

Vietnam Strategy

October 2018



IN ALLIANCE WITH





Vietnam's economic growth should slow but the country remains well positioned to weather external shocks

- We foresee a stable currency relative to emerging and frontier peers with just 3.0-3.6% full year devaluation versus the US dollar
- We expect interest rates to rise in response to accelerating inflation and recent portfolio outflows

The stock market has been among the better performers in the emerging and frontier equities asset class year-to-date, despite being among the world's worst performers in Q2

- Foreigners drove the bull market until earlier this year and their retreat, rather than a change in domestic fundamentals, has led to the sharp market de-rating.
- Continued tightening of global liquidity and rising risk-aversion will continue to pressure the market; the local government bond yield trajectory implies further multiple contraction is possible which will counter upward pressure on share prices on the back of healthy corporate earnings growth; net-net, we expect the VNINDEX to remain volatile and range-bound through the rest of the year.
- Vietnam's move to the top of the MSCI Frontier table will boost its share of the iShares Frontier ETF allocation; this support the market.

Mid-caps are seeing the fastest earnings growth and are trading at the lowest PEG multiples; however, rising risk aversion means that a broad mid-cap re-rating is unlikely as investors are likely to take a more defensive stance with liquid, blue chip names

- We advocate selectivity and a multi-year view in the mid-cap space.

The financial sector remains the earnings growth leader with both banks and securities brokerages reporting stellar earnings; we expect banks to continue to report strong, albeit slower, earnings growth in 2H2018 but brokerages might suffer from weak market liquidity.

- High quality banks like VCB and MBB look more attractively priced following the sharp correction



The property cycle could be approaching maturity but developer earnings still look strong; investors should, however, be selective

- Real estate companies with low-gearing and mid-end condo or landed property products could still have growth ahead of them; KDH and NLG meet the above criteria. However, an imminent rise in mortgage rates presents downside risks to mid-range property demand.

The construction materials sector could benefit from a pick-up in public spending to cushion the impact of a slowing economy

- We continue to like leading steel producer HPG due to its dominant market position, sizeable capacity expansion in the pipeline and protection from US tariffs on imported steel thanks to, both, limited contribution from exports to the US and still hefty tariffs on Chinese long steel imports into Vietnam.

The power and aviation sectors look interesting in the current environment as they offer growth with defensive characteristics

- Within aviation, we like monopoly airport operator ACV but shy away from airlines due to oil price-related risks and imminent price wars among budget carriers.
- Power output should continue to experience double digit growth even if the economy slows, offering downside protection; power stocks have among the lowest Betas in the market and some of the highest dividend yields.

We see select pockets of strength in export industries such as Textiles and Fisheries

- Textile stocks could, paradoxically, be a winner of growing US-China trade tensions as Vietnam grabs more export market share from China; Vietnam's recent bilateral FTAs will also protect textile exporters from growing global trade protectionism
- Pangasius fish exporters could benefit from growing exposure to new markets within Asia which helps offset rising protectionism in the West; a worsening global economic climate could also prompt consumers to down trade to cheap "white fish" like pangasius from shrimp, salmon and tuna which are more expensive.

- Anirban Lahiri, Head of Research

Chapter 1

Stock Market Review

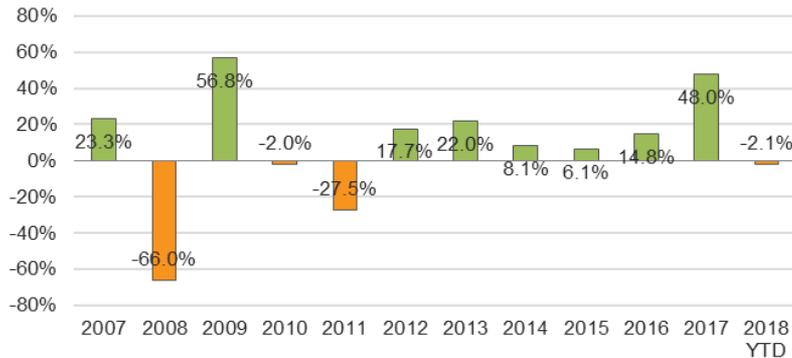
Time to take a multi-year view



The VNINDEX is flat year-to-date making it a relative outperformer among emerging and frontier markets

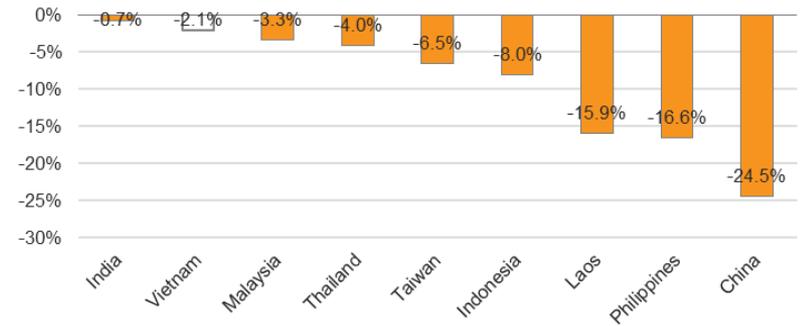
VNINDEX Yearly Performance

(Source: VNDIRECT)



The VN-INDEX performance vs regional market performance since the beginning of 2018

(Source: Bloomberg)



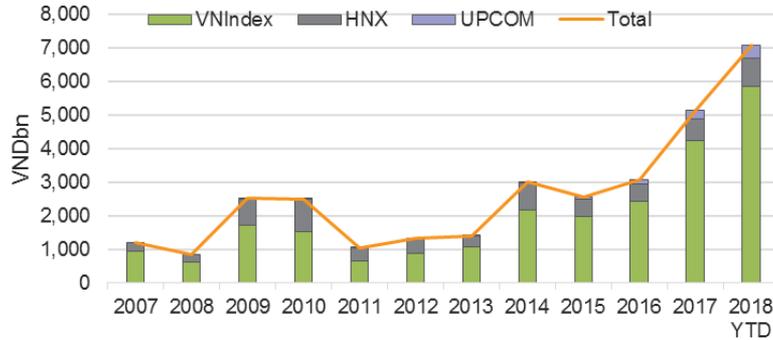
- The VN-INDEX stood at 963.5 on Oct 18, erasing most gains made in the first quarter of the year but making Vietnam an outperformer relative to most regional peers.
- Market liquidity remains low as investors maintain caution following a long and sharp correction phase that started in mid-April.
- P/E of the VN-INDEX stands at 18.2x
- VN-Index to trade between 870pts and 1,100pts for the rest of this year; elevated volatility and low liquidity are likely to persist for months.
- The market is unlikely to recover strongly as global risk aversion continues to deepen.



