



Vietnam

Investment Prospective

Dec 2017

VNDIRECT

Hoa Phat Group (HOSE: HPG)

Coteccons construction JSC (HOSE: CTD)

Vinh Hoan corporation (HOSE: VHC)

Ha Do Group (HOSE: HDG)

Power construction No.1 JSC (HOSE: PC1)

Nhon Trach Thermal Power Plant (HOSE: NT2)

Dat Xanh Group (HOSE: DXG)

Haian Port and Logistics (HOSE: HAH)

Phuoc Hoa Rubber (HOSE: PHR)

Hoà Phát Group (HOSE: HPG)

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND39,200	VND47,000 (UPSIDE 21%)	3.1%	BUY	Steel Industry

Key statistics

Average daily volume (20d)	3,410,812
Market cap (VND billion)	57,945
Outstanding shares (m)	1,517
Free float (%)	20%

Price performance



Major shareholders

Trần Đình Long	25.15%
Dragon Capital	7.65%
Vũ Thị Hiền	7.29%
VOF Investment Ltd	4.88%
Deutsche Bank AG & AGM	4.86%
Deutsche Bank AG London	3.74%

2018 OUTLOOK

We project NI of 2017 and 2018 will reach VND7.73 Trn (+17% yoy) and VND8.96 Trn (+16% yoy), respectively. The main drivers for 2018 growth include: increase volume sales of long steel (+8.6% YoY), pipe steel (+15%), new products (galvanized steel sheet), and the delivery mandarin garden 2 project. Utilization rate will still reach 100%.

New steel sheet factory in Hung Yen will go online at the end of 2017: Total output of 400,000 tons of galvanized steels sheet per year.

New construction steel factory in Quang Ngai: The Dung Quat project has the expected capacity of 4mn tons per year. The total capex for the project is VND40trn. Phase 1 will be online in 3Q2018, 6 months earlier than originally planned.

HPG is the largest steel company in Vietnam. The company's policy of continuous capacity expansion has been the main driver of HPG's success over the past few years, enabling them to continue to modernize their facilities and maintain economies of scale. The need to expand further is clear as they are currently running at full capacity for both construction steel and steel pipe given that they can continue to win market share thanks to their low unit cost per ton of steel compared to products from imports and other domestic producers.

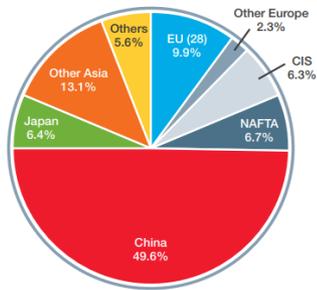
RISK

Over supply of construction steel could damage ROE in the long run.

