining low labor costs compared to competitors. The exceptions are India, whose per capita GDP is just over half that of Vietnam, and Indonesia, which has a slightly higher income level than Vietnam (Figure 43).

Figure 44: Share of exports to the US in total exports

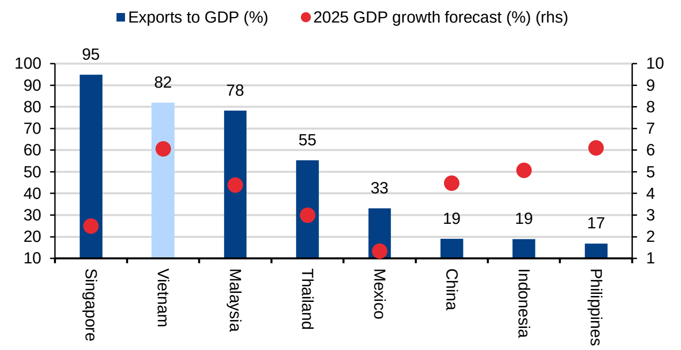
Among ASEAN & two nations with the largest trade surplus with the US, VN ranks 2nd in terms of export dependency on the US



Source: CEIC and HSC Research

Figure 45: Exports to GDP ratio

VN also ranks second in export-to-GDP ratio



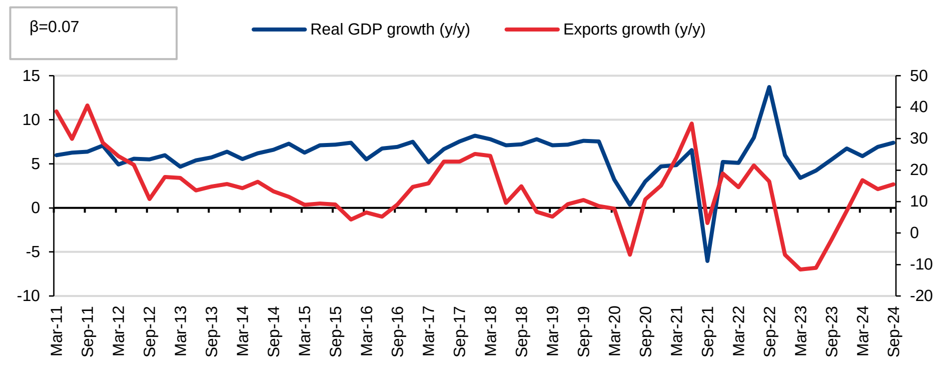
Source: CEIC, IMF and HSC Research

However, Vietnam's heavy reliance on the US export market, coupled with the limited improvement in market shares in other destinations as outlined earlier, is expected to impact its export outlook in the coming period, as highlighted in our recent trade outlook report (see *Trade & FDI 2025-27F: Looking beyond Trump's tariffs*, 28 Nov 2024, HSC Research). We expect Vietnam's exports to the US to rise 8% in 2025, then remain flat in 2026 and 2027.

Among ASEAN countries and the two nations with the largest trade surplus with the US—Mexico and China—Vietnam ranks second in terms of export dependency on the US market (Figure 44). This dependency should also significantly influence Vietnam's GDP growth, as the country ranks second in export-to-GDP ratio (Figure 45).

Figure 46: Correlation between VN's real GDP growth and nominal exports growth

We estimate that a 1ppts decline in exports could result in a 0.07ppts reduction in GDP growth



Source: HSC Research

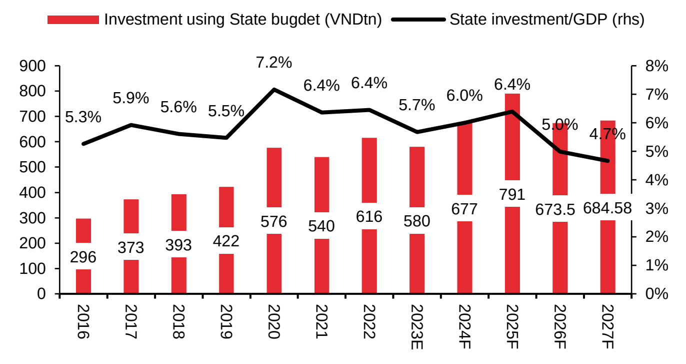
We estimate that a 1ppts decline in exports could result in a 0.07ppts reduction in GDP growth (Figure 46). While exports are projected to maintain strong growth in 2025, a downward adjustment in growth expectations by 3.5ppts compared to previous forecasts is one of the three reasons for our lowered growth projection for Vietnam in 2026.

Investments

2025 marks a pivotal year in Vietnam's 2021-2025 medium-term public investment plan, with a record-high public investment budget of VND791tn (equivalent to 6.4% of GDP) recently approved by the National Assembly (Figure 47). This substantial allocation is set to drive the completion of critical transportation infrastructure projects, including Phase 2 of the eastern section of the North-South Expressway, stretching 724 kilometers from the central region to Ca Mau, Long Thanh International Airport, and Ho Chi Minh City's Ring Road 3 (Figure 48).

Figure 47: Public investment: 2016-27F

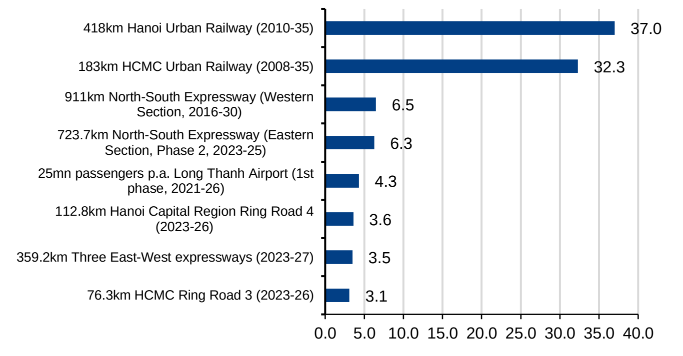
A record-high public investment budget of VND791tn allocated for 2025F



Source: GSO and HSC Research

Figure 48: Major ongoing public investment projects

This substantial allocation is set to drive the completion of critical transportation infrastructure projects



Source: HSC Research

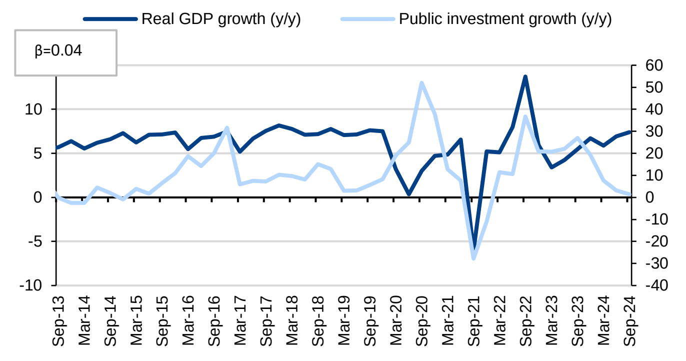
Although less impactful (lower beta correlation) than trade, a 1% increase in public investment is expected to boost real economic growth by 0.04ppts and vice versa (Figure 49). This forms the second reason for our optimism regarding Vietnam's GDP growth in 2025, with public investment projected to rise by about 17% compared to 2024.

However, this also explains why we have downgraded our growth forecast for 2026. In the first year of the 2026-2030 socio-economic development plan, 2026 is expected to experience a cyclical reduction in public investment, with a projected decline of about 15% compared to 2025 (according to the financial and state budget plan for the 2025-2027 period).

In the long-term, we also recognize that Vietnam's regulatory environment for investment is steadily improving, with a shift toward greater transparency and stronger decentralization. The National Assembly recently passed amendments to key laws, including the Law on Planning, the Law on Investment, the Law on Public-Private Partnership (PPP), and the Law on Bidding, which will take effect on 15 January 2025. Additionally, the revised Law on Public Investment will come into force on 1 January 2025. Notably, the capital threshold for identifying national key public investment projects has been increased to VND30tn—three times the current level of 10VNDtn. Similarly, the capital criteria for categorizing projects into groups A, B, and C have doubled.

Figure 49: Real GDP vs. nominal public investment growths

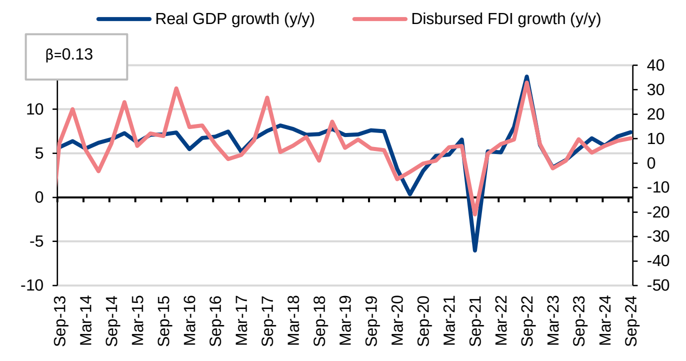
A 1% increase in public investment is expected to boost real economic growth by 0.04ppts



Source: CEIC and HSC Research

Figure 50: Real GDP vs. nominal disbursed FDI growths

A 1% change in FDI disbursement could lead to a corresponding 0.13% change in real economic growth



Source: CEIC and HSC Research

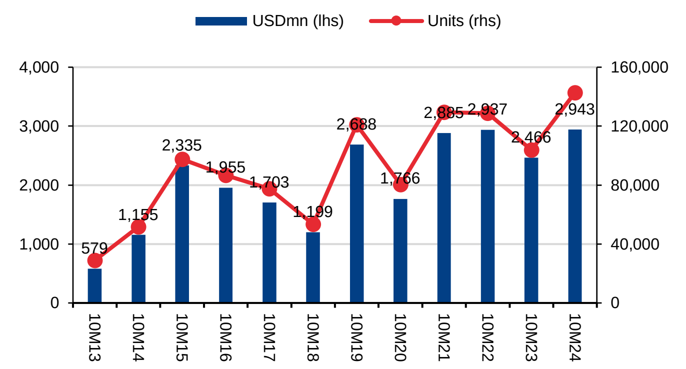
In the context of uncertainty surrounding the impact of US trade policies, we have forecasted a slowdown in Vietnam's FDI disbursement, with growth expected to decelerate to 6% and 4% over the next two years as investors likely adopt a "wait and see" approach until the situation becomes clearer.

This also contributes to our downward revision of the 2026 growth forecast, as both key investment drivers—public and foreign direct investment—are expected to decline/ or moderate. A 1% change in FDI disbursement could lead to a corresponding 0.13% change in real economic growth (Figure 50).

Consumption

Figure 51: Vietnam car importation

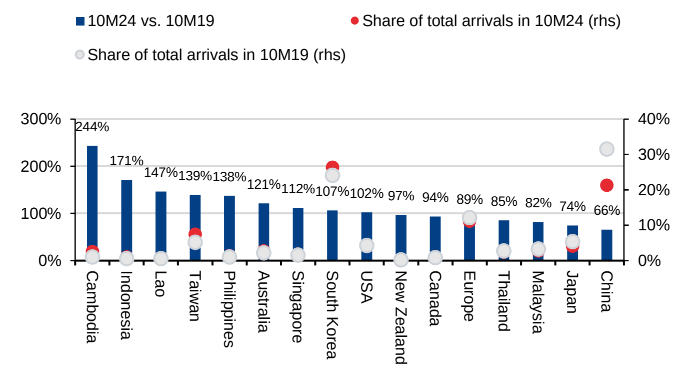
In 10M24, with the import value reaching an all-time high



Source: CEIC and HSC Research

Figure 52: Vietnam's visitor arrival

Number of visitors from China has been the slowest to recover, reaching only 66% of pre-pandemic levels



Source: CEIC and HSC Research

In 2025, we forecast that retail sales of goods and services will remain robust at a 8.5% (nominal growth), driven by: (1) the continuation of the government's 2% VAT reduction policy through the first half of 2025 (which will result in an estimated tax revenue loss of over USD1bn), (2) improvements in average worker income, which rose by 7.3% year-on-year in Q3 2024, outpacing inflation, (3) signs of growing demand for luxury goods such as cars, (4) support from the ongoing recovery of the tourism market and international visitors and (5) VAT tax exemption for households and individual businesses with annual revenue under VND200mn under the revised

Value-Added Tax (VAT) law (effective from 1 July 2025). This means that over 620,000 households and individual businesses will be exempt from paying VAT, resulting in a reduction of approximately VND2.6tn in state budget revenue.

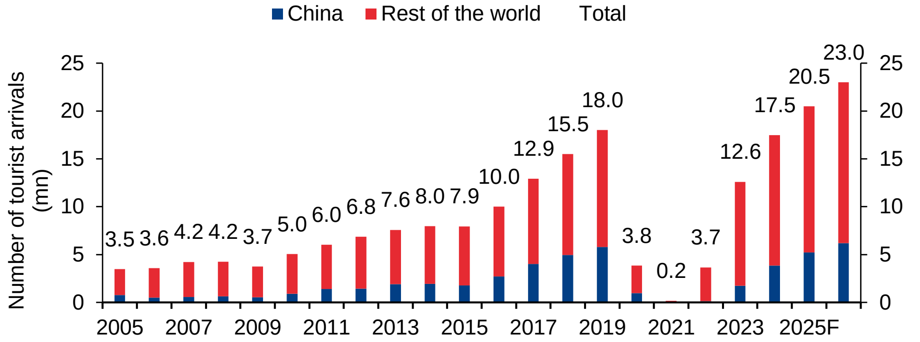
In 10M24, over 140,000 cars were imported into Vietnam, marking a nearly 38% y/y increase, with the import value reaching an all-time high (Figure 51).

Meanwhile, international arrivals to Vietnam have recovered to approximately 98% of pre-pandemic levels.

However, there remains significant growth potential for visitors from China, which has been the slowest to recover, reaching only 66% of pre-pandemic levels. Chinese visitors currently account for about one-fifth of total international arrivals to Vietnam, down from 32% before the pandemic (Figure 52).

Figure 53: Tourist arrival forecasts

We forecast international arrivals to Vietnam to reach 17.5mn, 20.5mn, and 23mn in 2024-26F



Source: HSC Research

Over the 2024-26F, we forecast international arrivals to Vietnam to reach 17.5mn, 20.5mn, and 23mn, representing y/y growth of 39%, 17%, and 13%, respectively (Figure 53).

Financials: Challenging yet promising

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- Despite challenges of soft credit demand, compressed NIM, and sluggish asset quality, we expect a moderate recovery for banks in FY25, with stronger momentum in 2H. FY24-26F net profit growth is at 14.4%, 16.5%, and 19.6%.
- Prolonged foreign selling and weak domestic inflows weigh on the short-term outlook for brokers. Recovery is supported by NPF trades, brokers' capital-raising, and the anticipated FTSE upgrade to Secondary EM status.
- Improving fundamentals drives our positive insurers outlook. Non-life premiums are forecast to grow 11.0% and life premiums to recover by 4.4% in FY25. Strong net profit rebounds and higher interest rates make the sector an effective hedge.
- Financials top picks include CTG, BID, VCB, ACB, TCB and SSI.

Banks: Optimism with caution

The operating environment of the banking sector has been quite challenging YTD, Soft credit demand and stiff competition, compressed NIM, while asset quality improvements remained sluggish, and earnings growth fell short of expectations. In FY25, we anticipate a moderate recovery in the economy and RE market, with a stronger outlook emerging from 2H. On new forecasts, we expect sector net profit growth of 14.4%, 16.5%, and 19.6% for FY24-26, respectively. Our top picks include CTG, BID, VCB, ACB, and TCB.

Brokers: ST outlook clouded by prolonged foreign selling

Challenges in attracting domestic and foreign inflows are expected to weigh on the equity market's short-term outlook. However, the groundwork for a recovery is supported by NPF trades and brokers' capital-raising efforts. The anticipated FTSE upgrade to Secondary EM status is a key medium-term catalyst for foreign interest, though the short-term outlook remains modest. We prefer SSI for its substantial market position, balanced business model, and solid dividend yield.

Insurance: A good hedge for rising interest rates

We have a positive outlook for the insurance sector, driven by improving fundamentals. Non-life premiums are projected to grow 11.0% in FY25, while life premiums are set to recover by 4.4%, reversing a two-year decline. Insurers' net profits are expected to rebound strongly, with ROE growth and potential higher interest rates in FY25 enhancing their appeal as portfolio hedges. We prefer PVI and BVH.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		P/B (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Asia Commercial Bank	ACB	25,050	Buy	-	34,700	-	38.5	6.87	6.20	1.34	1.16	3.47	3.99
Bank for Inv't & Dev't of VN	BID	45,150	Buy	-	54,700	-	21.2	10.7	8.85	1.87	1.59	1.11	1.11
Bao Viet Holdings	BVH	52,000	Add	-	58,200	-	11.9	19.7	16.3	1.72	1.61	1.93	1.92
VietinBank	CTG	35,300	Buy	-	45,300	-	28.3	8.46	6.66	1.31	1.12	-	-
HD Bank	HDB	25,900	Buy	-	32,500	-	25.5	5.70	4.76	1.33	1.06	1.93	1.93
LPBank	LPB	33,450	Sell	-	20,600	-	(38.4)	11.1	12.2	2.04	1.75	0	0
Military Commercial Bank	MBB	23,850	Buy	-	32,600	-	36.7	6.18	5.90	1.14	0.98	2.10	2.40
Military Insurance Corporation	MIG	18,700	Hold	-	19,200	-	2.67	12.2	10.4	1.50	1.40	5.35	4.28
Maritime Comm. JSB	MSB	11,250	Buy	-	14,900	-	32.4	5.83	5.83	0.80	0.71	0	0
Orient Commercial JSB	OCB	10,650	Buy	-	13,000	-	22.1	8.68	7.34	0.83	0.75	0	0
PVI Holdings	PVI	50,300	Buy	-	60,900	-	21.1	12.9	11.6	1.49	1.44	6.36	5.96
SSI Securities Corporate	SSI	24,050	Buy	-	29,500	-	22.7	16.0	15.4	1.77	1.74	4.16	4.16
Sacombank	STB	32,400	Buy	-	41,000	-	26.5	7.14	5.36	1.13	0.94	-	-
TechcomBank	TCB	23,450	Buy	-	31,100	-	32.6	7.26	6.16	1.12	0.98	6.40	6.40
Tien Phong Comm. Bank	TPB	15,800	Add	-	19,000	-	20.3	7.07	5.92	1.11	0.97	3.16	5.06
VietcomBank	VCB	93,500	Buy	-	112,900	-	20.7	14.8	13.3	2.64	2.05	0	0.86
Viet Capital Securities	VCI	32,500	Hold	-	33,800	-	4.00	22.1	21.8	2.37	1.91	2.46	3.69
Vietnam International Bank	VIB	18,850	Add	-	22,100	-	17.2	7.82	6.31	1.32	1.15	4.24	4.24
VNDirect Securities	VND	13,250	Add	-	16,000	-	20.8	10.4	9.51	1.04	0.91	3.77	3.77
Vietnam Prosperity Bank	VPB	19,000	Add	-	22,800	-	20.0	8.76	6.80	1.04	0.95	5.26	5.26

Share prices as of 4 December 2024.
Source: Companies, FactSet, HSC Research

Banks FY25 outlook: Optimism with caution

The operating environment of the banking sector has been quite challenging YTD, Soft credit demand and stiff competition, compressed NIM, while asset quality improvements remained sluggish, and earnings growth fell short of expectations. In FY25, we anticipate a moderate recovery in the economy and RE market, with a stronger outlook emerging from 2H. On new forecasts, we expect sector net profit growth of 14.4%, 16.5%, and 19.6% for FY24-26, respectively. The sector is now trading on a 1Y rolling forward P/B of 1.18x. 0.64 SD below the mean. Our top picks include CTG, BID, VCB, ACB, and TCB.

FY24 to date wrap-up

Entering FY24 with expectations of recovery driven by macroeconomic trends, the banking sector instead faced significant challenges. The recovery of the economy and real estate market has been slow and uneven across regions and segments, placing pressure on asset quality. Soft credit demand and stiff competition has compressed NIM, while bancassurance has yet to rebound. Additionally, substantial volatility in FX rates and the interbank market has further weighed on banks' operations.

Despite these challenges, the sector has played a crucial role in supporting the economy by maintaining moderate credit growth and lowering interest rates. However, weak TOI has constrained banks' ability to build provisions, leading to an increase in on-balance sheet NPLs. Asset quality improvements have been sluggish, and earnings growth has fallen short of expectations.

Figure 54: HSC forecasts, FY24

We currently forecast an aggregated net profit growth of 14.4% for 14 covered banks in FY24

	FY24 previous forecast	FY24 latest forecast	9M24
Credit growth, sector	14-15%	14-15%	9.0%
Credit growth, coverage aggregate	**15.5%**	**15.7%**	**11.3%**
NIM	**3.71%**	**3.60%**	**3.58%**
NIM change	+9bps y/y	-1bps y/y	-3bps YTD
NPL ratio (VAMC included)	**1.69%**	**1.85%**	**2.01%**
NPL ratio (VAMC included) change	-9bps y/y	+7bps y/y	+23bps YTD
NII	17.8%	14.1%	14.4%
NFI	6.3%	0.1%	3.7%
TOI	15.3%	11.8%	11.8%
OPEX	10.9%	8.9%	7.8%
Provision expenses	17.1%	9.2%	9.9%
PBT	17.8%	15.1%	15.5%
Net profit	**17.7%**	**14.4%**	**14.1%**

Source: Company data, HSC Research

Credit growth is accelerating as the year progresses

- Credit growth was weak in the first two months of FY24 but began accelerating in March, surpassing FY23's growth by May. By the end of October, YTD credit growth reached 11.5%, outperforming the same period in FY21 and FY23 but slightly trailing FY22 levels.
- Demand from retail segments remained generally soft, though it showed recovery on a quarterly basis from 2Q24. Most banks have (temporarily) shifted their focus toward business segments, particularly corporate and SME clients. These segments are viewed as having stronger financial health and recovering demand.

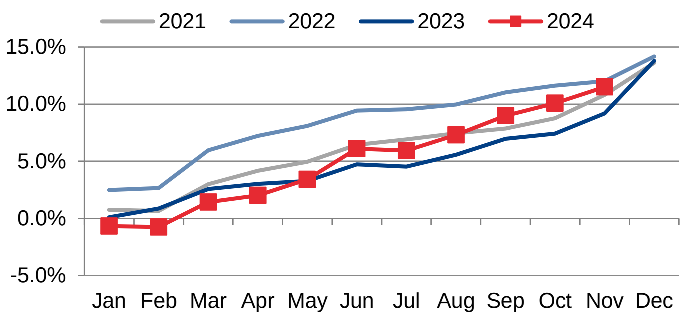
NIM: Fierce competition compressed NIM

- Deposit rates hit their lowest point in 1Q24 before rebounding in 2Q24, starting with short tenors. From February 2023 to April 2024, deposit rates trended downward due to easing monetary policy. However, FX pressures prompted the SBV to maintain high interbank rates, which pushed short-term deposit rates higher, followed by a subsequent rise in 12-month deposit rates. The first wave of deposit rate increases occurred in 2Q24, while a second wave is underway for similar reasons. Although SOCBs have maintained low quoted rates, they've granted branch managers more flexibility to offer higher rates for large deposits.

- Cost of funds: Cost of funds likely bottomed out in 3Q24, reflecting the lag effect of declining deposit interest rates earlier in the year. A mild rebound is expected starting from 4Q24.
- NIM: Despite a favorable cost of funds, NIM has not expanded due to three key factors: 1) Weak demand from retail segments, which typically generate higher yields; 2) Intense price competition in business segments, where banks are increasingly focused; 3) SBV policies stimulating competition through eased refinancing regulations and leveraging SOCBs to push for lower interest rates.

Figure 55: YTD credit growth, banking system

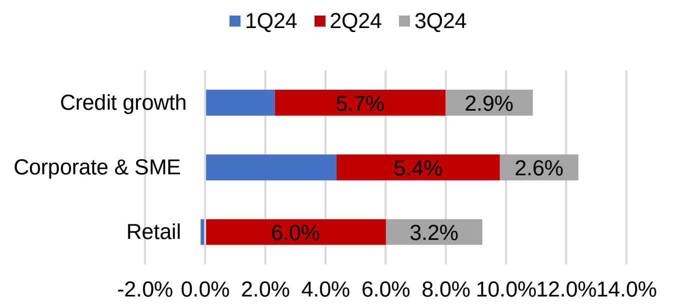
Credit growth trended positively and more evenly spread as compared to FY23's growth pattern



Source: SBV, HSC Research

Figure 56: Q/q growth by segment, 14 covered banks

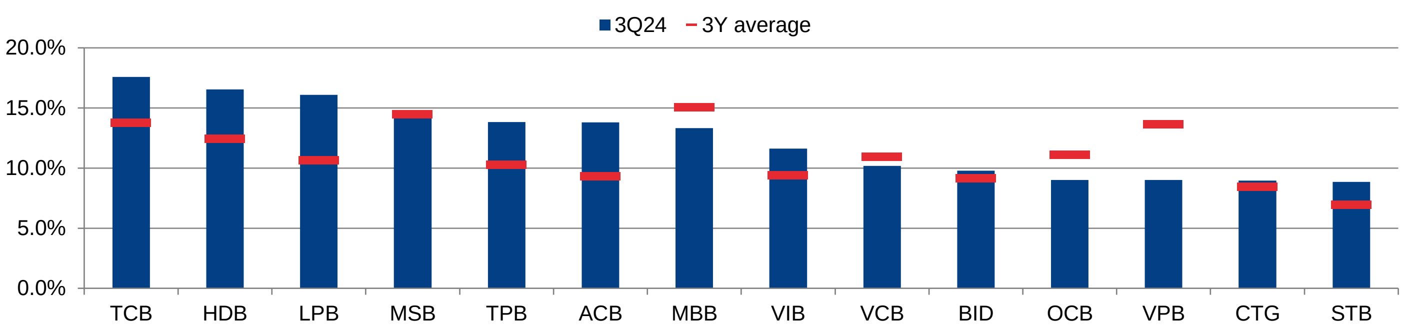
Retail segment recovered from 2Q24, as expected



Source: SBV, HSC Research

Figure 57: YTD credit growth, 14 coverage banks

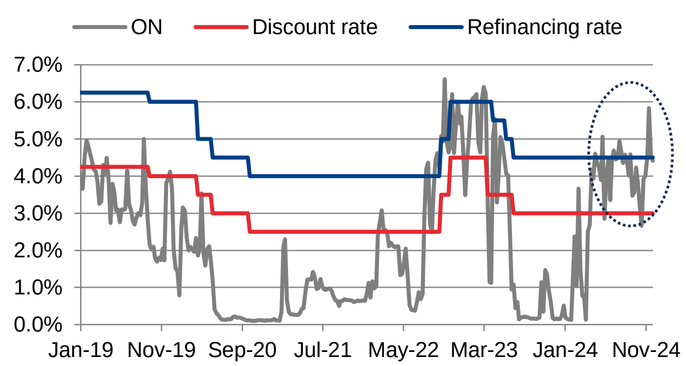
Most banks achieved higher credit growth compared to last 3 year average



Source: Company data, HSC Research

Figure 58: Policy & interbank interest rates

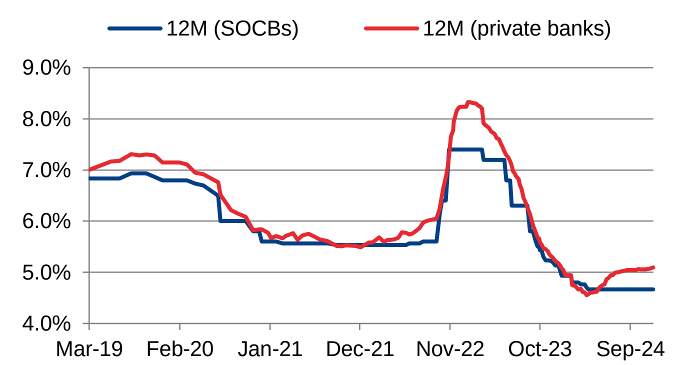
Interbank rates have soared since 2Q24 due to tightened liquidity



Source: FiinPro, HSC Research

Figure 59: 12-month deposit rates

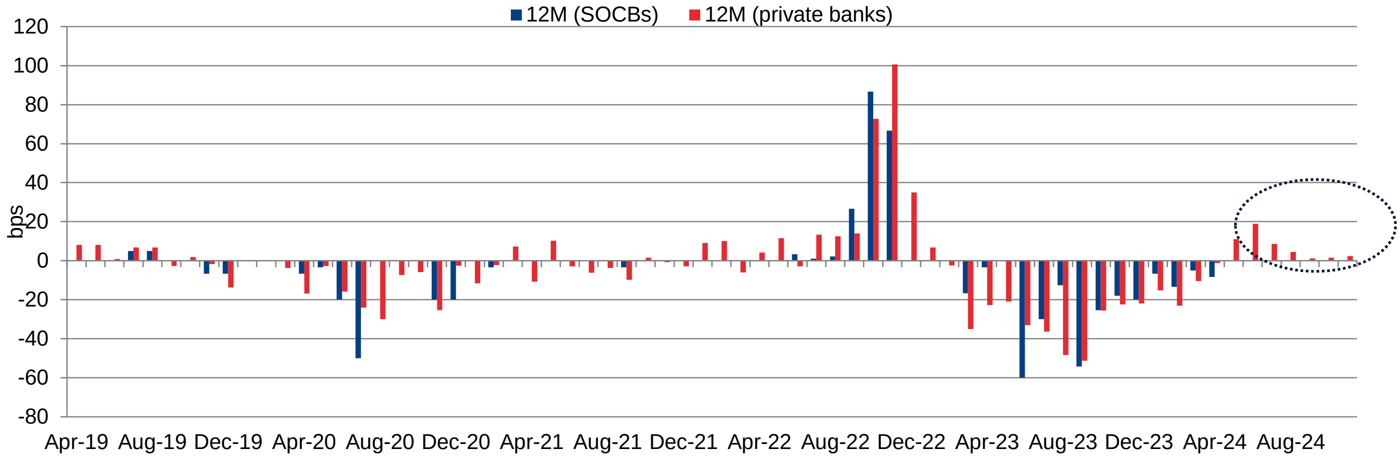
Average 12M deposits rate of private banks bottomed out since end of Mar-24, while SOCBs remained unchanged



Source: Banks website, HSC Research

Figure 60: M/M change in 12M deposit rates

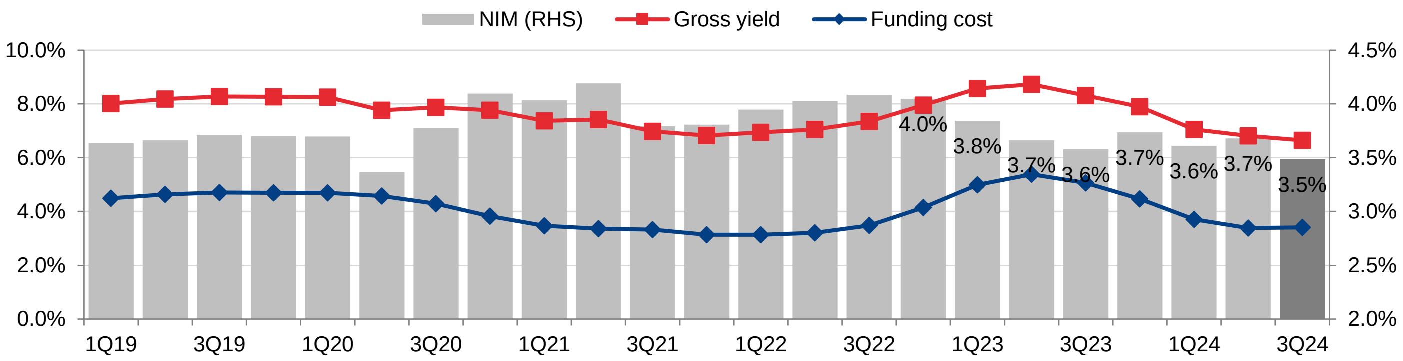
Deposits rates increased notably from May to July, but mostly stabilized from Aug to Oct, suggesting slightly upward but steady COF in 4Q24 and 1Q25



Source: Banks website, HSC Research

Figure 61: NIM movement, coverage aggregate

NIM faced prolonged pressure into FY24



Source: Company data, HSC Research

Asset quality:

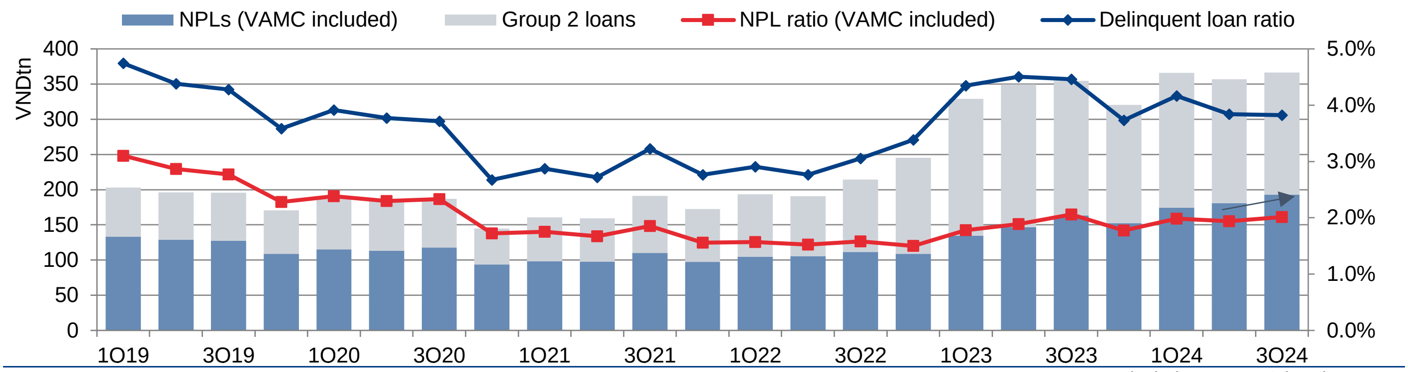
- NPL formation: On a broad scale, the quarterly NPL formation ratio has been declining since its peak in 1Q23, following the C-bond and banking crisis at the end of FY22. However, a closer look reveals an uptick since its trough in 4Q23. Despite the improvement from its peak, the current level remains significantly higher than in FY21 and earlier.
- The NPL ratio has stayed flat at around 2% for six consecutive quarters, reflecting insufficient provisioning efforts. This stagnation places additional pressure on future profitability as banks face a growing burden to address these non-performing loans.

Earnings:

- Modest topline growth: Weak NIM and slow recovery of bancassurance fees have led to only a moderate increase in TOI, driven mainly by balance sheet expansion.
- Moderate bottom-line growth: Despite these challenges, tightened OPEX and provisioning costs have supported mid-teen growth in earnings.
- Performance divergence: Profit growth has varied significantly across banks, influenced by individual circumstances. Banks with a low base effect (e.g., lower ROE in the previous year) have posted stronger growth compared to those with higher ROE last year, which faced a tougher comparison base.

Figure 62: NPL (VAMC included) & Group 2 loans, coverage aggregate

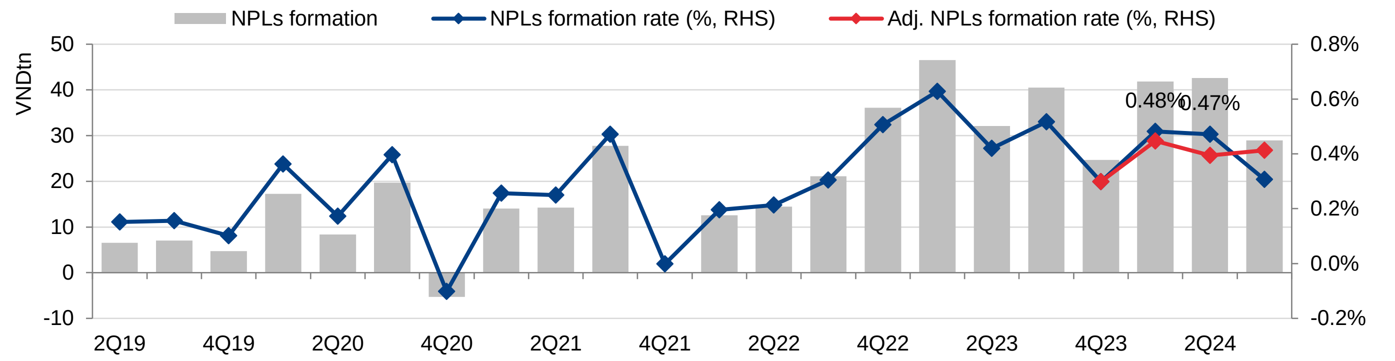
NPLs ratio remained elevated around 2%



Note: We include net VAMC bond as NPLs
Source: Company data, HSC Research

Figure 63: NPL (VAMC included) formation, coverage aggregate

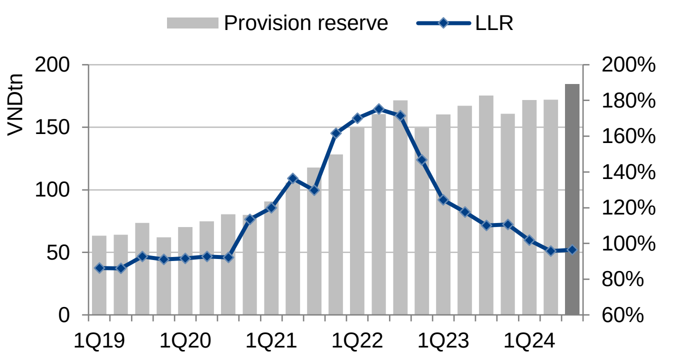
NPL formation has not yet demonstrated a clear declining trend



Note: NPL formation measures new NPLs emerging (pre-write-offs) each quarter. Adj. NPLs formation rate accounts for 2 specific cases of significant reversion
Source: Company data, HSC Research

Figure 64: Provision buffer, coverage aggregate

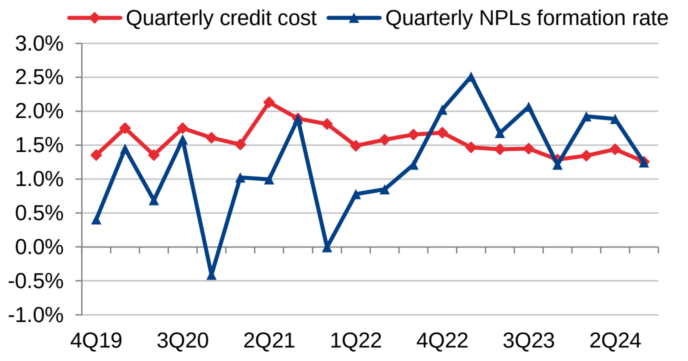
LLR trailed to 96%, banks have used up their additional provision buffer built during FY21-22 period



Source: Company data, HSC Research

Figure 65: Credit cost & NPL formation, coverage aggregate

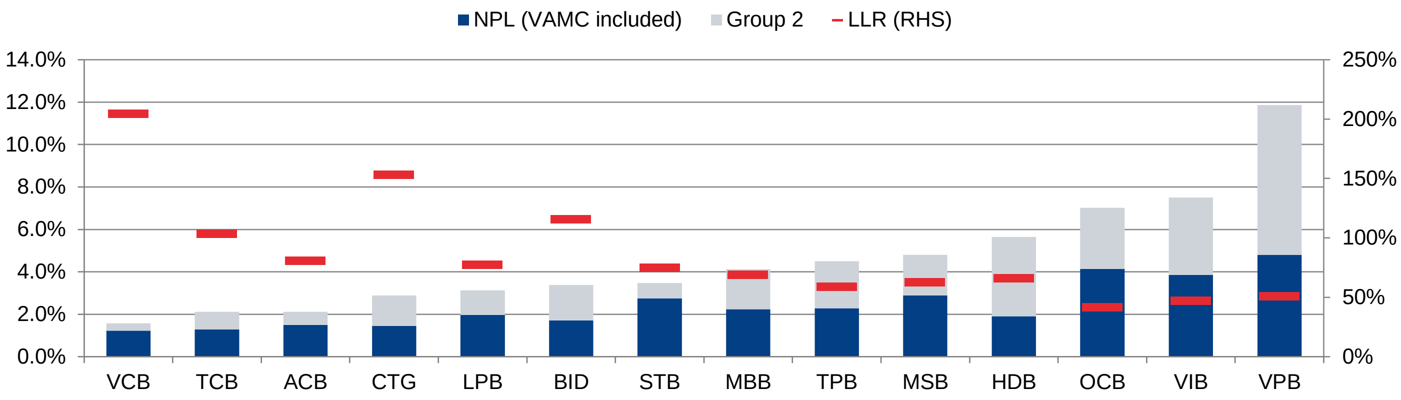
Credit cost has been below NPLs formation since 4Q22, putting pressure on future credit cost



Note: We include net VAMC bond as NPLs
Source: Company data, HSC Research

Figure 66: 3Q24 asset quality comparison, 14 coverage banks

VCB, ACB, CTG, TCB currently lead in terms of asset quality



Note: We include net VAMC bond as NPLs
Source: Company data, HSC Research

Figure 67: 3Q24 key operating metrics

"The bluer the better"

	ACB	BID	CTG	HDB	LPB	MBB	MSB	OCB	STB	TCB	TPB	VCB	VIB	VPB
CAR (1H24)	11.8%	9.5%	9.5%	13.9%	12.2%	11.1%	12.1%	13.8%	9.0%	14.5%	13.2%	12.0%	11.8%	15.6%
NPL	1.5%	1.7%	1.4%	1.9%	2.0%	2.2%	2.9%	4.1%	2.7%	1.3%	2.3%	1.2%	3.9%	4.8%
G2	0.6%	1.7%	1.4%	3.7%	1.2%	1.9%	1.9%	2.9%	0.7%	0.8%	2.2%	0.3%	3.6%	7.1%
LLR	80.5%	115.7%	153.0%	65.9%	77.5%	68.8%	62.9%	41.5%	75.0%	103.5%	58.8%	204.6%	47.1%	50.7%
RE exposures (1H24)	6.3%	7.9%	9.7%	26.3%	19.6%	11.8%	18.7%	18.7%	11.7%	38.8%	17.7%	10.3%	3.1%	28.5%
CIR	36.1%	36.5%	27.8%	34.6%	30.3%	29.6%	39.7%	40.1%	45.4%	29.2%	35.7%	34.5%	36.1%	24.9%
NIM - risk adjusted	3.4%	1.4%	0.6%	4.6%	2.6%	3.3%	2.0%	1.0%	2.8%	3.7%	2.2%	2.8%	2.2%	2.1%
ROA 12M	2.2%	1.0%	1.0%	2.1%	2.3%	2.2%	1.5%	1.2%	1.3%	2.5%	1.3%	1.9%	1.7%	1.6%
ROE 12M	21.7%	17.8%	16.2%	25.7%	25.9%	20.7%	13.2%	10.3%	18.0%	16.4%	14.0%	19.5%	18.6%	9.4%
EPS grt. 2024	4.1%	18.1%	13.2%	31.0%	52.2%	5.5%	7.6%	-8.4%	11.0%	26.5%	32.2%	6.6%	-16.6%	40.2%
Credit grt. 2024	18.1%	12.0%	14.0%	24.5%	17.0%	20.1%	18.0%	14.4%	14.0%	20.5%	15.4%	14.4%	17.9%	17.7%

Note: EPS and Credit growth are our FY24 forecast; CAR, RE exposure for 1H24; The others are actual data from 3Q24
We include net VAMC bond as NPLs
Source: Company data, HSC Research

FY25-26: high-teen earnings growth expected

Following a review of the sector's key trends and operating environment, as well as HSC's banks coverage 3Q24 results, we revised FY24-26 forecast for each of the 14 banks. We present here both aggregate (sector) and each bank's key forecasts.