Market liquidity has retreated from surge levels but still up year-on-year

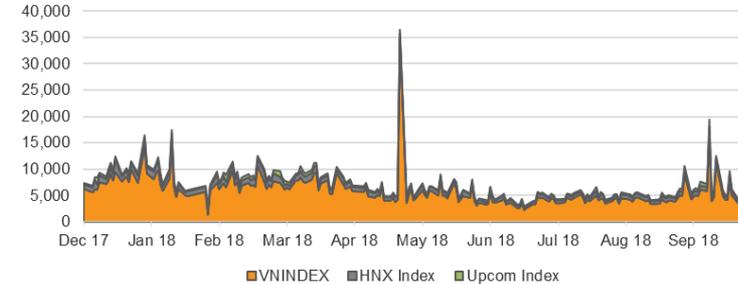
Average daily trading value (2007- 2018YTD)

(Source: VNDIRECT calculation)



Trading value hasn't restored to early 2018 level (VNDbn)

(Source: VNDIRECT calculation)



The sharp fall in liquidity could just be seen as a retreat from the abnormal surge levels seen in the second half of 2017 and early 2018.

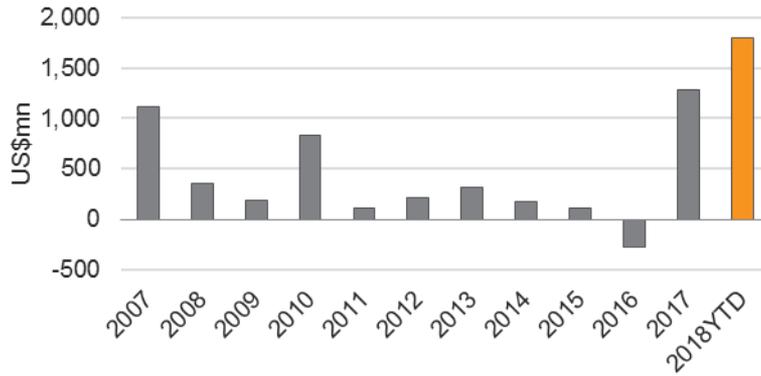
ADTV of the all bourses in the first 10 months of 2018 reached VND7,090bn, still up 56% compared to the same period last year. Market liquidity is showing some signs of a weak recovery in the past weeks.



Foreigners continue to be key drivers of the market

Foreign net transaction value during 2007-2018 YTD

(Source: VNDIRECT)



Total foreign trading value and contribution to market liquidity

(Source: VNDIRECT)



- Since the beginning of 2018, foreigners net bought worth a total of US\$1.79bn.
- Rising US rates and a strengthening of the US dollar could put more pressure on foreign capital flows; the Vietnam stock market will continue to see elevated volatility.
- Net buying foreign buying increased from US\$456m in Q1 to US\$1.05bn in Q2 but Q3 saw net foreign selling of US\$150m, in line with the entire frontier and emerging asset class.
- Foreign investors net buying in Oct US\$444m mainly thanks to MSN (SK holding bought in Oct 02).



Vietnam was among a handful of frontier and emerging markets that saw net foreign equity inflows year-to-date...

Equity flow into markets as of Oct YTD (US\$mn)

Market	Date	MTD	QTD	YTD
Asia (emerging market)				
China	30-Sep	7,922	-10,914	7,860
India	18-Oct	-2,499	-2,499	-4,505
Indonesia	18-Oct	-333.6	-333.6	-4020
S. Korea	18-Oct	-2,297	-2,297	-4,385
Malaysia	18-Oct	-300.3	-300	-2,429
Philippines	18-Oct	-1133	-133	-1702
Taiwan	18-Oct	-4061	-4061	-9,732
Thailand	18-Oct	-1,330	-1,330	-7,847
Asia (frontier market)				
Sri Lanka	18-Oct	-19	-19	29.3
Vietnam	18-Oct	444	444	1,790
Americas (emerging market)				
Brazil	18-Oct	491	491	559
Other continental (emerging market)				
Qatar	17-Oct	81	81	1,954
South Africa	17-Oct	79	79	-779
Turkey	17-Oct	-61	-61	-1,416

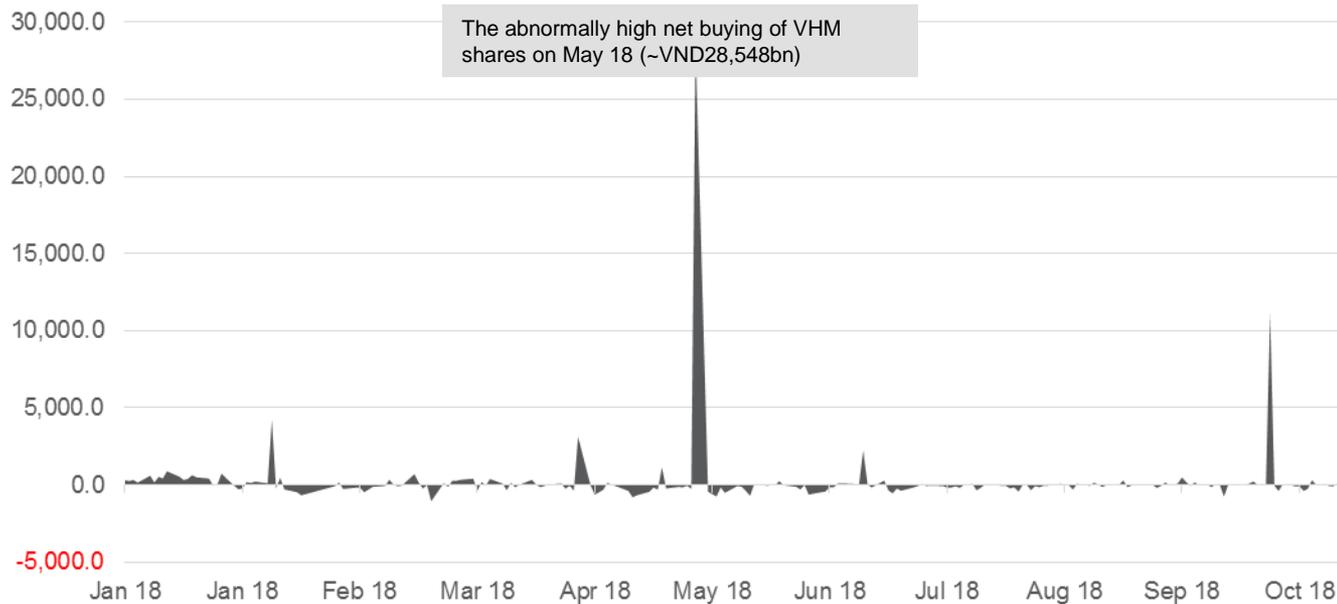
Foreigners have been net sellers on most emerging markets since the beginning of 2018, except for China, Qatar and Brazil