Steel Industry 2018: Supply and demand favors steel

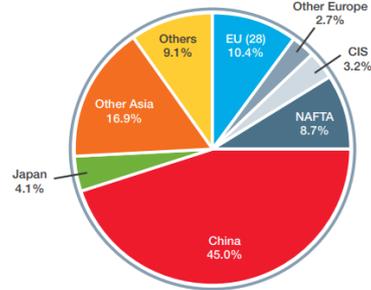
Crude Steel production 2016

World total: 1 630 million tonnes



Apparent steel use (finished steel products) 2016

World total: 1 515 million tonnes



Source: worldsteel.org

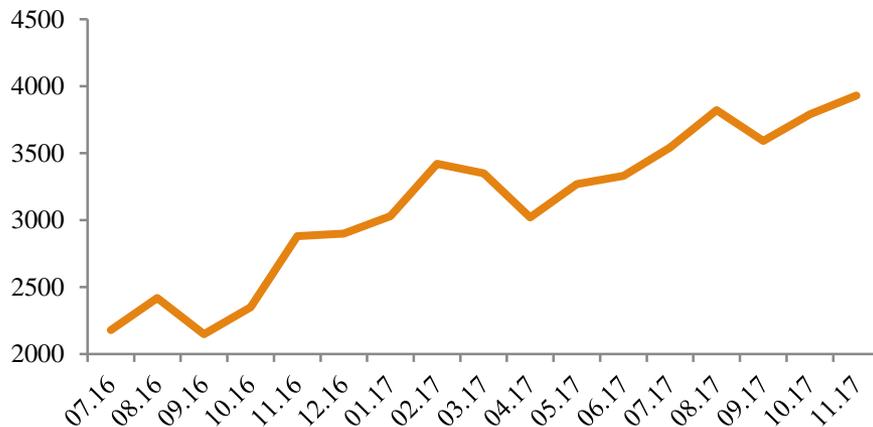
GLOBAL STEEL PRICE CONTINUES TO INCREASE

• Steel supply has been decreasing thanks to the strict environmental protection that shut down a large numbers of steel factories in China.

• However, demand would still be positive thanks to China's development plan in infrastructure, specially in "**one belt one road**" strategy.

• We forecast China steel sector amid rising demand (+2.1%) and shrinking supply (-1.8% YoY) in 2018, This in turn will continue to rise steel price

Shanghai steel price index



Source: Bloomberg

VIETNAM'S STEEL MARKET IS ATTRACTIVE

- The protection tariff on steel imported from China is still valid until 2020. With long steel imported to VN, the tariff would be:
 - ✓ 13.9% until March 2018,
 - ✓ 12.4% until March 2019, and
 - ✓ 10.9% until March 2020.
- Demand for steels in Vietnam will continue to stay high as Vietnam is still a developing country with the poor infrastructure; and Steel consumption per capita in Vietnam is 240 kg (2016), lower than other neighbor countries, like China (500kg), South Korea (1,100 kg),

Coteccons construction JSC (HOSE: CTD)

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND232,000	VND270,000 (UPSIDE 17.4%)	2.2 %	BUY	Construction

Key statistics

Average daily volume (20d)	149,000
Market cap (VND billion)	17,419
Outstanding shares (m)	77.1
Free float (%)	41%

Price performance



Major shareholders

Kustoshem	18.17%
Thanh cong Success investment	14.62%
Nguyen Ba Duong	4.73%
Ton Poh Fund	2.70%

COMPANY OVERVIEW

- CTD is the Vietnam leading company in construction sector** with strong cash flow and healthy financial structure. “Cash and equivalents” accounted for 40% of total asset, and equivalent to VND70,000 per share.
- The order backlog is still rising while some super large projects are not yet included.** 2017’s order backlog is currently VND25,567 billion (+13.8% YoY). Some other large backlogs that are not yet included: Vinfast automobile production complex in Hai Phong (as the general contractor), Dung Quat Steel Complex project in Quang Ngai (as a D&B contractor). These projects are considered one of the largest projects in 2017. However, the projects’ value are not yet published so we cannot include it in the current backlog value.
- Looking for opportunities to invest in operating assets** – CTD is considering 5 projects although no detail has been disclosed as these are under negotiation. The purpose here is to create an operating asset income stream which suggests that the projects would be in the commercial or office segments.
- For FY2018, We forecast FY2018 net sales of VND31,050 billion (+15% y/y), NPAT of VND1,989 billion (+13% y/y, equivalents EPS of VND25,800**

Vinh Hoan Corporation (HOSE: VHC)

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND50,500	VND60,000 (UPSIDE 19%)	3.96%	BUY	Food producers

Key statistics

Average daily volume (20d)	118,715
Market cap (VND billion)	4,666
Outstanding shares (m)	92.4
Free float (%)	24.3%