On new forecasts, we anticipate sector net profit growth of 14.4%/16.5%/19.6% for FY24-26, respectively. This reflects a more conservative view compared to our previous forecast.

- **Credit growth:** We project credit growth of 15.4% and 14.8% for FY25-26, respectively, closely aligned with our GDP growth forecasts of 6.7% and 5.8% over the same period. In FY25, growth drivers are expected to be relatively balanced, with corporate lending supported by accelerated public investment and its spillover effects, while retail growth will be driven primarily by mortgages.

- **NIM:** NIM is projected to improve modestly by 10bps in FY25, balancing stronger credit demand with higher funding costs. A further expansion of 18bps is anticipated in FY26, supported by a more robust recovery in the retail segment.

  In FY25, a moderate recovery in the economy and real estate market is expected. However, intense competition among banks, particularly in 1H25, will likely limit their ability to pass on higher funding costs to borrowers. This will compress NIMs, with smaller banks feeling a more pronounced impact due to their weaker deposit franchises and greater reliance on the interbank market for funding.

By 2H25, a stronger economic recovery in Vietnam, stabilization of global conditions, and potentially lower Fed rates are expected to provide a supportive environment for a mild recovery in NIMs.

- **Net fee income:** After two years seeing no growth, we expect a moderate recovery of 15%/16.4% in FY25-26. Bancassurance will start to recover from low base.
- **OPEX:** We expect banks to continue managing OPEX, though less tightly than in FY23-24.
- **Provisions and credit cost:** We expect provisions to rise by 16.3% in FY25, maintaining a credit cost of 1.3%, consistent with FY24 levels.

Figure 68: Key assumptions and forecasts, coverage aggregate

We anticipate sector net profit growth of 14.4%/16.5%/19.6% for FY24-26, respectively

	FY23	FY24F	FY25F	FY26F
Earnings (growth y/y)				
NII	4.5%	14.1%	16.4%	18.0%
NFI	0.1%	0.1%	15.0%	16.4%
TOI	3.9%	11.8%	15.2%	17.4%
OPEX	5.2%	8.9%	12.7%	17.5%
Provision	0.1%	9.2%	16.3%	12.7%
PBT	4.7%	15.1%	16.7%	19.6%
Net profit	5.1%	14.4%	16.5%	19.6%
Key ratios				
Credit growth	17.5%	15.7%	15.4%	14.8%
Deposit growth	18.5%	11.6%	15.4%	15.4%
NIM	3.62%	3.60%	3.70%	3.83%
CIR	33.3%	32.5%	31.7%	31.6%
NPL formation	1.69%	1.50%	1.17%	1.17%
NPL year end (VAMC included)	1.77%	1.85%	1.67%	1.56%
LLR	111%	94%	97%	98%
Credit cost	1.39%	1.29%	1.30%	1.27%
ROA	1.58%	1.60%	1.65%	1.73%
ROE	18.21%	17.60%	17.44%	17.69%

Source: Company data, HSC Research

Figure 69: Net profit growth, 14 coverage banks

We anticipate high-teen net profit growth in FY25-26; however, earnings growth appears to be stabilizing compared to the robust expansion of the previous decade

	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F	FY13-23 CAGR	FY23-26 CAGR	FY13-26 CAGR
ACB	27.8%	25.0%	42.5%	17.2%	4.1%	10.8%	18.9%	34.5%	11.1%	28.7%
BID	-16.4%	51.1%	72.1%	18.2%	11.8%	21.0%	22.1%	18.2%	18.2%	18.2%
CTG	44.6%	3.0%	19.1%	18.6%	12.6%	26.9%	23.2%	13.1%	20.8%	14.9%
HDB	17.9%	42.5%	28.0%	30.0%	31.8%	19.4%	15.8%	46.7%	22.2%	40.7%
LPB	16.3%	58.8%	52.5%	23.5%	52.3%	-9.4%	23.2%	25.7%	19.3%	24.2%
MBB	5.6%	53.7%	37.7%	18.3%	6.3%	5.5%	12.4%	24.7%	8.0%	20.6%
MSB	92.7%	100.6%	14.4%	0.6%	8.0%	0.0%	10.1%	30.3%	5.9%	24.2%
OCB	36.9%	24.6%	-20.3%	-5.9%	-8.4%	18.2%	21.0%	29.9%	9.4%	24.9%
STB	9.3%	27.2%	47.8%	53.1%	10.8%	33.2%	26.8%	13.9%	23.2%	16.0%
TCB	22.4%	46.5%	11.6%	-10.7%	26.5%	17.9%	19.4%	39.2%	21.2%	34.8%
TPB	13.5%	37.7%	29.6%	-28.7%	32.4%	21.9%	20.9%	27.9%	24.9%	27.2%
VCB	-0.3%	18.8%	36.4%	10.5%	7.1%	16.6%	13.5%	22.5%	12.3%	20.0%
VIB	42.1%	38.1%	32.1%	1.1%	-16.4%	23.9%	25.2%	67.2%	9.0%	51.5%
VPB	26.1%	12.6%	55.0%	-45.1%	52.4%	16.5%	30.3%	25.6%	32.3%	27.1%
Total	**16.4%**	**30.4%**	**33.5%**	**5.1%**	**14.4%**	**16.5%**	**19.6%**	**23.2%**	**16.8%**	**21.7%**
SOCBs	7.7%	19.1%	39.2%	14.8%	9.9%	20.7%	18.9%	18.0%	16.4%	17.7%
Privates	22.8%	37.6%	30.3%	-0.6%	17.5%	13.9%	20.1%	28.8%	17.1%	26.0%

Source: Company data, HSC Research

Figure 70: Credit growth, 14 coverage banks

We project credit growth of 15.4% and 14.8% for FY25-26, respectively, closely aligned with our GDP growth forecasts of 6.7% and 5.8% over the same period

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F
ACB	21.5%	16.2%	16.6%	15.9%	16.2%	14.3%	17.9%	18.1%	16.2%	15.1%
BID	19.3%	12.8%	12.6%	8.1%	11.1%	12.1%	16.3%	12.0%	12.0%	11.0%
CTG	13.3%	7.4%	7.1%	6.4%	11.1%	12.1%	15.5%	14.0%	12.0%	12.0%
HDB	22.7%	17.8%	18.0%	23.0%	13.4%	25.6%	31.8%	24.5%	24.5%	24.5%
LPB	26.3%	18.5%	18.2%	25.7%	18.1%	12.7%	17.0%	17.0%	16.0%	16.0%
MBB	20.9%	17.5%	18.8%	22.9%	24.5%	24.8%	28.0%	20.1%	19.5%	19.4%
MSB	2.2%	30.3%	23.2%	25.1%	23.1%	17.8%	22.3%	18.0%	18.0%	18.0%
OCB	25.0%	19.1%	25.5%	24.4%	14.8%	18.5%	22.5%	14.4%	16.0%	16.0%
STB	12.6%	14.1%	15.4%	14.9%	14.0%	13.1%	10.1%	14.0%	13.0%	13.0%
TCB	16.3%	20.3%	19.0%	24.0%	26.5%	12.5%	21.6%	20.5%	17.4%	15.0%
TPB	22.7%	18.0%	22.1%	30.7%	21.7%	14.3%	19.1%	15.4%	15.4%	14.5%
VCB	17.2%	14.6%	16.0%	14.0%	15.1%	18.8%	10.7%	14.4%	14.9%	13.9%
VIB	27.0%	17.6%	31.3%	29.5%	19.2%	14.5%	14.2%	17.9%	16.0%	16.0%
VPB	24.0%	17.5%	17.6%	19.0%	18.9%	22.9%	25.1%	17.7%	22.9%	20.7%
Total	**17.8%**	**13.7%**	**14.5%**	**14.3%**	**15.3%**	**15.6%**	**17.5%**	**15.7%**	**15.4%**	**14.8%**
SOCBs	16.5%	11.3%	11.5%	9.1%	12.2%	14.0%	14.4%	13.3%	12.8%	12.2%
Privates	19.8%	17.7%	19.0%	21.6%	19.3%	17.5%	21.0%	18.4%	18.2%	17.5%

Source: Company data, HSC Research

Figure 71: NIM, 14 coverage banks

NIM is expected to improve mildly by 10bps in FY25, balancing between stronger credit demand and higher funding cost

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F
ACB	3.53%	3.67%	3.61%	3.66%	4.02%	4.26%	3.87%	3.77%	3.75%	3.92%
BID	2.97%	2.93%	2.82%	2.60%	3.01%	3.07%	2.67%	2.52%	2.70%	2.87%
CTG	2.81%	2.08%	2.91%	2.94%	3.10%	3.03%	2.91%	2.99%	3.04%	3.10%
HDB	4.08%	4.04%	4.61%	4.63%	4.44%	5.14%	5.13%	5.62%	5.44%	5.30%
LPB	3.89%	3.30%	3.44%	3.17%	3.53%	3.96%	3.23%	3.64%	3.46%	3.72%
MBB	4.31%	4.69%	4.96%	4.73%	5.04%	5.66%	4.79%	4.14%	4.33%	4.51%
MSB	2.12%	2.96%	2.52%	3.39%	3.66%	4.36%	4.10%	3.46%	3.59%	3.68%
OCB	3.47%	3.98%	3.98%	3.93%	3.69%	4.04%	3.33%	3.40%	3.47%	3.54%
STB	1.84%	2.37%	2.52%	2.79%	2.63%	3.36%	3.77%	3.76%	3.84%	3.90%
TCB	3.81%	4.22%	4.42%	4.98%	5.80%	5.37%	4.14%	4.57%	4.66%	4.89%
TPB	3.00%	3.80%	4.31%	4.49%	4.57%	4.20%	4.06%	3.94%	4.01%	4.13%
VCB	2.62%	2.90%	3.16%	3.00%	3.22%	3.51%	3.13%	3.05%	3.18%	3.26%
VIB	3.21%	3.85%	4.21%	4.51%	4.82%	5.00%	4.82%	4.02%	4.14%	4.23%
VPB	8.80%	8.84%	9.42%	8.79%	7.77%	7.70%	5.73%	5.97%	5.92%	6.03%
Total	**3.30%**	**3.33%**	**3.64%**	**3.63%**	**3.86%**	**4.05%**	**3.62%**	**3.60%**	**3.70%**	**3.83%**
SOCBs	2.81%	2.64%	2.95%	2.83%	3.11%	3.19%	2.89%	2.83%	2.96%	3.06%
Privates	4.03%	4.34%	4.57%	4.61%	4.72%	5.01%	4.40%	4.37%	4.41%	4.54%

Source: Company data, HSC Research

Figure 72: NPL formation, 14 coverage banks

We expect NPL formation to stabilize in FY25-26 after two years of elevated levels

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F
ACB	0.79%	0.22%	0.02%	0.29%	0.38%	0.31%	0.85%	0.59%	0.43%	0.35%
BID	1.10%	2.27%	2.01%	1.54%	0.85%	1.27%	1.25%	1.73%	0.91%	0.98%
CTG	1.16%	0.83%	1.09%	0.53%	0.93%	1.70%	1.87%	1.73%	1.36%	1.29%
HDB	0.90%	0.48%	0.66%	0.98%	1.35%	1.29%	1.48%	1.68%	1.03%	1.11%
LPB	0.19%	0.81%	0.39%	0.37%	0.36%	0.84%	1.63%	1.11%	1.21%	1.29%
MBB	0.73%	1.22%	1.99%	1.78%	1.00%	1.34%	1.86%	1.89%	1.66%	1.50%
MSB	0.56%	2.23%	0.74%	1.00%	1.55%	0.87%	1.96%	1.61%	1.52%	1.52%
OCB	0.61%	1.70%	1.12%	1.51%	0.69%	1.60%	3.34%	0.40%	0.95%	1.20%
STB	-1.50%	-1.94%	0.16%	0.06%	0.06%	0.07%	1.46%	0.38%	0.50%	0.72%
TCB	1.30%	1.73%	0.23%	0.57%	0.47%	0.34%	1.09%	0.81%	0.80%	0.76%
TPB	0.61%	0.32%	1.00%	1.06%	1.88%	1.42%	2.85%	1.74%	1.48%	1.38%
VCB	1.01%	0.65%	0.50%	0.32%	0.36%	0.46%	0.82%	0.74%	0.54%	0.47%
VIB	1.30%	2.24%	0.26%	0.53%	1.30%	0.71%	2.36%	2.14%	1.02%	0.99%
VPB	4.81%	5.52%	5.29%	5.26%	7.02%	6.28%	4.78%	3.77%	3.61%	3.52%
Total	**1.05%**	**1.29%**	**1.27%**	**1.05%**	**1.02%**	**1.32%**	**1.69%**	**1.50%**	**1.17%**	**1.17%**
SOCBs	1.10%	1.35%	1.31%	0.87%	0.74%	1.17%	1.33%	1.45%	0.95%	0.93%
Privates	0.98%	1.20%	1.22%	1.29%	1.36%	1.48%	2.09%	1.56%	1.39%	1.39%

Source: Company data, HSC Research

Figure 73: Dupont analysis, aggregate of banks coverage

Over time, we observed an increasing trend in ROE, driven by improvements in ROA as banks gradually deleveraged and strengthened their capital buffers. However, this trend has softened in FY23-24F. We expect a solid recovery in FY25-26, with ROA and ROE projected to rebound to 1.7% and 18%, respectively.

As % of average assets	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F
NII	3.0%	3.1%	3.4%	3.4%	3.6%	3.8%	3.4%	3.4%	3.5%	3.7%
NFI	0.4%	0.4%	0.5%	0.5%	0.6%	0.6%	0.5%	0.4%	0.5%	0.5%
Other non-NII	0.5%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%
OPEX	-1.7%	-1.7%	-1.8%	-1.7%	-1.6%	-1.6%	-1.5%	-1.4%	-1.4%	-1.4%
Provision	-1.0%	-1.0%	-1.0%	-1.1%	-1.3%	-1.1%	-0.9%	-0.9%	-0.9%	-0.9%
Tax & minority interest	-0.3%	-0.3%	-0.3%	-0.4%	-0.4%	-0.5%	-0.4%	-0.4%	-0.4%	-0.5%
ROA	**1.0%**	**1.1%**	**1.3%**	**1.4%**	**1.5%**	**1.7%**	**1.6%**	**1.6%**	**1.6%**	**1.7%**
Asset/Equity (x)	15.9	15.5	14.1	13.2	12.6	12.1	11.5	11.0	10.6	10.2
ROE	**15.2%**	**17.4%**	**18.4%**	**17.8%**	**19.4%**	**21.2%**	**18.2%**	**17.6%**	**17.4%**	**17.7%**

Source: Company data, HSC Research

Undemanding valuation with avg. upside of 20%

Valuations look relatively cheap for most

YTD, our banks coverage (up 20.9%) outperformed the VN Index (up 10.4%) by ~10% and is trading on a 1-year rolling forward P/B of 1.18x, 0.64 SD below the mean (historical data from 2020). Most of the stocks look relatively cheap compared to their historical average, with the 'cheapest' names on this measure surprisingly are VCB, and BID.

On a relative basis, however, VCB and BID are still trading at significant premium compared to peers. LPB, after a strong rally YTD (up 105% YTD), now becomes the most expensive private bank. Fundamental changes in LPB do not justify its valuation, in our opinion.

Figure 74: 1-year rolling forward P/B

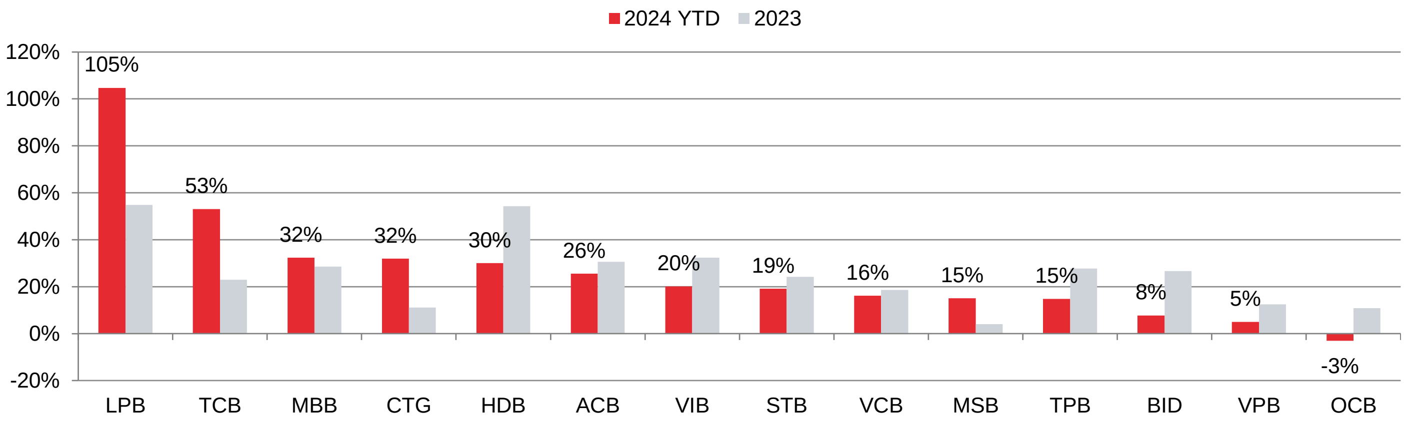
Most banks still look relatively cheap compared to the historical average, especially so for BID and VCB

	Bloomberg consensus	Our estimates	Standard deviations (cheap)/expensive
ACB	1.14	1.18	(0.03)
BID	1.54	1.59	(1.24)
CTG	1.14	1.15	0.19
HDB	1.06	1.09	(0.21)
LPB	1.70	1.70	1.90
MBB	1.01	1.00	(0.19)
MSB	0.72	0.73	(0.89)
OCB	0.73	0.76	(0.95)
STB	1.00	0.98	(0.18)
TCB	1.02	1.00	0.45
TPB	1.04	1.01	(0.25)
VCB	2.20	2.09	(1.60)
VIB	1.12	1.17	0.04
VPB	0.98	0.99	(0.60)
Simple average - coverage	**1.17**	**1.17**	**(0.64)**

Source: Bloomberg, HSC Research

Figure 75: Share performance, 14 coverage banks

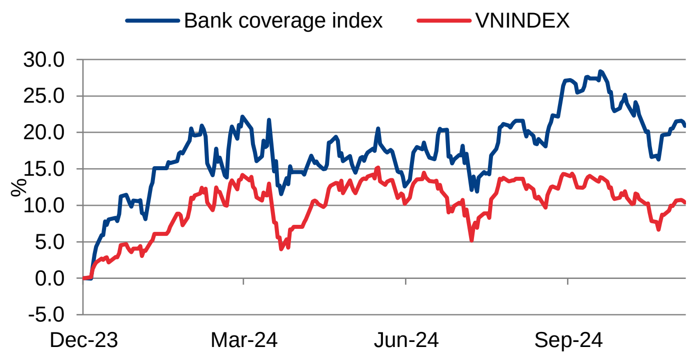
11/14 banks outperformed the VN Index



Note: Price data at Nov 29, 2024
Source: FiinPro, HSC Research

Figure 76: Banking coverage vs VN Index YTD performance

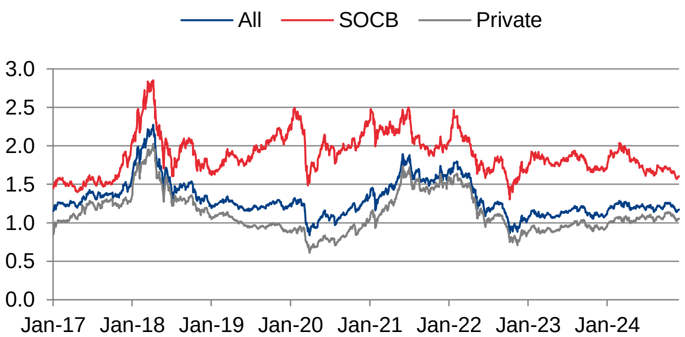
Our coverage outperformed VN Index by ~10% YTD



Note: Price data at Nov 29, 2024
Source: Bloomberg, HSC Research

Figure 77: Sector 1y rolling fwd P/B - simple average

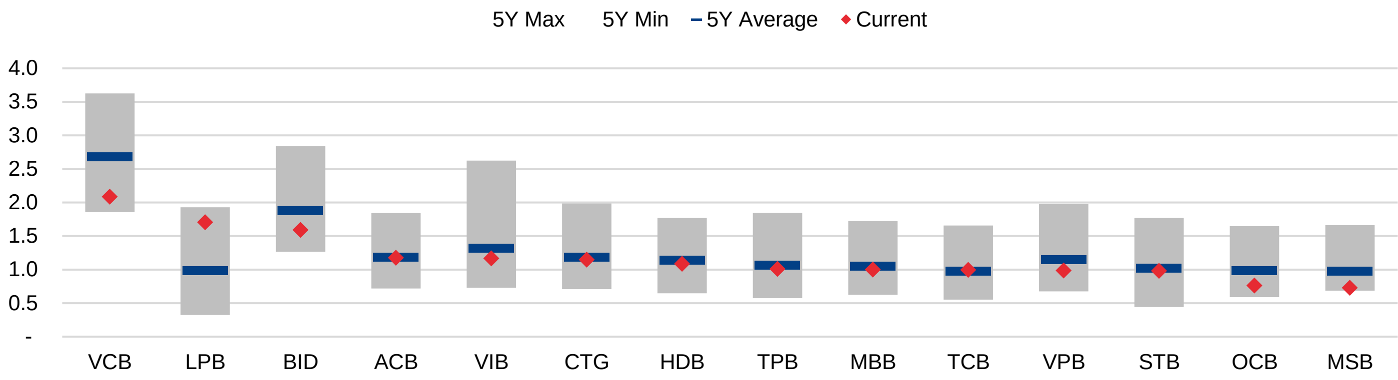
Sector average P/B of 1.18x



Note: Price data at Nov 29, 2024
Source: FiinPro, HSC Research

Figure 78: 1Y rolling fwd P/B comparison, 14 coverage banks

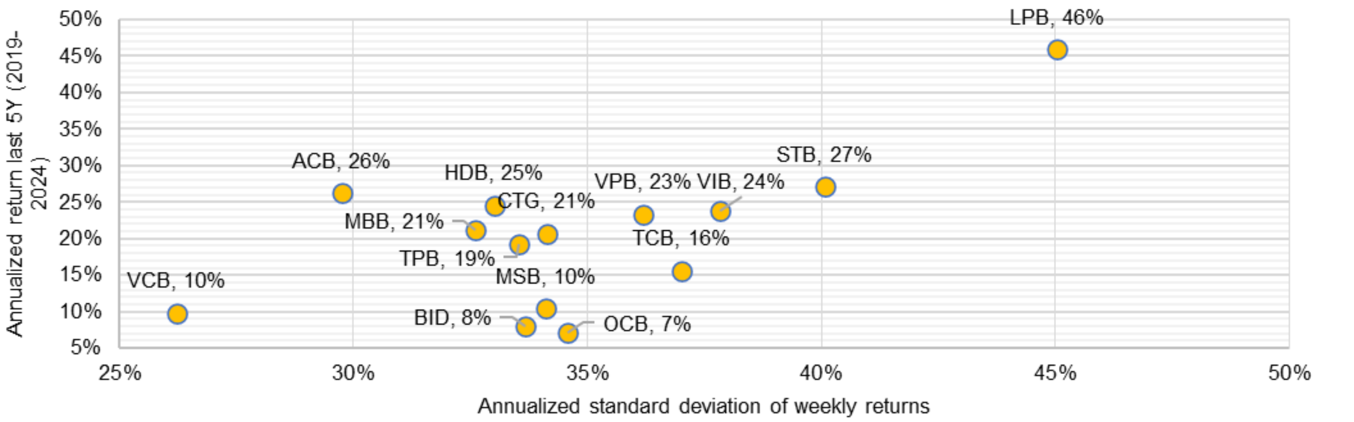
Except LPB, most banks trade below or close to historical average



Note: Price data on Nov 29, 2024
Source: FiinPro, HSC Research

Figure 79: Stock returns against volatility (2019-2024), 14 coverage banks

ACB delivered solid return at lower volatility, while LPB delivered highest return albeit at higher volatility



Note: Price data at Dec 2, 2024
Source: FiinPro, HSC Research

Figure 80: Vietnam banking sector comparables

Banks	Current price	Rating	Target price	P/B (x)		ROE (%)			EPS growth (%)		PB at target price (x)	Target price at
	VND		VND	FY24F	FY25F	FY23	FY24F	FY25F	FY24F	FY25F	FY25F	
ACB	25,200	Buy	34,700	1.35	1.16	24.2	22.2	21.0	4.1	10.8	1.60	End-FY25
BID	46,400	Buy	54,700	1.92	1.63	15.9	15.9	16.4	18.1	22.8	1.92	End-FY25
CTG	35,700	Buy	45,300	1.33	1.13	15.0	14.7	16.3	13.2	29.4	1.43	End-FY25
HDB	25,800	Buy	32,500	1.33	1.09	20.7	21.9	21.1	31.0	19.4	1.37	End-FY25
LPB	34,100	Sell	20,600	2.08	1.78	17.4	18.5	16.6	52.2	(9.4)	1.08	End-FY25
MBB	24,150	Buy	32,600	1.15	0.99	22.7	20.5	19.3	5.5	4.8	1.34	End-FY25
MSB	11,450	Buy	14,900	0.82	0.72	16.0	16.1	14.1	7.6	0.0	0.94	End-FY25
OCB	10,700	Buy	13,000	0.84	0.75	12.3	13.1	13.3	(8.4)	18.2	0.91	End-FY25
STB	32,900	Buy	41,000	1.15	0.96	18.3	17.2	19.2	11.0	36.0	1.19	End-FY25
TCB	23,600	Buy	31,100	1.13	0.99	14.8	16.4	17.0	26.5	17.9	1.30	End-FY25
TPB	16,100	Add	19,000	1.13	0.99	13.7	17.1	19.0	32.2	19.4	1.17	End-FY25
VCB	92,900	Buy	112,900	2.63	2.04	20.3	17.9	16.3	6.6	12.3	2.48	End-FY25
VIB	18,950	Add	22,100	1.32	1.15	24.3	17.8	19.4	(16.6)	24.2	1.34	End-FY25
VPB	19,050	Buy	23,000	1.05	0.98	8.6	11.0	12.0	40.2	20.7	1.18	End-FY25
Sector				**1.37**	**1.17**	**17.5**	**17.2**	**17.2**	**16.0**	**16.2**	**1.38**	
SOCBs				**1.96**	**1.60**	**17.1**	**16.2**	**16.3**	**12.6**	**21.5**	**1.94**	
Private banks				**1.21**	**1.05**	**17.6**	**17.4**	**17.5**	**16.9**	**14.7**	**1.22**	

Note: Price data at Dec 4, 2024
Source: Company data, FiinPro, HSC Research

Valuation approach and assumptions

We apply a residual income approach to value bank stocks, with three-year detailed forecasts (FY24-26) and then from five-to-ten transitioning to steady perpetual growth (3-4%). We apply the following assumptions:

- Risk-free rate: 4% (house assumption, unchanged)
- Equity risk premium: 7.5% (house assumption, 1ptp cut from 8.5% previously) for four banks. However, we apply additional premiums to arrive at 'adjusted equity risk premiums' on certain banks that have well above average exposure to RE and corporate bonds, or smaller tier 2 banks that are more dependent on treasury income or interbank funding, as we consider these factors are more specific to banks' business model.

  We thus apply ERPs of 7.5% for ACB, BID, CTG, VCB and adjusted ERPs of 8.5% for MBB, TPB, and VIB and 9% for HDB, LPB, MSB, TCB, STB, VPB, OCB. This implies our relatively conservative view and approach to valuation.
- Beta, sustainable growth, sustainable ROE assumptions vary from bank to bank.
- We roll forward our valuation basis to end-FY25.

On new forecasts, we value the sector at FY25 P/B of 1.38 (FY24), expecting avg. upside of 20% to our covered names.

Stock picks: CTG, BID, VCB, ACB, TCB

Given brighter growth prospects (driven by accelerated public investment), strong deposit franchises (COF advantage), and solid asset quality and provision buffer, we believe SOCBs have the potential to outperform. Given some upcoming catalysts including the private placement (for BID and VCB) and significant stock dividend (VCB) and a turnaround expected (for CTG), combining with current valuation level, we believe that SOCBs offer attractive upside with low downside risk.

Among private banks, we prefer ACB (Buy, TP VND34,700) for its 'defensive yet profitable' profile and TCB (Buy, TP VND31,100) due to its significant benefits from the recovery of the real estate market.

Additionally, MBB (Buy, TP VND32,600) and STB (Buy, TP VND41,000) are on our watch list, given their unique risks and catalysts, which require more visibility to affirm.

Please refer to our updated reports for more detailed analysis.

CTG: Turnaround expected, attractive val'n; lifting TP 10%

BID: Back in value territory; upgrade to Buy

VCB: Top asset quality trumps; lifting TP 6%

ACB: Defensive but profitable; TP up 13.4%, Buy

TCB: Well positioned as RE recovery gains momentum

MBB: Displaying resilience; upping TP 11%, Buy

STB: Restructuring saga nearing conclusion; Buy

Risk to our forecasts and valuation basis

Risk to our forecasts include both internal and external:

- Slow/delays disbursement to major infrastructure projects
- RE market recovery slower than expected.
- Higher than estimated credit cost (provisioning expenses) for some banks due to cross-default.
- Trump's policies may sustain high U.S. interest rates and a strong dollar, limiting rate cuts in 2025 and pressuring the VND to devalue. This could reduce the SBV's room for monetary easing. Persistent FX volatility may force the SBV to tighten liquidity intermittently, driving up interbank and deposit rates.

Brokers: ST outlook clouded by prolonged foreign selling

We anticipate that market turnover in FY24-25 will face pressures from ongoing foreign net selling due to FX pressures and emerging global uncertainties, as well as a lack of domestic investor interest. While fundamentals for an upturn are present, unlocking the market's competitiveness will require catalysts such as corporate earnings growth, regulatory progress, and new IPOs. We prefer SSI (Buy) for its substantial market position, balanced business model, and solid dividend yield.

Liquidity softens amid foreign selling & weak domestic interest

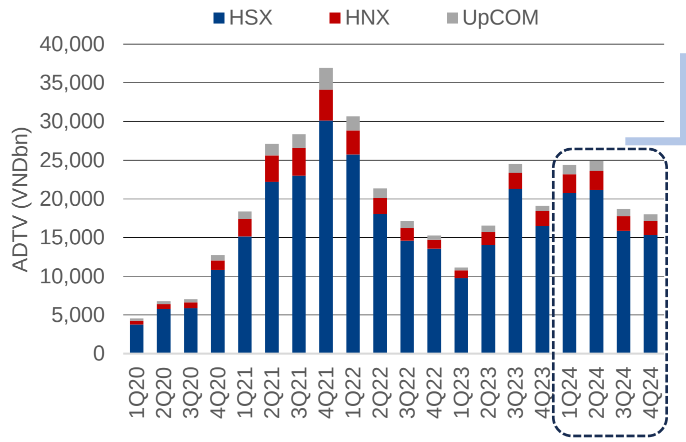
Short-term outlook challenged by foreign net selling

The VN-Index re-tested the 1,220 level in November 2024, down from nearly 1,300 at the start of 4Q24. Liquidity in the equity market continued to weaken, with ADTV falling to VND18.0tn (down 4% q/q and 6% y/y). The decline was attributed to 1) foreign investors resuming significant net selling in Oct-Nov due to FX pressures and uncertainty regarding new US administration, and 2) domestic capital shifted to alternative assets, particularly real estate. For 11M24, ADTV averaged VND21.7tn, aligning with our revised full-year estimate. For more details, please see our Sector Focus '*Prolonged foreign selling & Dollar strength weigh on short term*', 03 Dec-24.

Looking ahead, we anticipate the challenges in attracting both domestic and foreign inflows will weigh on the equity market's short-term outlook. On the bright side, the groundwork for the next market upturn is firmly in place, supported by the launch of NPF trades and substantial capital-raising activities by brokers.

Figure 81: Quarterly ADTV, Vietnam

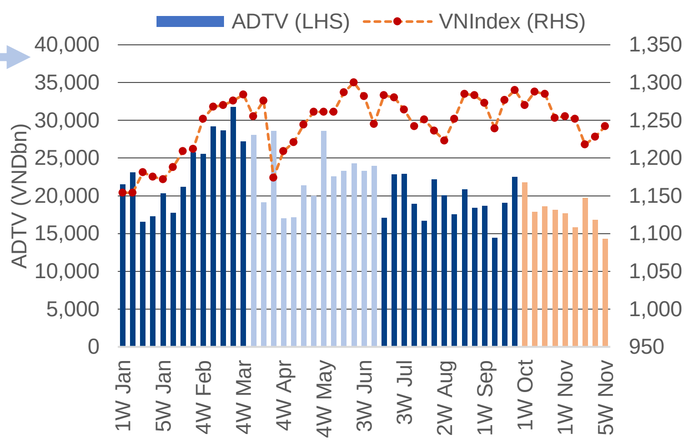
ADTV was down 4% q/q in 4Q24, and equal to 4Q23 level



Source: HSX, HSC Research

Figure 82: Weekly ADTV, Vietnam

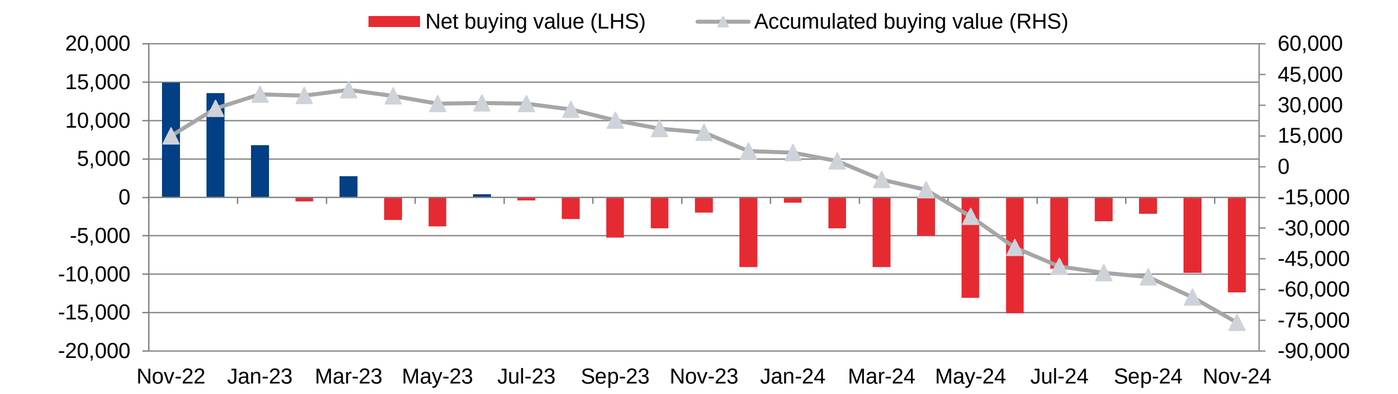
ADTV in Sep. saw a very low week, but recovered promptly



Source: HSX, HSC Research

Figure 83: Foreign buying/selling value, Vietnam

Foreign investors continued to offload VND22tn in Oct and Nov after two months of resting



Source: HSX, HSC Research

Medium and long-term catalysts for market competitiveness

The anticipated upgrade to Secondary Emerging Market status by FTSE, expected in September 2025, represents a significant short to medium-term catalyst. This milestone could reignite foreign investor interest by enhancing Vietnam's market visibility and credibility on the global stage.

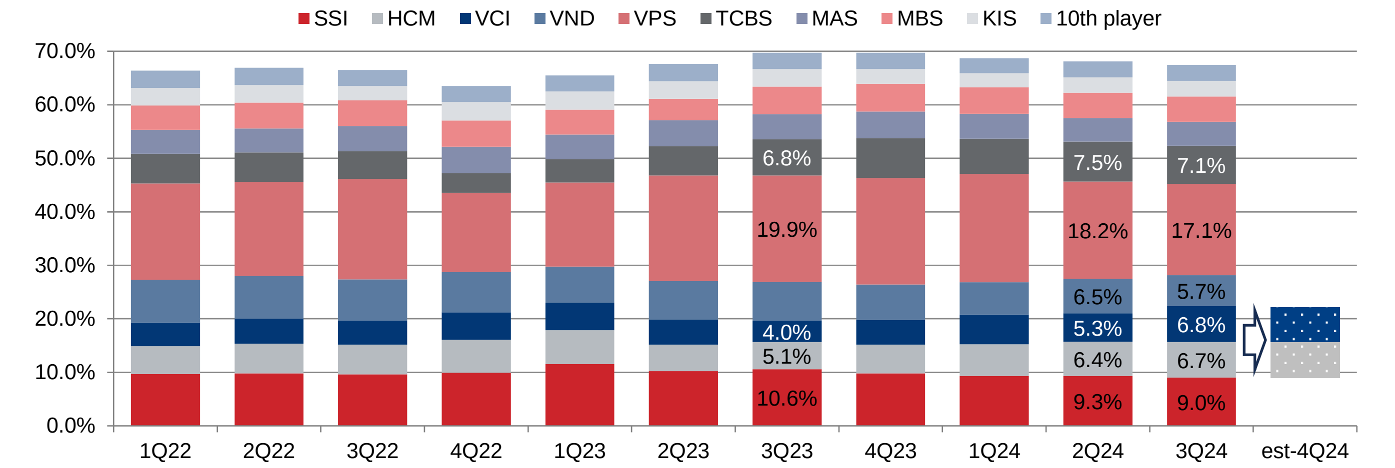
In addition, for Vietnam's stock market to regain competitiveness and attract liquidity in medium and long-term, we believe the following catalysts are essential:

- Earnings growth of listed companies. Strong corporate performance will underpin market confidence.
- Effectiveness of new regulations and laws. Transparent and supportive legal frameworks will enable firms to execute growth strategies and attract investors.
- Privatization and IPOs. Accelerating the privatization of SOEs and IPOs of unlisted private firms will expand investment opportunities and deepen the market.