Foreigners were net buyers on very few frontier markets, including Sri Lanka, and Vietnam



... although YTD net foreign flows into Vietnam were inflated by an abnormal spike caused by the listing of VHM

Foreign net buy/sell among 2018





Foreigners have focused on new listings so far this year

Top Net Foreign Buys (YTD)

	VNDbn	Net buy	Value buy	Value Sell
1	VHM	26,188	35,602	9,414
2	MSN	11,121	24,614	13,493
3	VRE	3,865	15,560	11,695
4	YEG	2,573	2,747	174
5	HDB	2,403	8,602	6,199
6	NVL	1,745	5,247	3,501
7	DXG	1,475	3,759	2,284
8	VIS	1,273	1,297	24
9	FRT	1,020	1,475	455
10	SCS	915	1,335	420
11	SSI	798	5,391	4,594
12	POW	749	1,688	939
13	STB	722	1,744	1,022
14	GAS	634	4,141	3,507
15	VEA	624	826	202
16	PLX	605	2,058	1,453
17	BVH	547	2,972	2,425
18	QNS	510	623	113
19	KDC	484	963	479
20	PDR	421	605	184

Top Net Foreign Sells (YTD)

		Net buy	Value buy	Value Sell
1	VIC	-8,245	15,779	24,024
2	VNM	-2,176	23,444	25,620
3	VJC	-2,031	5,260	7,291
4	HPG	-1,772	13,802	15,574
5	BSR	-1,194	365	1,558
6	VGC	-1,083	995	2,077
7	CTD	-561	1,943	2,504
8	MPC	-372	19	391
9	VCB	-363	7,410	7,773
10	KBC	-355	1,010	1,365
11	GMD	-348	163	512
12	DIG	-308	560	867
13	GTN	-301	48	348
14	TAG	-272	0	272
15	HDG	-267	43	309
16	IDC	-256	0	256
17	CII	-230	1,085	1,315
18	HSG	-222	1,118	1,340
19	VND	-194	1,143	1,337
20	HAG	-189	215	404

Denotes newly listed companies



Vietnam is poised to become the 800 pound gorilla in MSCI's frontier market ETF

MSCI frontier markets	Current		Forecasted	
	Constituents	Weight	Cnstituents	Weight
Argentina	14	19.26%	0	0.00%
Kuwait	17	17.46%	0	0.00%
Vietnam	17	17.72%	30	28.37%
Morocco	9	7.48%	11	11.63%
Kenya	5	7.02%	5	11.50%
Nigeria	8	7.00%	10	11.46%
Ban'desh	17	5.94%	22	11.04%
Romania	7	5.51%	8	9.27%
Bahrain	4	3.66%	4	6.08%
Jordan	5	1.91%	5	3.00%
Oman	7	3.11%	6	2.81%
Kazak'an	2	0.97%	2	1.55%
Mauritius	1	0.80%	1	1.23%
Croatia	1	0.41%	1	0.65%
Slovenia	2	0.73%	1	0.57%
Sri Lanka	1	1.03%	1	0.54%
Lithuania	0	0.00%	1	0.30%
Total	117	100.00%	108	100.00%

Vietnam stock market remained in the MSCI Frontier Markets Index after Morgan Stanley Capital International (MSCI) completed its 2018 market classification review in June.

Vietnam meets all of the quantitative requirements (market capitalization, liquidity) but still does not meet some qualitative requirements such as disclosure in English, limited ownership of foreign investors and the currency convertibility.

MSCI also announced that Saudi Arabia and Argentina will be upgraded to emerging market status in June 2019. In addition, the Kuwait stock market has been put on the shortlist for emerging market inclusion.

According to the MSCI, in the case of the Argentina and Kuwait being upgraded to emerging market status, **the proportion of Vietnamese shares in the MSCI Frontier Index will be raised from 17.7% to 28.4%**, triggering net-buying of Vietnamese equities by the iShares MSCI Frontier 100 ETF



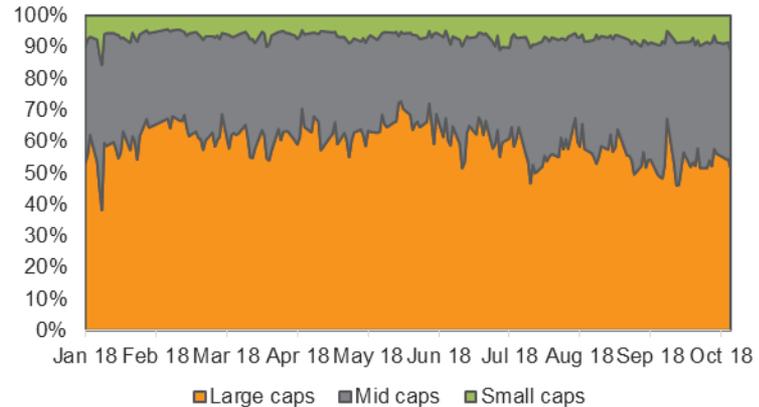
Flows were still riveted on large capitalization stocks but midcaps increased their share

Index performance by Tier 2018 YTD (Dec-31-2017=100)
(Source: VNDIRECT calculation)



+ VN30, VNMID, VNSMALL are indexes calculated by HOSE.

Market liquidity by tier (trading value)
(Source: VNDIRECT calculation)



- + Large caps: >VND10,000bn market cap
- + Mid caps: From VND1,000bn to VND10,000bn market cap
- + Small caps: Lower than VND1,000bn market cap

Midcaps have recovered sharply, narrowing the gap with large caps

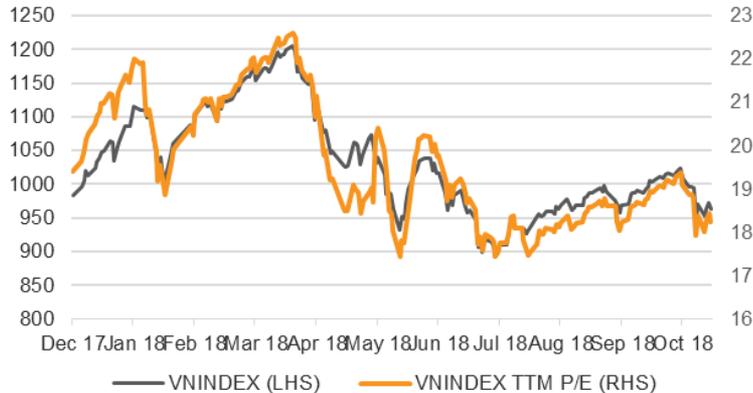
Midcaps captured some flow from large caps but total flows still focused on large cap stocks (with market capitalization of VND10,000bn or more), accounting for around **55%** of total market liquidity in recent months.



