



# Vietnam

Investment Prospective Q3/2018

Sale & Trading – VNDIRECT Securities

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VNDIRECT

## LONG-TERM PROSPECTS

- In the long-term 1 year forward, we expect the market to have some risks:
  - Inflation: mainly due to (1) rising food prices from low base; and (2) rising oil prices.
  - Exchange rate: mainly from (1) USD appreciation, FED interest rate hike; and (2) China's Yuan devaluation risk.
  - Interest rate hike in VN is the consequence of inflation and exchange rate.
- Therefore when these trends are not finish, we recommend investors to keep proportion of money higher than securities in your account,

## SHORT-TERM PROSPECTS

- The market's correction since April 2018 has come from the following concerns (1) USD index is stronger, and is now around at 94.6; (2) Trade wars; (3) High volume trading in futures contract. However, we think the concerns are short-term re-action, and market is in over-sold. In fact, we see that many stocks are undervalued, so we expect there will be a recovery scenario based on the following point:
  - Investors will observe the commitment of SBV about the 2% maximum devaluation of the VND.
  - Concerns about the negative effects of the trade war temporarily settled down for the opposite view, this means investors are less afraid.
  - SSC has taken more stringent measures against futures contract with adjusting the initial margin from 10% to 13%.
  - Good quarterly results in Q2.2018 will help ease concerns about the macro risks.



We recommend a partial disbursement on the attractive valuation and potential growth prospect stocks. Recommendation buy in the correction sessions instead of buying chasing

<b>HPG</b>	• Buy 35-36k, TakeProfit 44k (+22%), StopLoss 32.5k (-7%)
<b>VHC</b>	• Buy 59-60k, TakeProfit 75k(+25%), StopLoss 55k (-7%).
<b>PLX</b>	• Buy 54-55k, TakeProfit 63.3k (+15%), StopLoss 50.2k (-7%).
<b>DIG</b>	• Buy 14-14.5k, TakeProfit 19k (+31%), StopLoss 13.0k (-7%)
<b>DXG</b>	• Buy 23-23.5k, TakeProfit 28.5k (+17.5%), StopLoss 21.4k (-7%)

## Key statistic

Average daily turnover (3m)	4,195,000
Market cap (VND billion)	76,673
Outstanding shares (m)	2,123.9
ROE	27.63%
ROA	16.9%
EPS TTM ('000 VND)	4.0
BVPS ('000 VND)	22.5

## Price performance



## Ownership structure

	%
Tran Dinh Long	25.15
Dragon Capital	7.65
Vu Thi Hien	7.29

- HPG is the largest steel producer in VN. Capacity expansion has been the main driver of HPG's success over the past few years. The aggressive expansion enables HPG to modernize their facilities and maintain economies of scale. Dung Quat new project will help to double capacity long steel in 2018, and then add more 2m tonnes flat steel in 2019. That would makes HPG the second largest steel producer in Southeast Asia.
- We believe HPG is better positioned than its local competitors to capture market share in Vietnam's steel industry for the following reasons: 1) HPG has an integrated steel complex that helps it to control production costs; 2) its sound balance sheet and working capital management have created a strong foundation from which HPG is able to expand aggressively during upcycles; and 3) it has experienced and visionary management.
- RISK:**  
Many domestic steel companies continue to expand their capacity would cause oversupply next few years (ex: Long steel: Pomina, VAS, VIS; Pipe: HSG, NKG; Galvanised steel: HSG, NKG, POM)
- Valuation:** We expect HPG's 2018 NI as of VND9200 Bil (+15% yoy). Earnings drivers are new factory in Dung Quat industrial zone and Mandarin Garden 2 profit booking. From 2019 onwards, Dung Quat factory is the key of Hoa Phat's growth

## Key statistic

Average daily turnover (3m)	117,125
Market cap (VND billion)	5,473
Outstanding shares (m)	92.4
ROE	21.2%
ROA	11.8%
EPS TTM ('000 VND)	6.4
BVPS ('000 VND)	30.9

## Price performance



## Ownership structure

	%
Truong Thi Le Khanh (chairman)	42.9
Mitsubishi	6.5
VIF	4.9

## Vietnam's pangasius industry accounts for 60% of global production and 90% of export.

- Vietnam's main export markets are US, EU and China. In particular, demand in China has grown strongly over time, rising to 2<sup>nd</sup> market behind US.
- VHC is the leading company in pangasius industry, revenue has shown consistently increase over years in period 2010-2017, while the rest of top-5 has changed significantly in this period.
- VHC has competitive advantage to the others competitors, include (1) Large self-reliance of farming area, up to 65%; (2) 50% of farms have been certified Global GAP, ASC or BAP; so VHC joint the premium segment; (3) Strong retail system, the partners are large and branded retail chains (such as Walmart, Target...); and (4) 32 ponds in many provinces help reduce weather risks.
- The expansion of farming area was started in Apr 2018 and completed in Dec 2018, will help VHC meet the strong growth demand in China.
- We expect VHC's 2018 NPAT of VND 640 Bn (+5.9% YoY), EPS forward as of VND6,900; thanks to the decrease in raw material price and larger contribution of higher value-added products.