Figure 84: Market share by top 10 brokers, HSX

Market share winners in 3Q24 were VCI (+1.4% q/q), HCM (+0.3%), and MAS (+0.1%)

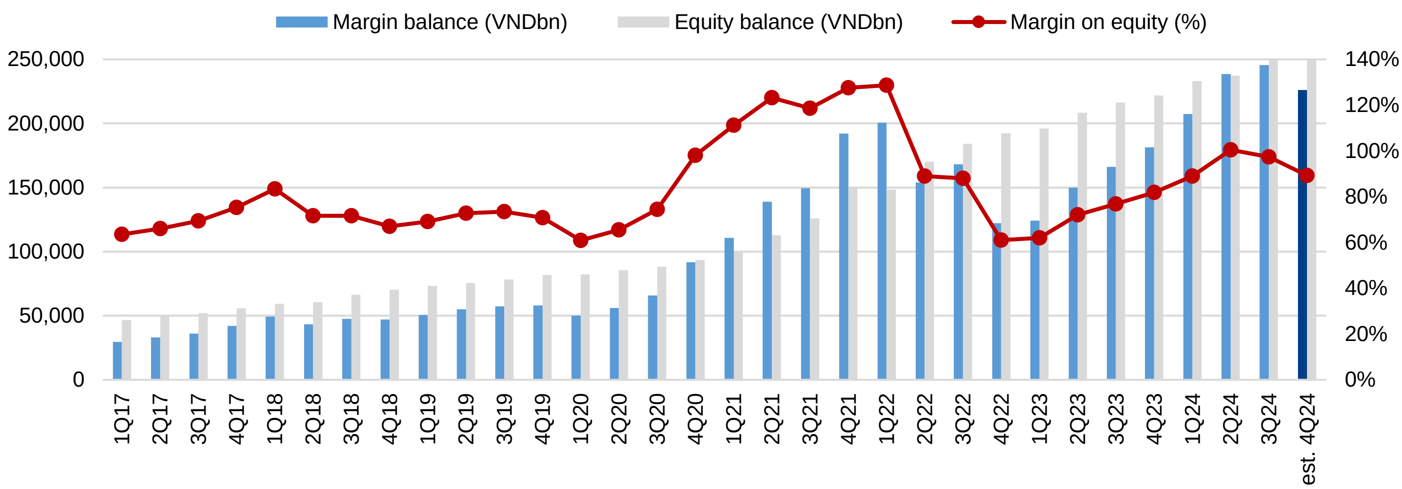
We expect in 4Q24 institutional players' market share will keep solid or expand, while retail-players will cede their market presence



Source: HSX, HSC Research

Figure 85: Margin lending vs. Equity, Brokers sector

We estimate margin lending balance to decline to around VND225tn as of end-4Q24; meanwhile, margin on equity ratio reduced to 89% from 97% in 3Q24



Source: Company data, HSC estimates

Figure 86: Capital raising plans in FY24-25 period, selected brokers

In 9M24, VND24.8tn of capital (56% of VND44.6tn planned in whole sector) has been raised. Some new plans were announced by HCM, TCBS, to be executed in early 2025

Player	Issuance type	% outstanding shares	Issuance (mn shares)	Completed (VNDbn)	Approved by SSC (VNDbn)	Planned by AGM (VNDbn)
SSI	Right issues	10%	151	1,510		
	Private placement	7%	104			1,500
	ESOP		10	100		
VND	Right issues	20%	243.6	2,436		
	Private placement	20%	286.6			3,439
	ESOP		30			300
HCM	Right issues	50%	228.6	2,286		
	ESOP		16	160		
	Right issues	50%	360			3,600
VCI	Private placement	30%	144	2,420		
	ESOP		4.4			44
MBS	Right issues	25%	109.4	1,094		
	Private placement	5%	27		765	
ACBS	Right issues	42%	300	3,000		
TCBS	Private placement	5%	118			1,376
LPBS	Right issues	1450%	363.8	3,638		
VIX	Right issues	95%	636	6,360		
	ESOP		20	200		
SHS	Right issues	100%	813.1			8,131
ORS	Right issues	33%	100	1,000		
TCI	Right issues	44%	50.9			509
	ESOP	4%	5	50		
DSE	IPO	10%	30	900		
VDS	Private placement	38%	81			891
Total				**24,794**	**765**	**19,790**

Source: Company data, HSC

FY25-26 Market outlook

4Q24 hasn't yet seen much domestic inflows coming back stock market, and the competition of other asset classes appears to continue going forward. Meanwhile, foreigner capital flows seem a mixed picture, with FTSE EM upgrade potential now clouded by higher risk regarding new global geopolitical backdrop.

Following subdued ADTV in 11M24, we revise down our FY24 ADTV forecast to VND21.7tn representing a 10% y/y increase, slightly down from our earlier estimate of VND22.7tn. This adjustment implies ADTV of VND18.0tn (down 7% y/y and down 4% q/q) for 4Q24.

For the longer term, we lower our FY25 and FY26 forecasts, reducing the FY25 ADTV by 10% to VND26.0tn (+20% y/y) and the FY26 ADTV by 12% to VND32.5tn (+25% y/y) as our base case scenario.

In our bull case FY25 ADTV will increase 40% y/y to VND30tn, backed by bigger expectations of the return of retail investors, solid foreign inflows, strong earnings growth. In contrast, our bear case FY25 ADTV will be flat y/y at VND21.7tn, if earnings growth/quality stay weak and geopolitical risks escalate.

Figure 87: Actual and forecast yearly market turnover, Vietnam

We revise down FY24 ADTV by 6% and FY25-26 ADTV by 10%

ADTV (VNDbn)		Old forecast			New forecast		
	2023	2024F	2025F	2026F	2024E	2025F	2026F
Bear case						**21,728**	**26,074**
Growth y/y						*0%*	*20%*
Base case	**19,753**	**22,716**	**28,849**	**37,216**	**21,728**	**26,074**	**32,593**
Growth y/y	*-13%*	*15%*	*27%*	*29%*	*10%*	*20%*	*25%*
Bull case						**30,420**	**38,025**
Growth y/y						*40%*	*25%*

Source: Company data, HSC forecasts

The revisions in ADTV forecasts, combined with each broker's individual recent performance, resulted in mixed earnings revisions across our coverage. Our new estimates are follows:

Figure 88: Actual and forecast profit before tax growth, Brokers coverage

Overall sector CAGR in FY23-26 seen at 19.7%

VNDbn	2023	2024F	2025F	2026F
SSI	**2,874**	**3,488**	**4,079**	**5,098**
Growth y/y	*36.2%*	*21.8%*	*16.9%*	*25.0%*
VCI	**570**	**980**	**1,247**	**1,713**
Growth y/y	*-46.2%*	*71.4%*	*27.2%*	*37.3%*
VND	**2,481**	**2,360**	**2,824**	**3,357**
Growth y/y	*61.7%*	*-5.3%*	*19.7%*	*18.9%*

Source: Company data, HSC forecasts

Valuation and recommendation

We lower our TPs for Brokers under coverage, mainly reflecting our downward revisions in valuation multiples due to softened ADTV outlook. On our new estimates, we now value SSI and VND at respective targeted P/E and P/S multiples of 0.3 SD above their historical means, and value targeted levels of 0.5 SD above mean for VCI. For FY25, we target an average P/E of 17.7x and P/S of 5.7x for the three brokers.

We maintain our Buy rating on SSI, supported by its solid upside potential. VCI retains a Hold rating, reflecting limited upside. We keep Add rating for VND, due to its lingering difficulties in bond investments. SSI remains our top pick in the brokerage sector given its large size, well balanced businesses, and reasonable valuation.

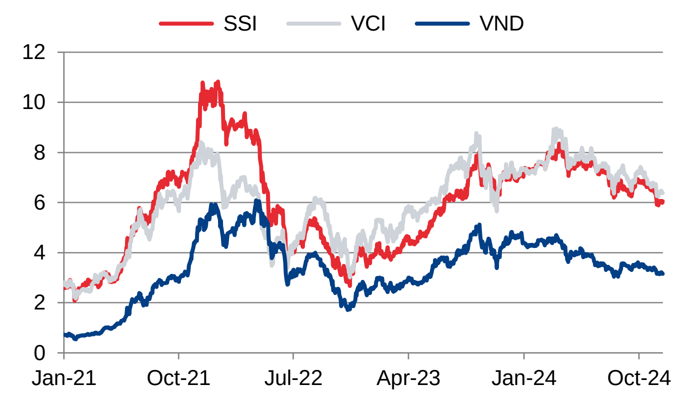
On a company-specific basis, the current 1-year forward P/E multiples are:

- SSI: 15.8x – trading at 0.2 SD below its mean, equal to lows seen in Nov-23.
- VCI: 22.0x – trading at 1.4 SD above its mean, still indicating a high valuation.
- VND: 9.9x – trading at 0.3 SD below its mean.

While VCI is still trading at elevated levels, SSI and VND offer a bargain trading below our targeted multiples of 0.3 SD above the mean.

Figure 89: 1-yr rolling forward P/S comparison, Brokers

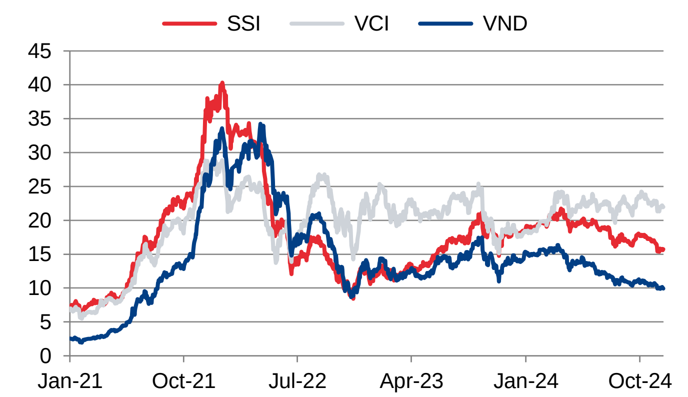
VND's trading considerably below SSI and VCI



Source: company data, HSC forecasts

Figure 90: 1-yr rolling forward P/E comparison, Brokers

VND also weakest on this basis



Source: company data, HSC forecasts

Figure 91: Comparables, Brokers coverage

	Current price VND	Rating	Target price VND	P/E (x)			ROE (%)			EPS growth (%)		P/E at target price (x)
				FY23	FY24F	FY25F	FY23	FY24F	FY25F	FY24F	FY25F	FY25F
SSI	24,550	Buy	29,500	19.0	16.6	15.7	10.2	11.2	11.8	14.6	5.4	18.9
VCI	33,100	Hold	33,800	38.6	22.5	22.2	7.1	11.1	10.6	71.3	1.4	22.7
VND	13,750	Buy	16,000	8.7	10.8	9.9	13.0	10.6	10.0	(19.0)	8.9	11.5
Sector				**22.1**	**16.6**	**15.9**	**9.7**	**8.2**	**8.1**	**22.3**	**5.2**	**17.7**

Note: Price data on 1 Dec.
Source: Company data, HSC Research

Insurance: A good hedge for rising interest rates

We foresee a positive outlook for the insurance sector, supported by improving fundamentals. Non-life premiums are expected to grow by 11.0% in FY25, while life premiums are forecast to recover by 4.4%, marking a turnaround after two years of decline. Insurers' net profits are projected to rebound strongly following a mild increase/decline in FY24. With anticipated ROE growth in the mid and long term, combined with the potential for higher interest rates in FY25, we regard insurance stocks as an effective hedge for investment portfolios. After applying new valuation assumptions, we assign a Buy rating to PVI, an Add rating to BVH, and a Hold rating to MIG.

Brighter mid-term outlook, good short-term catalyst

Non-life insurance premium: 11% growth expected in FY25

Non-life premium increased by 12.8% y/y in 9M24, a strong rebound from just 3.0% growth in FY23, with growth leader is personal accident and health insurance. PVI gained market share significantly, driven by commercial products, where it holds superior competitive advantages. BVH non-life subsidiary (BVH non-life), despite being the leader in health products, decreased market share significantly in 9M, as the company now focuses more on profitability rather than top line growth.

Looking ahead, we expect non-life premium growth to moderate to around 11.0% annually, following an approximate 13% increase in FY24. This moderation is mainly due to slower growth in health insurance, as there is no low base effect, while motor and commercial insurance may see acceleration. PVI and bank-backed insurers are the market share gainers in the next three years.

Figure 92: Non-life premium growth forecast, Sector

We expect non-life premium to continue growing strongly in FY25 before moderating in FY26

	FY21	FY22	FY23	FY24F	FY25F	FY26F	FY27F
Personal accident & Heath insurance	1.9%	31.7%	0.3%	22.0%	12.0%	12.0%	12.0%
Motor insurance	-6.2%	12.0%	-1.9%	8.0%	12.0%	12.0%	12.0%
Commercial & other insurance	13.5%	14.7%	8.6%	9.0%	9.5%	9.5%	9.5%
Total premium growth	**3.7%**	**19.3%**	**3.0%**	**13.1%**	**11.0%**	**11.0%**	**11.0%**
Total premium value	**57,879**	**69,021**	**71,065**	**80,377**	**89,219**	**99,044**	**109,966**
Penetration rate	0.68%	0.72%	0.70%	0.72%	0.72%	0.73%	0.75%

Source: IAV, HSC Research

Figure 93: Non-life market share forecast, Top 5

We expect BVH to lose market share gradually while others in Top 5 could maintain or increase market share slightly

	FY21	FY22	FY23	FY24F	FY25F	FY26F	FY27F
PVI	14.3%	14.5%	15.5%	17.3%	17.3%	17.4%	17.5%
BVH non life	15.5%	14.1%	14.3%	13.2%	12.6%	12.4%	12.1%
BMI	7.8%	7.8%	7.8%	7.9%	7.9%	8.0%	8.0%
MIG	6.8%	7.5%	6.6%	6.3%	6.4%	6.4%	6.5%
BIC	4.6%	5.2%	6.4%	6.2%	6.3%	6.3%	6.4%
Others	51.0%	50.8%	49.4%	49.1%	49.5%	49.6%	49.6%

Source: IAV, HSC Research

Life insurance: recovery expected in FY25 after two years of decline

Growth turned positive in 3Q24 for both total premiums and new business premiums, signaling a recovery. Total life premiums are expected to decline by 4.6% in FY24, followed by a mild recovery of 4.4% in FY25, before accelerating at 12.8% in FY26 and 12.0% in FY27. We anticipate banca channel will recover slightly in FY25 before accelerating in FY26, leading to the sector's recovery.

Regarding market share, we forecast BVH-life to slightly increase its market share in FY25, thanks to its leading position in new business premiums in FY24. However, we anticipate BVH-life to lose market share from FY26 onwards to companies with a high proportion of banca sales

Figure 94: Life premium growth forecast, Sector

Total life premium is expected to recover from FY25

	FY21	FY22	FY23	FY24F	FY25F	FY26F	FY27F
Endowment	-4.9%	-8.1%	-10.8%	-5.0%	-3.0%	-3.0%	-2.0%
Universal life	19.4%	8.7%	-6.1%	-3.0%	6.0%	15.0%	15.0%
Unit-link	124.2%	48.5%	-32.8%	-20.0%	3.0%	25.0%	15.0%
Others	30.5%	11.9%	-2.8%	7.0%	8.0%	10.0%	10.0%
Life premium growth	**23.2%**	**11.8%**	**-11.9%**	**-4.6%**	**4.4%**	**12.8%**	**12.0%**
Life premium value (VNDbn)	**159,341**	**178,218**	**156,989**	**149,692**	**156,317**	**176,278**	**197,467**
Penetration rate	1.9%	1.9%	1.5%	1.3%	1.3%	1.3%	1.3%

Source: IAV, HSC Research

Figure 95: Life insurance market share, Top 5

We expect BVH Life to continue gaining market share in FY25 but start losing market share from FY26

	FY21	FY22	FY23	FY24F	FY25F	FY26F	FY27F
BVH life	19.2%	18.6%	20.7%	22.0%	22.6%	21.9%	21.5%
Prudential	18.1%	17.5%	17.3%	16.0%	15.7%	15.6%	15.3%
Dai-ichi	11.7%	12.3%	12.5%	13.1%	13.2%	13.3%	13.4%
Manulife	18.6%	17.7%	16.4%	16.4%	16.3%	16.4%	16.1%
AIA	10.4%	10.4%	10.0%	10.2%	10.3%	10.4%	10.6%
Others	22.0%	23.5%	23.2%	22.3%	21.8%	22.4%	23.2%

Source: IAV, HSC Research

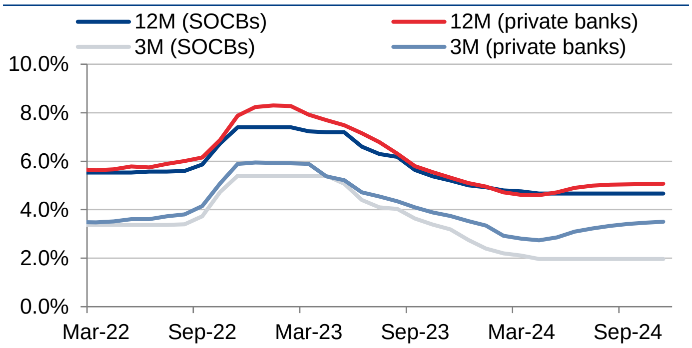
Increasing interest rates support profitability

Despite the policy rate remaining unchanged, the deposit interest rates are increasing due to the tight liquidity across banking system. According to our new macroeconomic forecast, we expect interest rates to rise gradually in FY25.

The increase in deposit interest rates is likely to support the investment income of insurers, as most of their investment assets are in deposits (roughly 60%-70%). We anticipate that investment returns for insurers may hit a low in 4Q24-1Q25 before starting to recover. Life insurers will also benefit from the rising government bond yields, which can lead to an increase in the technical rate from the current level of 2.15%, if MOF approves. However, we do not expect this to happen in FY25. Nevertheless, the stabilization of the technical rate at the bottom is still an improvement over the previous constant decline, as it can prevent life insurers from having to revise up their liabilities.

Figure 96: Bank deposit interest rate, 14 covered banks

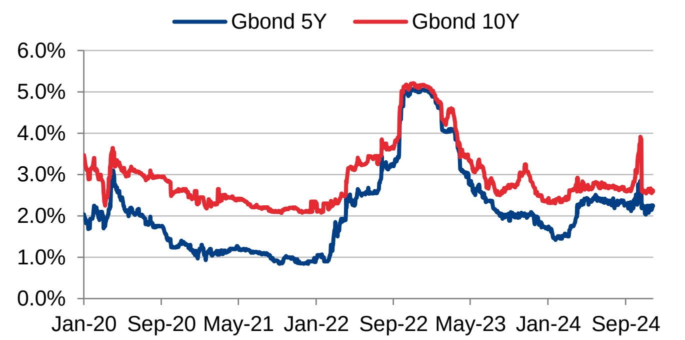
Deposit interest rates are increasing



Source: Market data, HSC Research

Figure 97: Gbond yield

Gbond yield has not yet increase



Source: CEIC, HSC Research

A potential choice in rising interest rates environment

Net profit is expected to growth by double digits in FY25-26

In addition to strong top-line growth, we expect earnings for BVH, PVI, and MIG to grow by double digits: 20.4%, 11.7%, and 17.5% in FY25, followed by 25.7%, 15.7%, and 23.4% in FY26, respectively. The key driver for BVH is an improved underwriting margin in both life and non-life businesses. The main drivers for PVI and MIG are strong premium growth and recovery after Yagi. In the mid-to-long term, we expect all three stocks to see improvements in ROE, driven by top-line growth and higher underwriting margins.

Figure 98: Net profit and ROE forecast, HSC covered stock

ROE is forecast to improve in the medium term

		Forecast			Change y/y		
	FY23	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Net profit (VNDbn)							
BVH	1,748	1,921	2,314	2,910	9.9%	20.4%	25.7%
PVI	946	900	1,006	1,164	-4.9%	11.7%	15.7%
MIG	264	249	292	361	-5.7%	17.5%	23.4%
Total	**2,958**	**3,071**	**3,612**	**4,435**	**3.8%**	**17.6%**	**22.8%**
ROE							
BVH	8.4%	8.8%	10.0%	11.7%	40bps	119bps	173bps
PVI	12.3%	11.5%	12.5%	13.9%	-81bps	101bps	139bps
MIG	13.3%	11.8%	13.1%	14.9%	-152bps	136bps	181bps
Total	**9.7%**	**9.6%**	**10.8%**	**12.4%**	**-4bps**	**114bps**	**165bps**

Source: HSC Research

Buy rating for PVI, Add for BVH and Hold for MIG

We have a Buy rating for PVI, Add rating for BVH, and Hold rating for MIG after applying new valuation assumptions. With the prospect of ROE improvement in the medium and long term, combined with the risk of rising interest rates in FY25, we believe insurance stocks are a potential choice for an investment portfolio.

Insurance stocks have outperformed the VN Index recently, reflecting expectations of earnings recovery in FY25 and is partly due to the positive sentiment from the second wave of deposit interest rate hikes recently. Insurance stocks are currently trading at an average P/B of 1.4x, slightly lower than the median P/B of 1.5x (provided by Fiinpro), making them attractive.

Our TP and rating are as follows:

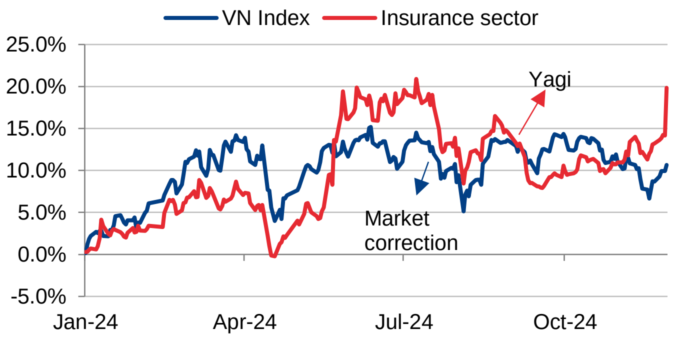
Figure 99: Valuation and rating summary, covered stock

	Rating	TP	Upside	FY25 FW P/B	FY25F ROE	Note
BVH	Add	58,200	18.8%	1.80x	10.0%	Benefits the most from rising interest rate
PVI	Buy	60,900	21.1%	1.74x	12.5%	Clear leader in non-life sector, having strong competitive advantages
MIG	Hold	19,200	3.2%	1.44x	13.1%	Backed by one of the largest private bank

Source: HSC Research

Figure 100: YTD performance, Insurance sector vs VNI

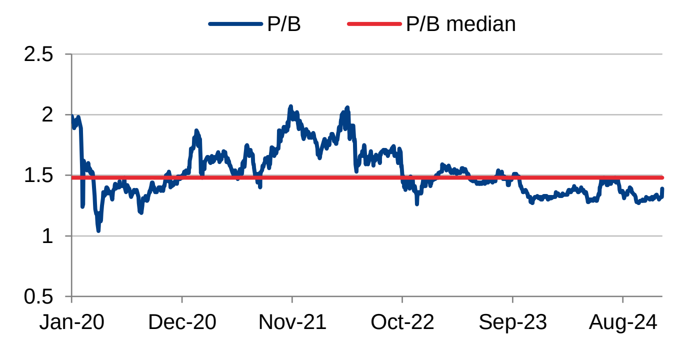
Insurance sector has outperformed index recently



Insurance sector index is calculated based on market cap weight of listed stocks
Source: Fiinpro, HSC Research

Figure 101: Historical P/B, Insurance sector

Current P/B is lower than historical median P/B



Source: Fiinpro, HSC Research

Neutral on Consumer due to earnings slowdown

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- Consumer confidence is still very cautious, but other indicators suggest more significant improvements in consumer spending in 6-12 months' time. We are neutral about the consumer sector next year, expecting our consumer coverage to deliver only moderate earnings growth. MWG and PNJ are our top picks.
- We are positive on the fisheries sector and like VHC. Textiles also looks good in FY25 on better demand, while the impact of Trump's tariffs should be minor.
- In the fertilizer sector, softer input costs strengthen the earnings outlook. In the healthcare sector, the revised pharmaceutical law will support the healthcare industry over the long- term and we like FRT.

Consumer confidence is low but should improve soon

Vietnam retail sales grew modestly at 7.1% y/y in Sep and Oct-24, down from over 8% in prior months. 10M24 retails sales growth of 8.5% was also behind that of 10M23. Major sub-sectors (FMCG and consumer technologies) recovered very slowly.

Consumer confidence is still very cautious at 54/110. Positively, other indicators support a meaningful recovery in consumer confidence and spending in 6-12 months time, such as a lower unemployment rate, reduced fear of unemployment, higher saving ratios, more intentions to take loans. Furthermore, the overall economy has been supported by improved exports, manufacturing activities, FDI, and public investments.

Consumer coverage: FY25 earnings growth will be slower

Our consumer coverage recovered sooner than the broader sector, posting a 42% y/y increase in 9M24 net profit. Reflecting that, their share prices improved 26% over the past 12M. As 3Q24 results missed, we cut FY24-26 aggregate net profit by 5.5%, projecting y/y growth of 18%/15% in FY25/26, moderating compared to FY24's growth.

Fisheries, Textile, Healthcare and Fertilizer

We are positive about the Fisheries sector, as demand in major markets is improving and VHC is poised to benefit from the ongoing recovery. The Textile sector also looks good in FY25 on better demand and will be likely only minorly impacted by Trump's proposed tariffs. In the Fertilizer sector we expect softening input costs should lead to a strengthening earnings outlook. The revised pharmaceutical law will support the Healthcare industry over the long-term; we like FRT.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Nam Viet Corporation	ANV	18,150	Add	-	20,200	-	11.3	37.9	20.7	18.1	10.8	5.51	5.51
PetroVietnam Ca Mau Fert.	DCM	36,700	Add	-	43,900	-	19.6	14.0	13.2	6.21	5.18	5.45	4.09
Digiworld Corp	DGW	42,750	Add	-	51,000	-	19.3	19.4	16.6	14.0	10.8	1.17	1.17
DHG Pharmaceutical JSC	DHG	102,700	Hold	-	101,000	-	(1.66)	16.9	15.9	14.3	13.2	7.30	7.30
PetroVietnam Fert. & Chem.	DPM	35,800	Add	-	41,200	-	15.1	17.2	14.5	7.39	6.07	5.59	5.59
Sao Ta Foods JSC	FMC	48,850	Buy	-	59,300	-	21.4	11.4	9.05	7.11	6.25	4.09	4.09
FPT Retail	FRT	179,000	Buy	-	219,000	-	22.3	66.0	34.5	30.5	19.9	0	0.28
Masan Consumer Corporation	MCH	222,000	Buy	-	272,300	-	22.7	20.1	18.8	17.9	15.4	4.50	4.50
Masan Group	MSN	72,100	Buy	-	97,200	-	34.8	41.8	26.9	15.7	13.1	-	-
Mobile World Inv't Corp.	MWG	58,100	Buy	-	75,800	-	30.5	22.3	17.4	13.6	13.4	0.86	0.86
Phu Nhuan Jewelry	PNJ	94,200	Buy	-	130,200	-	38.2	15.3	12.5	10.9	8.45	2.12	2.12
Quang Ngai Sugar	QNS	50,800	Buy	-	61,000	-	20.1	6.63	5.93	6.15	5.31	7.87	7.87
Sabeco	SAB	57,400	Add	-	69,600	-	21.3	16.9	16.0	13.9	13.3	6.10	6.10
Century Synthetic Fiber	STK	24,450	Hold	-	25,000	-	2.25	234	71.7	20.3	9.89	0	0
Thanh Cong Text. Garment	TCM	47,800	Buy	-	58,600	-	22.6	21.1	19.1	10.7	9.04	1.90	3.14
Thien Long Group	TLG	65,800	Hold	-	61,000	-	(7.29)	13.6	12.4	8.54	7.86	3.80	3.80
TNH Hospital Group JSC	TNH	17,696	Hold	-	17,826	-	0.74	28.8	20.9	19.4	13.9	-	-
Vinh Hoan Corp.	VHC	70,903	Buy	-	91,600	-	29.2	11.1	11.8	9.87	8.56	2.82	2.82
Viet Nam Dairy Products	VNM	63,300	Add	-	77,100	-	21.8	15.1	14.2	10.6	10.1	6.08	6.08

Share prices as of 4 December 2024.
Source: Companies, FactSet, HSC Research

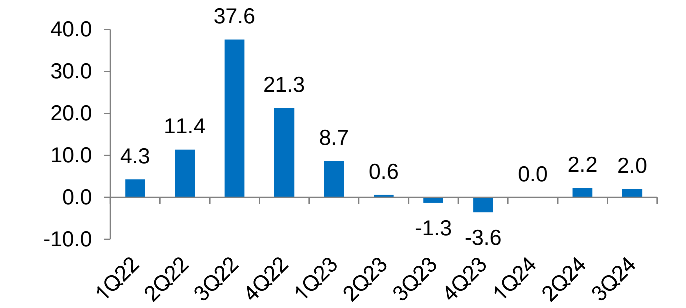
Consumption outlook: Sluggish in 1H25, better 2H25

10M24: Retail sales growth slows

Vietnam retail sales growth eased to 7.1% y/y in Sep and Oct-24, down from over 8% in prior months. For 10M24, retail sales rose 8.5% y/y to VND5,246tn, slowing from 9.8% in 10M23. Growth was primarily driven by food and foodstuff sales (+10.7% y/y) and service sales (+10.9% y/y), while discretionary spending lagged. Adjusted for inflation, retail sales grew just 4.6%, reflecting a sluggish pace.

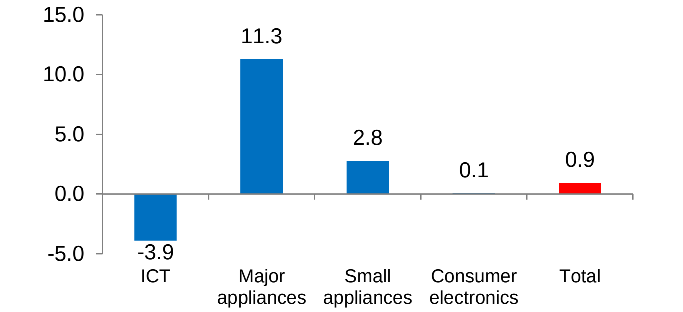
Sub-sectors showed modest recovery in 9M24 (Figure 102 and 103).

Figure 102: FMCG quarterly sales value y/y growth, Vietnam
Turned to grow since 2Q24, but at very low pace



Source: Nielsen

Figure 103: Consumer tech. sales value y/y growth, Vietnam
9M24 growth was modest at 0.9%. ICT sales still declined by 3.9% y/y, dragged by smart phone (down 3.7% y/y)



Source: GFK, HSC Research estimates

Consumer confidence: Still "very cautious" currently, but we expect it will be better after a few months

Looking at data provided by Infocus Mekong Research (IFM), which did a survey of 1,230 people nationwide in Nov-24, we see the following trends:

(1) Consumer confidence improved modestly to 54/110 (from 51 in Jun-24 and 51 in Jan-24) and overall consumption growth for 2025 is 4.11%, just slightly above the 3.91% for 2024 (measured in the Jan-24 survey), suggesting that consumers are still very cautious for the time being.

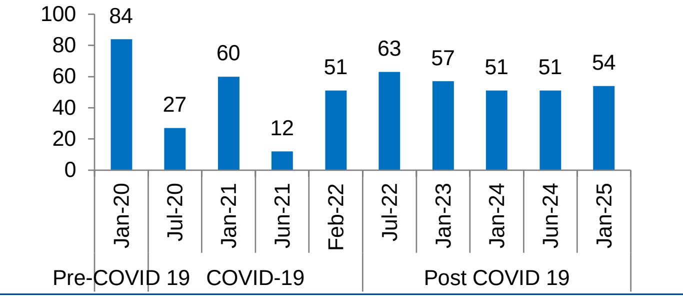
(2) However, some other indicators from the survey look positive, setting the foundation for a later improvement in 6-12 months' time. The unemployment rate decreased to 5% (from 8% in Jun-24), fear of unemployment dropped (37% vs. 50% in Jan-24), saving ratios improved with 36% experiencing increased savings (vs. 24% in Jan-24 and 28% in Jun-24), the percentage of people intending to take loans rose to 38% (from 28% in Jan-24).

Moreover, we expect positive developments in the economy in 2025. As per HSC Macro Research estimates, in 2025, Vietnam exports are likely to continue rising at 11% y/y as exports to the US will remain stable despite Trump's tariffs, manufacturing will increase 8.8% y/y, FDI disbursements are forecasted at USD26.8bn (up 5.9% y/y) and public investments will grow 17% y/y. This will support consumer income next year.

All in all, we think consumer spending will grow slowly (in the low single digits) in 1Q and perhaps 2Q25, then recover more meaningfully (at high single digits or teens) in 3Q and 4Q25.

Figure 104: Consumer Confidence Index

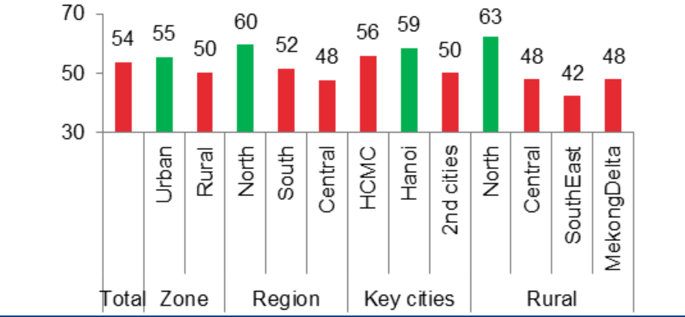
CCI improved very slightly to 54/110, suggesting that consumers are still very cautious



Source: Infocus Mekong Research

Figure 105: Consumer Confidence by Demographics, Jan-25

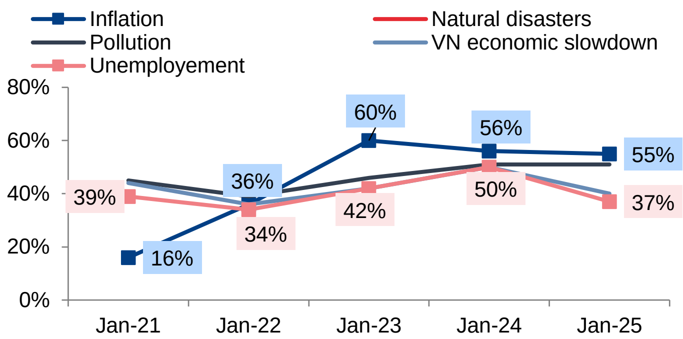
Urban and the North strongly outperform the South and Rural in confidence, driven by higher employment and other factors



Source: Infocus Mekong Research

Figure 106: Top fears 2021-2025

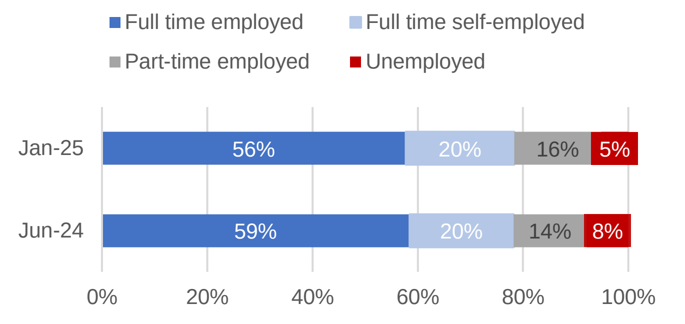
Fear of unemployment dropped significantly to 37% in Jan-25 from 50% in Jan-24



Source: Infocus Mekong Research

Figure 107: Employment status

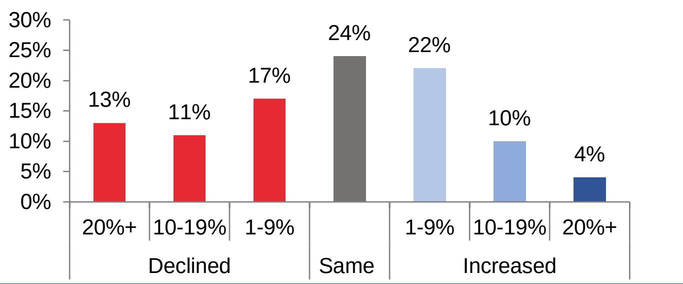
5% are currently not employed, significantly down from 8% in Jun-24



Source: Infocus Mekong Research

Figure 108: Ability to save money in 2024

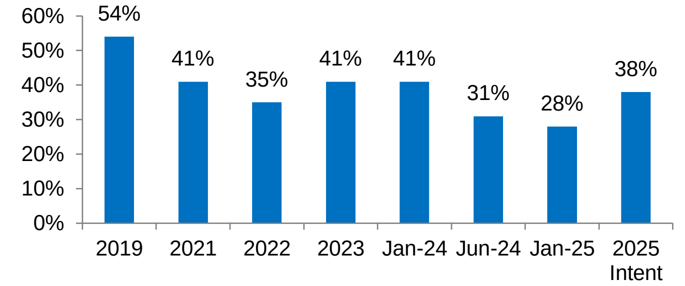
36% experienced increased savings, better than 2023 with 24%



Source: Infocus Mekong Research

Figure 109: Intention to take loan in 2025

Increased to 38%, compared to 28% in 2024



Source: Infocus Mekong Research

We forecast retail sales to grow 8.5% in 2025, slower than 2024, due to the high base in service sales

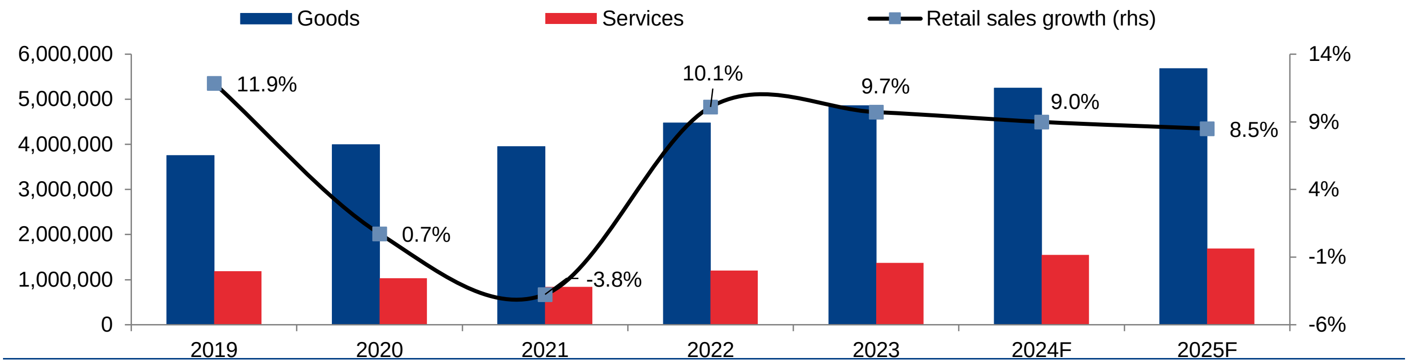
For 2025, we forecast retail sales growth of 8.5%, reaching VND7,374tn, attributable to both goods sales and services sales. We expect retail sales of goods will grow 8.1% y/y, slightly better than 2024 (at 7.9%), as we believe consumer spending will increase slightly with more jobs, salary increases, and increasing ability to save money as discussed above.

However, retail sales of services are likely to slow down from the 2024 high base due to the normalization in number of international tourists (up 17% y/y in 2025 vs. 39%

in 2024). We expect a growth of 9.8% in services sales in 2025, which is less aggressive than the 13.1% in 2024.

Figure 110: Retails sales, Vietnam

Forecast to grow by 8.5% in 2025, slightly below 9.0% in 2024 due to slower service sales



Source: HSC Research estimates

Figure 111: Bottom-up forecasts for retail sales, Vietnam

For 2025, we believe goods sales growth will be slightly better than 2024 as consumer confidence likely improves meaningfully from 2H25, while services sales growth will be slower than 2024

Items	Classification	% contribution to overall consumption	2023	2024F	2025F
Foods and foodstuffs	**Consumer staples**	**25.9%**	**11.7%**	**10.8%**	**11.4%**
+ Staple foods	Consumer staples	17.2%	8.0%	16.6%	14.5%
+ Packaged staple foods	Consumer staples	1.6%	5.2%	5.1%	5.6%
+ Dairy	Consumer staples	1.7%	-1.8%	-0.8%	3.8%
+ Beverage	Consumer staples	5.4%	-2.0%	0.4%	5.7%
Soft drinks	Consumer staples	2.0%	16.6%	2.0%	5.0%
Beer	Consumer staples	3.0%	-11.8%	-0.5%	6.1%
Household products	**Consumer discretionary**	**8.2%**	**7.5%**	**4.2%**	**6.0%**
+ Consumer technologies	Consumer discretionary	2.8%	-18.8%	2.7%	6.4%
Transportation means	**Consumer discretionary**	**7.3%**	**-10.9%**	**6.6%**	**6.8%**
+ Cars	Consumer discretionary	3.7%	-18.9%	9.1%	7.5%
+ Motorbikes	Consumer discretionary	1.3%	-15.4%	4.0%	4.0%
Leisure and personal goods	**Consumer discretionary**	**24.9%**	**-19.2%**	**9.2%**	**8.8%**
+ Jewelry	Consumer discretionary	1.3%	-30.0%	12.0%	5.0%
Retail sales of goods		**78.0%**	**8.6%**	**7.9%**	**8.1%**
Retail sales of services		**22.0%**	**14.1%**	**13.1%**	**9.8%**
Retail sales total		**100.0%**	**9.7%**	**9.0%**	**8.5%**

Source: HSC Research estimates

Our consumer coverage: Earnings continue growing in FY25, but more slowly

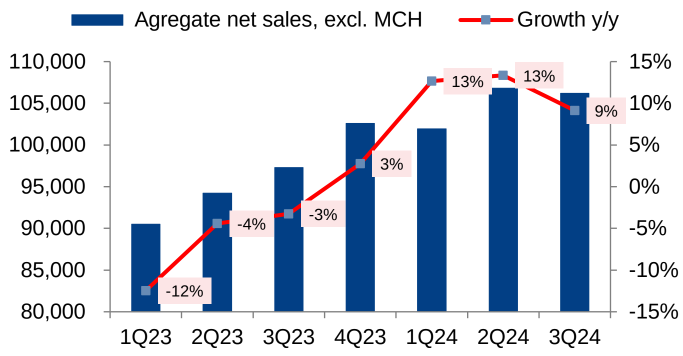
3Q24 recap: Slowing down, slight miss

In 3Q24, our consumer coverage saw slower growth in both revenue and profit. Aggregate net sales increased 9% y/y but flat q/q. Aggregate net profit rose 36% y/y but fell 13% q/q. Although net sales and net profit grew y/y, growth in 3Q24 was slower than that of 2Q24 (9% vs.13% in net sales, 36% vs. 55% in net profit). Besides this, aggregate net profit also missed our forecast by 9%, due to misses at VNM, SAB, MWG and PNJ.