Large caps led the correction but still trade at a hefty premium to the rest of the market; mid caps have started to re-rate

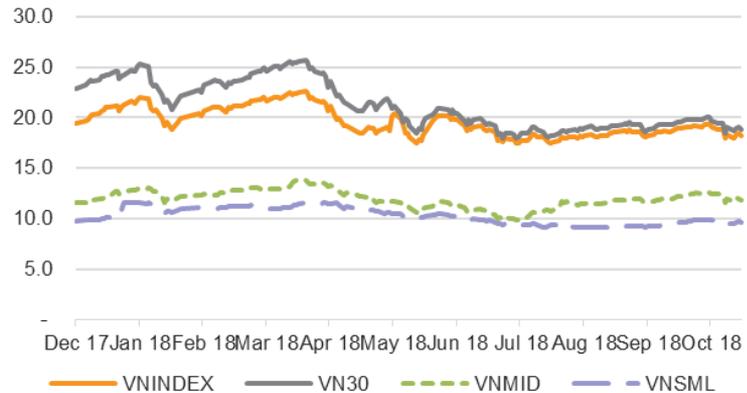
VNINDEX performance and TTM P/E 2018 YTD

Source: FiinPro, VNDIRECT



Market valuation by tier (TTM P/E)

Source: VNDIRECT, FiinPro



Large caps (VN30) drove the P/E expansion of the market leading up to the correction in April 2018; the PE of mid caps and small caps flat-lined over the same period

Large caps also led the recent market correction, seeing a more dramatic compression in P/E multiples; midcaps have seen the sharpest expansion in valuation multiples in recent months

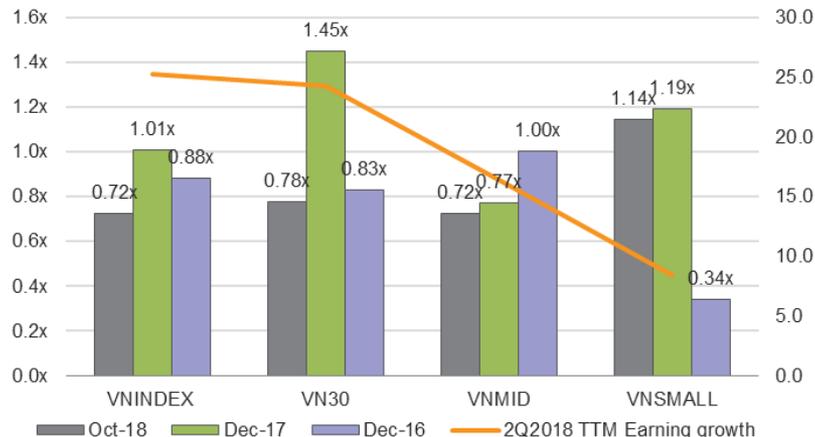
The sizeable valuation gap between large caps and mid/small caps persists: Large caps continue to trade at a 55-60% premium to mid caps on a PE basis.



Mid cap names are worth looking at over a multi-year horizon

PEG ratio by year of VNINDEX and its component tiers

Source: FiinPro, VNDIRECT calculation



Mid-caps have seen a sharp contraction in PEG ratios since last year.

The sharp decrease in the VN30 PEG is due to the addition of some high growth stocks to this index (PNJ, VPB, VRE) and impressive earnings growth of major banks in Q2.

Flows into midcaps might continue to rise but are unlike to surge in the short-term due to:

- 1) Heightened risk aversion amid continued volatility will prompt investors to stick with lower beta, blue-chip names especially as large cap valuations have corrected to more reasonable levels.
- 2) Vietnam's move to the top of the MSCI frontier club will prompt buying of large caps and investors will look to front-run this.

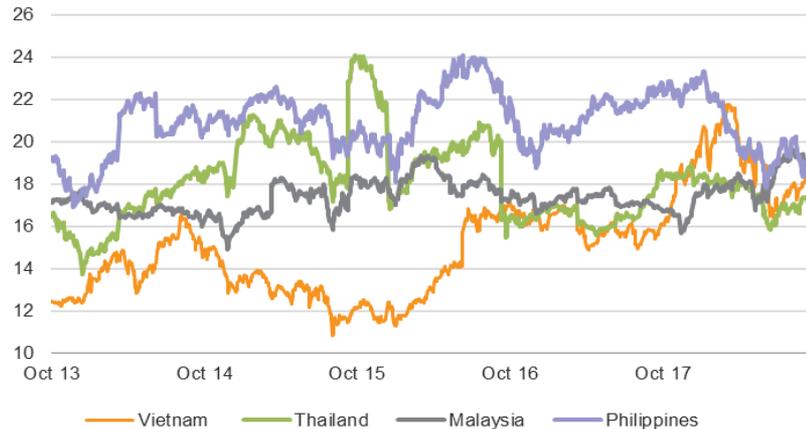
We therefore see strong upside in the mid cap space but only over a multi-year investment horizon.



The VNINDEX P/E has converged to regional levels despite superior earnings growth...

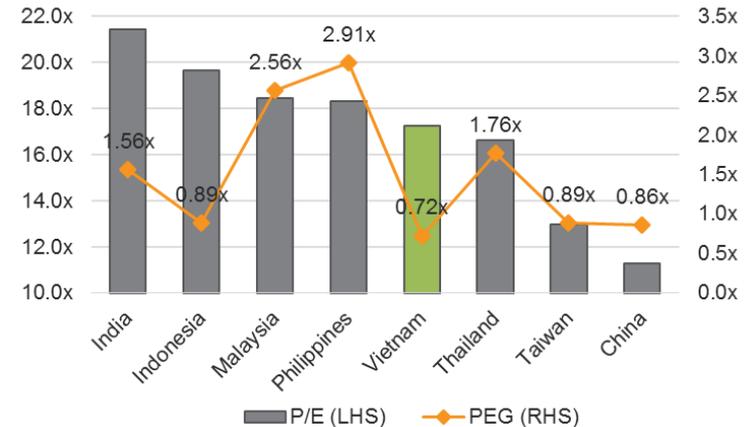
Vietnam's stock market TTM P/E has converged to regional levels..