Price performance



Ownership structure

Truong Thi Le Khanh (chairwoman)	42.88%
Foreign investors	21.31%

Source: VNDIRECT

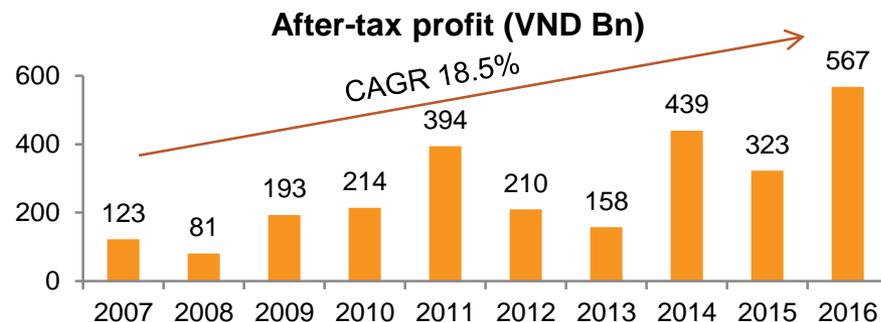
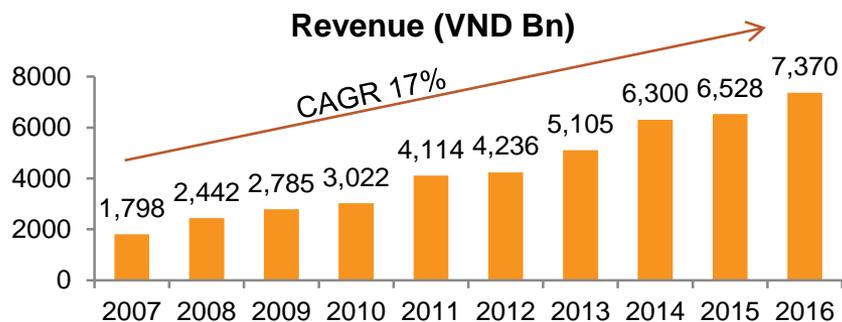
COMPANY OVERVIEW

- VHC is the global leader in sustainable tropical aquaculture, with three main divisions (i) **Vinh Foods** – Providing premium seafood from sustainable aquaculture (ii) **Vinh Aquaculture** – Enhancing sustainable tropical aquaculture with a combination of research, development, education, and on-site training (iii) **Vinh Wellness** – Providing premium wellness products derived from sustainable aquaculture
- VHC's products are now shipped to over 40 countries. The EU and the U.S are two main markets which together accounted for 72% of total export value.
- The average selling price increases while the raw material price is stable in the last quarter of the year will improve gross margins. We expect VHC Sales 2017 would increase 17% yoy, while Net income +9% yoy. At this price, VHC has PE 2017 forward 7.8.

FINANCIAL SUMMARY (B VND)

	2015A	2016A	2017E
Revenue	6,493	7,303	8,545
Revenue growth	3.2%	12.4%	17.0%
Net profit	322	555	604
EPS(VND)	5,786	5,553	6,302
P/E(x)	10.1	10.0	9.5
P/B(x)	1.2	2.2	2.1

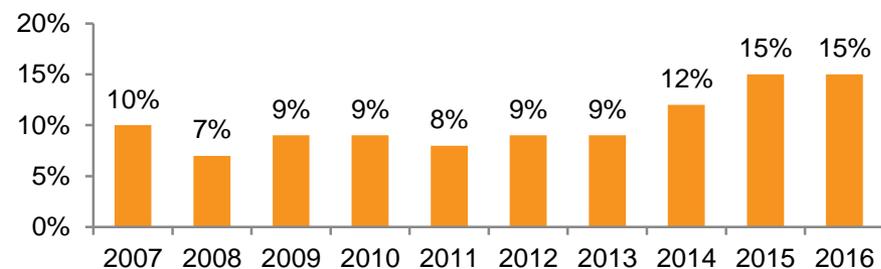
Vinh Hoan Corporation (HOSE: VHC)