Cumulatively, for 9M24, aggregate net sales and net profit grew 12% and 42% y/y, respectively, indicating solid performance of our consumer coverage in the context that the overall consumer spending was weak. They gained market share and recovered earlier than the broader consumer sector.

Figure 112: Aggregate net sales, HSC consumer coverage

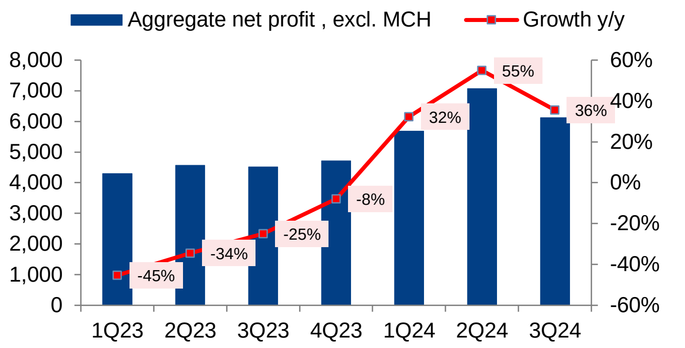
Increased 9% y/y in 3Q24, slowing from 13% in 2Q24



Source: HSC Research estimates
To avoid overlapping with MSN, we exclude MCH from aggregate calculations

Figure 113: Aggregate net profit, HSC consumer coverage

Fell 13 q/q in 3Q24 though rising 36% y/y from low base



Source: HSC Research estimates
To avoid overlapping with MSN, we exclude MCH from aggregate calculations

FY24-26 forecasts: Cutting aggregate net profit by 5.5%

As 3Q24 results fell below our expectations, we cut FY24-26 aggregate net profit forecasts by 5.5% on average (0.5% for FY24, 7.7% for FY25 and 8.2% for FY26). Amongst 10 companies, 6 experienced earnings cuts recently (VNM: -5.2%, MSN: -5.7%, QNS: -1.4%, MWG: -14.7%, DGW: -1.2% and PNJ: -3.0%).

Our updated forecasts project y/y net profit growth of 18% in FY25 and 15% in FY26, moderating compared to FY24's growth.

Figure 114: Aggregate net profit FY24-26 forecasts revisions, HSC consumer coverage

We cut aggregate net profit by 0.5% in FY24, 7.7% in FY25 and 8.2% in FY26

	Actuals	Old forecasts			New forecasts			Revisions		
	FY23	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Aggregate net profit	**25,186**	**34,531**	**42,221**	**48,990**	**34,395**	**39,636**	**45,805**	**-0.4%**	**-6.1%**	**-6.5%**
Growth y/y		37%	22%	16%	37%	15%	16%			
Aggregate net profit (excluding MCH)	**18,101**	**26,517**	**33,685**	**38,923**	**26,381**	**31,100**	**35,738**	**-0.5%**	**-7.7%**	**-8.2%**
Growth y/y	-20%	48%	24%	16%	46%	18%	15%			

Source: HSC Research estimates

Figure 115: FY24-26 net profit forecasts, HSC consumer coverage

6 out of 10 companies saw earnings cuts recently

	New forecasts			Growth y/y			Revisions		
Company	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
VNM	9,801	10,411	11,059	10%	6%	6%	-4.0%	-5.6%	-6.0%
MCH	8,014	8,536	10,067	13%	7%	18%	0.0%	0.0%	0.0%
SAB	4,435	4,689	4,953	8%	6%	6%	1.6%	0.0%	0.0%
MSN	2,472	3,831	5,544	490%	55%	45%	18.4%	-18.1%	-17.2%
QNS	2,375	2,700	2,912	9%	14%	8%	-4.0%	0.4%	-0.6%
TLG	466	510	563	30%	10%	10%	11.2%	12.9%	16.7%
MWG	3,815	5,002	5,972	2171%	31%	19%	-6.0%	-19.5%	-18.6%
DGW	452	560	692	28%	24%	24%	-2.0%	-2.8%	1.2%
FRT	369	707	938	Turnaround	92%	33%	75.7%	26.3%	11.4%
PNJ	2,196	2,690	3,105	11%	23%	15%	-1.4%	-3.9%	-3.9%
Aggregate	**34,395**	**39,636**	**45,805**	**37%**	**15%**	**16%**	**-0.4%**	**-6.1%**	**-6.5%**
Aggregate, excluding MCH	**26,381**	**31,100**	**35,738**	**46%**	**18%**	**15%**	**-0.5%**	**-7.7%**	**-8.2%**

Source: HSC Research estimates

For FY25, we expect aggregate net profit to grow 18% y/y (decelerating from 46% in FY24). Key growth drivers include:

- A 6% y/y increase in aggregate net sales (below 11% y/y in FY24).

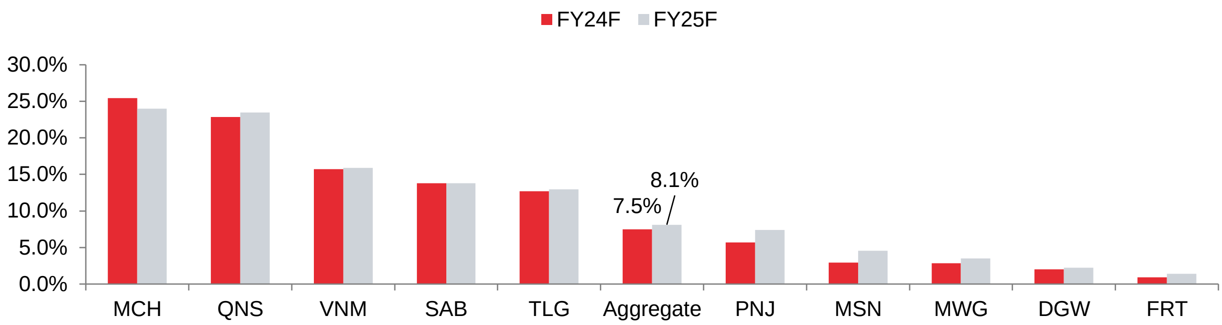
  Companies in our coverage gained market share in FY24, and we expect a slight market share gain in FY25, while industry growth is decent. For retailers such as MWG, FRT and MSN, their growth drivers also include store network expansion (Bach Hoa Xanh, Long Chau and Winmart). We expect 9/10 companies will make sales growth in FY25, and in general sales in 2H should be stronger than 1H, following the recovery pattern as discussed earlier.

- Margins expansions at 8/10 companies.

MWG's net margin is expected to improve to 3.5% (from 2.8% in FY24) due to full year profit at BHX and lack of one-off expenses. MSN's net margin is likely to expand to 4.6% (from 2.9% in FY24) on lower financial expense. FRT's net margin is forecasted to increase to 1.4% (from 0.9% in FY24) as Long Chau's efficiency improves and FPT Shop becomes profitable.

Figure 116: Net margins, HSC consumer coverage

The aggregate net margin is expected to expand slightly to 8.1% in FY25 vs. 7.5% in FY23. 8/10 companies are seeing margin expansions in FY25



Source: HSC Research estimates

Valuation and recommendations

Share prices rose strongly 26% over the past 12M

In the past 12M, share prices of our consumer coverage rose by an average of 43.7%, ranging from 203.0% to -10.3% (Figure 117). Excluding MCH as an outlier with its increase of 203%, prices rose strongly by 26% on average, which partially reflects strong earnings growth in FY24 (up 46% y/y on average). As FY25 earnings growth is more modest (at 18% y/y on average), we see little upside for the sector this year.

Figure 117: Share price performance, HSC consumer coverage

Excluding MCH, share prices of our consumer coverage increased 26% on average over the past 12M, MCH, FRT and MWG were the top gains. SAB was the worst performer.

	1M share price performance	3M share price performance	12M share price performance
VNM	-3.6%	-9.1%	-0.3%
MCH	4.5%	15.7%	203.0%
SAB	1.3%	-2.3%	-10.3%
MSN	-6.2%	-4.8%	16.4%
QNS	3.5%	6.1%	20.6%
TLG	30.4%	31.8%	42.4%
MWG	-9.0%	-12.4%	57.2%
DGW	-0.8%	-6.8%	10.1%
FRT	3.8%	-0.8%	78.9%
PNJ	-3.5%	-6.7%	18.6%
Average	**2.0%**	**1.1%**	**43.7%**
Average, excluding MCH	**1.8%**	**-0.6%**	**26.0%**

Source: HSC Research estimates

In terms of valuation, average FY25 P/E and 1Y rolling forward P/E come to 17.6x and 16.3x. The coverage is currently trading close to its historical mean over the past 3 years. Some stocks are cheap such as VNM and SAB, however their growth outlook in the next few years looks limited to single digits. The retail names such as MWG and PNJ have the strongest earnings outlook.

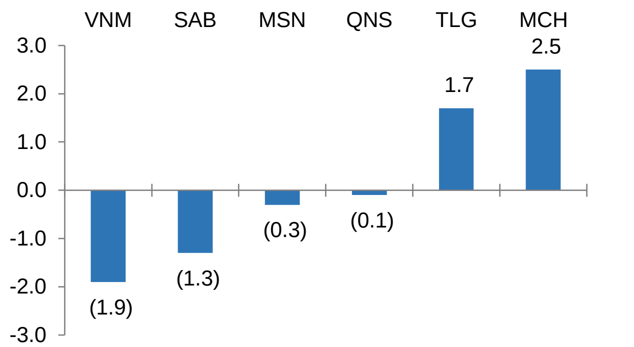
Figure 118: Valuation, HSC consumer coverage

Company	Rating	Target price	Up/downside (%)	PE (x) 2024F	PE (x) 2025F	1Y rolling fwd. P/E	Std. from mean	Div. yield (%) 2024F	Div. yield (%) 2025F
VNM	Add	77,100	21.8	15.1	14.2	14.6	(1.9)	6.1	6.1
MCH	Buy	272,300	22.7	20.1	18.8	19.0	2.5	4.5	4.5
SAB	Add	69,600	21.3	16.9	16.0	15.8	(1.3)	6.1	6.1
MSN	Buy	97,200	34.8	41.8	26.9	29.5	(0.3)	0.0	0.0
QNS	Buy	61,000	20.1	6.6	5.9	6.0	(0.1)	7.9	7.9
TLG	Hold	61,000	(7.3)	13.6	12.4	12.2	1.7	3.8	3.8
MWG	Buy	75,800	30.5	22.3	17.4	18.4	(0.6)	0.9	0.9
DGW	Add	51,000	19.3	19.4	16.6	17.0	(0.6)	1.2	1.2
FRT	Buy	219,000	22.3	66.0	34.5	n/m	n/m	-	0.3
PNJ	Buy	130,200	38.2	15.3	12.5	12,7	(1.2)	2.1	2.1
Average				**23.7**	**17.5**	**16.1**	**(0.2)**	**3.3**	**3.3**

Source: HSC Research estimates
Note: Share prices as of 29 Nov-24

Figure 119: Standard deviations from means, consumer

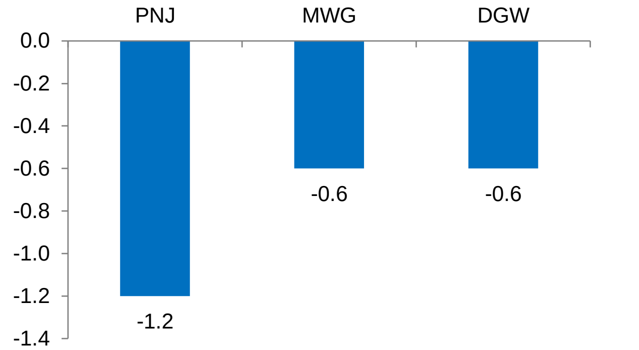
VNM and SAB are the cheapest



Source: HSC Research estimates

Figure 120: Standard deviations from means, retail

PNJ is the cheapest



Source: HSC Research estimates

Top picks: MWG and PNJ

MWG – Solid earnings turnaround. Buy with TP of VND75,800

- We expect MWG to deliver earnings growth of 31% in FY25 and 18% in FY26, driven by (1) a 13% increase in TGDD & DMX's net profit, supported by slightly better overall demand and the positive effect of restructuring SG&A expenses; and (2) full-year profit of BHX. BHX's net profit is expected to grow 176% y/y to VND273bn from FY24's low base despite network expansion, as more than 90% of existing stores are profitable.

- 3Q24 results were below expectations, but it has been priced in. Off 9% over the past 1M and 12% over the past 3M, MWG now trades on a 1Y rolling fwd. P/E of 18.1x, 0.6 standard deviations below its mean of 21.4x (since Nov-21). Meanwhile, MWG's FY25 P/E of 17.6x is 14% below the 20.6x median of its Vietnam and Asian peers.

PNJ – a beneficiary of increased gold oversight. Buy with TP of VND130,200

- PNJ's net profit recovered in September and October with retail sales remaining very solid. The company continues to acquire new customers from traditional mom & pop shops in the context that these stores have been facing difficulties due to SBV's actions to control gold prices.

- We believe the momentum will continue and forecast net profit growth of 11% in FY24, 22% in FY25 and 15% in FY26. PNJ is trading cheaply on a 1-year rolling forward P/E of 12,7x, which is 1.2 SDs or 17% below its average of 15.3x (data since Jan-19).

Healthcare: Revised law supports long term

The revised pharmaceutical law will support the healthcare industry over the long term. The law focuses on attracting investment into the industry, reforming administrative procedures, and creating legal frameworks for new business forms including modern pharmacy chains and online sales. However, we still see challenges over the near-term following weak demand. Out of our covered healthcare names, we like FRT for Long Chau's excellent fundamentals to ride on VN's on-going conversion theme to modern pharmacies from traditional channels. Meanwhile, TNH and DHG continue to face challenges on weak demand. Buy FRT, Hold TNH and DHG.

Long-term: New pharma law supports healthcare industry

Attracting investment in pharmaceutical industry

New pharmaceutical projects with total investments of above VND3.0tn, disbursing at least VND1.0tn within three years are subject to preferential policies. Benefits here include tax benefits, land leasing, capital support, as well as support on procedures re. investments, certificates on drug circulation.

Reforming administrative procedures

Regarding the administrative procedures in registration of drug circulation and pharmaceutical ingredients, new law classifies drugs and pharmaceutical ingredients based on different levels of drug properties to minimize the time for drugs to be sold in the market, while ensuring quality of drugs.

Creating a legal framework for new business forms

One of the important points of the new law is that it creates legal framework for new business forms of the industry, including pharmacy chain and online sales

- E-commerce in pharma retail: online sales are limited to non-prescription drugs, and allowed on e-commerce platforms, apps, and websites with online ordering features. Additionally, regulations concerning advertising and confidentiality must be strictly followed. This marks a positive shift from previous laws that prohibit drug sales outside registered locations.

  Meanwhile, online sales of prescription drugs are prohibited, except for medical isolation for Group A infectious diseases – defined as dangerous diseases which transmit very quickly with a high mortality rate, or unknown causative agent.

- Pharmacy chain: The law regulates the organization of a pharmacy chain as a separate type of pharmaceutical business establishment. Some general guidance on pharmacy chains re. responsibility, and operation were mentioned in the revised pharma laws, following their rapid developments in recent years. While the government looks generally supportive, we believe clear guidance helps pharmacy chains to operate and expand more effectively.

Requiring the announcement of wholesale prices of prescription drugs

Domestic manufacturers and importers are required to announce wholesale prices to the Ministry of Health before selling the first batch of prescription drugs, which accounts for over 80% of market volume. These announced prices serve as a "ceiling," preventing companies from selling above this level. The goal is to minimize intermediate costs and ensure drugs are sold at fair prices.

Near-term outlook: Weak demand persists

The performance of listed hospitals and pharmaceutical companies in 3Q24 and 9M24 was weak due to reduced income through lower wages and higher unemployment. Net profit of TNH and TTD, the two listed hospitals, plunged by 31% y/y.

On the same trend, aggregate net profit of seven listed pharmaceutical companies declined by 18.3% y/y. Of which, companies that have higher sales contribution from OTC drugs, such as DHG, saw greater declines.

In the pharma retail segment, Long Chau, 80.7%-owned by FRT, gained further market share and sustained efficiency amidst continued expansion.

Investment conclusion: Buy FRT, Hold DHG and TNH

FRT: Our rating for FRT is Buy with a TP of VND219,000 (upside: 22%). We favor FRT for Long Chau's excellent fundamentals to ride on VN's on-going conversion theme to modern pharmacies from traditional channels. While we see its efforts to tap into new business, such as vaccines, we believe near-term completion of capital raising (likely 1Q25) should allow Long Chau to build a more comprehensive healthcare ecosystem.

DHG: We rate DHG as Hold with a TP of VND101,000 (downside: 2%). We maintain our cautious view about DHG in the context that sales of OTC drugs and pharmacy channel remains weak. Meanwhile 85% of the company's revenue comes from its pharmacy channel.

TNH: We rate TNH as Hold with TP of VND17,800 (upside: 1%). We like TNH over long-term given its aggressive expansion plan, however in the short-term we see pressure from huge capex needs for such expansion.

Figure 121: Valuation

We rate DHG and TNH as Hold; meanwhile we rate FRT as Buy.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
DHG Pharmaceutical JSC	DHG	102,700	Hold	-	101,000	-	(1.66)	16.9	15.9	14.3	13.2	7.30	7.30
FPT Retail	FRT	179,000	Buy	-	219,000	-	22.3	66.0	34.5	30.5	19.9	0	0.28
TNH Hospital Group JSC	TNH	17,696	Hold	-	17,826	-	0.74	28.8	20.9	19.4	13.9	-	-

Source: HSC Research estimates

T&G: FY25 looks good, on better demand and likely only minor impact from Trump's proposed tariffs

Vietnam T&G exports increased 8% y/y in 10M24, while industry experts expect a full year growth of 11%. Global demand for fashion products is set to improve slightly in 2025, with production continuing to shift from China to Vietnam. Trump's tariffs are expected to have a minimal impact on Vietnam's T&G sector , while higher tariffs on Chinese goods may boost Vietnam's exports. As a result, we forecast high single-digit growth for the sector in 2025. Within our two T&G names under our coverage, we expect that TCM will deliver solid growth in FY25. Meanwhile, STK continues to bear risk from USD appreciation due to exposure to USD-denominated debt. Buy TCM at a TP of VND58,600 and Hold STK at a TP of VND25,000.

Vietnam's T&G exports: A strong performance in 10M24

According to Vietnam General Statistics Office (GSO), T&G exports (including garment and yarn) came to USD33.9bn, up 8% y/y in 10M24. Of which, export of garment products rose 9% y/y to USD30.2bn. Notably, Vietnam's market share in the US – its biggest market – continued to improve to 15.2% in 9M24 vs. 14.7% in 9M23.

FY25 outlook: High single digit growth expected

World demand: Expected to be slightly better than this year

McKinsey – a global management consulting firm – recently provided their forecasts for fashion demand in 2025. McKinsey predicts that the industry will continue to post single digit growth in 2025, but at a slightly higher rate, despite challenges ahead.

Trump 2.0: We are neutral re. the impact on Vietnam's T&G exports

We maintain a neutral stance on the potential impact of Trump's proposed tariff policy on Vietnam's T&G exports. While Trump has suggested imposing a 10-20% universal tariff on all Vietnamese products, current tariffs on Vietnam's T&G exports are already relatively high, averaging 15.8%. Conversely, Vietnam stands to gain from the significantly higher tariffs proposed on Chinese goods (up to 60%), which could redirect T&G orders from China to alternative hubs like Vietnam.

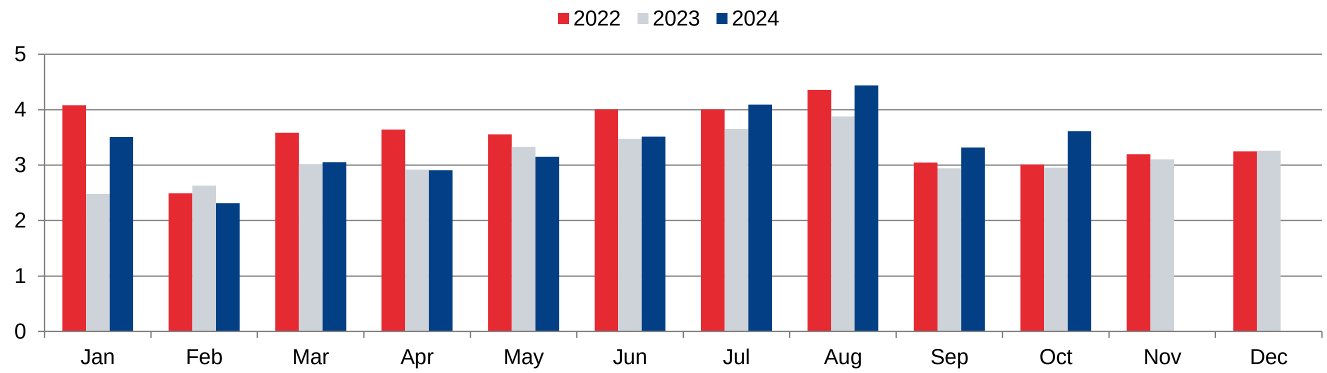
Diversification will be likely to continue. Fashion manufacturing will diversify away from China to other areas including Asia growth markets (India, Vietnam and Bangladesh). Meanwhile, China is losing cost-competitiveness due to rising labour costs.

We expect high single digit growth in FY25

With all the above information, Vietnam's T&G exports are poised for high single digit growth in FY25. The Chairman of Vietnam Textile and Apparel Association (Vitas) recently highlighted that export value is expected to reach USD47-48bn in FY25, translating to y/y growth of 7-9%.

Figure 122: T&G's monthly export value (USDbn), Vietnam

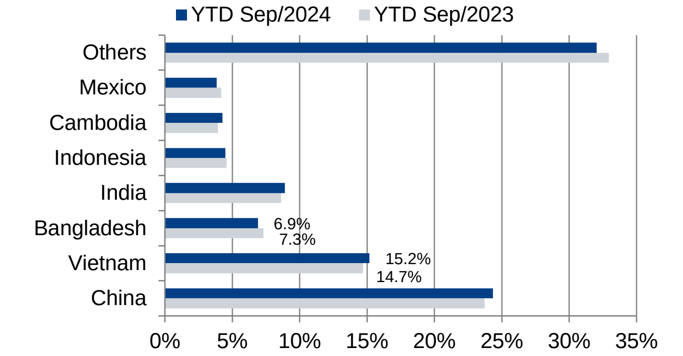
Export value (including yarn) increased 8% y/y in 10M24



Source: CEIC

Figure 123: T&A imports to the US – mkt share by country

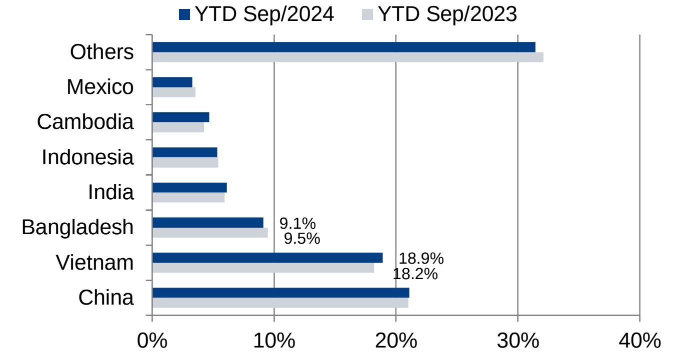
Vietnam's market share improved to 15.2% in 9M24 vs. 14.7% in 9M23



Source: US Otexa

Figure 124: Apparel imports to the US - mkt share by country

Vietnam's market share improved to 18.9% in 1H24 vs. 18.2% in 9M23



Source: US Otexa

Figure 125: Non-luxury fashion retail sales growth, key mkts

McKinsey expects modest but better growth in FY25

%	Europe	US	China
2021	9	24	12
2022	13	2	-3
2023	4	-1	9
1H24E	1	2	4
2H24E	1 to 3	2 to 3	3 to 4
2025E	2 to 4	3 to 4	2 to 4

Source: McKinsey

Figure 126: Luxury fashion retail sales growth in key markets

US and Europe are expected to deliver positive growth

%	Europe	US	China
2021	15	49	40
2022	12	10	-6
2023	8	5	12
1H24E	1	2	-3
2H24E	1 to 2	2 to 3	-10 to -7
2025E	1 to 3	3 to 5	-3 to 0

Source: McKinsey

Maintain Buy for TCM and Hold for STK

TCM: We have Buy rating for TCM, with a TP of VND58,600, for an upside of 23%. We expect strong profit growth of 106% in FY24, 11% in FY25 and 14% in FY26. Excluding the one-off loss of VND17bn in FY23 and one-off income of VND15.1bn in FY24, net operating profit would increase 75% y/y in FY24 and 16% y/y in FY25.

TCM is now trading on a 1-year rolling fwd. P/E of 19x, 0.8 SDs (24%) below its average of 25.1x (data from Jan-21). Meanwhile, it is trading on an FY25 P/E of 18.9x, well above its peers' avg. of 11.4x as usual.

STK: We rate STK at Hold with TP of VND25,000. Though the outlook for the whole industry remains bright, STK faces risk from USD appreciation. Our macro research team estimates that by the end of 2024 USD/VND exchange rate will appreciate 3.6% q/q. They also look for an appreciation of 2.2% y/y by the end of 2026. As a result, we anticipate that STK needs to record an unrealized FX loss in 2024 and 2025, related to its USD debt. We estimate that net profit will come to VND10bn in FY24, VND33bn in FY25 and VND124bn in FY26.

STK is trading dear on a 1-year rolling forward P/E of 47.4x, 0.9 SDs (or 56%) above its average of 30.3x (data since Jan-21). The stock is also trading on an FY25 P/E of 71.9x, far above the average P/E of 17.3x for its peers.

Figure 127: Old and new FY24-26F forecasts, T&G coverage

Revising down FY25-26 forecasts.

	FY24F				FY25F				FY26F			
VNDbn	Old	New	Revision	Growth y/y	Old	New	Revision	Growth y/y	Old	New	Revision	Growth y/y
STK	2	10	405.0%	-88.4%	64	33	-48.6%	225.7%	146	124	-14.9%	277.8%
TCM	283	272	-3.9%	106.2%	323	301	-6.8%	10.7%	366	342	-6.6%	13.6%
Total	**285**	**282**	**-1.0%**	**28.7%**	**387**	**334**	**-13.7%**	**18.4%**	**512**	**466**	**-8.9%**	**53.3%**

Source: HSC Research estimates

Fisheries: US market in focus; more opportunities than risks

Vietnam fisheries exports are projected to grow 10% y/y in 2025, driven by demand improvements from major markets like the U.S, the EU, China and Japan. If Trump's plan for high import tariffs on China and others is applied, Vietnam's pangasius exports should gain market share vs. China's tilapia. However, higher taxes would also result in higher expenses for all exporters, especially shrimp exporters who are currently subject to a 2.84% countervailing duty. VHC, our top pick, looks to be in an excellent position to benefit from the ongoing recovery and future US developments. We also maintain our Buy rating on FMC and our Add on ANV, each of which should see solid earnings growth in FY25.

FY25: U.S. expected to be key driver for growth

VASEP projects a 10% y/y growth in fishery exports to USD11 billion in FY25, driven by recovering demand in the U.S., EU, China, and Japan. Exports to the U.S. and EU are rebounding as their economies stabilize, with strong demand for pangasius and shrimp in the U.S. and the EU benefiting from trade agreements like the EVFTA. Rising demand for affordable white fish and small pelagic species, along with stable shrimp demand, is expected, alongside growing consumer interest in convenient, ready-to-eat seafood products.

US market: Higher tariff for all but also higher opportunities for pangasius

The U.S., Vietnam’s largest fishery export market, generated annual turnover of USD1.5–2.1 billion over the past five years. In 10M24, exports to the U.S. rose 15% y/y to USD 1.5 billion, with FY24 expected to reach USD1.85 billion, up 19% y/y. Pangasius fillets, long the second most-imported white fish after China’s tilapia, overtook tilapia in 10M24 to become the U.S.’s top-imported white fish.

US’s tariff barriers remain a challenge for shrimp and pangasius

Pangasius benefits from a USD 0/kg anti-dumping duty under POR20, down from USD 0.00–0.18/kg in POR19, though annual reviews under Trump’s administration may increase risks. Shrimp exports now face a 2.84% countervailing duty, adding costs but remaining competitive against India (4.36%) and Ecuador (7.55%).

From 2025, Trump’s proposed 10–20% blanket import tax could challenge Vietnamese fishery competitiveness. However, escalating U.S.-China trade tensions may drive demand toward alternative suppliers, including Vietnam. If Trump’s proposed 60% tariff on Chinese goods takes effect, reduced U.S. tilapia imports from China (75% of current US imports) could create more room for pangasius exports.

Lower feed cost should support margins while container shipping costs remain the key risk

Lower feed costs, with a 7-10% drop in aquatic feed prices YTD and stable or declining grain prices for 2025, should boost profit margins for fisheries, as feed accounts for 50-70% of farming costs. However, high container shipping costs remain a key risk for Vietnamese seafood exporters. Protectionist U.S. trade policies, including proposed tariffs on Chinese goods, could increase exports to the U.S. and further drive up shipping costs in 2025.

Stock picks

VHC: Reiterate Buy with 31% Upside

VHC, the largest pangasius exporter to the U.S., is well-positioned to benefit from the U.S. market recovery. Potential tariffs under Trump (10–20% on imports, 60% on Chinese goods) could boost pangasius competitiveness, as tilapia (dominated by China) may decline.

VHC has maintained a 0 USD/kg anti-dumping tax rate for over a decade, mitigating risks from potential tariff hikes. A surge in U.S. importers stockpiling ahead of new tariffs could drive higher sales volumes and prices in 2025.

VHC is currently trading at a 1-year forward P/E of 11.7x (0.8 SD above the historical average of 9.3x), VHC warrants further re-rating given its market leadership.

FMC: Maintain Buy on Attractive Valuation

FMC benefits from solid sales momentum, driven by rising global demand for prepared shrimp products and increased utilization at new factories (Tam An in 1Q22, Sao Ta in 1Q23).

FMC trades at a 1-year forward P/E of 8.7x, 0.4 SD below its historical average of 9.5x, highlighting its attractive valuation.

ANV: GPM Expansion Supports Add Rating at VND 20,200

ANV's FY25 net profit is expected to rebound 214% y/y to VND 234bn, with a 14.5% increase to VND 268bn in FY26. GPM improved from 10% in 1Q24 to 12.9% in 3Q24 and is expected to rise further due to higher export prices and lower feed costs.

ANV trades at a 1-year forward P/E of 21.5x, 0.2 SD below its historical average of 26.0x.

Figure 128: FY24-26F earnings forecasts, HSC fishery universe

VNDbn	FY24F	Growth y/y	FY25F	Growth y/y	FY26F	Growth y/y	3-yr CAGR
VHC							
Revenue	12,636	26%	14,004	11%	15,464	10%	16%
Net profit	1,195	30%	1,349	13%	1,437	7%	16%
ANV							
Revenue	4,695	6%	5,904	26%	6,099	3%	11%
Net profit	74.7	91%	234.3	214%	268.4	15%	90%
FMC							
Revenue	6,940	36%	7,432	7%	8,037	8%	16%
Net profit	280	1%	353	26%	370	5%	10%
Aggregate revenue	**24,270**	**24%**	**27,340**	**13%**	**29,600**	**8%**	**15%**
Aggregate net profit	**1,550**	**26%**	**1,936**	**25%**	**2,075**	**7%**	**19%**

Source: HSC Research

Fertilizer: Softer input costs strengthen earnings outlook

DCM and DPM are poised to benefit from falling gas costs, with Brent oil prices forecasted to drop to USD76 per barrel in FY25. This reduction aligns with the new VAT law, which enables fertilizer producers to reclaim input VAT from 1July 2025, leading to significant cost savings—for DCM and DPM from FY25 going forward. Meanwhile, domestic urea prices are expected to decline by 3% y/y in FY25-26, driven by lower global feedstock costs and stabilized supply. Revised earnings forecasts project net profit CAGRs of 10.1% for DCM and 24.6% for DPM over the next three years.

The U.S. Energy Information Administration (EIA) recently revised its FY25 Brent oil price forecast down to USD76 per barrel, from USD85.8, aligning with broader market trends and reflecting bearish policies under Trump's presidency. Given the strong correlation between Brent oil and fuel oil prices, a decline in fuel oil prices is also expected, impacting industries reliant on it. Vietnamese gas-based urea producers DCM and DPM will benefit from lower oil prices, as gas costs, which make up 60-70% of their production expenses, are tied to oil prices. Accordingly, we have reduced our gas cost projections for DPM and DCM by 6.2% and 10.1%, respectively.

Globally, urea prices are either holding steady or seeing slight declines. This trend is driven by cheaper feedstock and a normalization of supply following geopolitical and economic challenges. Vietnam's domestic urea prices are expected to follow suit. Adding to this, the Amendment of VAT laws, passed in November 2024 and effective from July 2025, introduces a 5% VAT on fertilizer products. This allows producers to reclaim VAT on input materials, further cutting production costs and reducing price pressure.

Following these changes, the average selling prices of urea of DCM and DPM have been revised down slightly by 3.8% and 3.5%, implying a y/y decline of 3% in FY25 and an additional 2% in FY26. We raise DCM's FY25 net profit forecast by 4.4%, suggesting y/y increase of 22%. We keep our forecasts on DPM's FY25 net profit unchanged, expecting a y/y growth of 18%. Over the next three years, we forecast net profit of DCM and DPM to grow at a CAGR of 10.1% and 24.6%, respectively.

Top picks

DPM is currently trading at a 1-year rolling forward P/E of 14.4x, slightly above its historical average of 12.8x. We maintain an Add rating due to its superior growth prospects, transition to a more chemicals-focused player, attractive valuation relative to its track record, and strong potential upside to our target price of VND 41,200.

Meanwhile, DCM is trading at a 1-year rolling forward P/E of 13.4x, which is 1.0 standard deviations above its historical average of 9.5x. The re-rating of DCM shares reflects its favorable earnings outlook, supported by lower urea plant depreciation costs, expanded NPK production capacity, and potential VAT deductions on inputs. A strong earnings outlook for FY25-26 could justify further valuation increases. We maintain an Add rating with a target price of VND43,900.

Figure 129: FY24-26 earnings forecasts, DPM and DCM

VNDbn	FY24F	Growth y/y	FY25F	Growth y/y	FY26F	Growth y/y	3-yr CAGR
DPM							
Net sales	13,120	-3%	12,854	-2%	12,612	-2%	-2%
Net profit	815	57%	969	19%	1,005	4%	25%
DCM							
Net sales	12,505	-1%	12,299	-2%	12,393	1%	-1%
Net profit	1,389	25%	1,469	6%	1,481	1%	10%

Source: HSC Research

Real Estate – searching for the needle in a haystack

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- The residential property sector's outlook is improving, driven by increased transaction volumes which are expected to support developers' presales. We are expecting most developers in our coverage to see strong net profit growth in FY25, except for NVL (expecting loss) and VHM (flat earnings).
- We continue to expect the industrial park segment to perform well on the back of continued solid FDI inflow, but uncertainties exist post Trump's election win.
- Meanwhile, we remain positive on construction and realtors. Our top picks are KDH, NLG, PDR, VGC, IDC, CTD

Residential on a solid recovery path

Despite the lingering effects of the credit crunch, we anticipate improved earnings and financial stability for most developers in 4Q24 and FY25, with the exceptions of NVL and VHM. However, given the sector's relatively high valuations, we expect its stocks to perform in-line with the broader index rather than outperform it. Looking ahead to the medium and long-term, developers are likely to face significant challenges, including tightening access to funding and rising land costs. Within the sector, we favor KDH, NLG, and PDR due to their strong fundamentals, robust projected presales, and above average corporate governance standards.

Looking across the uncertainties post Trump's win

Trump's re-election raises FDI uncertainties due to potential policy shifts and higher tariffs. Our macro team expects a 5-10% cut in FDI implementation for FY25-26 and a 12-32% drop in commitments over FY24-26. Despite short-term challenges, forecasted FDI commitments for FY24-26 remain near FY23 and pre-COVID levels, with implementation projected to grow 4-10% y/y. Vietnam's long-term advantages—cost competitiveness, strategic location, governmental support (especially in high-tech), and U.S. partnership—support a positive outlook for industrial park development. We expect developers to weather near-term headwinds, with IDC and VGC as top picks

Construction and realtor – direct beneficiaries of rising property market

Unlike real estate developers, which saw earnings lag, realtors and construction companies are direct beneficiaries of the strong property market and have seen their earnings rebound strongly this year. Going forwards, we continue to forecast strong earnings growth for the two realtors in our coverage – DXG and CRE by 139.5% y/y to VND425bn in FY25 and 64.9% y/y to VND700bn in FY26. We also call for a 30.1% bottom line CAGR of CTD from VND309bn to VND681bn in FY6/24 – FY6/27F on the back of its strong backlog, improved GPM, reduced provision and healthy cash conversion cycle.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		P/B (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Century Land JSC	CRE	6,810	Add	-	8,400	-	23.3	87.1	16.5	0.56	0.54	-	-
Coteccons Construction JSC	CTD	66,500	Buy	-	96,000	-	44.4	13.0	10.8	0.75	0.72	1.54	2.30
Dat Xanh Group JSC	DXG	16,800	Hold	-	17,200	-	2.38	99.7	54.0	1.15	1.13	-	-
Dat Xanh Services	DXS	7,570	Add	-	8,500	-	12.3	30.8	18.6	0.72	0.70	6.61	6.61
IDICO Corporation - JSC	IDC	53,800	Buy	-	69,000	-	28.3	9.09	9.89	3.17	2.92	7.43	7.43
Kinh Bac City Development	KBC	28,000	Add	-	33,000	-	17.9	44.6	21.2	1.15	1.09	-	-
Khang Dien House	KDH	32,850	Buy	-	42,000	-	27.9	44.4	31.9	1.92	1.83	0	1.52
Nam Long Investment Corp	NLG	36,900	Add	-	46,700	-	26.6	26.7	24.9	1.46	1.41	1.36	1.36
Novaland Group	NVL	10,500	Reduce	-	8,900	-	(15.2)	N/a	N/a	0.66	0.69	-	-
Phat Dat Real Estate	PDR	20,400	Add	-	25,200	-	23.5	29.1	28.0	1.56	1.48	0	0
Phuoc Hoa Rubber JSC	PHR	57,000	Add	-	64,500	-	13.2	21.5	16.7	2.07	1.98	3.51	3.51
Viglacera	VGC	42,600	Buy	-	54,900	-	28.9	20.5	16.2	2.46	2.37	5.28	4.69
Vinhomes	VHM	40,100	Hold	-	44,600	-	11.2	5.73	5.41	0.83	0.72	0	0
Vincom Retail	VRE	17,300	Add	-	21,800	-	26.0	9.93	10.7	0.94	0.87	5.78	5.78

Share prices as of 4 December 2024.
Source: Companies, FactSet, HSC Research

Residential property market showed clear recovery

Despite lingering effects of the credit crunch, we anticipate improved earnings and financial stability for most developers in 4Q24 and FY25, with the exceptions of NVL and VHM. However, given the sector's relatively high valuations, we expect its stocks to perform in-line with the broader index rather than outperform it. Looking ahead to the medium and long-term, developers are likely to face significant challenges, including tightening access to funding and rising land costs. Within the sector, we favor KDH, NLG, and PDR due to their strong fundamentals, robust projected presales, and above average corporate governance standards.

Hanoi market heats up in 9M24

Hanoi primary market welcomed 8,227 units in 3Q24 (up 174.2% y/y but down 3.2% q/q). Through 9M24, total supply reached 19,068 units, marking the highest supply recorded over the past five years. Supplies were concentrated in Nam Tu Liem (Lumi Hanoi Phase 2&3, VHSC Victoria), Gia Lam (The Metropolitan – Beverly) and Van Giang-Hung Yen Province (Lumiere Springbay), Dong Anh (Vinhomes Global Gate). We note that these launches are mostly in mega projects where Vinhomes was the master developer who also provided bulk-sales for sub-developers, so they clearly have an advantage re. legal procedures. 3Q24 sold units surpassed 8,000 (down 21.2% q/q but up significantly 166.5% y/y).

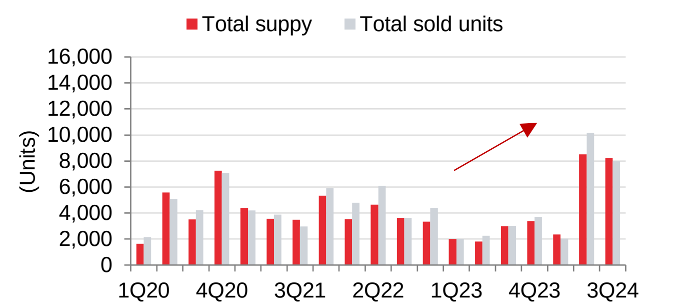
In the primary market, the average selling price of condominiums in Hanoi reached USD2,565/sqm (excluding VAT and maintenance fees), only 3% lower than the current average price in Ho Chi Minh City. We see that the dominance of high-end products (75% of the new supply) has skewed prices. These launches pulled in speculative investors seeking capital gains in a low mortgage rate environment. Meanwhile, real demand in the mid-end segment continued unabated, but only 25% of total launched units targeted this segment. The divergence between current supply and demand raises our concerns for the stable and healthy development of the market in the longer-term should it increasingly be driven by speculative demand. However, we believe it could benefit VHM in the short-term by increasing demand for both bulk sales and retail sales of VHM properties.