Source: Bloomberg, FiinPro, VNDIRECT



...but looks attractive when you factor in earnings growth

Source: Bloomberg, FiinPro, VNDIRECT

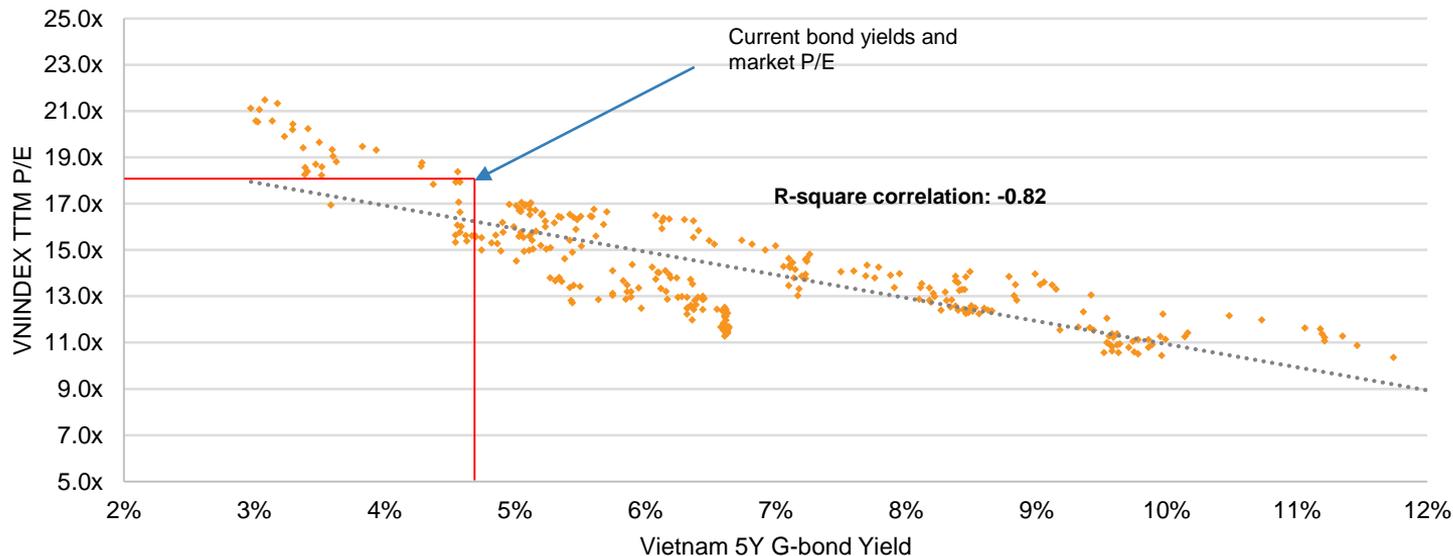


Indonesia and the Philippines trade at a PEG premium to Vietnam despite current account vulnerabilities and unstable currencies which create greater sovereign risk; Vietnam, being far less vulnerable to portfolio outflows deserves to trade at a substantial premium to both markets on a PEG basis.



... but a continued rise in Vietnam Government Bond yields could further compress valuation multiples

Correlation between VNINDEX TTM P/E and Vietnam 5Y G-bond Yield – Weekly Data (Source: Bloomberg).



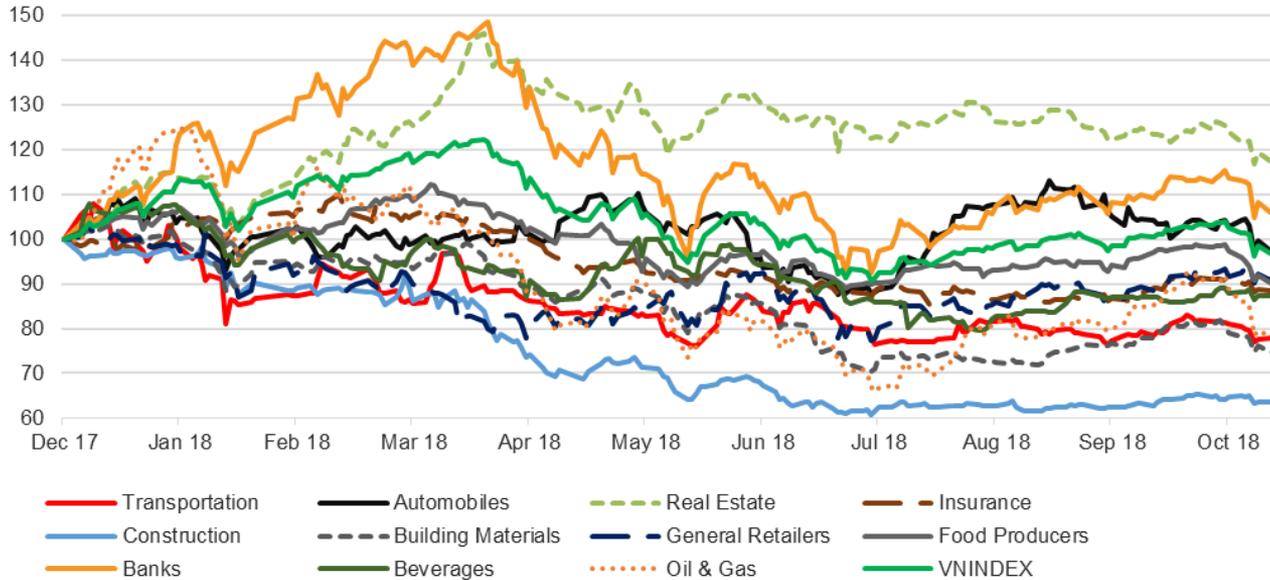
The strong inverse relationship observed historically between the VNINDEX P/E and government bond yields implies that market valuation multiples could contract further should the recent rise in bond yields continue



Continued loose monetary conditions have favored banks and property stocks relative to other sectors

Year-to-date share price performance by sector

Source: VNDIRECT, FiinPro



The Real Estate and Banking sectors saw the sharpest corrections but have recovered sharply, outperforming the VN-INDEX since the start of 2018.

Construction and Transportation underperformed heavily probably due to rising input commodity prices. Besides, some major construction companies (CTD, SC5) set conservative 2018 targets in recognition of growing headwinds.