Pangasius Industry Leaders

2011	2012	2013	2014	2015	2016
VHC 150.7	VHC 154.9	VHC 166.2	VHC 207.4	VHC 227.6	VHC 251.2
Hung vuong 123.5	Hung vuong 111.9	Agifish 112.6	Hung vuong 139.7	Bien dong 116.7	Bien dong 134
Agifish 84.0	Agifish 91.9	Hung vuong 105.5	Navico 109.8	Hung vuong 95.7	Hung vuong 102.2
Anvifis h 83	Anvifis h 82.8	Navico 86.7	Agifish 84.6	Navico 93.1	Golden Quality 100.7
Navico 53.7	I.D.I 58.3	I.D.I 79.7	Bien dong 76	I.D.I 67.5	Navico 80.2

Market share of VHC (%)



	2011	2012	2013	2014	2015	2016
Total certified farming area (ha)	114	114	174	202	210	249

Sources: VASEP, VHC, VNDirect

Ha Do Group (HOSE: HDG)

Current Price

VND35,000

Target Price

VND42,000 (UPSIDE 20%)

Dividend Yield

2.8%

Recommendation

BUY

Sector

Real estate

Key statistics

Average daily turnover (20d)	486,000
Market cap (VND billion)	2,597
Outstanding shares (m)	75.9
Free float (%)	34.7%

Price performance



Ownership structure

Nguyen Trong Thong	35.05%
Nguyen Van To & family	11.92%
Foreign investors	20.9%

COMPANY OVERVIEW

- The development of the Centrosa Garden project from 2016 has helped to elevate Ha Do brand name and ensure a solid cash flow over next three years. Two others business are hydropower and real estate rental will continue to generate stable cash flow.
- “**Centrosa Garden**” project has a prime location in the centre of Ho Chi Minh city, and has sold 100% of Villas and 90% apartment building. Hydropower and real estate rental continue to generate stable cash flow with increased profit.
- HDG has strong financial structure: in 3Q2017, total debt is only VND1,700 Bn; in which VND931 Bn is for Nhan Hac hydropower project, while equity is VND1,837 Bn.
- Valuation: We use RNAV for real estate project, PE valuation for hydropower and rental sectors, the expected value would be VND42,000 per share.

Project	Location	Scale	Invested capital
Centrosa Garden	Dist 10, HCM city	6.85 ha	VND6,500 Bn
Villas		115 Vilas	
Building		2162 apartments	
Garden Villas	Dist 10, HCM	19 Villas	VND370 Bn
Parkside	Dịch vọng, Cau Giay Dist, HN	105 apartments	VND260 Bn
Riverside	Dist 12, HCM	124 Villas, 256 apartments	VND 300 Bn
Dragon City	An thuong, Hoai Duc, Ha Noi	11 ha	VND 600 Bn
Bao dai Villa	Tran Phu, Nha Trang	36 Villas	VND 250 Bn
Garden Homes	Tang nhon phu, Dist 9, HCM	1 ha	NA
Noong Tha	Vien Chan, Lao	70 ha	NA
HH1	Cau giay, HN	1ha with 1000 apartments	NA

Power construction No.1 JSC (HOSE: PC1)

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND38,000	VND42,000 (upside 11%)	N/A	BUY	Specialized Construction

Key statistics

Average daily volume (20d)	116,135
Market cap (VND billion)	4,387
Outstanding shares (m)	115,452,410
Free float (%)	62%

Price performance



Major shareholders

Trinh Van Tuan	17.66%
Vietnam Enterprise Investment	9.94%
Nguyen Nhat Tan	3.23%
Norges Bank	1.2%

COMPANY OVERVIEW

PC1 is one of the leading companies in transmission lines and substations construction in Vietnam with 4 main market segments: power construction, industrial production, real estate and hydropower generation.

(1) Power Construction: accounts for 60% of revenue with gross profit margin ranging from 14%-17%. PC1 occupies 30% of the market share and the sector is expected to grow at 10% per year.

(2) Industrial production: steel production such as steel billets and steel single column for transmission lines construction. This sector accounts for 17% of the total revenue in 2016. The products are also exported to many countries such as Japan, Bangladesh, Indonesia...

(3) Real estate: this is the main driving force for growth in 2018 and 2019 with the highest gross margin (45-50%). We expect that PC1 will recognize approximately VND1,100 billion in revenue and VND330 billion in NPAT thanks to My Dinh Plaza project in 2018. In 2019, we forecast revenue to be VND870 billion and NPATMI to be VND210 Bn.