In the secondary market, average selling prices rose to USD 1,844/sqm in 3Q24 (up 5% q/q and 26% y/y), with Hanoi prices nearing HCMC levels. Primary market prices are likely to rise as developers increase launch prices, but secondary market prices should stabilize by 2025 as liquidity flattens with unit handovers.

Hanoi's 4Q24 supply is expected to reach 10,000 units, totaling ~30,000 units for the year—the highest in five years and exceeding earlier forecasts. Positive market sentiment has prompted developers to accelerate launches, with some opening bookings for new towers or advancing 2024 sales. This could lead to short-term oversupply in some areas.

Figure 130: Total condominium supply and units sold, Hanoi

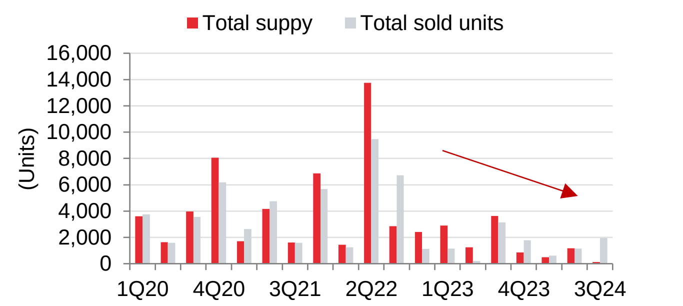
9M24 recorded highest supply over the past 5Y



Source: CBRE, HSC Research

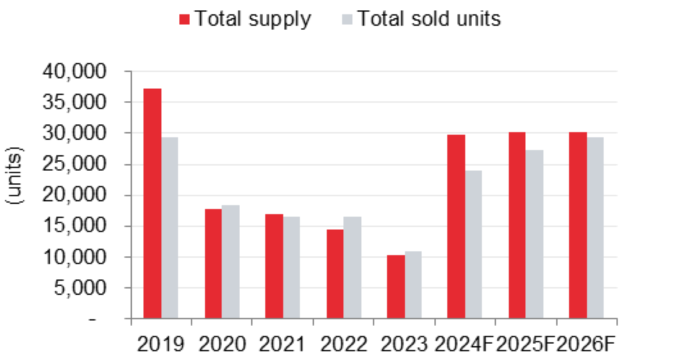
Figure 131: Total high-rise supply and units sold, HCMC

3Q24 sold units are mostly from previously launched projects



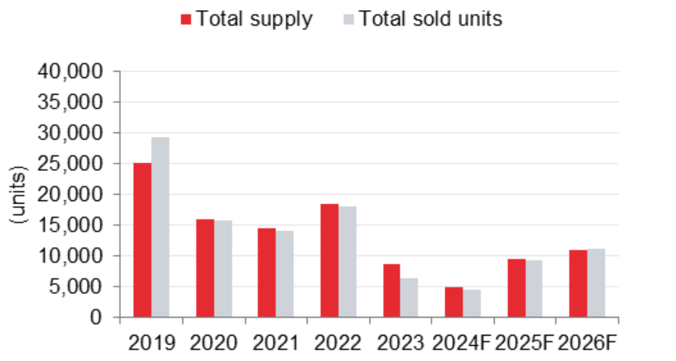
Source: CBRE, HSC Research

Figure 132: Total high-rise supply & unit sold, Hanoi FY24-26F
FY24F supply is ~30,000 units, highest in the last 5Y



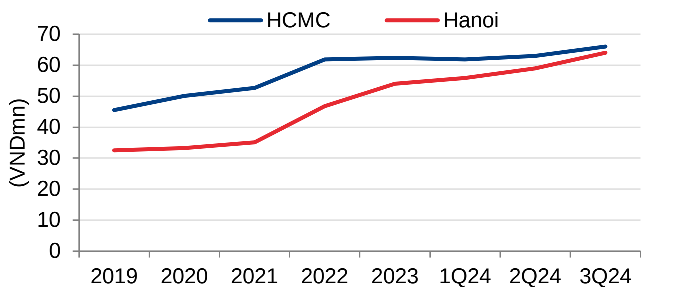
Source: CBRE, HSC Research

Figure 133: Total high-rise supply & unit sold, HCM FY24-26F
FY24F supply is ~5,000 units, supply constraints persist



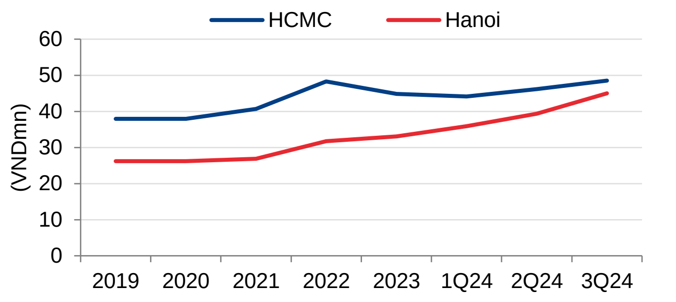
Source: CBRE, HSC Research

Figure 134: Primary prices of Hanoi and HCMC condominium
Hanoi continued its upward trend, quickly catching up with HCMC's primary and secondary market



Source: CBRE, HSC Research

Figure 135: Secondary prices of Hanoi & HCMC condominium
Hanoi continued its upward trend, quickly catching up with HCMC's primary and secondary market



Source: CBRE, HSC Research

Limited supply continues in HCMC, as activity in the secondary market gains momentum

HCMC saw a sharp decline in condominium supply in 3Q24, with only 127 units launched, down 96.5% y/y and 89.2% q/q. Sales reached 1,953 units (up 71.9% q/q but down 31.8% y/y), primarily from previously launched projects. The supply shortage, driven by stringent regulations and low project approvals, pushed average prices to VND66mn/sqm (up 4% q/q and 8% y/y). In the secondary market, transactions surged due to limited primary supply, with average prices rising to VND48mn/sqm (up 3% q/q and 5% y/y).

Looking ahead, supply is expected to recover in 2024 with notable launches as regulations ease and government efforts to resolve legal issues take effect. Demand remains strong, particularly in District 2 and District 7, where significant growth of 20-40% y/y is anticipated, driven by years of constrained supply

A potential change in narrative for HCMC

Although it is still too early to make definitive conclusions, we are beginning to observe some progress, indicating a greater willingness from authorities to approve property projects in Ho Chi Minh City. Since 2017, HCMC's housing supply has declined, lagging behind Hanoi. However, new national leadership and key laws are creating a favorable foundation for project approvals.

Recent developments include (1) HCMC's plan to expedite property ownership certificates from Sep-Dec 2024, (2) DXG's Gem Riverside receiving permits after a 6-year delay, and (3) approval for the 2,870-hectare Can Gio Coastal Tourism Urban Area. Positive sentiment is also evident among developers and brokers in the South.

A more relaxed regulatory environment should benefit Southern-focused developers. KDH, with 100% of its landbank in HCMC, is best positioned, while NLG (430ha in Long An/Dong Nai) and PDR (Binh Duong focus) are also set to gain as momentum extends to nearby provinces.

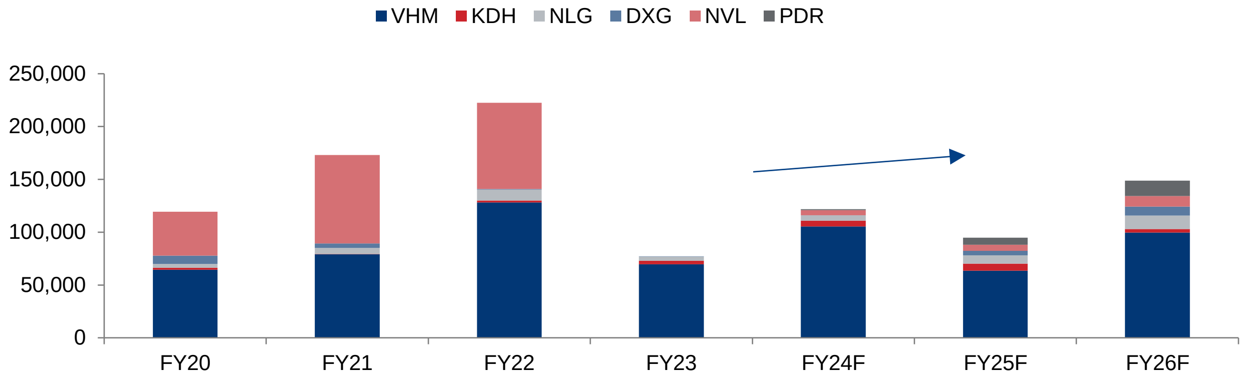
Presales look to improve significantly across the coverage

As presales of developers significantly recovered in FY24 in the North, we expect momentum to expand through the Southern market and adjacent provinces, thus supporting presales of the whole sector in FY25. We are expecting 92.7% y/y growth in presales of 5 core developers (except VHM) to VND31.4tn. For VHM, we are expecting a drop in presales by 40% y/y due to the exclusion of presales at Vinhomes Co Loa and Vinhomes Wonder Park (due to the restructuring of the BCC between VHM and VIC leading to reducing interest of VHM in those projects). For FY26, we expect aggregate presales of our 5 core developers to grow by 56% y/y.

Supported by a nascent recovery of presales in FY24 and stronger presales expected in FY25, we expect earnings of most developers to have passed the toughest period and enter the rebound area. Except for NVL, for which we continue to forecast a loss and VHM which we expect a flat bottom line, all other developers are expected to post growth y/y from 7% - 85% in FY25 and 3% - 38% in FY26 as shown in the table below.

Figure 136: Forecasted presales of real estate developers in our coverage, VNDbn

We are forecasting a 92.7% y/y and 56% y/y growth in FY25&FY26 aggregate presales of our 5 covered developers (* except VHM)



Source: HSC forecast

(*) VIC recently announced the amendment of BCC contracts with VHM, which led to reduced interest of VHM in certain projects so we excluded presales of those project from forecasted earnings of VHM

Figure 137: Forecasted earnings, real estate developers

VNDbn	FY21	FY22	FY23	FY24F	FY25F	FY26F
NPATMI						
VHM	38,825	28,831	33,371	30,307	30,470	27,838
KDH	1,202	1,102	716	748	1,053	1,358
NLG	1,071	556	484	533	571	586
DXG	1,157	215	172	121	224	310
NVL	3,225	2,162	606	-6,838	-1,672	-538
PDR	1,865	1,137	684	518	637	685
Total (excluded NVL)	**44,120**	**31,841**	**35,427**	**32,227**	**32,955**	**30,777**
Growth y/y	*FY21*	*FY22*	*FY23*	*FY24F*	*FY25F*	*FY26F*
VHM	*42%*	*-26%*	*16%*	*-9%*	*1%*	*-9%*
KDH	*4%*	*-8%*	*-35%*	*4%*	*41%*	*29%*
NLG	*28%*	*-48%*	*-13%*	*10%*	*7%*	*3%*
DXG	*-333%*	*-81%*	*-18%*	*-31%*	*85%*	*38%*
NVL	*-18%*	*-33%*	*-72%*	*-1228%*	*-76%*	*-68%*
PDR	*53%*	*-39%*	*-40%*	*-24%*	*23%*	*8%*
Total (excluded NVL)	***35%***	***-28%***	***11%***	***-9%***	***2%***	***-7%***

Source HSC research:

Valuation and recommendations

Given their strong fundamentals, solid pipeline for future presales and better than above average corporate governance, we prefer KDH, NLG and PDR.

NLG (Add, TP VND46,700): Despite having key projects outside Ho Chi Minh City, NLG's 681-hectare land bank holds significant value. With most land use rights fees paid, NLG is well-positioned ahead of expected cost increases under the new land law. The company excels in mid-end segment execution, driven by strong real demand, and benefits from a healthy balance sheet, stable cash dividends, and solid corporate governance, enhancing its long-term investment appeal. For further information, please see our Company Focus *Value in LUR-paid land bank but cut to Add on val.*

PDR (Add, TP VND25,200): PDR's upcoming launches of Bac Ha Thanh (Dec-24) and Binh Duong Tower (1Q25) highlight its restructuring efforts, supporting strong earnings and project financing. We favor PDR for its progress in project development, solid earnings outlook, and focus on strengthening property development cash flow. A turnaround is expected from a FY23 core loss of VND70bn to a FY24 core profit of VND203bn, with 24.2% y/y growth in FY25 driven by Bac Ha Thanh land plot bookings. Earnings should further thrive from FY26, boosted by presales from these key projects. For further details, please see our Company Focus *Binh Duong Tower pushed back; Add*.

KDH (Buy, TP VND42,000): With its entire landbank in HCMC, KDH benefits from strong real demand, supporting high absorption rates. The company's strong brand, low debt reliance, and proven ability to secure land, navigate legal complexities, and deliver quality projects ensure its competitive edge. KDH is well-positioned for industry consolidation amid tighter regulations, with the Tan Tạo project—a key mid-term catalyst—set to complete compensation by FY25 and launch in 2026. Despite concerns over its recent discounted private placement, KDH remains a strong sector contender. For further details, please see our Company Focus *Slight project delay, but outlook remains strong*.

Our top picks - KDH, NLG and PDR - are trading close to their 3-yr average discount to RNAV. Nonetheless, we believe the outlook of the sector has brightened significantly, as seen in the improved volume of transactions which will support presales of developers over the next period. Furthermore, the expected easing of HCMC's regulatory regime should help discounts narrow over time.

Figure 138: Valuation of developers and realtors in our coverage

	Ticker	Rating	RNAV	TP	MP (04 Dec)	Upside	Discount to RNAV	3Y ave. discount
1	DXG	Add	28,700	17,200	16,800	2%	-41.5%	-42.1%
2	KDH	Buy	46,625	42,000	32,850	28%	-29.5%	-34.2%
3	NLG	Add	54,847	46,700	36,900	27%	-32.7%	-34.0%
4	NVL	Reduce	14,934	8,900	10,500	-15%	-29.7%	-28.8%
5	VHM	Add	89,100	44,600	40,100	11%	-55.0%	-49.2%
6	PDR	Add	31,400	25,200	20,400	24%	-35.0%	-29.3%

Source: HSC

IP: Uncertainties expected; value in solid LB and cashflow

We think that uncertainties in FDI flow may increase under Trump's presidency featuring expected aggressive tariffs policies. Any potential decreases in FDI commitment and implementation may impact the IP sector in Vietnam as the sector is driven by FDI clients. In the meantime, we see more projects approved in FY24 and new players penetrating the industry intensifying competition. We like developers with solid land banks and strong expertise. Our top picks are IDC and VGC based on their solid land banks, strong cashflow, and high dividend yield.

A less optimistic approach under Trump's presidency

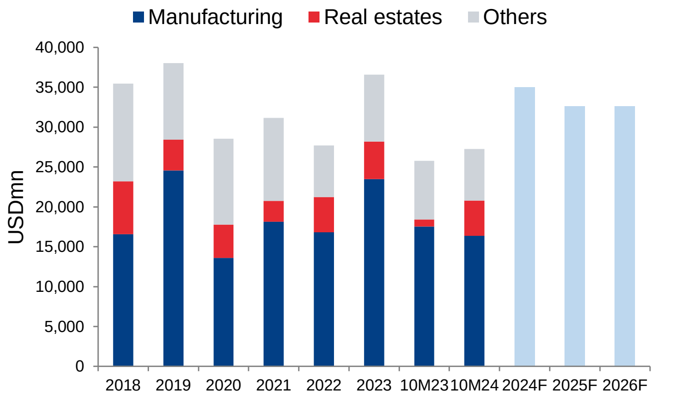
FDI implementation grew 8.8% y/y in 10M24 (vs. 3.2% in 10M23), while FDI commitments slowed to 1.9% y/y (vs. 14.7% in 10M23). In manufacturing and processing, a key driver for Vietnam's industrial parks, FDI implementation rose 6.7% y/y to USD 15.8bn, but commitments fell 6.7% y/y to USD16.4bn, partly due to a 57% y/y decline in Sep-Oct amid investor caution before the U.S. election.

Following Trump's election win, our macro team projects a 5-10% cut in FDI implementation for FY25-26 and a 12-32% drop in commitments over FY24-26 due to potential U.S. policy shifts. While we are turning slightly more cautious on the industrial park sector, the impact should be moderate, with FY24-26 FDI commitments near FY23 and pre-COVID levels, and FDI implementation growing 4-10% y/y.

In the long term, Vietnam retains strong advantages to attract investments, including cost competitiveness, strategic location, market access, governmental support (especially in high-tech), and its strategic partnership with the U.S.

Figure 139: FDI commitment in Vietnam over years

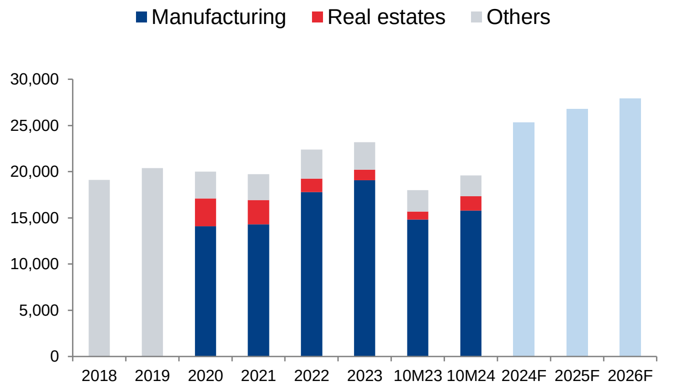
FDI commitments increased by 1.9% to USD27.3bn in 10M24



Source: FIA, HSC Research

Figure 140: FDI disbursements in Vietnam over years

FDI implementation grew by 8.0% y/y to USD19.6bn in 10M24



Source: FIA, HSC Research

Improving supply; intensified industry competition

Following the issue decision 227 (on Mar) on adjustment of industrial land quota and a bunch of provinces having issued new master plans from 2023, we see that approvals for new IPs have been accelerating in 11M24, with at least 25 new IPs getting investment licenses with total areas of 8,289 ha vs. 7-10 IPs approved in the whole 2023. Several large projects include Bau Can Tan Hiep P.1 (1,000 ha, Dong Nai), Xuan Que-Song Nhan (1,000 ha, Dong Nai), Vinhome Vung Ang (965 ha, Ha Tinh), Hiep Thanh (495 ha, Tay Ninh), Tan Phuoc 1 (470 ha, Tien Giang), Cam Lien (450 ha, Quang Binh), etc. We expect new supplies to increase significantly in the future across the country when projects approved in 2021-2024 accelerate construction and are put into operation.

In our coverage, IDC got investment license approvals for two projects (440 ha of leasable land added including Tan Phuoc 1 (Tien Giang) and My Xuan B1 Expansion (Ba Ria-Vung Tau); VGC got investment license approvals for three projects (620 ha of leasable land added including Song Cong II (Thai Nguyen), Doc Da Trang (Khanh Hoa), and Tran Yen (Yen Bai). Meanwhile, KBC has not yet got approval for the long-awaited Trang Due 3 (687 ha, Hai Phong), PHR still waits for the approvals at the Tan Lap 1 (200 ha, Binh Duong).

Notably, we see that there are many new players entering the industry including Son Ha (SHI IP Tam Duong IP, 162 ha), Taseco Land (Dong Van III, 233 ha), Fecon (Danh Thang, Doan Bai IC, 74 ha), Phat Dat, DIG Group, Bin Corporation. We think that advantages belong to large names with strong track record, low-cost land banks but new supply in different locations will also result in intense competition.

FY23-26 earnings forecasts: A CAGR 6.5%

We lower FY24-26 net earnings forecasts for VGC, KBC, IDC, and PHR by 2.6-6.6%, driven by delays in bookings of KBC and PHR on slow paperwork. For FY24, total net earnings of four developers are projected at VND3.7tn, down 29.2% y/y (down 22.8% in core earnings), mainly due to slower deliveries (VGC, KBC, PHR outweighing IDC's strong performance). FY25-26 earnings are forecast at VND4.4tn (up 19.3% y/y) and VND6.4tn (up 43.0% y/y) as legal approvals improve. VGC's building materials recovery should further boost profitability.

We estimate a total net profit CAGR of 6.5% and a core profit CAGR of 9.7% over FY23-26, with no significant one-off items expected for FY24-26.

Figure 141: Actual and forecast net profit, selected developers

Total net profit/core profit are forecast to grow at a 3Y CAGR of 6.5%/9.7%, helped by a strong FY26F

VNDbn	FY23A	FY23A (excl. one-offs)	2024F	Growth y/y	Growth y/y (excl. one-offs)	2025F	Growth y/y	2026F	Growth y/y
IDC	1,393	1,193	1,954	40.3%	63.8%	1,794	-8.2%	2,034	13.4%
VGC	1,218	1,218	932	-23.5%	-23.5%	1,177	26.3%	1,463	24.3%
PHR	622	462	359	-42.3%	-22.3%	462	28.7%	464	0.4%
KBC	2,031	1,951	481	-76.3%	-75.3%	1,012	110.4%	2,394	136.6%
Total	**5,264**	**4,824**	**3,726**	**-29.2%**	**-22.8%**	**4,445**	**19.3%**	**6,355**	**43.0%**

Source: HSC Research estimates

Valuation and stock picks

IDC (Buy; TP VND69,000) and **VGC (Buy; TP VND54,900)** are our top picks. Both have strong unbilled backlogs (120ha for VGC, 100ha for IDC) due to robust leasing, expected to be recognized in 4Q24 and FY25 vs. KBC and PHR, which have lower backlogs due to limited landbanks.

IDC stands out with its low-cost land bank (977 ha in strategic locations), strong financials (VND1.3tn net cash, 19% net cash/equity), and solid operating cash flow (VND3-4tn over FY24-26), supporting attractive cash dividends (7.3% yield).

VGC's strong IP division (1,300 ha of leasable land) and recovery in building materials will drive earnings and cash flow. It has a healthy balance sheet and stable dividends (4.8%-5.4% yield).

IP stocks in our coverage are trading at a 30.3% discount to updated RNAVs, compared to the average 22.0% discount over the past three years.

Figure 142: Discount to RNAV, coverage

IP stocks in our coverage are trading at 30.3% on average vs. its 3Y-discount of 22.0%

Ticker	Rating	Current market price (VND)	Target price (VND)	Upside	RNAV/share (VND)	Current discount to fwd. RNAV	3Y-avg. discount to RNAV
VGC	Buy	42,600	54,900	28.9%	61,000	30.2%	14.6%
IDC	Buy	53,800	69,000	28.3%	76,700	29.9%	15%*
KBC	Add	28,000	33,000	17.9%	47,200	40.7%	36.5%
PHR	Add	57,000	64,500	13.2%	71,700	20.5%	22.0%
Average				**22.0%**		**30.3%**	**22.0%**

Note: Based on closing price as of 04 Dec-24; (*) IDC's average discount to RNAV seen over the last 11M (since our initiation report).
Source: HSC Research estimates

Realtors: Into the next cyclical trade

With more good news than bad going forward, we see that realtors are entering a new ‘up cycle’ given that the housing market recovery is picking up speed. As developers are accelerating their launches, and the property market’s stronger recovery is underway, we believe that RE brokers’ earnings will improve from late FY24 onwards. Our preference leans toward CRE given its improving earnings prospects from brokerage activities and expected progress at its Louis City project (supporting secondary investment). We note that the situation re. Hoa Tien Paradise receivables still need to be closely watched, but cheap valuation overshadows risks here.

9M24 uplift, a glimpse of the promised land

We view that realtors are entering their new ‘up cycle’ given abundant supply source and improving sentiment to boost transaction volumes. 3Q24 market data reinforced our view of stronger RE sector recovery ahead. Of which, the number of approved units and projects by the Ministry of Construction swelled enormously (a significant 285% y/y growth for approved units and 53% for approved projects). This, we believe, serves as a helpful leading indicator of a stronger RE sector recovery ahead. Indeed, we have seen signs of increased willingness by authorities to approve property projects, especially in HCMC, to ease the supply constraints.

Strong brokerage revenue with mitigated downside risks

We anticipate improved brokerage income streams for real estate brokers, supported by a robust supply pipeline of nearly 30,000 units in Hanoi for FY24, maintaining similar levels in FY25-26, and approximately 26,000 units in HCMC over FY24-26 (CBRE). With positive sentiment in both high-rise and low-rise segments, transaction volumes are expected to rise steadily. Consequently, we forecast the aggregate net profit of the two realtors under our coverage to rebound to VND177bn in FY24 from a loss of VND166bn in FY23. This is projected to further increase by 139.5% y/y to VND425bn in FY25 and by 64.9% y/y to VND700bn in FY26.

Figure 143: Actual and forecast net profit, property brokers in our coverage

VNDbn	2023A	2024F	Revision	Growth y/y	2025F	Revision	Growth y/y	2026F	Revision	Growth y/y
CRE	2	36	0.00%	18x	191	0.00%	430.6%	349	0.0%	82.7%
DXS	-168	141	26.70%	N/m	234	17.60%	65.4%	351	15.2%	50.3%
Total	-166	177	20.20%	N/m	425	9.00%	139.5%	700	7.1%	64.9%

Source:

We see the downside risk is mitigated as DXS and CRE are conducting traditional brokerage for large developers, which provides a lower margin but also has low risk of bad receivables.

Recommendations

We like DXS (Add, TP VND8,500) and **CRE (Add, TP VND8,400)** but put CRE on our top picks list as (1) it should directly benefit from the expected robust transactions in Hanoi; (2) it is expected to recognize VND2tn from its Louis City project (from 1Q25), and (3) its cheap valuation – which, in what looks like the early stages of a sector up cycle, overshadows the risks from bad receivables.

Figure 144: PEG ratio analysis, DXS and CRE

	Share price (VND)	EPS (VNDbn) FY23A	FY24	FY25	FY26	FY24 P/E	2Y CAGR (%)	PEG
CRE	6,810	5	78	412	752	87	210	0.42
DXS	7,570	-293	246	407	612	31	58	0.54

Note: Based on closing price as of 04 Dec-24
Source: HSC Research estimates

Retail RE: Rising tide should lift all boats, including VRE

Strong demand from international brands entering and expanding support occupancy and rental growth. We expect the CBD will retain its established retail landscape while the city's fringe grows faster on continued retailer expansion into FY25, favoring mall developers. Of which, market leader VRE stands to benefit from this trend on their solid mall pipeline nationwide. Nonetheless, related transaction issues undermine the company's intrinsic value and stock performance in the short term.

Robust expansion in preparation for long-term growth

Retail vacancy rate across Vietnam has decreased from rising demand, recovering tenant performance, and a limited supply of new retail space. In 9M24, we see that tenants are expanding their businesses across Vietnam especially in the city's fringe and provincial markets due to limited supply in the CBD. Asking rent, as a result witnessed a 13% growth on average over the last nine months.

We expect Leasing markets in Vietnam are set to remain active. A 'broadening' of retail RE leasing activity – to include more 'fringe' areas and 'gateway cities' to longstanding CBD malls – will likely accelerate, thus favoring mall developers. Rent reversion is expected to be pushed higher by 17-18% p.a through FY25 in CBDs and by 12% p.a. through FY25 in non-CBD areas.

VRE's benefit from market recovery to be reflected in longer-term

While the retail RE sector recovery should support VRE's occupancy rate thanks to rising demand, we believe that VRE's leasing revenue will see a slower growth rate on (1) its strategy to focus more on improving occupancy rates rather than increasing rent rates (2) the majority of the leasing contracts are fixed rent, with a weighted average lease expiry of 3.8 years. We think that it will take several quarters for the leasing income to reflect the sector's recovery.

Longer-term, VRE with its dominant market position, with 1.8mn sqm, equivalent to 86 operating malls, also looks well placed to flourish. Notably, VRE retail GFA in prime locations of key cities including Hanoi and HCMC account for a dominant 58.3% market share (HSC estimates). VRE also has an active pipeline of mall developments which should add ~100,000 sqm GFA to its portfolio by FY25.

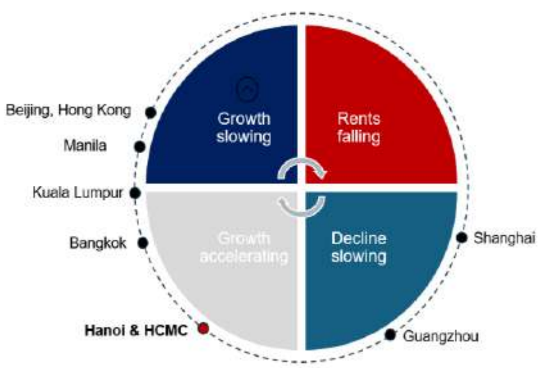
Recommendations

We reiterate our Add rating and TP of VND21,800 for VRE. Longer-term, VRE with its dominant market position, also looks well placed to flourish on their solid mall pipeline to benefit from the recovery of the retail sector.

Nonetheless, we see that spilled over impacts from the large pressure of cashflow at parent company Vingroup might continue to hinder performance of the stock. We note that any signs of reducing exposure to these related parties might lead to a share price re-rating.

Figure 145: Prime Rental Clock

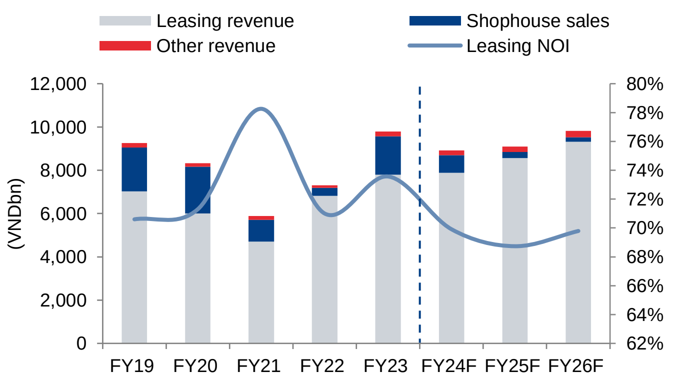
Hanoi and HCMC are each in an early phase of rising rents



Source: JLL, HSC Research

Figure 146: Financial performance, VRE

Healthy leasing revenue expected on sector recovery support



Source: HSC Research estimates

Construction - Rising to Greatness Again

We maintain a positive outlook on construction companies, which will benefit from the property market recovery, driven by Hanoi and expected to spread to HCMC and other regions. Strong FDI inflows into manufacturing and accelerated public infrastructure development offer significant opportunities. Top-tier companies like CTD are set to gain from post-credit-crunch consolidation. We forecast 30.1% bottom-line growth over the next three years, supported by a solid backlog, improved margins, lower provisions, and a healthy cash cycle. We reiterate our Buy recommendation for CTD with a target price of VND96,000, offering a 46.8% upside.

Resurgent Residential Property Sector, Robust FDI Flows and accelerate infrastructure investment to boost new Contracts

The Hanoi residential property market surged in 9M24, with 19,068 units - the highest in five years - driven by investment demand, low interest rates, and improved sentiment. While southern supply remains tight, secondary market activity is rebounding, and faster approvals are expected to boost FY25 supply and presales, benefiting construction companies. Vietnam's strong FDI inflows into manufacturing have also fueled demand for factory and warehouse construction. Robust residential and industrial demand, coupled with accelerated infrastructure spending, should offset weaker hospitality demand, driving new contract growth for contractors.

Competition subsides post consolidation

The prolonged weakness in the property market **over the past five years**, first due to COVID-19 and later a credit crunch, has led to significant financial challenges for many large contractors, with some going insolvent or scaling down operations. In contrast, top-tier firms like CTD with robust financial positions and strong technical expertise have gained considerable market share and are well-positioned to capitalize on the property market's recovery.

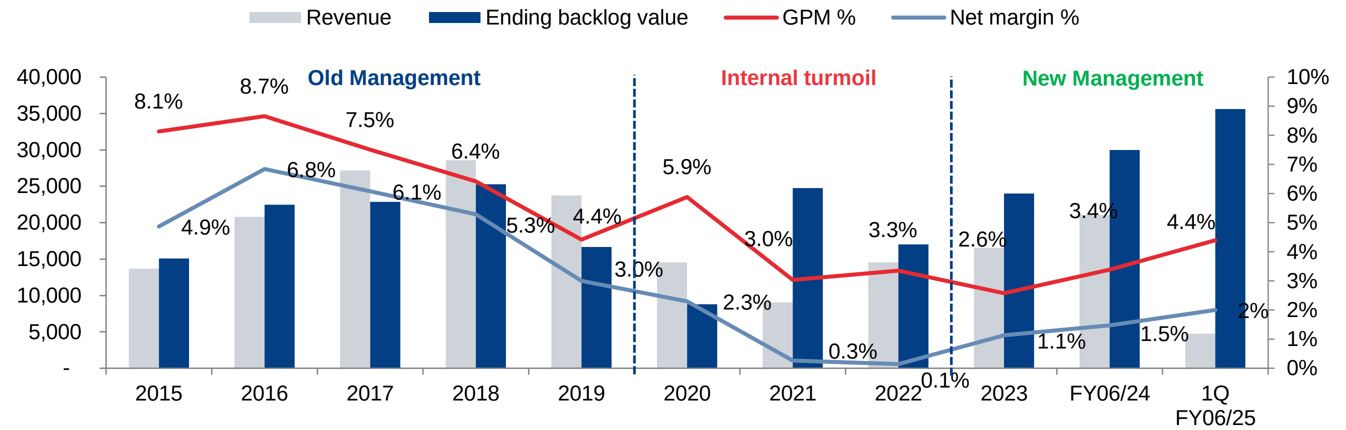
CTD - Strength Across the Board

We maintain a positive outlook for CTD's construction segment, as the company benefits from key industry trends: (1) property market recovery, (2) sustained FDI inflows, and (3) government push for public infrastructure, driving higher valuations.

As of 3Q24, CTD's backlog reached VND35.0tn, up significantly by around 70% y/y, with 53% in residential, 40% in FDI, and 7% in new business. We forecast a net profit CAGR of 30.1%, from VND309bn to VND681bn over the next three years to FY06/27F, driven by revenue growth, improved GPM, and reduced provisions. The company remains net cash with a healthy cash conversion cycle. We reiterate our Buy rating with a target price of VND96,000.

Figure 147: Revenue, Backlog value and margins, CTD, VNDbn

CTD's management is poised to restore the company's return to prominence



Source: CTD, HSC Research

Conglomerates: Vingroup and subsidiaries

Despite a substantial long-term debt maturity of ~USD2.2bn in the next 12 months and continued losses at VinFast (FY24F: - USD1.5bn), cash flow pressure appears to be easing. This is supported by improved performance in the property segment, the Chairman's committed backing for VinFast (~USD2bn through FY26), and potential funding from the IPO of Vinpearl and divestments of high-value assets, including AI-focused firms VinBrain and VinAI. Additionally, VinFast's more affordable car models are showing early signs of success, gaining traction in domestic markets.

Affordable models to drive up vol. of EVs in domestic markets

In 3Q24, VinFast delivered 21,912 electric vehicles (EVs), marking a 115% y/y increase and significantly exceeding our estimates. Domestic sales dominated, with over 90% of 9M24 deliveries within Vietnam. Notably, 38% of 9M24 deliveries were to GSM Taxi—a brand founded by Vingroup's Chairman—down from 72% during the same period last year.

3Q24 performance was driven by sustained VF5 deliveries and the introduction of the VF3 mini car, which was not included our initial forecasts. According to the company, the VF3 has been well received, with its affordability resonating strongly with Vietnamese consumers. This success propelled 3Q24 and October volumes to record highs for VinFast, surpassing expectations. On the cost side, VinFast also achieved notable improvements. Average unit bill of materials (BOM) costs fell 8.3% q/q while average unit production costs dropped 20.1% q/q in 3Q24.

These reductions, along with anticipated scaling benefits, are expected to narrow gross losses as fixed costs are better absorbed. Additionally, management expects R&D costs to decline significantly from FY25 onward, as the EV model lineup (ranging from Mini to E-segment) is now complete, reducing the need for further model development.

While VinFast has shown early positive momentum, challenges persist. Reliance on related-party sales (GSM accounts for 38% of 9M24 deliveries) remains significant, international markets have yet to deliver meaningful results, and looming debt maturities pose ongoing risks to the business.

Balance sheet: Leverage ratios remain high, but debt maturing in FY25 seems under control

At the end of 3Q24, VIC's total debt balance decreased slightly by 4.7% q/q to VND211.9tn (not including convertible debt which came to VND3.6tn). Net debt to equity came to 1.1x, down slightly from 1.17x at the end of 2Q24 but still high in our view. The average cost of debt further increased to 10.9% TTM3Q24 compared to around 10.6% in FY23.

Despite a substantial long-term debt maturity of VND48.2tn (~USD2.2bn) in the next 12 months, down 22.9% q/q, we observe improved financial stability for the group. As of 3Q24, the consolidated cash balance stood at a robust VND27tn, supported by a meaningful recovery in cash flow from the property development segment. This was driven by both bulk sales and the resurgence of retail sales from newly launched mega projects, such as Vinhomes Royal Island in Hai Phong (877 ha) and Vinhomes Co Loa in Hanoi (261 ha). Additionally, the Chairman has pledged USD2bn in support for VinFast through FY26, and the company is restructuring its hospitality business in preparation for an IPO. These developments collectively reduce financial pressure on the group compared to the past 12 months.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		P/B (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Vingroup	VIC	40,000	Hold	-	42,600	-	6.50	18.9	18.7	1.35	1.26	-	-

Share prices as of 4 December 2024.
Source: Companies, FactSet, HSC Research

Industrials: Seizing the opportunity, growth ahead

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- Industrials remain in a good position to benefit from the continuous improvement in macro-economic conditions, including public investment, import/export trading activities, international visitors, and the low-interest rate environment.
- We raise our FY25 aggregated core net profit by 6%, implying y/y growth of 20% to VND51.6tn, reflecting a better outlook, further building from the strong growth of 92% projected in FY24 (2% upward revision) to VND42.9tn.
- Our top picks are a combination of diverse choices for the core holding, including all Buy-rated names: HPG, DGC, ACV, HVN and VEA. While HAX would be a beta play to benefit from the growth resumption of the auto sector.

Brighter outlook; raise forecast for FY25 net profit by 6%

To reflect our in-house view on public investment (up 17% y/y) and further recovery in international visitors coupled with solid import/export activities, we lift our FY25 net profit for the 16 core Industrials companies under our coverage by 6% to VND51.6tn, up 11% y/y. For core growth this would be 20% y/y. This strong growth is built on the high base of FY24 aggregated net profit/core profit of VND46.7tn (+96% y/y)/VND42.9tn (+92% y/y).

Amongst these 16 core Industrials names, we forecast positive y/y earnings growth except for BMP (off 5% y/y) and HVN (off 46% y/y but up 4% y/y for core profit after excluding Jetstar Pacific Airlines - JPA's one off profits).

Steel and logistics lead the growth in FY25

Breakdown by sub-segment, **Steel** earnings are forecast to lead the earnings growth (up in range of 35-70% y/y), on a combination of higher sales vol. and margin expansion. The **Seaport/Logistics** sub-segment is also positive with the core growth of 21% for VTP and 37% for GMD. **Aviation** earnings are also forecast to grow solidly in FY25, although the earnings growth of each company is diverse, of which ACV (+17% y/y) and VJC (+15% y/y) are forecast to have the highest growth in FY25. **Auto/Auto parts** also shows strong earnings growth this year, led by HAX (+39% y/y) and DRC (+21% y/y). Within the **Material** sub-segment, DGC/DHC/PTB are projected to grow in a range of 15-20% y/y with the exception being the 5% y/y drop of BMP.