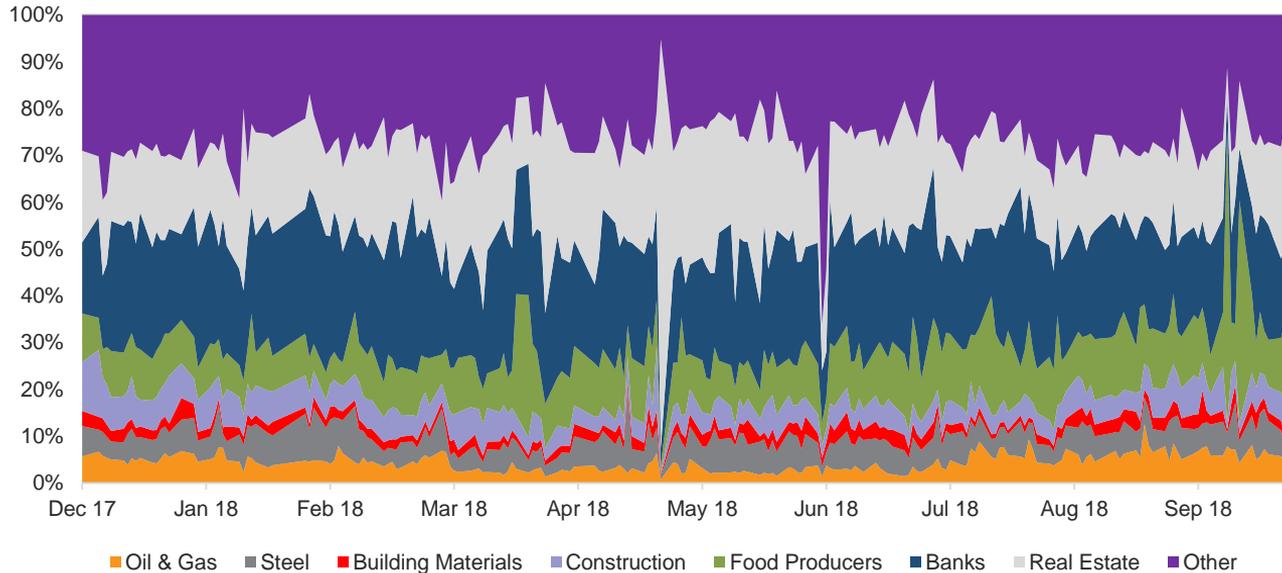
Oil & Gas stocks surprisingly underperformed despite the rally in Q3 on the back of sharp crude oil gains



Property and bank stocks have also dominated trading flows

Market daily trading value by sectors

Source: VNDIRECT, FiiPro



Real Estate and Banking stocks have collectively accounted for around half of daily trading value, year-to-date

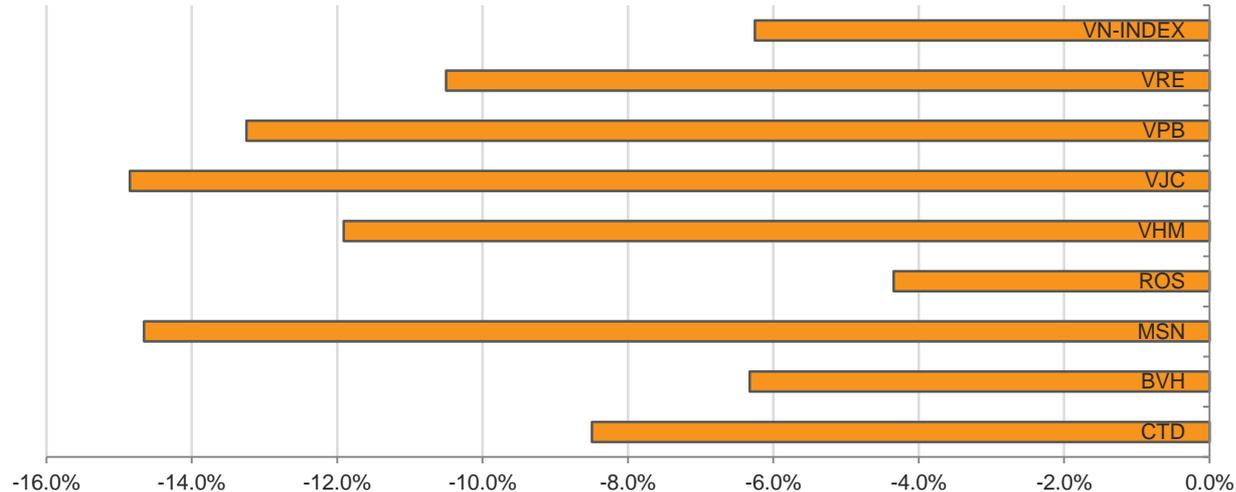
The Oil & Gas sector has seen a recent tick-up in share of market ADTV although this appears to be petering out



Pillar large caps have seen strong selling pressure in October, dragging down the VN-INDEX

Some large cap stocks' performance versus the VN-INDEX

Source: Bloomberg



The 30 largest large cap stocks currently account for 71% of the total market cap.

A number of large capitalization stocks have correct sharply in the past few weeks due to various factors such as (1) high pre-correction valuations with P/E of above 25x (BVH, ROS, VHM, VRE), (2) lower than expected earnings results or unfavorable business environment (CTD, MSN, VJC, VNM, VPB),

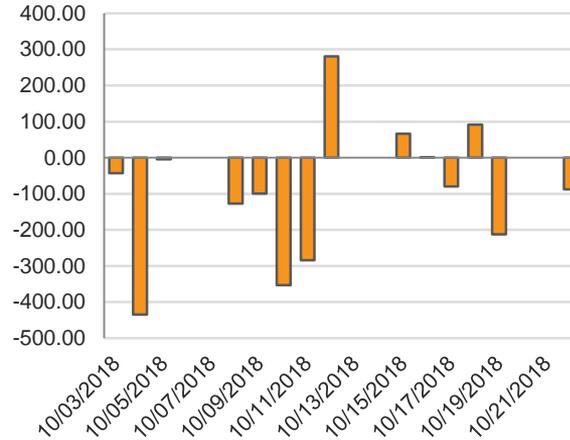
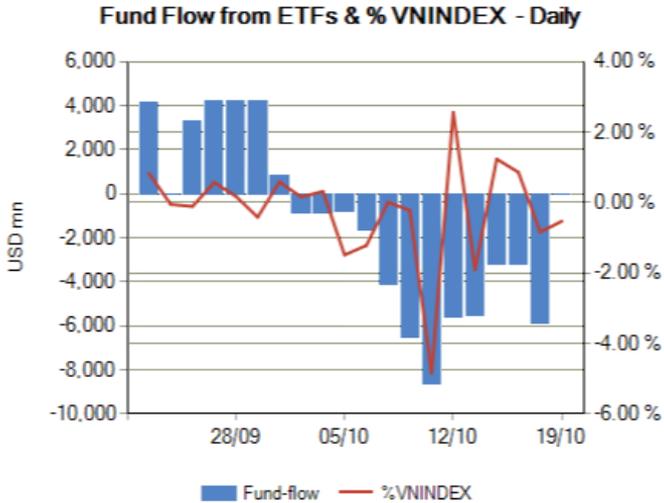
The large cap correction dragged down market indices such as the VN-INDEX, the HNX-INDEX and the VN30.