(4) Energy Investment: Hydropower will be the second major business after real estate. The total output capacity of hydropower plants are 162MW including: Trung thu, Bao Lam 1 project which went live in late 2016 (each's capacity is 30MW); Bao Lam 3, Bao Lam 3A which went live in 4Q2017 and are expected to contribute significant revenue and profit in 2018. The PC1's advantage is in small hydropower (less than 30Mw capacity) thanks to EVN's tariff list, which price is higher than larger ones. The invested capital is funded by WB at low interest rate (only 5-6%)

For FY2018, we forecast FY2018 revenue to be VND5,100 bn (+47% yoy), NPAT to be VND580 bn (+93% yoy), and EPS to be VND5,000.

Nhon Trach Thermal Power Plant (HOSE: NT2)

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND31,400	VND39,700 (upside 26%)	11%	BUY	Electricity

Key statistics

Average daily volume (20d)	414,169
Market cap (VND billion)	9,068
Outstanding shares (m)	287.8
Free float (%)	20.4%

Price performance



Major shareholders

EVN Vietnam Electricity	59.37%
CFTD	8.27%
Electric Power Development Ltd	4.83%
Market Vectors Vietnam ETF	3.97%
Norges Bank	1.6%
Amersham Industries Limited	1.38%

COMPANY OVERVIEW

NT2 is a member of PetroVietnam (Vietnam Oil and Gas Group), which contributes 5 billion kWh of electricity annually to the national power grid. Thanks to the high growth economy in Vietnam, electricity sector is expected to increase about 10-12% each in next 10 years.

4Q2017 AND 2018 OUTLOOK

Revenue and profit in 4Q2017 are expected to increase significantly thanks to:

(1) The plant has resumed its full capacity from October 03rd after one month of major maintenance: The overhaul finished 6 days earlier than expected with the cost of only 64% as expected. VND143 bn is saved. Capacity increases an additional 24MW. Expected output in 2017 will reach 4.5 billion kWh (5% higher than the original plan).

(2) The company benefits from the policy of the Ministry of Industry and Trade: to suspend the competitive generation market (CGM) in October this year to focus on electricity mobilizing from gas-based thermal power production.

Strong recovery from 2018 onwards: From 2018 onwards electricity output can reach 5.3-5.5 bn kWh as the peak years 2015-2016. Long-term debt has decreased significantly, helping to reduce the pressure from exchange rate risk. We expect FY2018 sales will reach VND7,800 billion and NPAT reach VND893 billion, EPS of VND3,103.

Cash dividend has remained high and steady: dividend is in range of VND2,500 to VND3500 in cash, accounts for 80-85% EPS.

Stock valuation: We use the EV/EBITDA method to eliminate the effect of depreciation and exchange rates. NT2 is currently trading at EV/EBITDA of 2017 and 2018 of 6.8x and 6.2x, respectively. Industry average ratio is about 8.0x.

Dat Xanh Group (HOSE: DXG)

Current Price	Target Price	Timing	Recommendation	Sector
VND 20,100	VND 24,000 (UPSIDE 19.4%)	1 year	BUY	Real Estate

Key statistics

Average daily volume (20d)	3,250,000
Market cap (VND billion)	5,514
Outstanding shares (m)	302.9
Free float (%)	29.9%

Price performance



Major Shareholders

Luong Tri Thin	7.76%
Amersham Industries	6.41%
NAV Investing Joint stock Com.	5.6%

COMPANY OVERVIEW

- DXG is the leading housing broker and has built a successful real estate development division, specially in mid-end and affordable housing. Brokerage market share is 17.4% in FY 2016, with sale volume increased sharply from around 4,000 units in 2013 to 8,000 units in FY2016; distribution channels include 2,000 salesmen at 48 trading floors, plus 5,000 freelancers and 193 affiliated floors.