Industrials top picks

Our top picks (all-Buy ideas), including HPG, DGC, ACV, HVN, and VEA, offer diverse exposure to the market. These stocks are well-positioned to benefit from the favorable macroeconomic conditions. Additionally, HAX is a high-risk, high-reward play on the auto sector's recovery.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Airports Corp. of Vietnam	ACV	122,000	Buy	-	156,700	-	28.4	27.3	23.3	17.0	16.3	0	0
Binh Minh Plastics JSC	BMP	127,200	Add	-	134,900	-	6.05	10.2	10.7	5.50	5.73	9.67	9.04
Duc Giang Chemicals Group	DGC	107,900	Buy	-	138,900	-	28.7	13.1	10.9	12.1	10.1	2.78	2.78
Dong Hai Ben Tre JSC	DHC	35,800	Buy	-	42,300	-	18.2	10.5	9.09	7.88	6.99	5.59	6.35
Da Nang Rubber JSC	DRC	28,050	Add	-	33,400	-	19.1	14.1	11.7	9.03	7.71	5.35	5.35
Gemadept	GMD	64,700	Buy	-	81,800	-	26.4	19.6	18.3	15.5	15.4	2.51	2.32
Hang Xanh Motors	HAX	15,500	Buy	-	20,000	-	29.0	12.9	9.26	8.48	7.05	7.74	7.74
Hoa Phat Group	HPG	26,700	Buy	-	38,800	-	45.3	13.7	10.1	10.5	7.70	1.87	3.75
Hoa Sen Group	HSG	18,250	Add	-	21,500	-	17.8	22.0	12.4	11.4	8.20	2.74	5.48
Vietnam Airlines	HVN	27,000	Buy	-	34,500	-	27.8	8.35	15.4	7.57	6.69	0	0
Nam Kim Steel	NKG	18,700	Add	-	22,500	-	20.3	9.23	6.83	8.64	6.37	0	0
Phu Tai JSC	PTB	63,300	Buy	-	80,000	-	26.4	11.3	9.78	7.03	6.42	3.95	4.74
SCSC Cargo Service	SCS	79,600	Add	-	85,000	-	6.78	11.1	10.7	7.33	6.38	7.54	7.79
VN Engine & Agri. Machinery	VEA	38,000	Buy	-	51,500	-	35.5	7.67	7.31	17.5	16.3	11.6	12.2
Vietjet Aviation	VJC	101,400	Hold	-	105,000	-	3.55	27.6	24.0	18.3	15.6	0	0
Viettel Post	VTP	150,900	Add	-	123,400	-	(18.2)	47.8	39.4	33.5	24.2	0.99	0.99

Share prices as of 4 December 2024.
Source: Companies, FactSet, HSC Research

Industrials' growing momentum continues in FY25

We raise our FY24/25 aggregate net profit forecasts for our 16 core Industrials companies under coverage to reflect our better view on the whole industry, led by the strong growth of public investment, solid import/export activities and further improvement in international visitors. Accordingly, we predict 20% core earnings growth in FY25, building from the high based of 92% y/y growth forecasted in FY24. Our top picks, HPG, DGC, ACV, HVN, and VEA, provide a diversified investment opportunity. These stocks are well-positioned to benefit from the favorable macroeconomic conditions. Additionally, HAX, while a higher-risk investment, offers significant upside potential as the sector recovers.

4Q24F and FY24F earnings forecasts

The 9M24 result of our 16 core Industrials companies completed 79% of our old FY24F net profit/clean profit forecasts, with 2.7% earnings beats in 3Q24. We raise our FY24F net profit/clean profit by 2% to VND46.6tn (+96% y/y) and VND42.9tn (+92% y/y) respectively, on the higher sales volume assumptions and margin forecasts, mostly coming from the earnings upward revisions of HPG, VJC, DHC and HAX.

With the new earnings forecast, our 4Q24F aggregate net profit/clean profit of VND10,845bn (+94% y/y and +11% q/q)/VND10,145bn (+81% y/y and +4% q/q). This strong y/y earnings growth is forecast to be driven by all 15 companies except for DRC (given its margin contraction on higher material costs).

Figure 148: 4Q24F and FY24F new forecasts, Industrials

We forecast a strong earnings growth momentum to continue in 4Q24F

Net profit (VNDbn)	4Q23	3Q24	4Q24F	Growth y/y	Growth q/q	FY23	FY24F	Growth y/y
Materials								
HPG	2,973	3,022	3,229	9%	7%	6,835	12,441	82%
NKG	22	65	104	364%	61%	117	539	359%
HSG (*)	103	(186)	155	50%	Turnaround	814	562	-31%
DGC	711	706	886	25%	25%	3,100	3,125	1%
BMP	257	290	266	4%	-8%	1,041	1,026	-1%
DHC	75	77	80	7%	5%	309	273	-12%
PTB	52	80	113	118%	42%	258	393	52%
Seaport/Logistics								
GMD (**)	115	335	178	55%	-47%	2,221	1,369	-38%
VTP	104	107	126	21%	18%	380	384	1%
Aviation								
ACV	1,310	1,978	2,267	73%	15%	7,318	9,737	33%
HVN	(2,064)	769	1,124	Turnaround	46%	(5,903)	7,160	Turnaround
VJC	126	572	304	141%	-47%	343	1,990	480%
SCS	128	186	195	52%	5%	498	717	44%
Auto and parts								
VEA	1,560	1,652	1,715	10%	4%	6,201	6,586	6%
HAX	22	62	38	73%	-39%	35	129	273%
DRC	96	46	64	-33%	40%	248	237	-4%
Aggregated profit	**5,590**	**9,760**	**10,845**	**94%**	**11%**	**23,814**	**46,668**	**96%**
Core aggregated profit	**5,590**	**9,731**	**10,145**	**81%**	**4%**	**22,389**	**42,906**	**92%**

(*) for apple-to-apple comparison, we restated HSG's earnings to calendar year
(**): excluding one-off earnings, FY24 clean profit growth would be 40% y/y for GMD
Source: HSC Research

FY25F earnings forecasts

For FY25, we maintain our positive outlook towards Industrials. The low base effect as we had seen in FY24 would come to an end in FY25. Accordingly, we currently forecast FY25 aggregated net profit to grow organically by 11% y/y while clean profit continues to surge by 20% y/y to VND51.6tn as the one-off earnings from HVN (total of VND3,427bn) and GMD (VND330bn) would be dropped in FY25.

In our view, the growth of 11% for net profit and 20% for core net profit in FY25 are encouraging given the high base forecasted in FY24. Please note that we haven't yet reflected the positive catalyst in the case of HRC's anti-dumping taxes into HPG FY25 earnings forecasts. This said, if the taxes are granted (by end-FY24), that would also offer another upside for our FY25 earnings forecasts.

The key drivers and assumptions are described in the following section for each sub-sector.

Figure 149: FY25F new earnings forecasts, Industrials

We lift our FY25F net profit forecast by 6% to VND51.5tn, up 11%/20% y/y growth in net profit and core net profit respectively

Net profit (VNDbn)	FY23	FY24F	Growth y/y	FY25F	Growth y/y
Materials					
HPG	6,835	12,441	82%	16,826	35%
NKG	117	539	359%	728	35%
HSG (*)	814	562	-31%	954	70%
DGC	3,100	3,125	1%	3,752	20%
BMP	1,041	1,026	-1%	971	-5%
DHC	309	273	-12%	317	16%
PTB	258	393	52%	452	15%
Seaport/Logistics					
GMD (**)	2,221	1,369	-38%	1,436	7%
VTP	380	384	1%	467	21%
Aviation					
ACV	7,318	9,737	33%	11,383	17%
HVN (***)	(5,903)	7,160	Turnaround	3,871	-46%
VJC	343	1,990	480%	2,292	15%
SCS	498	717	44%	742	3%
Auto and parts					
VEA	6,201	6,586	6%	6,906	5%
HAX	35	129	273%	180	39%
DRC	248	237	-4%	286	21%
Aggregated profit	**23,814**	**46,668**	**96%**	**51,594**	**10.6%**
Core aggregated profit	**22,389**	**42,906**	**92%**	**51,594**	**20.2%**

(*) for apple-to-apple comparison, we restated HSG's earnings to calendar year
(**): excluding one-off earnings, FY24/25 clean profit growth would be 40% and 32% y/y
(***): excluding one-off earnings, FY24 clean profit turnaround and up 4% y/y in FY25
Source: HSC Research

Recommendations

Our top picks remain with all Buy-ratings ideas including **HPG, DGC, ACV, HVN** and **VEA**. This selection includes high-dividend-yield stock (VEA, 12%), companies with strong earnings growth (HPG, 3Y net profit CAGR of 47%), stocks with promising long-term prospects from new projects (ACV), companies undergoing successful turnarounds (HVN) and a beneficiary of strong aim towards semiconductor industry of the Government (DGC). Additionally, **HAX**, while a higher-risk investment, offers significant upside potential as the sector recovers.

Vietnam steel outlook: Strong domestic landscape

With China's economy expected to recover in FY25 onwards following the recent October stimulus package, its steel industry (accounting for approximately 55% of global production and 50% of global demand in FY24) is poised to return to profitability zone after hitting a trough in Aug/Sep-24 as steel prices rebounded from their two-year lows in August. Vietnam's steel sector is also set to benefit from various opportunities: reduced pressure on selling prices due to easing dumping activities from China, potential trade protections, and the government's ambition plan for the construction of large infrastructure projects. Overall, Vietnam's long-term growth drivers for the steel industry remain solid. HPG (Buy) remains our top pick.

Vietnam's steel industry – set to grow strongly in FY25

Solid sales volume in 10M24, driven by domestic demand

According to Vietnam Steel Association (VSA), 10M24 steel sales volume rose decently by 17% y/y to 26.2mn tonnes (including all construction steel, HRC, billets, steel sheet and steel pipes). Of which:

- Domestic volume rose by 17.8% y/y, contributing to 65.6% of total sales volume
- Export volume rose by 15.1% y/y, contributing to 34.4% of total sales volume

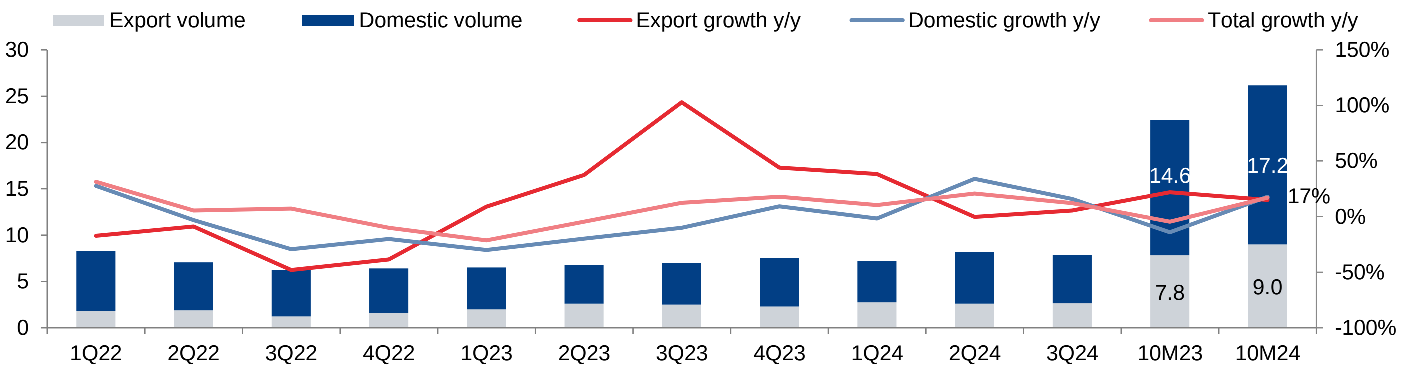
The swift recovery is primarily driven by domestic demand, fueled by pent-up demand following Typhoon Yagi and a rebound in construction activities across residential and public investment segments. Notably, domestic sales channels typically yield higher margins compared to exports, making a recovery led by domestic demand more advantageous for steel manufacturers.

Broken down by product category, construction steel was the primary driver of the segment's recovery, with total sales volume reaching 10mn tonnes in 10M24, up 15.7% y/y. This growth was largely supported by public investment disbursements for major infrastructure projects such as Long Thanh International Airport and the National Expressways, along with the resumption of residential real estate projects following the issuance of construction permits.

Other categories, excluding HRC, experienced robust recovery in 10M24. Sales volumes for steel sheet, steel pipe, and billet reached 4.6mn tonnes, 2.1mn tonnes, and 3.9mn tonnes, representing y/y growth of 35.3%, 5%, and 39.3%, respectively. In contrast, HRC sales volume in 10M24 remained largely unchanged y/y.

Figure 150: Steel sales volume (mn tonnes), Vietnam

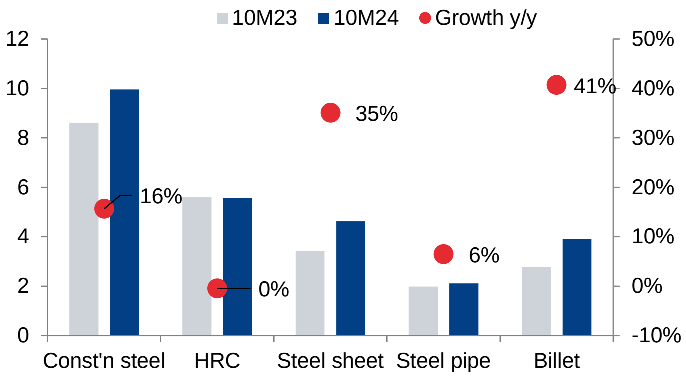
Total volume rose by 17% to 26.2mn tonnes in 10M24



Source: VSA, HSC Research

Figure 151: Vietnam steel sales vol. (mn tonnes), by products

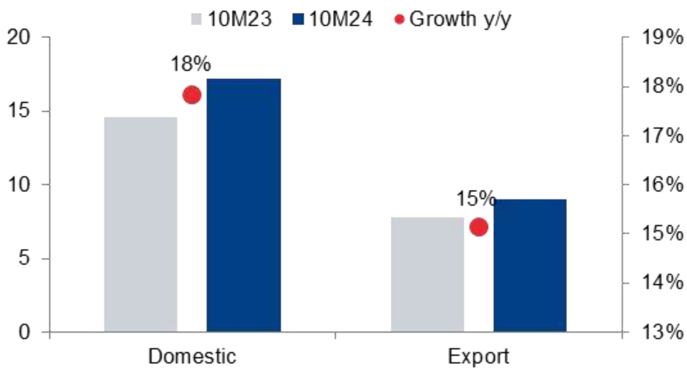
Growth was observed across steel segments (except for HRC)



Source: VSA, HSC Research

Figure 152: Vietnam steel sales vol. (mn tonnes), by market

Domestic consumption led growth in 10M24



Source: VSA, HSC Research

Vietnam's steel trade landscape

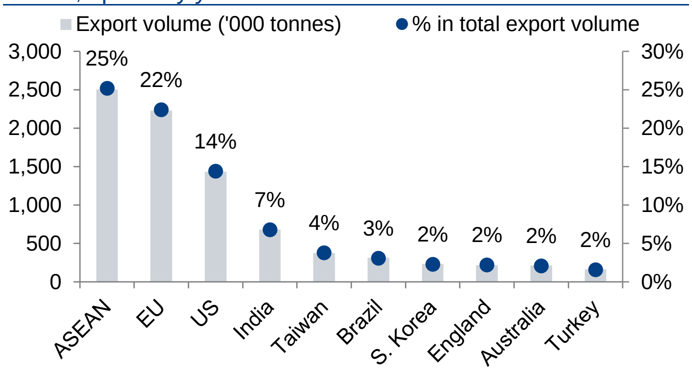
Vietnam's steel market demonstrates a high degree of globalization, with significant import and export volumes. In 10M24, Vietnam imported 14.71mn tonnes, up 38.2% y/y (9M24: 12.3mn tonnes of steel, up 32% y/y). Notably, steel imports from China accounted for nearly 70% of total imports. In Oct-24, Vietnam imported 1.85mn tonnes of steel products from China, marking a sharp increase of 115% y/y and 71.6% m/m. Notably, this monthly import volume from China surpasses the total 10M24 import volume from Vietnam's second-largest supplier, Japan, which amounted to approximately 1.7mn tonnes. Cumulatively, Vietnam imported 10.16mn tonnes of steel products from China in 10M24, reflecting a growth of 59% y/y.

Actual import volumes may exceed statistics reported by VSA, as Vietnam imported 8.8mn tonnes of HRC alone in 9M24, with the majority sourced from China. Additionally, Vietnam also imports high-quality steel from Japan, South Korea, and Taiwan.

On the export side, Vietnam exported nearly 10mn tonnes of steel in 9M24, a 21% y/y increase. Key export markets for Vietnamese steel include Southeast Asia, Europe, and the United States, accounting for 25%, 22%, and 14% of total exports, respectively.

Figure 153: Steel export by destination in 9M24, Vietnam

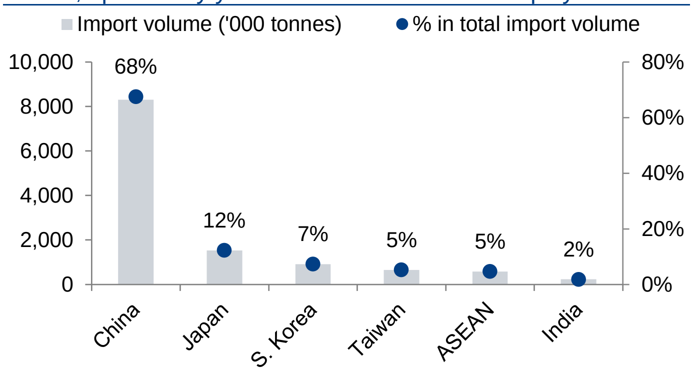
Total Vietnam steel export volume in 9M24 came to 9.9mn tonnes, up 21% y/y



Source: VSA, HSC Research

Figure 154: Imported steel by origin in 9M24, Vietnam

Total steel imported into Vietnam in 9M24 came to 12.3mn tonnes, up 31.6% y/y with China as the dominant player



Source: VSA, HSC Research

Given Vietnam's substantial steel trade activities, including both exports and imports, the country has initiated multiple investigations into imported steel while also being subject to investigations by key trading partners. The details of investigations involving Vietnamese steel products are as follows:

- In 9M24: Vietnam initiated 2 cases of Anti-dumping investigation on certain galvanized steel products (AD19); and Anti-dumping on hot rolled coil (AD20). Separately a final evaluation of AD04 on imported color steel sheet was extended by the Ministry of Industry and Trade for another 5 years.
- During 2004 to Aug-24: Foreign countries initiated 78 trade remedy cases against steel products imported from Vietnam
    - Anti-dumping (45 cases)
    - Anti-subsidy (4 cases)
    - Anti-dumping and anti-subsidy (7 cases)
    - Safeguard (13 cases)
    - Anti-circumvention of AD & CVD (9 cases)

Typically, investigations against Vietnamese steel products in FY24 come from EU (HRC), US (galvanized steel sheet) and India (flat steel).

Domestic market positioned for strong growth

We maintain our positive view on the Steel industry as we forecast the FY24/25 steel (all types) sales volume to increase by 14% y/y to 31.7mn tonnes and 11% y/y to 35.2mn tonnes in the respective years. The growth is forecast to be led by a combination of (1) construction activities from both public and residential projects and (2) a switch in demand from imported HRC to local products.

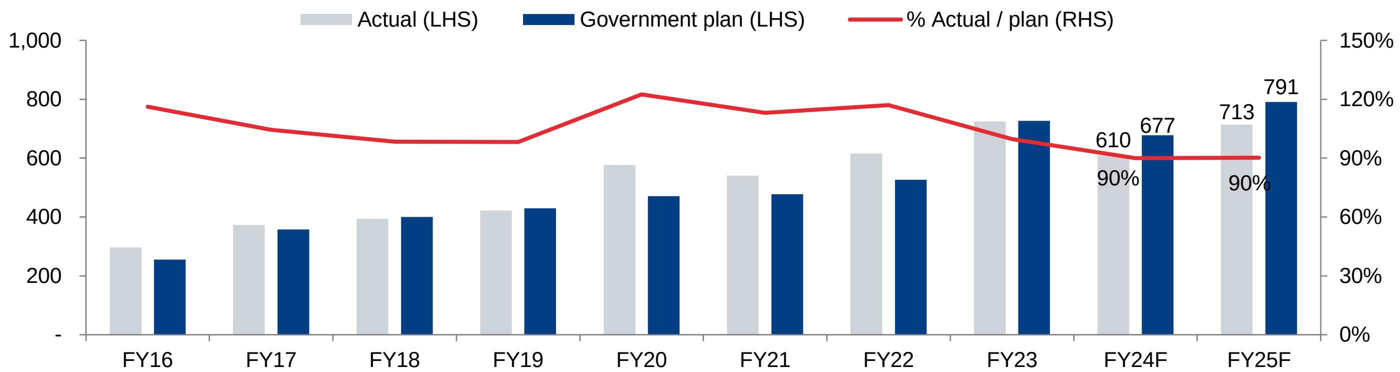
The first catalyst lies in Vietnam's robust construction activity growth anticipated in the coming years, driven by key large-scale projects from the government's ambitious plans such as the Long Thanh International Airport, Terminal 3 of Tan Son Nhat Internation Airport, Ring Road No.3, North-South expressway and North-South high-speed Railway, etc. Additionally, the gradual recovery of the residential real estate market, with new projects expected to receive construction permits, is set to further boost steel demand in the near future.

For the 2nd catalyst, we believe that even without AD20 (anti-dumping investigation on imported HRC from China/India) the demand for HRC products of local producers (from Formosa and HPG) will recover going forwards for several reasons:

- Potential higher tax imposed on Chinese products (including steel products) with Trump's victory. The transshipment of Chinese products will be controlled strictly. That would help increase Vietnamese HRC demand globally with regulations on certificates of origin.
- New capacity of HRC from HPG (adding 2.8mn tonnes per annum in FY25 and another 2.8mn tonnes per annum in FY26). HPG will find new markets to absorb their newly added capacity. This said, Vietnam's HRC capacity will increase to 11.3mn tonnes per annum (+33% y/y) in FY25 and 14.1mn tonnes per annum in FY26 (+25% y/y).

Figure 155: Public investment (VNDtn), Vietnam

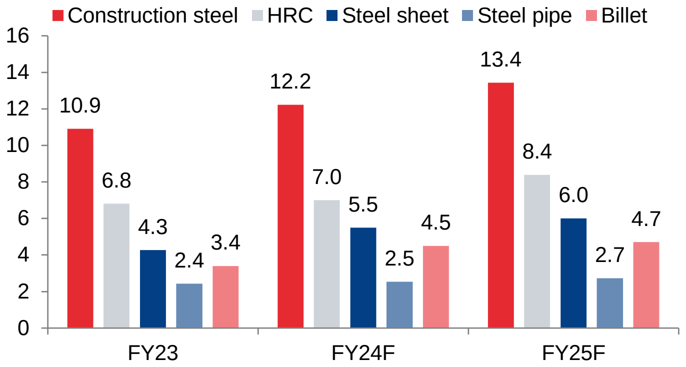
We expect public investment to grow by 17% y/y in FY25, reaching VND713tn and fulfilling 90% of the government's plan



Source: HSC Research

Figure 156: Steel sales vol. forecasts (mn tonnes), Vietnam

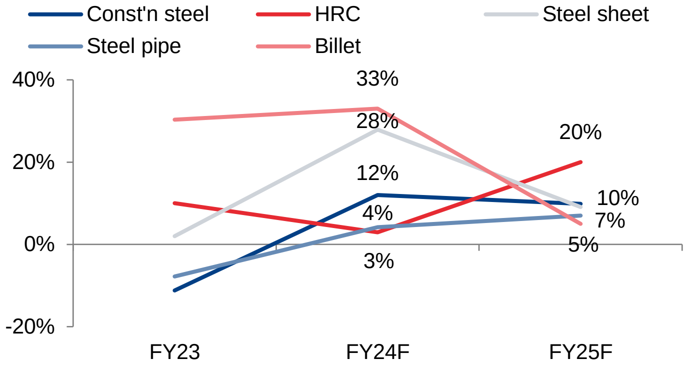
Construction steel led in FY24 while HRC will lead in FY25



Source: HSC Research

Figure 157: FY24/25 steel sales volume growth, Vietnam

Strong growth is forecasted in FY24/25



Source: HSC Research

With these forecasts, we believe that HPG is well positioned to benefit from this trend. We raise our FY24-26 earnings forecasts for HPG, calling for a 3Y net profit CAGR of 46.6% vs. 43.0% previously, on higher sales volume assumption. We have a Strong buy rating on HPG with TP of VND38,800 (upside 45%).

Other materials: Continues to improve towards FY25

We cover plastic pipe, wood, packaging paper and chemical sub-sector in this section. We see positive growth amongst these sub-segments, supported by the resilient macro backdrop. Our top pick is DGC (Buy), which is set to benefit from the improvement in demand in the semiconductor sector.

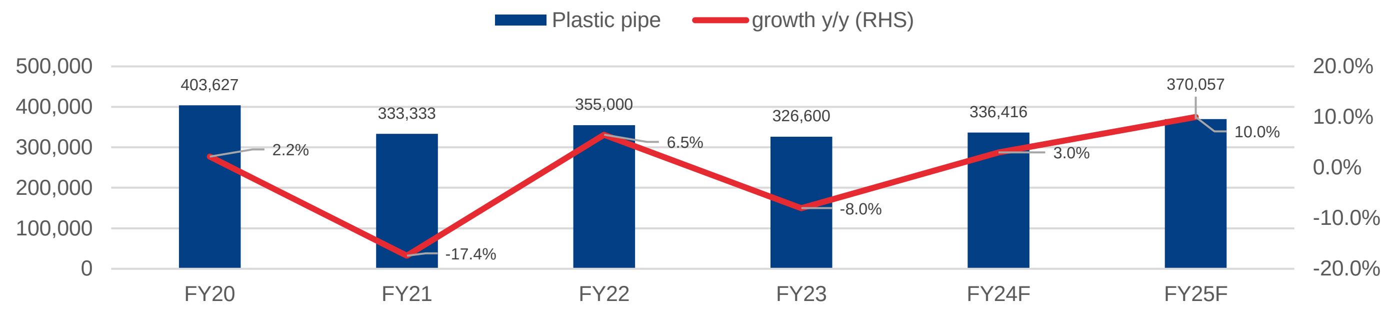
Plastic pipe: Growth with real estate recovery

As a background, there is no import risk for the plastic pipe industry as this is bulk product, which would generate huge transportation costs. Therefore, domestic players dominate this segment and selling prices are typically set by leaders in domestic markets only. As a result, the profitability of plastic pipe is normally higher than other construction materials such as steel, which have a global selling price and therefore higher import risk.

As per our data, the plastic pipe demand of the housing market accounts for 70-75% total plastic pipe demand in Vietnam while the balance of 20-25% is sold to public investment projects. Therefore, with the expectation of public investment disbursement to grow 17% y/y in FY25, demand for plastic pipe is forecast to grow ahead of the economy. For FY24, with the slowly improving environment for the real estate market, the demand for plastic pipe is a bit more modest and forecasted to grow by 3% y/y. However, with aggressive targets on public investment disbursement this year, plus the aim to complete the North-South expressway by FY25 and several infrastructure projects underway, the key market for plastic pipe companies to sell their products will be the infrastructure space. All in all, we are forecasting total plastic pipe sales volume will increase by 10% y/y in FY25 to 370,057 tonnes.

Figure 158: Plastic pipe sales volume, Vietnam

We forecast FY25 plastic pipe sales volume to grow 10% y/y vs. the muted growth of 3% in FY24



Source: HSC Research

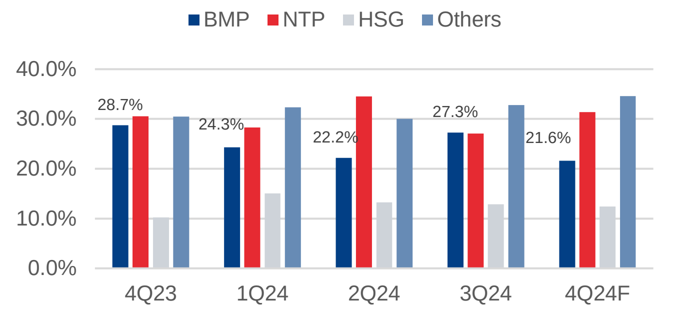
Effective promotional strategies are essential for all plastic pipe companies to maintain their competitive position in the industry. The recent slowdown in promotional activities in Oct/Nov by BMP could negatively impact the company's market share in 4Q24, especially in the face of increasing competition from NTP (Tien Phong Plastic JSC) and HSG. To address this, BMP should resume its promotional efforts, particularly targeting Tier 1 distribution networks, in December.

With this result, FY24 market share of BMP is forecast to come to 23.8%, dropping vs. 26.6% in FY23. Regarding NTP, we forecast that FY24 market share of NTP would come to 30.4%, a slight improvement from 30.2% seen in FY23, on their consistent promotion program. HSG is also benefiting from its in-house distribution networks via Hoa Sen Home to expand its market share sharply to 13.3% in FY24, vs. 10.7% in FY23.

In the meantime, the movement of PVC resin prices remain very important to the profitability of plastic pipe companies, including **BMP (Add; TP VND134,900)**. Despite the less attractive earnings outlook (forecast to drop 5% in FY25 in net profit), BMP's attractive dividend yield of 10%/annum would offer a safe investment choice.

Figure 159: Quarterly market share, Plastic pipe industry

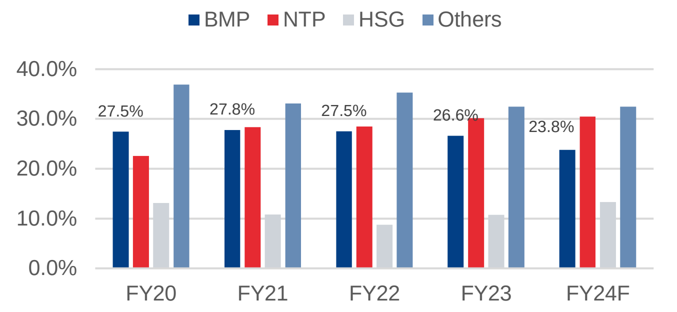
4Q24 BMP market share is estimated to dropped to 21.6%



Source: HSC Research

Figure 160: Annually market share, Plastic pipe industry

We estimate BMP market share in FY24 will drop to 23.8%



Source: HSC Research

Wood: policy changes by the US could have an impact

In 10M24, Vietnam's exports of wood and wooden product (W&WP) have risen by 20% y/y to USD13.1bn. With this result, total W&WP exports for this year could well return to the peak level of USD16.0bn seen in FY22, after a 16% y/y pullback in FY23.

The US continues to be the biggest market, with growth of 24% y/y in 10M24 (to USD7.3bn) and accounting for 56% of Vietnam's W&WP export over the same period. As such, any changes in the US's policy towards this sector could well impact Vietnam.

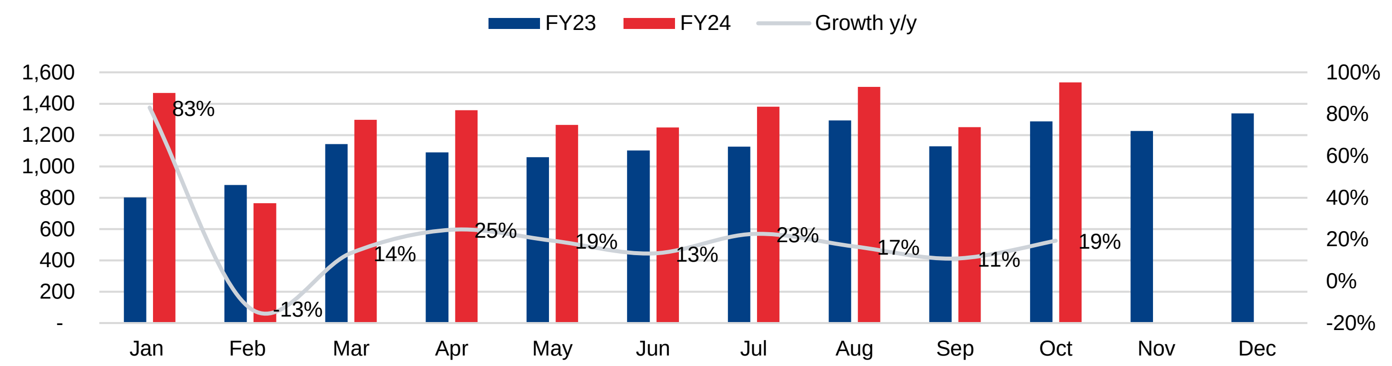
If the US (under Trump's administration) actually imposes a 60% additional import tariff on wood imports from China and 10-20% from other countries, we think there could be negative impact on Vietnam's W&WP, as imports from China now account for only c.5% of total US's imports of wood furniture, while imports from Vietnam account for a large share of c.40%. However, if such happens, we expect the negative impact would be from FY26, while for FY25, the sector might see a benefit as US importers would accumulate inventory ahead of the tariff hike.

In case of no change in the US's policy, we expect solid growth for the sector of 10-12% per annum for FY25/26 as the US housing market would gradually rebound from its economic trough. Meanwhile for this year we estimate growth of 20% for the sector.

Our top pick for the sector is **PTB (Buy, TP VND80,000)**. As a major wood furniture exporter, PTB has benefited from the rebound of the sector this year (its wood revenue rose by 27% y/y in 9M24). In the meantime, PTB's stone segment will benefit from public investment in next year, with supply for the Noi Bai expansion project already in progress, while supply for Long Thanh Internation Airport could be from later next year or FY26.

Figure 161: Vietnam's exports of W&WP (USDmn)

Vietnam's exports of W&WP have risen by 20% y/y in 10M24 to USD13.1bn



Source: Vietnam Custom, HSC Research

Packaging paper: Recovery trajectory in sight

Domestic paper manufacturers faced exceptionally challenging conditions throughout FY24 due to surging input costs driven by heightened global uncertainties related to trade policies and geopolitical tensions. Compounding the issue was paper mills' inability to pass on rising input costs to end-users, with capacity surplus of more than 1.35mn tonnes of paper anticipated in FY24. This was caused by dumping activities from Chinese FDI players in the Vietnam market as they cannot export back their paper products to China due to that country's sluggish domestic demand.

Over the long run, we forecast demand for packaging paper in Vietnam will increase by an average growth rate of 10% y/y over the FY25-26 period to come to around 6.2mn tpa and 6.9mn tpa, respectively. This said, we expect domestic conditions will gradually improve with forecasted capacity surplus levels to come to around 969,000 tonnes and 891,000 tonnes in FY25 and FY26 respectively. According to our in-house macro team, Vietnam's GDP growth is projected at 6.7% in FY24, followed by a steady growth rate of 6.5% for both FY25 and FY26. This expansion is driven by robust retail sales, anticipated to maintain high single-digit growth of approximately 9% throughout the forecast period.

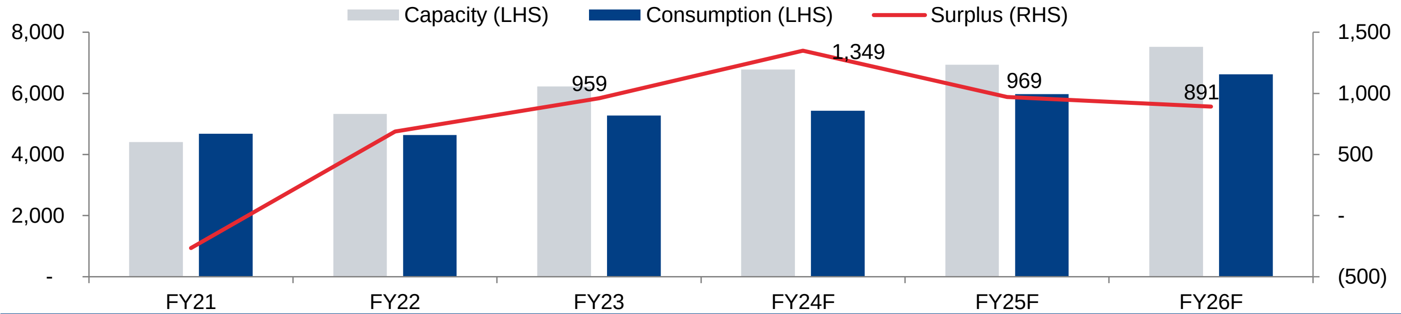
The growth of e-commerce is poised to be a significant driver for Vietnam's packaging paper industry in the future. According to the Vietnamese government's e-commerce development strategy, over half of the country's 96mn population is expected to shop online by 2025. Data from the Ministry of Industry and Trade (MoIT) indicates that Vietnam's e-commerce market was valued at approximately USD20.5bn in FY23 and is projected to grow at a high double-digit rate over the next five years. This expansion is anticipated to drive rising demand for dynamic packaging solutions over time.

If China's demand returns to its anticipated recovery trajectory, any capacity surplus under our current projections that can be redirected to exports to China would present positive opportunities for domestic producers.

Vietnam's paper industry is poised for sustained growth, driven by robust economic expansion, the rapid development of the e-commerce sector, and a narrowing capacity surplus condition as FDI companies redirect exports to China amid economic recovery. As one of the leading players in the market, DHC is well-positioned to capitalize on these favorable trends. We have a Buy rating on **DHC** with a target price of VND42,300 (upside 18%).

Figure 162: Packaging paper supply and demand condition ('000 tonnes), Vietnam

We anticipate the capacity surplus will gradually ease as demand recovers both domestically and internationally



Source: HSC Research

Strong semiconductor demand would be key driver for DGC

The global demand for semiconductors is set to experience strong growth due to the rapid expansion of key industries such as electric vehicles, artificial intelligence and advanced consumer electronics. As digital transformation accelerates across sectors like healthcare, telecommunications, and manufacturing, the need for high-performance chips becomes essential. Emerging technologies such as 5G, cloud computing and Internet of Things (IoT) are also driving demand. The global semiconductor market is forecast to reach a value of over USD1.0tn by 2030, suggesting a FY24-30 CAGR of 8.6%.

Quarterly semiconductor revenue globally has been slowly improving recently, growing 18% y/y (and 9% q/q) to USD150bn in 2Q24. This was led by a strong rebound of 17.4% y/y (and 3.7% q/q) in the Asia Pacific market (in which most of Vietnam's yellow phosphorus is consumed). This said, as of end-2Q24, Asia Pacific Semiconductor revenue accounted for 54.5% of global revenue.

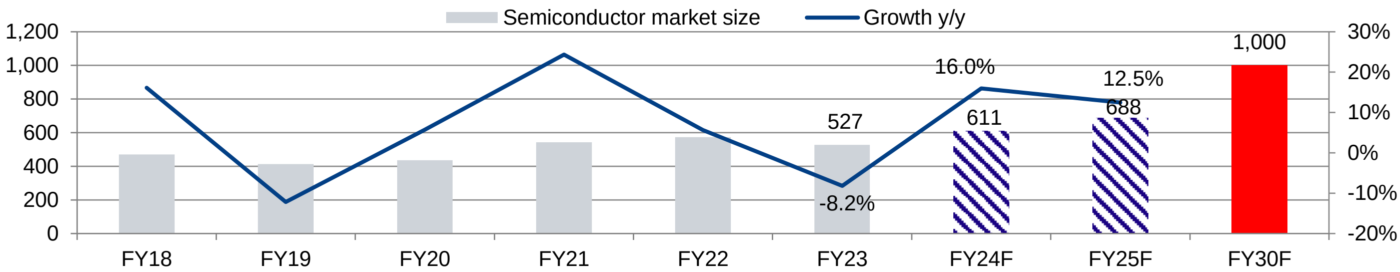
We believe that the strong growth momentum in Asia Pacific would support the higher demand on P4 in general and DGC specifically as main markets for DGC's P4 are Japan, Korea and UAE. TSMC's new factory in Japan is set to begin commercial operations by the end of FY24, and the recent announcement of a second semiconductor fabrication plant in Japan (construction starting in 4Q24 and commercial production expected by 4Q27) will create additional demand for P4 products, benefiting DGC. As per our research, the capex for the first TSMC's factory in Japan is at USD8.6bn with expected annual revenue of USD3.9bn, equivalent to 8.3% of Japan semiconductor revenue in FY23. The expected growing semiconductor industry in Japan, helped by new TSMC fabs going forward would support DGC to increase demand for the company's P4 in the coming years.

Additionally, as illustrated in Figure 164, we anticipate that IC inventory levels will be reduced towards the year end; this, combined with a bottoming-out of fab utilization rates from 1Q24, signal a recovery in demand from the consumer electronics as well as the IC manufacturing market. As production ramps up to meet this demand, the need for IC chips also rises, driving increased demand for essential raw materials like P4, which is used in electronic-grade TPA.

With the government's ambitious plan to position Vietnam as a global semiconductor hub, DGC looks well-positioned to benefit based on its expertise in phosphorus-based products, including P4. **DGC** is our top pick in Material sub-sector with Buy rating and TP of VND138,900 (upside 29%).

Figure 163: Annual semiconductor market size, Global (USDbn)

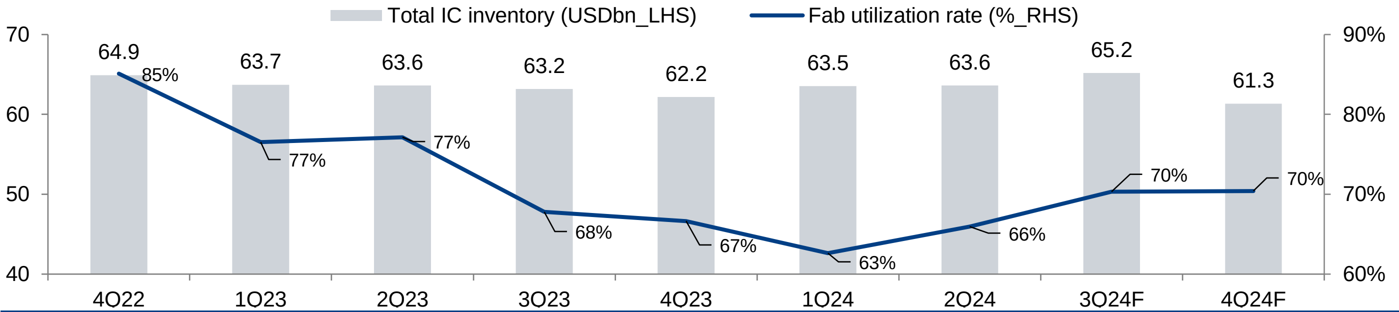
Global semiconductor market value is anticipated to growth 16% y/y in FY24, followed by a 12.5% y/y growth in FY25



Source: World Semiconductor Trade Statistics (WSTS), HSC Research

Figure 164: Total IC inventory and fab utilization rate, Global

Fab utilization rates hit bottom in 1Q24 and are now improving due to inventory restocking and increased demand for IC chips and consumer electronics



Source: SEMI, HSC Research

Seaport: Positive FY25 on solid trading growth

The seaport industry posted high volume growth in 10M24 thanks to demand recovery post destocking period. For FY25, we still have a positive view on the industry thanks to the solid increase in export and import value of Vietnam, despite uncertainty remaining on potential changes in US tariff policies. GMD (Buy) remains our top pick given its strong long-term outlook on its high potential investment projects in the key container hubs of Vietnam.