ETFs and foreigners have played a key role in the correction

ETFs were net sellers since early October and exacerbated the market's correction

Foreigners were net sellers in the last few trading sessions (VNDbn)

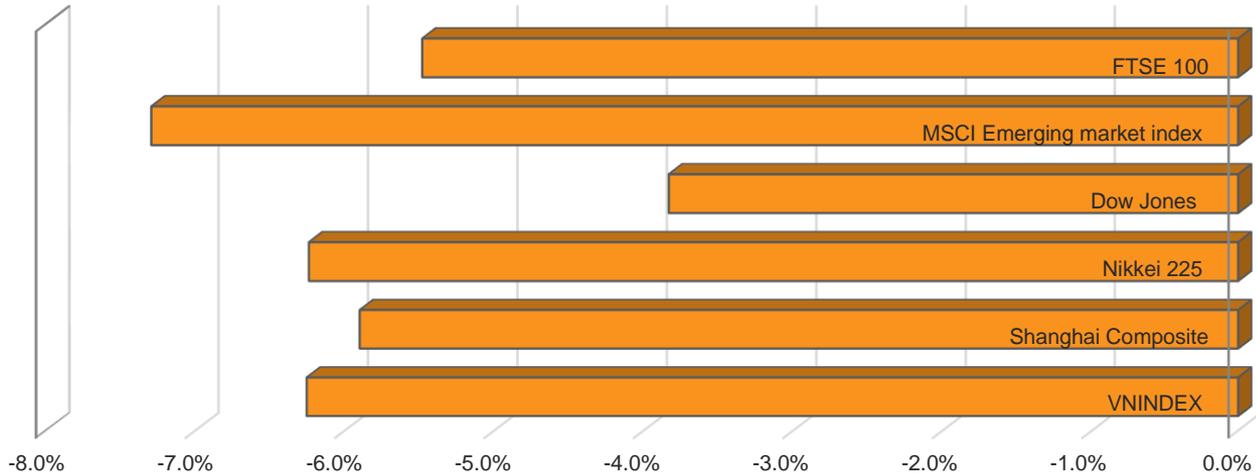




Vietnam's October stock market weakness is in line with global trends

VN-INDEX performance versus some other stock markets since early October

Source: Bloomberg



*MSCI Emerging market index performance could be better than VN-INDEX as the data of MSCI Emerging market index and Dow Jones only updated until 10/19/2018 while other market data was updated as of 10/22/2018

Chapter 2

Mid and small caps stock picks



Key mid and small cap stock picks

• LPB – Lien Viet Post Bank - Banking

• NLG – Nam Long Group – Real Estate

• PC1 – Power Construction No.1 JSC -- Power

• STK - Century Synthetic Fiber Corp – Textiles

• DBC – Dabaco Group - Food Producers

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND9,400	VND13,500	10.6%	ADD	Banking

Stock info

Market cap (US\$ mn)	302.0
Daily value 30 day (US\$ mn)	0.8
P/B TTM (x)	0.7
P/E TTM (x)	6.6

INVESTMENT HIGHLIGHTS

- Founded in 2008, LPB is a small bank with total assets ranks 13th in the banking sector
- **The acquisition of Vietnam Postal Savings Company in 2011 allows LPB to offer banking services on postal network:** LPB is the only bank with the potential to extend its reach to every district in Vietnam through the postal branch footprint
- **Fast network expansion currently weighing on NIM** as deposit at new branches increased quickly while lending has yet to catch up; but benefit of large network will be realized in the medium term
- **Potential exclusive bancassurance deal will bring sizeable upfront fees and new income stream from insurance sales commission.**
- **LPB is considering migrating from UPCOM to HOSE.** A listing on HOSE will improve liquidity and transparency for LPB
- **High dividend yield at 10.6% (cash dividend of 10% on par value for FY18)**
- **We recommend ADD on LPB.** LPB trades at FY18F P/B of 0.7x, lower than peers' average of 2.1x

Key ratios	2017A	2018E	2019E
NP growth (%)	28.7	-24.6	16.4
EPS growth (%)	18.6	-29.0	15.6
NIM (%)	3.6	3.2	3.3
CIR (%)	55.1	63.0	64.0
NPL (%)	1.1	0.9	0.9
ROAE (%)	15.4	10.4	11.0
ROAA (%)	0.9	0.6	0.6

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND31,200	VND35,500	1.6%	ADD	Property

Stock info

Market cap (US\$ mn)	303.2
Daily value 30 day (US\$ mn)	0.6
P/B TTM (x)	1.9
P/E TTM (x)	14.7

INVESTMENT HIGHLIGHTS

- **New projects to tap continued demand for mid-range condos.** NLG recently announced two new launches in 2H18F for its Flora brand, Akari and Novia, which are priced affordably at VND25m per sq m. Together with the next phase of Mizuki, the company's total future high-rise presales value amounts to VND18tr over 2018-22F (8x FY2017 core revenue)
- **Breaking the land bank iceberg.** We believe total estimated Gross Development Value (GDV) from Phase 1 of project Water Point may reach VND10.5tr, translating to VND1.3tr net profit over a 5-year development timeframe (2018-2023F)
- **Continued gains from project transfers.** We expect NLG to record VND752bn in pretax profit just from project stake transfers in 2018-2019F.
- **Strong delivery pipeline to drive 20% net profit CAGR in FY17-19F.** Assuming NLG completes delivery of Fuji, Kikyo and part of Mizuki in FY18F, we believe it will see increases of 20% CAGR in delivery value and 21% CAGR in delivery volume for FY17-19F
- **Initiate coverage with Add, TP of VND35,500.** We compute the company's RNAV to reflect full added-value from its existing and key future projects with high visibility, including Mizuki, Akari and Water Point.
- **Risks to our call.** If mortgage rates trend up beyond 14% next year, we believe it will likely dent NLG's presales volume for new launches.