Source: VNDIRECT

## Key statistic

Average daily turnover (3m)	364,927
Market cap (VND billion)	63,039
Outstanding shares (m)	1,293.8
ROE	13.9%
ROA	5.4%
EPS TTM ('000 VND)	2.9
BVPS ('000 VND)	18.4

## Price performance



## Ownership structure

	%
Ministry of Industry and Trade	84.7
JX Nippon Oil & Energy Vietnam	8.9

Source: VNDIRECT

**PLX is company which mainly operate as imports, distributes and retail petroleum and gas products.**

- PLX has a healthy financial structure (debt/equity=49%, cash and equivalent/equity=73%), and high advantage competitive in petroleum retails with:
  - PLX has the largest market share in retail petroleum products (50%), followed by PV Oil 15% and Saigon Petro, accounted for 37% stores (5,200/ total 14,000 stores in VN).
  - Number of stores owned (COCO – Company-operated) is 2,400/ 5200 stores, followed by PVOil (500 stores). And these stores has the good locations thanks to be opened long-time ago.
- For 2018, we forecast that PLX will make sales of VND 173.58 trillion (+11.0% y/y) and an NPATMI of VND 3.50 trillion (+5.0% y/y); EPS as of VND 2,706.
- MOIT plan to divest PLX in 2018-2020 to lower than 36% owned, would be the main catalyst. PLX's strategy is to expand its network and increase value-added services so that non-petroleum earnings would account for 30% - 50% of total revenue of each station. Compared to other companies in area, at the current PLX's business model is still not optimized.

	NI MARGIN		Operating MARGIN	
	2016	2017	2016	2017
Indian Oil Corp (IOCL IN)	3.55	5.69	5.72	7.79
Petron Corp (PCOR PM)	2.94	NA	6.92	NA
Caltex Australia Ltd (CTX AU)	3.40	NA	5.24	NA
Hindustan Petroleum Corp Ltd (HPCL IN)	2.63	4.40	3.06	4.30
IRPC PCL (IRPC TB)	5.25	NA	5.79	NA
Reliance Industries Ltd (RIL IN)	10.86	9.79	11.00	11.31
Formosa Petrochemical Corp (6505 TT)	13.87	12.85	15.78	na
S-Oil Corp (010950 KS)	7.38	6.28	9.91	7.00
<b>MEDIAN</b>	<b>4.40</b>	<b>6.28</b>	<b>6.36</b>	<b>7.40</b>
PLX	3.79	2.10	4.40	3.69
<b>Improved capacity</b>	<b>16%</b>	<b>199%</b>	<b>44%</b>	<b>100%</b>

## Key statistic

Average daily turnover (3m)	1,898,977
Market cap (VND billion)	3,430
Outstanding shares (m)	238
ROE	4%
ROA	1.8%
EPS TTM ('000 VND)	0.5
BVPS ('000 VND)	30.9

## Price performance



## Ownership structure

	%
Amersham Industries Limited	11
Tea Kwang Vina Industrial	10.22
Deutsche Bank AG	6.9

Source: VNDIRECT

## DIG's landbank is among the biggest listed developer company

- DIG has a large landbank of 1000 ready-to-use Ha and another 1000 in-progress ha in second-tier cities like Vung Tau, Dong Nai, Kien Giang, Vinh Phuc. The property market in these areas are rising, fueled by strong industrialized expansion and tourism booming. The company is former an SOE, which helps them to acquire the landbank at a relatively cheap cost. With the infrastructure improvement, we expect the company will make use of the large landbank, given that the demand for the company's segment is increasing.
- The company strategy is partnering with capable developers to make use of large landbank. We see some famous Chinese developers as CFLD or Starfy are joining in Vina Dai Phuoc and Long Tan Project, which is a boost for re-pricing the company's asset.
- We expect DIG will book a significant amount of profit in the 2018-2020 period based on a lot of in-progress projects like Nam Vinh Yen, Vina Dai Phuoc, Phoenix and Hiep Phuoc. As the 2018 plan of booking VND310 Bil PAT can be easily achieved, we believe that company will keep the growth of 15-20% in the next 3 years
- DIG is trading at 12 times P/E and 1.1 times P/B which is slightly higher than peers.

## Key statistic

Average daily turnover (3m)	4,263,448
Market cap (VND billion)	7,599
Outstanding shares (m)	342.571
ROE	9.45
ROA	20.83
EPS TTM ('000 VND)	2.7
BVPS ('000 VND)	13.5

## Price Performance



## Major shareholders

	%
Luong Tri Thin	7.76
NAV Invest Joint Stock Com.	5.6
Amersham Industries Limited	5.12

Source: cafef

## COMPANY OVERVIEW

- DXG is most reputable real estate agency. Since 2013, the Company has transformed into prominent property developer with major focus on mid- range segment, located mostly in Ho Chi Minh City.

## Q1.2018 AND 2018 OUTLOOK

- Positive results for Q1 2018** : Q1 2017 net revenue sharply increased 102% YoY to VND1.1tn (USD52mn), mostly driven by handovers at Opal Riverside project and by a one-off financial gain on a stake divestment of its Sai Dong project.
- Positive earning in the following quarters, mainly driven by Luxgarden , Opal Garden and Opal Skyview, meanwhile DXG's brokerage segment still dominates the market**
- ✓ We project 2018F Property Revenue to grow 50% YoY to VND1.6tn, mainly driven by faster deliveries of pre-sold units from Luxgarden ,Opal Garden and Opal Skyview projects have 100% pre-sold and to be delivered in the following quarters with the total of 1,100 units. The brokerage business is expected to grow 8% YoY.
- ✓ As of above estimations, we confident in our expectation NPAT of VND1.4tn for 2018, which generating target price at VNS 33.200/ share, using P/E method.
- ✓ **For mid-term outlook:**The Gem Riverside finally kicked off in April 2018 with over 1,600 units available to be reserved (50% of total units) at an ASP ranging from USD1,450 to USD1,600 per sqm. Recently, over 90% of units have been reserved, few months out from the sales launch. The project expect to be recognized from 2020, and will therefore ensure DXG's mid-term outlook over 2017-2020F.



## HỘI TỰ TRÍ TUỆ - LAN TỎA THÀNH CÔNG

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