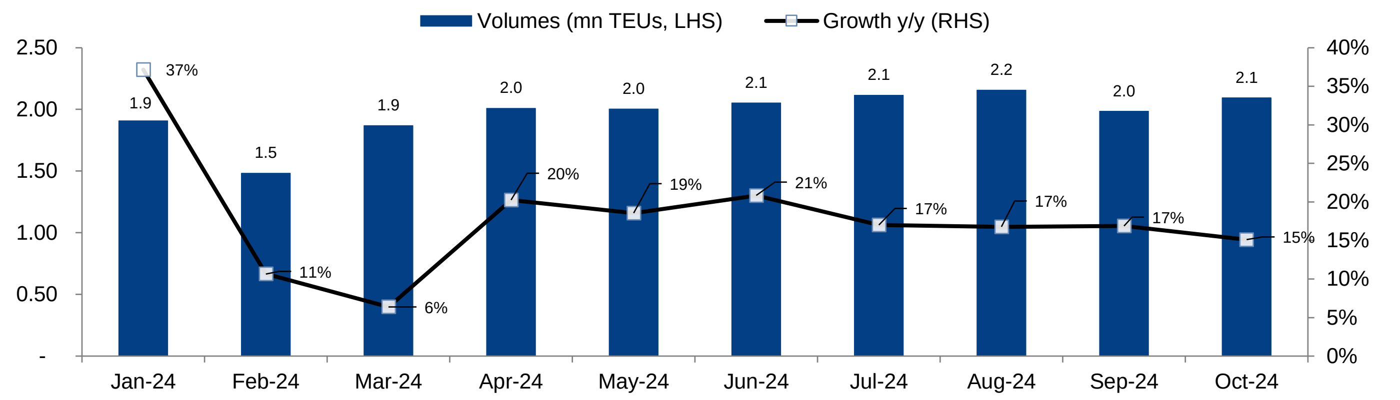
Strong 10M24 volumes growth

According to data of the Vietnam Port Associations (VPA), the 10M24 volumes of Vietnam's key terminals rose 18% y/y to 19.7mn TEUs. This was mainly thanks to the strong export and import value of Vietnam, which posted respective growth of 14.9% and 16.8% y/y.

Among the key terminal hubs of Vietnam, Cai Mep Thi Vai (CMTV) area posted the strongest growth of 34% y/y to 5.3mn TEUs thanks to (1) the demand recovery from the US and EU markets posts destocking activities and (2) the benefits from regional port congestion as this area received transshipments vessels from Singapore to avoid the delay in this area.

Figure 165: Container volumes, Vietnam's key terminals

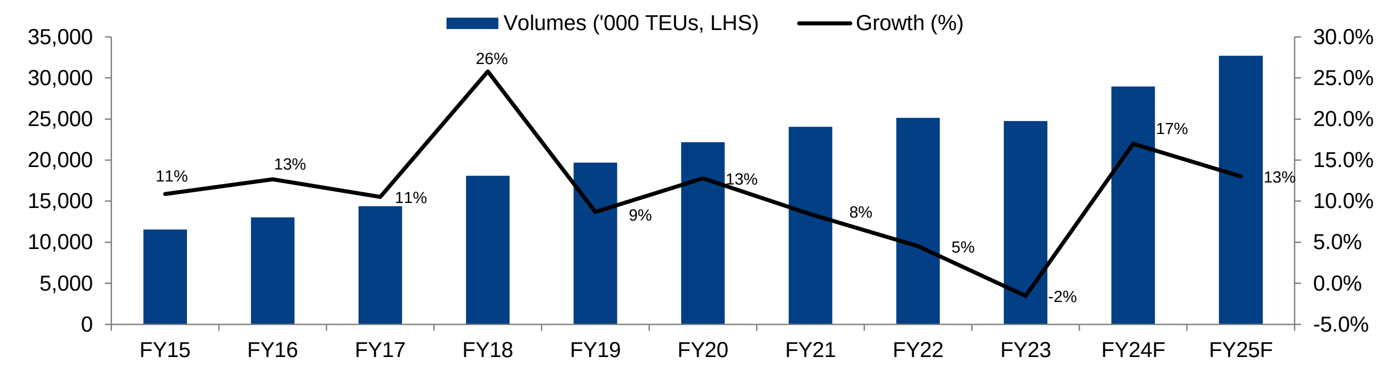
Key Vietnam container terminal posted strong volumes growth



Source: VPA, HSC Research

Figure 166: Vietnam container volumes

We expect volumes growth of Vietnam container terminals of 17% and 13% y/y in FY24/25 respectively



Source: VPA, HSC Research

Positive FY25 outlook

There are many uncertainties in FY25's outlook given the possibility of higher tariffs by the incoming US administration. However, we remain positive on the industry and expect Vietnam's container volumes will improve 13% y/y in FY25, thanks to the reasons below:

- Despite the potential for aggressive US tariff policies, we expect Vietnam's export and import growth will remain moderate by rising both 11% y/y in FY25 vs. 15% and 17.5% respectively in FY24 forecasts. In our view, Vietnam's products remain competitive in the US market despite potential additional 10-20% tariff. Besides, we expect Vietnam will gain market share from China if the country is imposed higher tariff of 60% under the Trump's administration.
- Moreover, before the deadline for imposing new tariffs, US retail companies will likely promote importing more goods to avoid the higher tariffs post implementation. This will likely lead to a surge in trading activities and higher seaport volumes in FY25 if the new tariffs are applied.

Top pick is GMD

Our top pick in the industry is **GMD (Buy, TP VND81,800)**. Thanks to the leading position in the seaport industry, with ports locating in all three regions of Vietnam, GMD will benefit the most from solid trading growth. We like GMD thanks to its strong fundamentals, good financial health, high potential of its investment projects in the key container hub of Vietnam.

We expect its FY24 core PBT will improve 36% y/y to VND1.7tn thanks to strong volumes growth this year and benefits from regional port congestion. For FY25, we forecast core PBT growth of 21% y/y to VND2.2tn. Key earnings driver is the Nam Dinh Vu phase 3, which has three new berths and is expected to commence operation gradually next year.

Logistics: winner finding growth engine in new fields

Vietnam's delivery sector sees decent growth, but competition seems not to be cooling. As such, top players are finding new fields to find new growth engines. In this context, we favor VTP as a pioneer mover to logistics/supply chain with aggressive investment in the logistics infrastructure.

Delivery: Decent growth despite prolonged competition

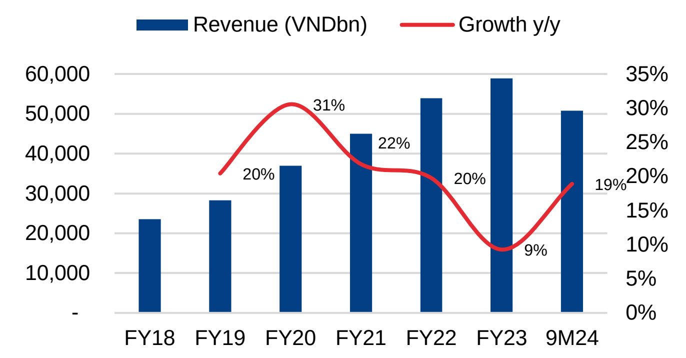
For 3Q24, revenue of the delivery sector rose by 12% y/y to VND17.2tn (1H24: up 22% y/y to VND33.8tn). As a result, the sector saw revenue growth of 19% y/y in 9M24 to VND50.74tn, on the back of a 23% y/y growth in parcel volume (to 2,130mn units).

9M24 ASP was VND23,800 (relatively flat to the level seen in FY23). ASP seems to have bottomed out after having declined since FY18 due to fierce competition.

With core revenue growth of 41% in 3Q24 (to VND2,574bn) and 44% in 9M24 (to VND7,030bn), VTP gained further market share in 3Q24 to 15.0% (vs. 11.9% in 3Q23 and 13.2% in 1H24). Its market share in 9M24 also improved to 13.9%, from 11.4% seen in 9M23.

Figure 167: Revenue of the delivery sector, Vietnam

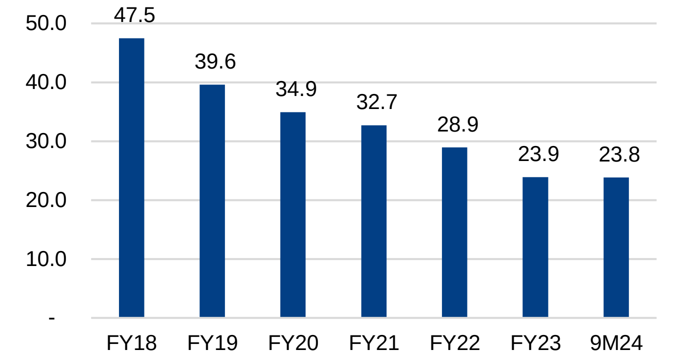
Vietnam's delivery revenue rose 19% y/y in 9M24



Source: MoIT

Figure 168: ASP of the delivery sector (VND '000), Vietnam

ASP seems to have bottomed out



Source: MoIT, HSC Research

Logistics: cross-border e-commerce driving demand for infra.

Vietnam's e-commerce has the highest growth in the SEA (South East Asian) region, with 20%+ growth per annum. E-commerce value is expected to grow at a CAGR of c.20% over FY24-30F to reach USD63bn by FY30, from estimated USD22bn in FY24 (according to 2024 e-Conomy SEA report by Google).

According to the Ministry of Industry and Trade, cross-border e-commerce is estimated to have much higher growth (more than double the growth of general e-commerce). This demands cross-border logistics infrastructure to support this growth.

In the context of this, VTP is a pioneer mover, leveraging advantages as the logistics arm of the military-run Viettel (Vietnam's biggest telco with expanding arm to many other fields including logistics). VTP's Lang Son Logistics Park, a major project of Lang Son province covering an area of 143ha, will be put into operation by the end of this year, with the first phase expected to add c.VND500bn in revenue right from next year.

Besides this, VTP also proposes to be part of the smart border project of Lang Son province. This could become a major catalyst for VTP if it could actually be an investor in this project.

VTP: Strong outlook; New projects driving share price rally

We like **VTP (Add; TP VND123,400)** as one of the leaders in the delivery sector and pioneer in switching its business model to logistics/supply chain. VTP's recent share price rally is attributed by (1) market excitement on VTP's Lang Son Logistic parks, (2) the stock's likely inclusion in ETFs (HSC estimates inclusion of 500,000 shares in FTSE and 1mn in Vaneck for VTP, to be officially announced in 6 and 14 Dec-24.

Aviation: Strong FY25 outlook on domestic recovery

Our top picks are ACV and HVN. We like ACV's fundamentals thanks to its solid long-term outlook with monopoly position, high potential investment projects and attractive valuation. Meanwhile, we favor HVN thanks to its strong earnings turnaround from losses during COVID and the better outlook from market restructuring with lower competition. Both the companies will benefit from demand recovery next year.

Solid international growth, signs of domestic recovery

International air passenger numbers continued to grow in 10M24 while domestic demand remained sluggish due to high ticket prices and weak consumer confidence. However, positive signs are the decelerating decrease in domestic passenger numbers in the recent months:

- October domestic passenger numbers came to 4.9mn pax, down just 7% y/y and rose 6% m/m. The decrease was slowed down vs. the drops of 18% y/y in 9M24. For 10M24, total domestic passenger numbers reached 57.8mn pax, down 17% y/y and 7% below the pre-COVID level.
- October international passenger numbers came to 3.4mn pax, up 15% y/y. For 10M24, total international pax reached 33.8mn, up 29% y/y and 2% below the 10M19 (pre-COVID).

Figure 169: 10M24 air passenger numbers, Vietnam

10M24 total volumes declined 4% y/y and 5% below the pre-COVID

	10M19	10M23	10M24	Growth y/y	Growth vs. pre covid
International	34.5	26.3	33.8	29%	-2%
Domestic	62.3	69.4	57.8	-17%	-7%
Total	**96.8**	**95.8**	**91.6**	**-4%**	**-5%**

Source: ACV, HSC Research

We expect FY25 total passenger numbers will grow 12% y/y, driven by a 10% and 16% y/y increase in domestic and international pax respectively.

- **Domestic demand**: We expect FY24 domestic demand of 67.8mn pax (down 16% y/y), which implies 4Q24 domestic demand of 15mn pax, off 8% y/y vs. the drop of 18% y/y in 9M24. For FY25, we expect domestic demand will return to grow by 10% y/y from the low base in this year to 74.6mn pax.
- **International demand**: We forecast international demand of 41.1mn pax (up 26% y/y) in FY24. This implies 4Q24 international pax of 10.8mn (up 17% y/y). For FY25, we forecast 47.5mn (up 16% y/y) and key driver for international growth will be the further China recovery, the solid demand growth of other key markets (including the South Korea, Taiwan and Japan) and new opening routes to other markets (such as India and Australia).

Figure 170: Passenger number forecasts (mn pax), Vietnam

We expect domestic will return to grow next year and international demand growth remains solid

	FY19A	FY20A	FY21A	FY22A	FY23A	FY24F	FY25F	FY26F
Passenger numbers								
International	41.8	7.4	0.5	12	32.6	41.1	47.5	53.5
Domestic	74.6	57.8	29.6	87.1	80.4	67.8	74.6	79.8
Total	116.3	65.2	30.1	99	113	108.9	122.1	133.3
Growth y/y								
International		-82%	-93%	2202%	173%	26%	16%	13%
Domestic		-22%	-49%	194%	-8%	-16%	10%	7%
Total		-44%	-54%	229%	14%	-4%	12%	9%
Growth vs. FY19								
International		-82%	-99%	-71%	-22%	-2%	14%	28%
Domestic		-22%	-60%	17%	8%	-9%	0%	7%
Total		-44%	-74%	-15%	-3%	-6%	5%	15%

Source: HSC Research

Figure 171: Estimated operating aircraft number, Vietnam

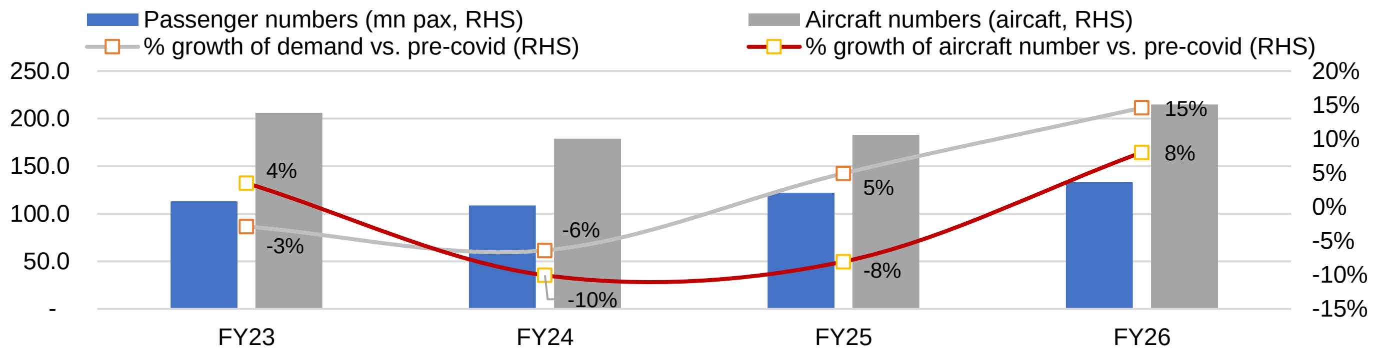
FY25 aircraft will still below the pre-COVID level

	End-FY19	End-FY23	End-9M24	End FY24	End FY25	End FY26
HVN	106	106	85	86	87	95
VJC	71	86	77	82	85	109
Bamboo	22	11	7	8	8	8
Vietravel	-	3	3	3	3	3
Total	**199**	**206**	**172**	**179**	**183**	**215**
Growth y/y			-17%	5%	2%	17%
Growth vs. FY19		4%	-14%	-10%	-8%	8%

Note: the estimated operation number does not include short-term leasing on peak season
Source: HVN, HSC Research

Figure 172: Forecasted demand and aircraft numbers, Vietnam

FY25 aircraft shortages will likely more severe as estimated demand growth is higher vs. aircraft growth



Note: the estimated operation number does not include short-term leasing on peak season
Source: HSC Research estimates

Airlines' profit margins will likely expand on aircraft shortage and possible lower jet fuel price

We believe that the aircraft shortages will be worse in FY25 vs. FY24 given the aircraft receival schedule of the two leading airlines, HVN and VJC (accounting for 89% of the domestic passenger market share and 44% of the Vietnam's international passenger market share).

Besides, according to the newest forecast of US Energy Information Administration (EIA) the average jet fuel price will reduce 8% y/y in FY25 to USD92 per barrel. This will benefit airlines as fuel expenses account for 33% and 41% of HVN and VJC's operating expenses respectively in 9M24.

Top picks are ACV, HVN

Due to the possible lower jet fuel price, together with the aircraft shortages as mentioned above, we expect airlines will post profit margins expansion in FY25. Between the two listed airlines, we favor **HVN (Buy, TP VND34,500)** thanks to its attractive valuation as its 1-yr rolling fwd. EV/EBITDAR is still below the pre-pandemic while the FY24-26 net profit will likely surpass the pandemic level thanks to lower competition, restructuring subsidiary and aircraft shortages.

Besides, **ACV (Buy, TP VND156,700)** is also a top pick in the industry. ACV will deliver profit margin expansion on the strong increase in international passenger numbers. In the long-term, the Terminal 3 at Tan Son Nhat International Airport and Long Thanh International Airport, which will commence operation from April 2025 and end-FY26 will help ACV to deliver solid earnings growth.

Autos: Back to growth

Vietnam's auto sector is set to resume growth from this year, after a pullback in FY23. We now forecast growth of 8% and 14% for FY25 and FY26 (on a base case of no further policy support), following an estimated 12% growth of this year. We recommend Buy for VEA on cheap valuation and strong yields, and HAX strong projected earnings growth as a leverage player.

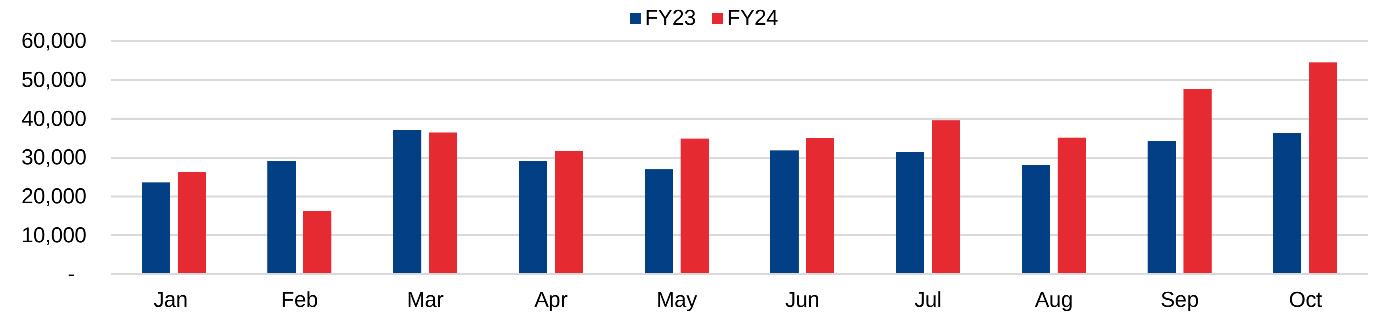
Resumption of the 50% CKD reg. fee support strongly helps

Following quite muted growth in 1H24 (180,796 unit, up 2% y/y) and several rounds of discussion, a 50% registration fee waiver support for CKDs (completely knocked downs) was finally approved (for the fourth time), with three-month application between Sep-24 and Nov-24 (vs. six months in the former three times).

Following this, Vietnam's auto sales volume has seen a strong jump in Sep and Oct (by 39% and 50%). For 10M24, total sale volume rose 17% y/y to 357,485 units, led by a 12% growth of CKDs and 28% growth of CBUs (completely built ups). We attribute the strong growth of CBUs this year to a surge in imports from China, as Chinese brands are making an entrance into the Vietnam's market.

Figure 173: Monthly auto sales (units), Vietnam

Vietnam's auto sales volume saw strong jump of 39% and 50% in Sep-24 and Oct-24, following resumption of the 50% reg. fee cut



Source: VAMA, TC Motor, Vietnam Register

Growth resuming from this year

Thanks to the fee support, we now estimate sales volume growth of 14% for 4Q24 and 12% for FY24, from a 19% y/y drop in FY23.

In our base case, we assume no further policy support. As such, our growth forecast for FY25/26 would be 8% and 14%. The growth for next year is rather moderate as sale volume tends to cool down after a period of support application, while auto sales is a lagging indicator of the economy which is on the way to recovery.

Over a longer term, we maintain our positive for the sector. Vietnam's auto sector is still at a growing phase, helped by rising demand, improved infrastructure and a currently low penetration rate.

Buy rated for both VEA and HAX

We now have Buys rating for both dividend player **VEA (Buy; TP VND51,600)** and auto-dealer **HAX (Buy, TP VND20,000).** VEA offers solid dividend yields of 11-12% over FY24-26F, coupled with cheap valuation. Meanwhile, HAX will see strong earnings growth in the next two years, following strong earnings rebound this year, as the sector resumes growth.

Energy & Utilities: Gearing up for opportunities ahead

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- We maintain a positive outlook on the E&U sector, supported by robust capacity expansion that aligns with the country's GDP growth rates of 6-7% in coming years. Specifically, the O&G sector is gearing up with new offshore O&G projects such as Block B O Mon gas project. The utilities sectors are poised to benefit from the recent regulatory reforms and increasing demand for infrastructure upgrades.
- For earnings prospect, we expect the E&U sector aggregate net profit growth for FY25 to rebound to 40% (vs. -29% in FY24E) with major contributions from the O&G sector thanks to more favorable market conditions next year.
- Our top picks include PVD, PVS, TDM and GEG.

Energy and Utilities: Kickstarting capacity expansion

Vietnam's rapid industrialization and urbanization require significant upgrades to the country's infrastructure, particularly in the energy and utilities sectors. Recent developments, including the new Electricity Law, aim to tackle electricity shortages and facilitate new capacity investments. We see a common trend among energy and utilities companies to have strategic expansions in the medium term, which are closely aligned with the government's roadmap.

Earnings prospects

We forecast the sector will rebound with 40% aggregate net profit growth in FY25 vs. -30% in FY24E. Specifically, the O&G sector's net profit growth is expected to be 51% (vs. -40% in FY24E). Meanwhile, Utilities – Electricity and Utilities - Water sectors net profits are forecasted to rebound by almost 40% in FY25 vs. a muted growth in FY24E.

Top picks

Our top picks include PVD (Buy – 46.9% upside), PVS (Buy – 48.8% upside), TDM (Buy 30.7% upside) and GEG (Buy – 51.9% upside). PVD and PVS are expected to benefit from more domestic and regional oil and gas exploration as well as production activities. TDM's upside comes from its water processing capacity expansion in Binh Duong province and a relatively cheap adj. FY25 P/E (10.0x vs. BWE's of 12.2x). Meanwhile for GEG, we expect the company to finish negotiations with EVN for the transitional tariff for Tan Phu Dong 1 project, while benefitting from the newly revised Electricity Law which supports development of new renewable projects in Vietnam.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Binh Son Refining & Petroch.	BSR	19,500	Hold	-	19,200	-	(1.54)	533	36.3	18.3	10.2	0	1.54
Binh Duong Water-Environ't	BWE	47,300	Buy	-	56,000	-	18.4	13.3	10.7	8.06	6.99	0	2.75
PetroVietnam Gas	GAS	68,600	Buy	-	85,000	-	23.9	14.5	10.5	10.2	7.57	8.75	5.83
Gialai Electricity	GEG	11,100	Buy	-	16,857	-	51.9	17.4	11.9	-	-	3.43	3.43
PetroVietnam Oil Corp.	OIL	12,100	Buy	-	14,200	-	17.4	21.7	24.4	22.5	29.5	2.07	2.07
Power Construction	PC1	22,850	Buy	-	28,000	-	22.5	17.1	12.5	7.43	7.21	0	0
Power Generation JSC 3	PGV	19,100	Reduce	-	17,000	-	(11.0)	N/a	21.9	6.61	5.74	3.47	0
VN National Petroleum Gp.	PLX	40,300	Add	-	45,300	-	12.4	20.0	21.9	11.6	12.1	2.48	2.98
PetroVietnam Power	POW	12,300	Add	-	13,500	-	9.76	17.8	14.5	9.03	7.44	2.44	2.44
PetroVietnam Drill. & Well	PVD	23,150	Buy	-	34,000	-	46.9	14.8	9.97	6.83	5.83	0	0
PetroVietnam Tech'l Services	PVS	33,600	Buy	-	50,000	-	48.8	14.6	11.9	-	-	-	-
Refrigeration Electrical Eng.	REE	67,200	Add	-	74,600	-	11.0	11.1	10.6	-	-	1.49	2.23
Thu Dau Mot Water	TDM	50,500	Buy	-	66,000	-	30.7	27.4	18.8	15.3	13.7	2.97	3.17

Share prices as of 4 December 2024.
Source: Companies, FactSet, HSC Research

Opportunities ahead with new capacity investments

We remain positive on the Energy and Utilities sectors, supported by robust capacity expansion that aligns with the country's GDP growth rates of 6-7% in coming years. Given short-term bottlenecks are being resolved, increasing demand and resulting expanded capacity within the energy and utilities sectors are the main catalysts for future earnings growth and share prices of listed energy and utilities companies. We forecast that the E&U sector's net profit growth will rebound by 40% in FY25. Our top picks are PVD, PVS, TDM and GEG.

Growing demand calls for infrastructure investments

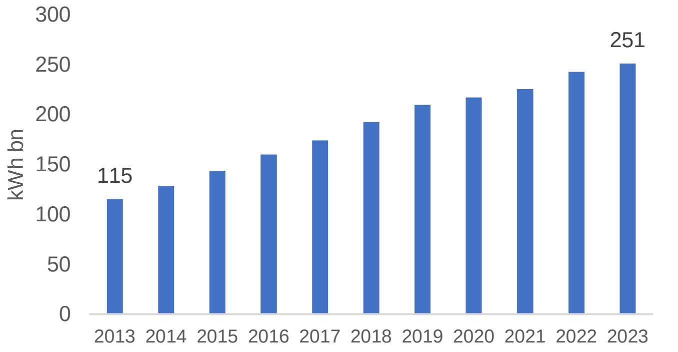
Vietnam's fast-growing pace of industrialization and urbanization calls for strong investments in infrastructure development. The country has become more reliant on manufacturing and exports, following a strong wave of FDI inflows in the past few years. This situation urged the government to come up with encouraging regulations and infrastructure upgrade plans to bolster the energy and utilities sectors, which are deemed as a major concern regarding social welfare and FDI attractiveness.

Utilities – Electricity & Water sectors: Long-term demand intact

Regarding the Utilities – Electricity sector, total electricity demand reached 251bn kWh in 2023, equivalent to a CAGR of 8.1% over the past ten years. This strong growth rate was driven by a similarly high average GDP growth rate of ~6% over the past 10 years. Looking back, electricity demand growth is 1.4x higher than the GDP growth rate over the same period. Going forward, the sector requires USD128bn capex (including USD95.4bn in generation capacity and USD32.9bn in transmission lines) from 2021 – 2030, based on the Power Development Plan 8.

Figure 174: Electricity demand in the past 10 years

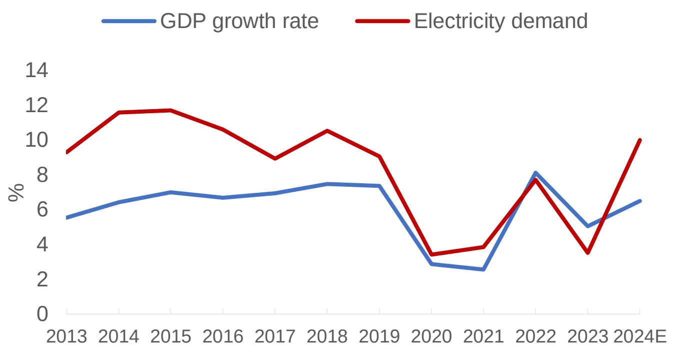
Grew to 251bn kWh in 2023…



Source: EVN

Figure 175: Electricity demand growth vs. GDP growth rate

… and 1.37x higher than the GDP growth in the past ten years

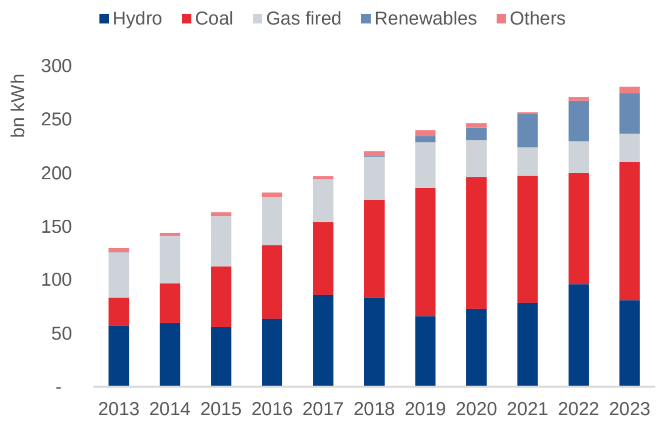


Source: EVN, GSO, HSC Research estimates

Looking from the supply side, coal and gas-fired power plants contributed 57.1% to the total electricity production in 2023 while weather-dependent power plants like hydro, wind and solar accounted for 41.2% of the total production volume. As the trend of investing in renewable generation capacity continues into 2050, we observe the transition from coal power plants to LNG fired power plants from now to 2030, then transitioning towards renewable capacity in 2050.

Figure 176: Vietnam's electricity production by fuels

Coal accounted for half of the electricity generated in 2023



Source: EVN

Figure 177: Vietnam's electricity capacity by fuel sources

Renewables are set to grow from 2030-2050

Unit: MW	2023	2030	2050	CAGR (2030-50)
Coal	27,531	30,127	-	
Hydro	17,828	31,646	36,016	0.8%
Gas	7,422	14,930	-	
Solar	8,950	12,836	168,594-189,294	13.7%- 14.4%
Wind	5,869	27,880	130,050-168,550	8% - 9.4%
Biomass	410	2,270	-	
LNG	-	22,400	25,632 – 32,432	0.7 - 1.9%
Others	16,316	10,670	28,800 – 37,800	5.4 - 6.9%
Total	84,326	150,489	490,529-573,129	6-6.9%

Source: PDP8

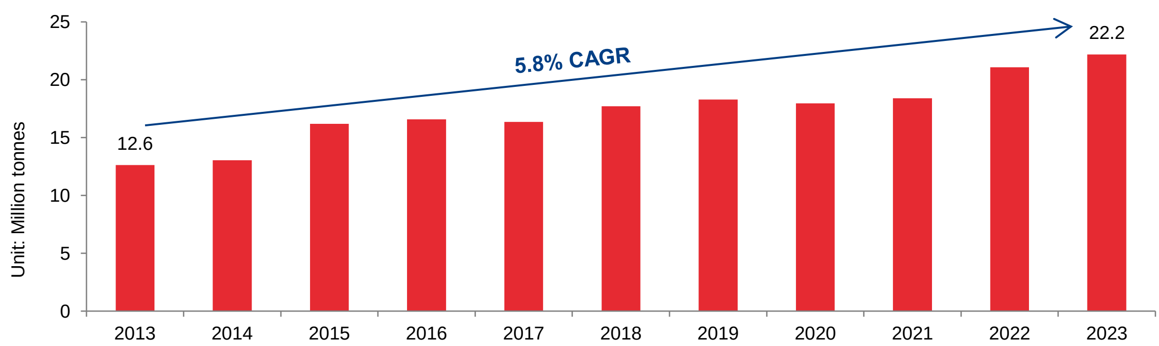
With regards to the water sector, Vietnam has a clean water supply capacity of 11mn cubic meters per day and wastewater treatment capacity of 2mn cubic meters per day. The World Bank estimates that USD9bn is needed for further investment in clean water supply, distribution, and wastewater treatment by 2030. In terms of water infrastructure development, over 78% of the population in major cities has access to clean water while rural areas coverage rates are under 60%. Additionally, Vietnam's water infrastructure suffers from a high rate of water loss (over 30% in some regions), largely due to outdated pipelines and inefficient systems. However, the general water loss rate has been reducing dramatically thanks to government efforts to improve the water loss rate target to 15% in 2025 from 25% in 2015. The government also gives incentives for investment in the water sector such as applying a lower corporate tax rate of 10% vs. a normal corporate tax rate of 20%.

Utilities – Gas: Demand still outpaced domestic supply

In the last 10 years, Vietnam domestic petroleum consumption has witnessed a stable growth at CAGR of 5.8%. Of which, the domestic petroleum contribution in the total supply increased significantly to 65% in 2023 (from 43.7% in 2013), but still below the total domestic demand. Looking forward, we expect that domestic petroleum consumption will continue to increase at 8% in the next 3-5 years, faster than GDP growth thanks to the redistribution of the smugglers' market share, increasing car sales and aviation sector growth.

Figure 178: Total domestic petroleum demands growth

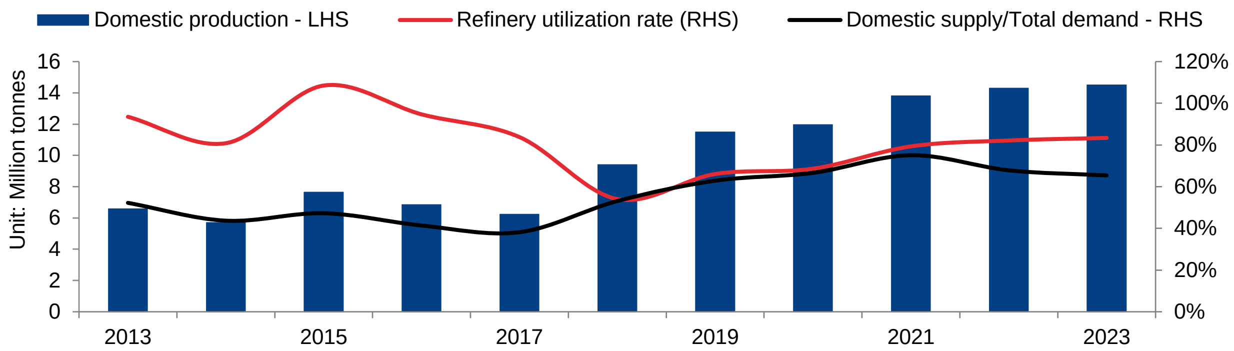
… at a stable CAGR of 5.8% in the last 10 years



Source: MOIT, General Customs, HSC estimates

Figure 179: Supply of petroleum products

…. has increased at a CAGR of 8.2% in the last 10 years



Source: 2024 Energy Institute Statistical Review of World Energy, MOIT, HSC estimates

Some regulatory bottlenecks are being resolved

The newly approved Electricity Law addressed important issues

We expect the new Electricity Law to address the electricity shortage as well as provide long-term support for the development of new power plants. Based on the latest draft, key features of the new law include: (1) supportive measures for LNG power plant development as a primary source of electricity generation and enhanced support for operating the electricity system, (2) new regulations for nuclear power development (3) mechanisms to address project delays, including the withdrawal of development licenses for projects delayed beyond 12 months, (4) contracts for difference (CfD) to support the development of DPPA (Direct Power Purchase Agreement) projects, (5) auction-based investor selection to ensure transparency and fairness in project allocation and (6) development process of emergency power projects, including electricity generation and transmission lines. The new Electricity Law is expected to replace the previous Electricity Law which was originally approved back in 2004.

New regulation for LNG input price, but transmission tariff is not decided

In May 2024, the Ministry of Industrial and Trade issued Decision 1260/QĐ/BCT to specify the selling price of LNG-fired power plants with the range of VND0 – 2590/kWh (equivalent to UScent 10.4/kWh). The maximum LNG input price for thermal power plants, before VAT, storage, regasification, and distribution costs, is USD12.97/MMBTU. We see that this decision paves the way for development of the first two LNG power plants in Vietnam by a state-majority-owned investor PV Power (POW; Add TP: VND13,500).

For the LNG transmission tariff (such as storage, regasification and distribution cost), we expect it to be finalized in 2025 when Nhon Trach 3 and 4 start operations, which we mentioned in our recent O&G sector report. The LNG transmission tariff can also be used for other gas-fired power plants in Vietnam such as Phu My and Nhon Trach 1, 2.

DPPA mechanism

The government approved the DPPA mechanism (under its Decree 80/2024/ND-CP), with an effective date of 3 July. The mechanism (1) allows renewable power plants to sell directly to large electricity users (defined as having demand greater than 200,000 kWh per month) and (2) ensures buyers can attain renewable certificates. Approved ahead of our end-2024 expectation, the decree came after more than seven years of studying and debating. As a reminder, there are two ways of selling renewable electricity to large users:

- Through physical transmission lines that connect sellers to buyers. This method can be used for many types of renewable types like solar wind, small hydro power plants, biomass, geothermal, ocean waves, tidal, sea currents, roof top solar as well as other types of renewable energy.

- Using 'virtual DPPA', which utilizes existing EVN transmission lines but is only applicable for solar and wind power plants with a minimum capacity of 10MW.

As discussed with several industry players, we understand that the transmission line for physical DPPA will be a separate project, and there is a need to adjust the national transmission plan as well as provincial land use plans. This suggests that the physical DPPA development process might be longer and much more complicated than previously expected.

We also expect the selling price to DPPA electricity buyers to be higher than to EVN, as (1) there will be more electricity buyers, (2) buyers will also get the renewable certificates (3) buyers may have a lower credit rating than EVN, thus sellers need to have a higher selling price to compensate for the counterparty risk.

So far, we are eager to see the first DPPA project, which is likely a direct wire PPA contract, to sign contracts after four months of the effective date of this decree. For the virtual DPPA contract, its full implementation would require passage of a new Electricity Law (possibly this November-December) to enable all the critical features of the DPPA to be effective, such as contracts for differences.

New decree for self-consuming rooftop solar

To promote the use of renewable electricity and to reduce the need for investment in transmission grid, the government issued decree 135/2024/NĐ-CP for rooftop solar projects where the electricity generated is consumed onsite. In summary, if the developers want to sell back excess electricity to EVN, they are allowed to sell it back to the national grid at a maximum 20% of capacity at a price based on the previous year's average wholesale electricity market price, which is announced by the National Power System and market Operator Company (NSMO – a new entity independent from EVN, which was transformed from the National Load Dispatch Center), subject to national electricity planning (a maximum capacity of 2,600MW for additional rooftop solar systems until 2030). If the developers decide not to sell back excess volume to the national grid, they can generate electricity with no capacity cap. We also see that the target of this decree is also to reduce the paperwork and registration process for development. Several cities and provinces started to issue guidance for the clarification and streamlining of the development process of 1MW or below rooftop solar projects, such as in Ho Chi Minh City and Binh Phuoc province.

Key implication of this new decree is that it encourages the development of renewable capacity for residential and industrial users in Vietnam, with the main goal of self-consumption and the opportunity to sell excess back to the national grid at a yearly pre-determined price.

We expected that this rooftop solar decree could benefit developers, as the payback period for RTS can be only 3 to 4 years, while the developer can also claim renewable energy certificates. Additionally, there is possibility for a higher capacity cap of 7000MW for self-consuming rooftop solar project based on the system availability, which is much higher than the 2,600MW mentioned above. The possible increase in capacity cap would depend on the government's decision as well as the operational situation and demand growth rate in Vietnam.

Capacity expansion to follow the recent regulatory updates

The recently approved regulations including the new electricity laws are seen as a long-waited nod from the government for companies to carry out the planned strategic capacity expansion. As discussed above, we see the new regulations paved paths for new investments in renewable energy, LNG-fired power and transmission line developments.

Overall, we expect the E&U sectors to soon jumpstart their projects including names such as:

- **PVD** is considering a plan to invest in one or two jack up rigs by 1Q25 (out of the current four jack up rigs, one semi-submersible rig and one land rig). This new rig is expected to serve the new block B O Mon project.
- **PVS** is expanding its O&G service ports in Vung Tau, Quang Ngai, and Thanh Hoa. The capacity expansion is targeted at both domestic oil and gas projects as well as international offshore wind power projects.
- **BWE** and **TDM** can potentially increase their total production capacity by 13% per year over 2023-2030. In the short to medium term, BWE and TDM can expand their total water supply capacity quickly in nearby provinces by adding new capacity in high demand areas such as in Nhi Thanh Water Plant (Long Anh Province) which BWE plans to double capacity to 120k cbm/day by 2025.
- **PGV**: has a long-term plan for capacity expansion including Srepok 3 Hydro Power Plant Extension (110MW); offshore wind project in Binh Thuan Province with Corico Generation (1000MW); Long Son LNG (3.6-4.5GW, with 1.5GW in the first phase); flexible electricity generation project in Ninh Binh Province (300MW).
- **GEG**: has plans to add additional generation capacity from VPL2 wind plant (30MW) and Duc Hue 2 solar (~40MW).