Key ratios	2017A	2018F	2019F
NP growth (%)	55.0	14.0	26.2
EPS growth (%)	46.9	1.7	18.7
GPM (%)	41.4	38.7	35.3
Asset turnover (x)	0.5	0.3	0.2
Financial leverage (x)	2.6	2.8	2.7
ROAE (%)	19.0	15.9	15.5
ROAA (%)	9.6	5.5	3.0

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND25,400	VND31,300	N/A	ADD	Power

Stock info

Market cap (US\$ mn)	143.5
Daily value 30 day (US\$ mn)	0.2
P/B TTM (x)	1.1
P/E TTM (x)	8.2

INVESTMENT HIGHLIGHTS

- **Power Construction No.1 is a leader in the field of erecting and installing power transmission lines in Vietnam** with 50 years of experience. Key businesses include grid erection & installation, electric steel pole production, hydropower production and real estate. PC1 currently has market share of 35-40% for grid erection and 40% for steel poles.
- **The third national transmission line ensures a bright outlook for PC1's grid erection & installation segment in 2019.** The third national 500 kV transmission line is expected to break ground in end-Q4 2018. Investment capital for grid erection & installation and steel pole segments are US\$100mn and US\$75mn, respectively. We expect PC1 to win new orders worth up to VND2,000bn from this project and the order awards could be a significant price catalyst for PC1. PC1's current order backlog stands at around US\$80-85m.
- **Solid outlook for hydropower segment driven by a series of new plants.** Management expects Bao Lam 3 (46MW) and 3A (8MW), which came to operation in end-2017, to double the hydropower segment's revenue in 2018. There are another 2 new power plants which will come on stream in 2019-20 and help to increase capacity another 40%, per guidance.
- **We expect net profit to soar by 114.2% yoy in 2018F** thanks to 1) higher contribution of real estate segment (My Dinh Plaza 2, VND1,200bn of revenue); 2) rising backlog in grid construction and steel pole segments; 3) better margins due to the ramp-up of PC1's two new hydropower plants.
- **The company is trading at a 2018 forward PE of 7.1x, based on our estimation.**

Key ratios	2016A	2017A	2018E
NP growth (%)	24.1	-22.3	114.2
EPS growth (%)	14.9	-22.6	87.8
GPM (%)	17.5	15.2	18.2
Asset turnover (x)	0.8	0.6	0.8
Financial leverage (x)	1.2	1.2	2.2
ROAE (%)	17.7	10.5	17.4
ROAA (%)	7.8	4.8	7.7

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND19,650	VND28,800	4.1%	ADD	Textile

Stock info

Market cap (US\$ mn)	46.9
Daily value 30 day (US\$ mn)	0.04
P/B TTM (x)	1.4
P/E TTM (x)	7.3

INVESTMENT HIGHLIGHTS

- **STK is currently Vietnam's 2nd largest polyester yarn manufacturer**, accounting for 28% of the country's total polyester yarn exports in 2017.
- **Unmet domestic demand and growing demand from export markets**, driven by recent Free trade agreements (FTAs and CPTPP) and relocation of textile factories from China to Vietnam creating huge opportunities for domestic yarn manufacturers. Besides, domestic production only meets 40% of local demand due to lack of capacity.
- **STK is a direct beneficiary of the US-China trade war**. With the tariffs imposed by the US on Chinese goods extended to US\$200bn worth of imports, including synthetic fiber and related products, Vietnamese yarn is now more competitive.
- **However, competition from Chinese yarn due to scale and cost advantages and recent Yuan depreciation versus US\$, as well as input price (plastic pellet) volatility, present downside risks.**
- **STK's 9M2018 performance was strong with net revenue of VND1,781bn (+24.4% yoy) and EAT of VND131.4bn (+96.5% yoy, completing 96.6% of annual plan) due to the continuous shift toward high value-added products as well as rise in ASP (partly thanks to global yarn price recovery).**
- **We expect FY18 revenue and EAT to reach VND2,362bn (+18.7% yoy) and VND166bn (+65.8% yoy)**, respectively based on gross margin expansion of 270bps yoy thanks to an 18% rise in blended ASP. We forecast FY19 revenue and EAT of VND2,670bn (+13.0% yoy) and VND232bn (+40.0% yoy).

Key ratios	2016A	2017A	2018E
NP growth (%)	-59.6	246.7	65.8
EPS growth (%)	-59.6	246.7	49.4
GPM (%)	9.5	10.9	13.6
Asset turnover (x)	1.0	1.1	1.2
Financial leverage (x)	2.7	2.4	2.1
ROAE (%)	13.6	19.1	21.7
ROAA (%)	5.0	8.0	10.4

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND28,000	N/A	3.6%	NON-RATED	Food Producers

Stock info

Market cap (US\$ m)	102.2
Daily value 30 day (US\$ m)	0.15
P/B TTM (x)	0.9
P/E TTM (x)	7.5

INVESTMENT HIGHLIGHTS

- **9M18 net revenue surged 14.6% yoy and GPM improved by 2.1% points, respectively, on the back of:** (1) the recovery in pig prices boosting the performance of the breeder segment (GPM +29.2% pts) and the contract farming/food processing segment (GPM+33.5% pts) and (2) stable performance of the feed segment (accounting for 60% of GPM) with net revenue increasing 1.5% yoy while GPM declined by 2.1% pts. 9M net profit reached VND246.6bn (+81.3%, completing the 2018 annual plan).
- **Pig prices are expected to remain at a high level until end-2019, according to management, which should support the bottom line.** Pig prices will be driven by: (1) stabilising supply-demand conditions after the hog price crisis in 2016-2017, as supply has already contracted by 30% since, and (2) strict implementation of border trading regulations to prevent swine fever spreading from China.
- **DBC plans to expand its feed and livestock capacity with (1) two new feed factories in Binh Phuoc and Ha Tinh with total capacity of 270,000 tonnes p.a.** (25% of current capacity, (2) a new farm in Tuyen Quang with capacity of 10,000 tonnes of pork, and (3) a new chicken farm in Binh Phuoc with capacity of 40m heads p.a.
- **Potential profit from the real estate segment in the coming years.** DBC possesses a land bank of 156ha scattered across Bac Ninh Province which could be developed or sold to other developers

Key ratios	2015A	2016A	2017A
NP growth (%)	22.9	78.5	-55.7
EPS growth (%)	22.9	78.5	-55.7
GPM (%)	12.1	13.0	13.0
Asset turnover (x)	1.3	1.2	1.4
Financial leverage (x)	2.4	2.6	2.9
ROAE (%)	13.4	21.1	8.3
ROAA (%)	5.7	8.9	3.2



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