Earnings outlook

FY24-25 earnings prospects hinges on regulatory approval

The aggregate FY25 forecasted net profit growth is 40% which comes from a low base in FY24. Despite the long-bright prospect for capacity expansion, we expect that the near-term outlook for the Energy & Utilities hinges on regulatory approval for several reasons.

- The earnings prospect for the Oil and Gas sector looks solid but still depends on the LNG transmission tariff for thermal power plants by MoIT, and the final approval of the Block B O Mon gas project. Despite the companies having started working on the EPC contracts, an official final investment decision is expected to formalize further capex of oil and gas services companies to provide relevant services for this project.
- The earnings prospect for Utilities – Electricity sector is expected to grow at 42% on the back of higher selling volumes, lower FX loss and financial expenses, but is also subject to the approval of LNG transmission tariff next year. We expect the first DPPA contract and the first transitional tariff to be signed are the key signals for a higher net profit growth rate.
- The earnings prospect for Utilities – Water sector is expected to grow at 37% thanks to the higher selling volume but also depends on the approval of the long-awaited water tariff hike in Binh Duong Province.
- The earnings prospect for Utilities – Gas sector is expected to be weakened due to a weak oil price outlook. We have not factored in the potential improvement of gross profit per liter resulting from the anticipated Decree of Petroleum Product Trading.

Figure 180: FY24/25 net profit estimates, HSC Energy & Utilities covered companies

Company	FY23	FY24E	% y/y growth	FY25E	% y/y growth	Comments
PVD	585	869	49%	1,291	49%	Higher jack-up rates and a new rig added
GAS	11,606	10,961	-6%	15,379	40%	Declined net earnings in FY24 are driven by a meaningful provision for receivables, similar to the LNG tariff, which is expected to be reversed in FY25 when the government finalizes the tariff
PVS	867	1,099	27%	1,348	23%	Driven by stronger EPC revenue
BSR	8,650	113	-99%	1,665	1373%	Due to a low base in 2024. No capacity expansion is expected over the forecast horizon
Energy - Oil & Gas	**21,708**	**13,042**	**-40%**	**19,683**	**51%**	
GEG	108	216	100%	314	45%	Transitional tariff, lower financial expenses
POW	1,038	1,622	56%	1,991	23%	Higher selling volumes from new LNG-fired power plants
PC1	137	477	248%	652	37%	Gross margin improved thanks to the margin expansion from nickel mining segment, lower interest expenses
PGV	1,065	-211	-120%	981	N/m	Lower FX loss, and lower interest expenses
REE	2,188	2,478	13%	2,591	5%	Improved utilization from office leasing segment
Utilities - Electricity	**4,536**	**4,582**	**1%**	**6,529**	**42%**	
TDM	283	194	-31%	295	52%	To receive cash dividends of VND107bn from BWE, c. 24% of its bottom line
BWE	674	734	9%	975	33%	Thanks to recovering water selling volumes and higher water tariffs
Utilities - Water	**957**	**928**	**-3%**	**1,270**	**37%**	
OIL	563	576	2%	512	-11%	Gross profit per liter remains low due to (1) competition, (2) weak Brent oil outlook while sales volumes are expected to grow by 12% on aggressive expansion plan in DODO and industrial customers at the same time by adding new COCOs
PLX	2,834	2,612	-8%	2,384	-9%	Gross profit is expected to remain low in FY25 and FY26 due to the weak Brent oil outlook. Volumes are expected to increase 7% and 10% in FY25/26, respectively on low selling price, operation of new COCOs at expressway's rest stops and acquisition of market share left by arrested distributors
Utilities - Gas	**3,397**	**3,188**	**-6%**	**2,896**	**-9%**	
Energy & Utilities aggregate	**30,598**	**21,740**	**-29%**	**30,378**	**40%**	

Source: HSC Research estimates

Valuation and recommendations

Figure 181: Upside to target prices, HSC Energy and Utilities universe

Companies	Current price	Rating	TP	Upside/ downside	Catalysts
PVD	23,150	Buy	34,000	46.9%	New jack up rigs
GAS	68,600	Buy	85,000	23.9%	
PVS	33,600	Buy	50,000	48.8%	Block B O Mon EPC contract announcements
BSR	19,500	Hold	19,200	-1.5%	
Energy - Oil & Gas					
GEG	11,100	Buy	16,857	51.9%	Finalization of the transitional tariff for TPD1 power plants
POW	12,300	Add	13,500	9.8%	
PC1	22,850	Buy	28,000	22.5%	
PGV	19,100	Reduce	17,000	-11.0%	
REE	67,200	Add	74,600	11.0%	
Utilities - Electricity					
TDM	50,500	Buy	66,000	30.7%	Approval of water tariff increase in Binh Duong Province
BWE	47,300	Buy	56,000	18.4%	
Utilities - Water					
OIL	12,100	Buy	14,200	17.4%	
PLX	40,300	Add	45,300	12.4%	
Utilities - Gas					

Note: as of 4 December 2024
Source: HSC Research estimates

Top picks

Our top picks are PVD, PVS, TDM and GEG which are likely to be direct beneficiaries of regulatory approval and capacity expansion in the E&U sectors.

PVD (Buy, TP VND34,000) is likely to secure a long-term drilling campaign (requiring one to two jack-up rigs) for Block B O Mon during 2025 – 2030, and multiple drilling services jobs. Thanks to this long-term drilling campaign, as well as the strong demand in the Southeast Asia region, PVD can ensure high utilization rates for its existing fleet and may be able to expand the fleet.

PVS (Buy, TP VND50,000) is diversifying into the renewable segment by producing offshore wind power plant jackets and offshore substations, while maintaining its conventional O&G upstream business. The company is expanding its service ports and adding facilities like new paint shops.

TDM (Buy, TP VND66,000) is expected to benefit from a higher water tariff rate in Binh Duong Province, which we expect to be approved in 2025, with an annual increase of 3% for each of the next five years, in-line with the 3-5% per year increase in various other provinces.

GEG (Buy, TP VND16,857) is expected to finalize the transitional tariff negotiations with EVN for its Tan Phu Dong 1 wind power plant. So far, we have not seen any projects finish negotiations with EVN, but we expect the negotiation will be done next year due to the stronger electricity demand growth in 2025 of 11.3%.

Risks

- Slower than expected capacity expansion, due to a more prudent approach by developers while waiting for more detailed guidance from the regulators.
- Complications in DPPA negotiations.
- A weaker Brent oil price.

Valuation context

Among the sub-sectors under coverage, Utilities – Water and Utilities – Gas performed well in the past 12M view, outpaced the muted performance of Utilities – Electricity and Oil and Gas sector.

Meanwhile, we believe the re-ratings for PVS and PVD are highly dependent on the prospect of Block B O Mon exploration. For TDM, the company can benefit from a higher water tariff, which we expect to be approved in early 2025. For GEG, we expect the company can benefit from the negotiation with EVN for the transitional tariffs for its Tan Phu Dong 1 wind power plant.

Figure 182: Stock price performance and current valuation, HSC Energy and Utilities universe

Companies	Price	1M	3M	12M	1-year rolling fwd. P/E	Historical average	Std
PVD	23,150	-8.1%	-13.3%	-19.6%	10.2	17.0	-2.3
GAS	68,600	-1.9%	-10.1%	-4.6%	10.9	14.1	-2.0
PVS	33,600	-9.7%	-15.3%	-12.9%	12.1	15.9	-2.1
BSR	19,500	-6.7%	-13.8%	4.0%	50.0	46.3	0.0
Energy - Oil & Gas		**-6.6%**	**-13.1%**	**-8.3%**			
GEG	11,100	4.2%	-7.1%	-14.0%	14.7	52.6	-1.0
POW	12,300	7.4%	-6.8%	6.5%	14.7	19.0	-0.9
PC1	22,850	-2.3%	-7.6%	-6.2%	14.2	21.8	-1.4
PGV	19,100	-4.0%	-12.2%	-16.9%	30.0	21.4	0.0
REE	67,200	5.0%	0.3%	35.4%	10.6	10.3	0.3
Utilities - Electricity		**2.1%**	**-6.7%**	**1.0%**			
TDM	50,500	1.1%	-0.4%	32.7%	10.2	11.9	-0.9
BWE	47,300	5.1%	6.9%	26.4%	12.2	13.0	-0.5
Utilities - Water		**3.1%**	**3.2%**	**29.6%**			
OIL	12,100	6.1%	-17.7%	19.1%	24.2	21.0	1.0
PLX	40,300	1.0%	-14.3%	18.0%	21.7	19.0	0.6
Utilities - Gas		**3.6%**	**-16.0%**	**18.5%**			
Energy & Utilities Aggregate		**-0.2%**	**-8.6%**	**5.2%**			

Note: as of 4 December 2024
Source: HSC Research estimates

Vietnam's Tech industry: Soaring to new heights

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- Global IT spending is projected by Gartner to grow by 9.3% in FY25, driven by a 9.4% increase in IT services. Software and Data Center segments are expected to grow by 14% and 16%, respectively, fueled by increasing GenAI adoption.
- FY25 is poised to be a pivotal year for Vietnam's tech sector, driven by government initiatives/strategies focusing on Semiconductors, Digital Infrastructure, and Human capital development. That would position Vietnam as a regional Tech hub.
- With these ambitious targets, FPT (Add) looks well positioned to be the top beneficiary of these global IT trends. While CTR (Add) is the prime beneficiary from demand for new 5G infrastructure in VN.

Another year of strong growth for Global IT industry

According to Gartner's latest forecast released in Oct-24, worldwide IT spending is projected to reach USD5.7tn in FY25, representing a 9.3% increase, building on the growth of 7.2% estimated in FY24. Of which, IT services, which account for 30% of total revenue, have emerged as the largest contributor to global IT spending. Accordingly, this segment is expected to grow by 5.6% y/y in FY24 to USD1.6tn, followed by an accelerated growth rate of 9.4% y/y in FY25, reaching USD1.7tn.

Planning for GenAI initiatives is helping to drive global IT spending in years to come. In fact, the surge in global IT spending anticipated in FY25 is mainly driven by 3 main segments which are data center systems (16%), software (14%) and IT services (9.4%). This strong outlook is not only a consequence of the latest tech trend, but also a steppingstone towards GenAI. According to Gartner, enterprises are quickly falling behind IT service firms in terms of attracting talent with key IT skill sets. This creates a greater need for investment in consulting spend compared to internal staff. Thus, we do see a bright outlook for IT services providers going forwards.

Vietnam is set benefit strongly from this global trend

According to Ministry of Information and Communication (MoIC), Vietnam's ICT revenue is set to grow at 18% y/y to USD163.6bn this year. Over 11M24, Vietnam's ICT revenue reached USD159.3bn, up by 19.8% y/y, fulfilling 95.6% of government plan. In terms of profit, national profit has come to USD11.6bn, up by 17.5% y/y and achieving 100.2% of the full year target level. This said, for the whole FY24, we forecast Vietnam's ICT revenue would increase by 21% y/y to USD172bn. We believe that recovery in exporting hardware/software and IT services is the main driver this year. Moving to FY25, we forecast the ICT revenue would increase further by 10% to USD189bn, led by the IT services segment.

In conclusion, FY25 is poised to be a pivotal year for Vietnam's tech sector, driven by government initiatives/strategies focusing on Semiconductors, Digital Infrastructure, and Human capital development. That could position Vietnam as a regional Tech hub.

Recommendation

FPT (Add) and CTR (Add) are our top picks in Vietnam's Tech sector. FPT's strong talent pool, expanding capabilities and strategic focus on high-growth areas position it for continued growth, while CTR is set to benefit from the accelerating 5G deployment in Vietnam market.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Viettel Construction	CTR	126,200	Add	-	140,800	-	11.6	35.4	31.5	14.7	11.3	0.79	0.95
FPT Corp	FPT	143,500	Add	-	160,800	-	12.1	29.4	23.3	16.7	13.6	1.39	1.74

Share prices as of 4 December 2024.
Source: Companies, FactSet, HSC Research

Vietnam's Technology: Unleashing the next wave of growth

The global technology landscape is poised for significant growth in the coming years, fueled by rising demand and continuous innovation across various segments. According to Gartner, global IT spending is projected to reach USD5.7tn in FY25, reflecting a 9.3% y/y increase, driven by substantial investments in data center systems, software, and IT services. In Vietnam, we maintain our positive view on the Technology sector on the back of growing demand for Digital transformation and Government effort to transform Vietnam to becomes the regional Tech hub. FPT (Add) and CTR (Add) are our Top pick in this industry.

Software and IT services to drive global growth

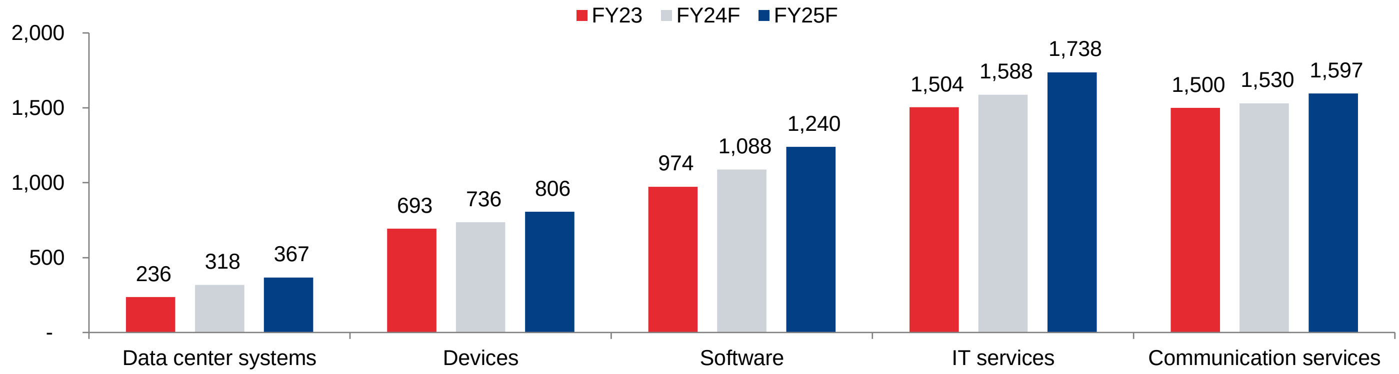
According to Gartner's latest forecast released in Oct-24, worldwide IT spending is projected to reach USD5.7tn in FY25, representing a 9.3% increase from FY24. IT services have emerged as the largest contributor to global IT spending, accounting for approximately 30% annually. This segment is expected to grow by 5.6% y/y in FY24 to USD1.58tn, followed by an accelerated growth rate of 9.4% y/y in FY25, reaching USD1.74tn.

Planning for GenAI initiatives is helping to drive global IT spending in years to come. In fact, the surge in global IT spending anticipated in FY25 is mainly driven by 3 main segments which are data center systems (15.5%), software (14%) and IT services (9.4%).

Growth in the data center systems segment is primarily driven by server sales (roughly 70% of segment spending in FY25), with GenAI serving as the key growth catalyst. GenAI is reshaping the data center landscape, significantly impacting their design, operations, and market demand. The surge in GenAI adoption is projected to nearly triple server sales from over USD134bn in FY23 to approximately USD332bn by FY28, reflecting a strong FY23-28 CAGR of around 20%. Meanwhile, spending on software and IT services is anticipated to focus on AI-related projects, including applications like email and authoring.

Figure 183: Worldwide IT spending forecasts, by segments (USDbn)

Global IT spending is anticipated to come to USD5.7tn in FY25, suggesting a y/y growth of 9.3% (versus 7.2% growth in FY24)



Source: Gartner, HSC Research

Vietnam is poised to benefit from this global trend

According to Ministry of Information and Communication (MoIC), Vietnam's ICT revenue is set to grow at 18% y/y to USD166.6bn in FY24. Over 11M24, Vietnam's ICT revenue reached USD159.3bn, up by 19.8% y/y, fulfilling 95.6% of government plan. In terms of profit, national profit has come to USD11.6bn, up by 17.5% y/y and achieving 100.2% of the full year target level.

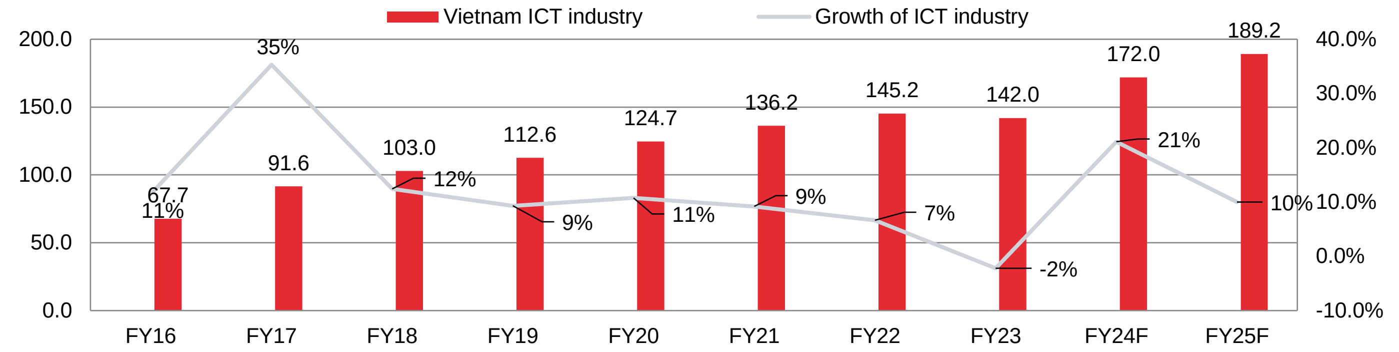
Given the lack of breakdown of each segment for the strong growth of 18% y/y in 11M24 ICT revenue, we believe that strong recovery (23% y/y increase in 10M24) of exporting hardware and further improvement in Global IT services (IT services and exporting software) are another two factors to lead the robust growth this year.

This said, for the whole FY24, we forecast Vietnam's ICT revenue would increase by 21% y/y to USD172bn. Moving to FY25, we forecast the ICT revenue would increase further by 10% y/y to USD189bn, led by the IT services segment while the growth of hardware segment is projected to grow by 8.6% vs. 15.5% estimated this year on the high base effect in FY24.

In conclusion, FY25 is poised to be a pivotal year for Vietnam's tech sector, driven by government initiatives/strategies focusing on Semiconductors, Digital Infrastructure, and Human capital development. That could position Vietnam as a regional Tech hub.

Figure 184: Vietnam's ICT revenue (USDbn)

We forecast FY25 revenue to increase further 10% y/y, building on the robust growth of 21% est. in FY24



Source: MIC, HSC Research

Government initiatives to accelerate Vietnam's Tech growth

In late September, the Prime Minister signed and issued two decisions: (1) the Vietnam Semiconductor industry development strategy to 2030 with a vision to 2050 and (2) Developing human resources for the Semiconductor industry to 2030, with a Vision to 2050, marking a significant milestone in Vietnam's ambition to become a world-class semiconductor hub. Details was mentioned in our report "Vietnam's semiconductor industry roadmap to 2050" dated 23 Sep-24.

In November, the MIC also successfully advised the Government to issue Decree 147/2024/ND-CP on the management, provision, and use of Internet services and online information. In addition, the Ministry has submitted to the Prime Minister Decision No. 1437/QD-TTg on the National Action Plan for Digital Economy Development for the period 2024-2025. The plan focuses on the digital transformation of all key sectors with great potential and room for digital economic development, including wholesale and retail, agriculture, manufacturing, tourism, and logistics. Furthermore, this Decision also creates new growth momentum based on data, digital technology, and innovation, enhancing the capacity for governance and operation management of the socio-economic infrastructure system, the management of business operations, creating new business models, and stimulating demand for products and services in the digital environment.

Vietnam's proactive government policies are paving the way for a technological revolution. The country is poised to become a major player in the global tech industry.

FPT will be a key beneficiary of Global IT trends

We believe **FPT (Add – TP of VND160,800)** will be a key beneficiary in Vietnam thanks to it having the largest IT human resources pool, growing technology capability and expanding customer base. The company is a leveraged play on the "new intelligent machine economy" and so we believe that demand will prove to be structural and sustainable over the long-term. We are forecasting a 3Y net profit CAGR of 25% for FPT in the FY24-26 period.

Telecom: 5G commercialization is starting

Vietnam's 5G commercialization: A first glance

Five years after the first technical trial in FY19, Vietnam's 5G commercialization plan has finally realized as Viettel (100% state-owned, non-listed), Vietnam's biggest telco, became the first to officially launch 5G commercially on 15 Oct-24. The other two major telcos, VNPT and Mobifone (both 100% state-owned, non-listed) will also soon have their 5G launched after the 5G spectrum auction successes earlier this year (when each of the three major telcos won a 5G spectrum block).

We look at the price of 5G offered by Viettel and view that as quite reasonable. Users might pay only 50% higher for 5G than what they are paying for 4G (while price per GB for 5G is not necessarily higher than that for 4G). Given Vietnam's current cheap mobile costs, we expect this 5G price premium should be affordable.

Research on 5G data prices in other countries shows that 5G data in Vietnam is much cheaper. This should help Vietnam to accelerate 5G commercialization, given Vietnam is already lagging behind other countries in the 5G race.

Figure 185: 5G vs. 4G data price, Viettel

5G prices are not much higher than 4G, supporting 5G adoption

Network	Packages	Price per month (VND)	Data (GB per day)	Total data per month (GB)	Price per GB (VND)	Offering
5G	5G135	135,000	4	120	1,125	Selectively
	5G150	150,000	6	180	833	Broadly
4G	SD70	70,000	1	30	2,333	Broadly
	SD90	90,000	1.5	45	2,000	Selectively
	SD135	135,000	5	150	900	Broadly

Source: HSC Research

Figure 186: 5G price, selected countries

Vietnam's 5G price offered by Viettel is quite cheap vs. other countries in the region

Country	MNO	Price per month (USD)	Data (GB per month)	Price per GB (USD)	Note
Vietnam	Viettel	6.0	180	0.03	Data only
China	China Mobile	18.0	30	0.60	Include 500 minutes calls
Indonesia	Telkomsel	3.2	30	0.11	Data only
Thailand	AIS	5.9	30	0.20	Data only
Malaysia	U Mobile	11.5	200	0.06	Include unlimited calls

Source: HSC Research compile

China: A case of 5G success

China was one of the first countries in the world to commercialize 5G in late FY19. Five years after commercialization, c.50% of its subscribers are active 5G users. China' 5G adoption is among the fastest in the world. We attribute China's 5G success story to the following factors:

(i) Supportive government policy

China's telcos are state-owned, so they are more responsive to political objectives. As such, the steadfast policy support for 5G in China became a critical factor to promote 5G rollout. Most local governments have also issued subsidy policies for 5G deployment, typically ranging from RMB5,000-10,000 (USD700-1,400) for each accepted 5G BTS. In Aug-22, China's Ministry of Industry and Information Technology released the new 'guidelines for the Construction of 5G Fully Connected Factories' with the aim to promote the construction of 5G fully connected factories by 10,000 enterprises

(ii) COVID-19 accelerated adoption

Compared to previous network application, the focus of China's 5G commercial applications moved from users (B2C) to enterprises (B2B). Amidst this, the COVID-19 breakout accidentally accelerated 5G adoption as social distancing measures were in place to keep the pandemic under control.

5G was then applied in multiple fields, including medical (remote medical examination), education (online studying), entertainment, logistics and manufacturing.

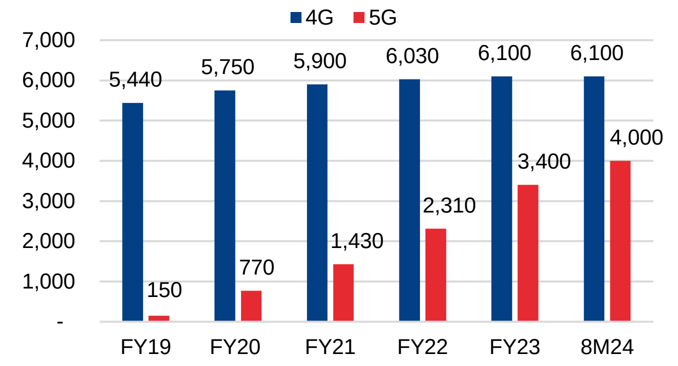
(iii) Infrastructure: Infrastructure plays the key role in 5G rollout. When operating at higher spectrum (2.5-2.6 GHz vs. 1.8 GHz of 4G), each 5G BTS only covers one-third of the 4G coverage area, requiring a three-fold increase in deployment density.

By the end of Aug-24, the total number of 5G BTSs in China reached 4mn units, up 600,000 units from the beginning of year. With more than 6mn units of 4G BTSs, the total number of 4G and 5G BTSs in China now reaches more than 10mn, equivalent to a density of 7 BTSs per 1,000 capita (the highest in terms of coverage density over the global and huge compared to 1 BTSs per 1,000 capita currently in Vietnam).

In the meantime, in order to respond to these government calls for manageable cost, in 2019, China Unicom and China Telecom signed a '*5G Network Co-Building and Sharing Framework Cooperation Agreement*' for 5G infrastructure sharing. Tenancy ratio of China Tower (China's biggest towerco, accounting for 95% of China's towerco market share) has steadily increased from 1.66 in FY20 to 1.80 in FY23.

Figure 187: Number of BTSs ('000 units), China

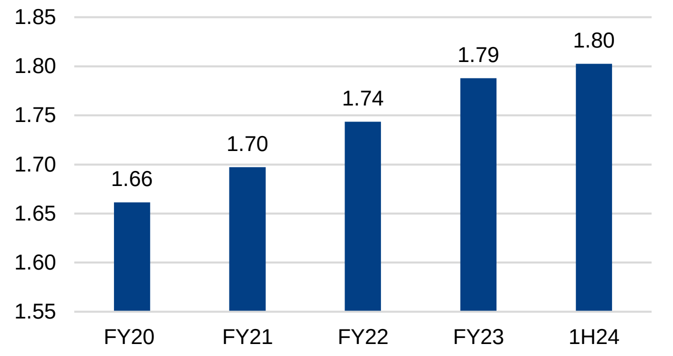
China has 4mn 5G BTSs by end-8M24



Source: HSC Research

Figure 188: Tenancy ratio, China Tower

China Tower's tenancy ratio has gradually increased with 5G



Source: China Tower

What could be the implications for Vietnam?

Vietnam is similar to China in the way that all telcos in Vietnam are state-owned companies. While telcos are still concerned about the financial viability of 5G, the government has effectively pushed towards commercialization. The government also encourages infrastructure sharing as an effective way of saving costs. Under the government's pressure, the three major MNOs have signed agreements to share infrastructure. The actual sharing is still limited, given 4G infrastructure has been quite mature. However, we could expect this to be accelerated when 5G is rolled out.

Regarding infrastructure, with what has happened with China, we could expect similar patterns for Vietnam. 5G infrastructure will also need to be rolled out quickly to meet coverage density. We note that Vietnam currently has only 100,000 BTSs, equivalent to a density of 1 BTS per 1,000 capita, much lower than that of China. Therefore, in order for 5G to be widely adopted, we will need at least double the current number of BTSs, per Minister of MoIC.

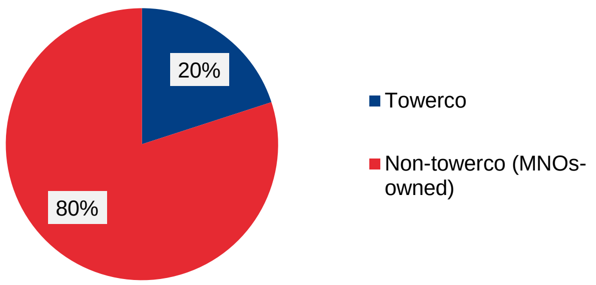
Vietnam's towerco: low penetration suggesting plenty of room for growth

Vietnam's towerco market is still underdeveloped. With the recent surge in CTR's number of BTSs, we estimate Vietnam's towerco penetration is around 20%. However, with CTR's continued aggressive BTS buildout plans for next year (3,000 new BTSs, from estimated 10,000 units by end-FY24), Vietnam's towerco penetration could quickly rise.

As we have learnt, a market with higher towerco penetration will likely have a higher tenancy ratio. This, coupled with the government's encouragement for infrastructure sharing, could push up Vietnam's tenancy ratio, where CTR is the key beneficiary as the leading towerco.

Figure 189: Towerco penetration, Vietnam

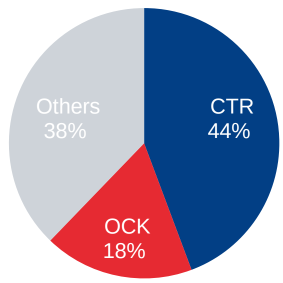
Towerco penetration in Vietnam is only 20%



Source: HSC Research

Figure 190: Towerco market share, Vietnam

CTR is the leader with 9,024 BTSs by end-10M24 (44% m/s)



Source: CTR, HSC Research

CTR: A beneficiary of 5G commercialization, but taking time

We expect Vietnam will need to at least double the current number of BTSs to accommodate 5G commercialization. With the current 100,000 units of BTSs, Vietnam now only has 1 BTS for every 1,000 capita (vs. 6.8 for China by end-FY23). This would drive a new cycle of demand for telecom infrastructure.

Meanwhile, 5G also helps encourage infrastructure sharing, which could help improve Vietnam's tenancy ratio. At the moment, Vietnam's towerco penetration is just around 20%, which is much lower than other countries with more matured towerco markets. A higher towerco penetration would normally result in a higher tenancy ratio.

However, for this year and next year, we expect 5G BTSs will still be largely based on existing BTSs (with installed 5G equipment being added), rather than establishing new 5G BTSs. That said, we expect new 5G BTSs will start to be built from FY26 when 5G is more widely adopted. Therefore, a slower than expected 5G adoption would present a downside risk to our forecasts from FY26. As Vietnam's leading towerco and also leading player in telecom infrastructure, CTR is well poised to benefit from the new cycle of 5G infrastructure, but realization of earnings will take time. Our current rating for CTR is **Add** with **TP of VND140,800 (12% upside).**

Macroeconomic forecast

	2018	2019	2020	2021	2022	2023E	2024F	2025F	2026F
Currency									
Currency (VND: USD) (at YE)	23,210	23,155	23,085	22,765	23,555	24,265	25,450	26,000	26,000
Currency (VND: CNY)	3,562	3,317	3,535	3,579	3,415	3,418	3,510	3,514	3,514
GDP and employment									
GDP annual growth rate (%)	7.47	7.36	2.87	2.58	8.10	5.05	6.68	6.70	5.80
GDP (USDbn)	304	332	346	370	408	434	446	481	524
GDP per capita (USD)	3,202	3,398	3,558	3,757	4,101	4,324	4,406	4,713	5,088
Current account to GDP (%)	1.89	3.67	4.35	-2.20	-0.26	6.50	4.48	3.74	3.24
Public debt to GDP (%)	46.2	42.8	43.8	44.7	38.0	38.8	38.1	38.3	38.7
Government debt to GDP (%)	39.5	37.4	38.5	39.6	34.7	35.8	28.7	29.8	30.9
Gov't budget deficit (% of GDP)	2.21	2.09	2.71	2.55	3.08	3.48	3.52	3.77	3.52
Credit to GDP	102.9	106.3	115.0	124.4	125.3	132.7	136.9	141.5	146.8
Unemployment rate, year-end (%)	2.19	2.15	2.63	3.56	2.32	2.26	2.24	2.30	2.30
Prices									
12M average inflation (y/y %)	3.5	2.8	3.2	1.8	3.1	3.3	3.8	3.4	3.3
CPI, year-end (y/y %)	3.0	5.2	0.2	1.8	4.5	3.6	3.2	3.4	3.3
Money and rates									
Policy interest rate (%)	6.25	6.00	4.00	4.00	6.00	4.50	4.50	4.75	5.00
Overnight interbank rate (%)	3.9	1.4	0.2	0.7	4.4	0.5	4.0	3.8	3.3
Credit growth (y/y %)	10.7	13.6	12.2	13.6	14.2	13.5	14.5	14.0	13.0
Money supply M2 (VNDtn)	9,212	10,574	12,111	13,402	14,227	15,999	17,759	19,890	22,277
Money supply M2 (y/y %)	12.4	14.8	14.5	10.7	6.2	12.5	11.0	12.0	12.0
FX reserves (USDbn)	55	79	95	107	85	90	80	85	95
12M deposit interest rate (%)	6.8	6.8	5.6	5.5	7.4	4.8	5.5	6.0	6.2
Deposit rate cap (< 6m, %)	5.0	5.0	4.0	4.0	6.0	4.75	4.75	4.75	4.75
Government bond 5Y (%)	4.4	2.4	1.2	1.0	4.6	1.9	2.4	3.0	3.1
Government bond 10Y (%)	4.9	3.2	2.0	2.9	4.8	2.2	2.8	3.2	3.3
Trade and external sector									
Balance of trade (USDbn)	7.2	10.9	19.9	3.3	12.1	28.4	24.2	26.8	24.7
Current account balance (USDbn)	5.8	12.2	15.1	-8.1	-1.1	28.2	20.0	18.0	17.0
Imports (USDbn)	238	253	263	333	360	326	384	426	462
Imports (y/y %)	12.5	6.7	3.7	26.7	8.0	-9.2	17.5	11.0	8.5
Exports (USDbn)	245	264	283	336	372	355	408	452	487
Exports (y/y %)	14.5	8.0	6.9	18.9	10.6	-4.6	15.0	11.0	7.5
External debt (USDbn)	110	123	129	140	148	159	163	178	193
External debt to GDP (%)	36.1	36.9	37.3	37.7	36.2	36.6	36.5	36.9	36.8
FDI disbursement (USDbn)	19.1	20.4	20.0	19.7	22.4	23.2	25.3	26.8	27.9
FDI commitment (USDbn)	35.5	38.0	28.5	31.2	27.7	36.6	35.0	32.6	32.6
Business & consumer									
Manufacturing PMI (year-end)	53.8	50.8	51.7	52.5	46.4	48.9	50.9	51.0	51.0
Industrial production (y/y %) (at YE)	11.4	6.2	9.5	8.7	0.2	5.8	8.5	8.3	7.5
Manufacturing prod'n (y/y %) (at YE)	13.7	7.0	13.1	10.9	0.6	7.6	10.0	9.0	8.5
Annual manufacturing production (%)	12.3	10.5	4.9	6.0	8.0	3.6	9.0	8.8	7.0
Annual retail sales (%)	11.0	11.3	-0.9	-9.1	19.8	9.6	9.0	8.5	8.0

Notes: The 12M average inflation is the 12M trailing average inflation of monthly headline inflation y/y using geometric mean calculation 12-month average inflation at time t0 = [(1 + y/y inflation at time t-11)x…x((1 + y/y inflation at time t0)]^(1/12)-1.
Source: Bloomberg, GSO, IMF, MoF, WB, HSC Research

Top Picks

	HSC rating	Closing price	Target price	Upside / downside	Mkt cap (USDmn)	EPS growth 23A	EPS growth 24F	EPS growth 25F	P/E 23A	P/E 24F	P/E 25F	P/B 23A	P/B 24F	P/B 25F	Div yield 23A	Div yield 24F	Div yield 25F
Financials: Banks & Insurance																	
ACB	Buy	25,700	34,700	35.0%	4,518	15.6%	4.1%	10.8%	7.3	7.0	6.4	1.6	1.4	1.2	2.9%	3.4%	3.9%
TCB	Buy	24,200	31,100	28.5%	6,710	-10.9%	26.5%	17.9%	9.5	7.5	6.4	1.3	1.2	1.0	-	6.2%	6.2%
VCB	Buy	94,000	112,900	20.1%	20,676	10.5%	7.1%	11.3%	15.9	14.8	13.3	3.2	2.7	2.1	0.0%	0.0%	0.9%
CTG	Buy	36,400	45,300	24.5%	7,693	17.6%	12.6%	26.9%	9.8	8.7	6.9	1.6	1.4	1.2	-	-	-
BID	Buy	46,000	54,700	18.9%	7,281	19.4%	10.6%	21.0%	12.1	10.9	9.0	2.2	1.9	1.6	0.9%	1.1%	1.1%
Financials: Insurance																	
BVH	Add	51,900	58,200	12.1%	1,516	15.1%	9.9%	20.4%	21.6	19.6	16.3	1.8	1.7	1.6	1.8%	1.9%	1.9%
Financials: Diversified Financials																	
SSI	Buy	25,700	29,500	14.8%	1,984	36.2%	-3.2%	3.9%	16.6	17.1	16.5	1.7	1.9	1.9	3.9%	3.9%	3.9%
Real Estate																	
PDR	Add	21,800	25,200	15.6%	749	-40.4%	-30.5%	4.0%	21.6	31.1	29.9	1.7	1.7	1.6	0.0%	0.0%	0.0%
KDH	Buy	33,300	42,000	26.1%	1,325	-44.1%	-18.3%	39.4%	36.8	45.0	32.3	2.0	2.0	1.9	0.0%	0.0%	1.5%
NLG	Add	38,300	46,700	21.9%	577	-13.2%	10.1%	7.1%	30.5	27.7	25.8	1.6	1.5	1.5	0.5%	1.3%	1.3%
CTD	Buy	67,400	96,000	42.4%	265	1506.9%	58.2%	20.6%	20.8	13.2	10.9	0.8	0.8	0.7	0.0%	1.5%	2.3%
IDC	Buy	55,500	69,000	24.3%	721	-24.7%	40.3%	-8.2%	13.1	9.4	10.2	3.7	3.3	3.0	8.4%	7.2%	7.2%
VGC	Buy	43,950	54,900	24.9%	775	-29.5%	-23.5%	26.4%	16.2	21.1	16.7	2.5	2.5	2.4	4.7%	5.1%	4.6%
Energy & Utilities: Energy - Oil & Gas																	
PVD	Buy	23,800	34,000	42.9%	521	599.3%	48.5%	48.7%	22.6	15.2	10.3	0.9	0.9	0.8	0.0%	0.0%	0.0%
PVS	Buy	34,100	50,000	46.6%	641	-15.4%	26.8%	22.7%	18.8	14.8	12.1	1.3	1.2	1.2	4.4%	5.9%	5.9%
Energy & Utilities: Utilities - Electricity																	
GEG	Buy	11,200	16,857	50.5%	149	-65.9%	100.6%	45.4%	35.2	17.5	12.1	0.9	0.9	0.6	3.4%	3.4%	3.4%
Energy & Utilities: Utilities - Water																	
TDM	Buy	49,600	66,000	33.1%	215	28.6%	-35.0%	45.5%	17.5	26.9	18.5	2.4	2.5	2.4	2.6%	3.0%	3.2%
Industrials: Transportation																	
ACV	Buy	122,120	156,700	28.3%	10,496	15.5%	33.0%	16.9%	36.4	27.4	23.4	5.3	4.5	3.8	0.0%	0.0%	0.0%
HVN	Buy	26,150	34,500	31.9%	2,278	47.5%	N/m	-45.9%	(9.8)	8.1	15.0	(3.3)	(5.6)	(8.9)	0.0%	0.0%	0.0%
VEA	Buy	38,164	51,500	34.9%	2,013	-18.4%	6.2%	4.9%	8.2	7.8	7.4	2.0	2.0	1.9	13.1%	11.4%	12.0%
Industrials: Materials - Industrial Metals																	
HPG	Buy	27,850	38,800	39.3%	7,010	-19.4%	65.5%	35.2%	23.7	14.3	10.6	1.6	1.5	1.4	0.0%	1.8%	3.6%
Consumer: Consumer Staples & Discretionary																	
PNJ	Buy	96,000	130,200	35.6%	1,277	5.2%	10.6%	22.5%	17.2	15.5	12.7	3.2	2.8	2.4	2.1%	2.1%	2.1%
MWG	Buy	61,000	75,800	24.3%	3,511	-95.9%	2176.4%	28.2%	532.2	23.4	18.2	3.8	3.2	2.8	0.0%	0.8%	0.8%
VHC	Buy	73,500	91,600	24.6%	648	-53.6%	27.8%	-5.7%	14.7	11.5	12.2	1.6	1.7	1.5	2.7%	2.7%	2.7%
TCM	Buy	48,600	58,600	20.6%	195	-52.8%	106.2%	10.5%	44.2	21.4	19.4	2.5	2.2	2.1	1.3%	1.9%	3.1%
FMC	Buy	48,700	59,300	21.8%	125	-10.2%	1.5%	26.0%	11.5	11.4	9.0	1.6	1.5	1.3	4.1%	4.1%	4.1%
Industrials: Materials - Chemicals																	
DGC	Buy	110,000	138,900	26.3%	1,644	-44.3%	0.8%	20.1%	13.5	13.4	11.1	3.6	3.1	2.6	2.7%	2.7%	2.7%
Technology, Communications & Internet: Information Technology																	
FPT	Add	148,500	160,800	8.3%	8,597	5.2%	4.7%	26.3%	31.9	30.4	24.1	7.6	7.5	6.3	1.3%	1.3%	1.7%

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Buy: Expected to rise by more than 20% on an absolute basis in the next 12 months
Add: Expected to rise by between 5% and 20% on an absolute basis in the next 12 months
Hold: Expected to rise or decline by less than 5% on an absolute basis in the next 12 months
Reduce: Expected to decline by between 5% and 20% on an absolute basis in the next 12 months
Sell: Expected to decline by more than 20% on an absolute basis in the next 12 months

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