4Q2017 AND 2018 OUTLOOK

- For 2017, we forecast NPATMI growth of 42% YoY**, with net sales of VND3,215 Bn (+28% YoY) and NPATMI of VND764 Bn (+42% YoY) based on assumptions:
 - ✓ The brokerage and sub-investment segment will contribute revenue of VND1,297 Bn (+60% YoY) given strong sale of first 9 months;
 - ✓ Development segment revenue of VND1,680 Bn (+14%) mainly from the remain Luxcity project (VND384 bn); Opal Riverside which has sold 100%, will be handed over in 4Q2017 (VND1,171 Bn, with 634 units);
- For 2018, we forecast FY2018 NPATMI growth 20% YoY** with net sales of VND3,943 Bn (+23%) and NPATMI of VND917 Bn (+20%) mostly from our assumptions:
 - ✓ The brokerage & sub-investment segment revenue will grow 10% y/y, thanks to sustainable demand and average population age is young, around 32.
 - ✓ Development segment: Opal Garden project (VND815 Bn) which has sold 100% in 2016 and expected to handover in 2018; Lux Garden (VND1,077 Bn); and the Opal Skyview project (VND351 Bn).
- Valuation: we use RNAV valuation valuing the company at fair price of VND24,000.

Haian Port and Logistics (HOSE: HAH)

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND20,600	VND35,000 (UPSIDE 70%)	7.1-9.5%	BUY	Logistics Industry

Key statistics

Average daily turnover (3m)	50842
Market cap (VND billion)	717.8
Outstanding shares (m)	33.9
Free float (%)	60%

Price performance



2018 OUTLOOK

HAH is expected to have a dramatic improvement in Revenue and Profit in 2017-2018 after a bad year in 2016 thanks to:

- Total container throughput in 2017 is on the way to surpass the 2015's peak of 360,000 TEU after falling in 2016 due to surging in demand. This strong recovery is thanks to the company's vessel team, which operates mainly on domestic route.
- The two new domestic ships, with a total capacity of over 18,000 DWT (equivalent to 1,100 TEU) per vessel added in 3Q2017, will add 28% of this year's transport volume and more than 50% in 2018.

HAH is in the partnership with 2 renowned Korean logistics giants: SM-Line and Pantos Logistics. SM-Line is the shipping giant which took over Hanjin Shipping networks. Pantos is the largest logistics company in Korea. It is also a member of LG. These two partners help to ensure at least 6 ships to serve/week

HAH is now the cheapest hybrid port and logistics in Vietnam. It is trading at 4.94 trailing P/E and 4.2 of 2018 forward P/E compared to average 11.1 of other peers in Vietnam. Recent price decrease caused by one of major shareholder divestment. It creates an opportunity to buy a good and expanding company at the discounted price

RISK

Rising oil price may affect the gross margin of shipping segment.

Major shareholder TMS is divesting by selling on the trading floor (large block available for put through negotiation)

Major shareholders

TMS	20.15%
Halley Sicav	9.82%
Haiha Logistics	5.98%
Andbanc Investment Sif	3.83%

Phuoc Hoa Rubber (HOSE: PHR)

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND42,250	VND52,000 (UPSIDE 23%)	7.1%	BUY	Natural Rubber

Key statistics

Average daily turnover (3m)	289,585
Market cap (VND billion)	3316
Outstanding shares (m)	81.3
Free float (%)	23%

Price performance



Major shareholders

VRG	69.00%
Asia Value Investment	4.99%
Halley Sicav	2.96%

COMPANY OVERVIEW

PHR is one of the leading companies in natural rubber sector. Total plant area reaches 21,000 ha in Vietnam and Cambodia. However, gross profit from natural rubber segment is only 150-170 VND bn, which is not the catalyst for the company.

▪ The main catalyst comes from land transfer transaction:

- ✓ PHR expects to realize compensation of VND1bn-VND1.5bn (US\$44,000-US\$66,000) per hectare on 700 ha land transferred to Vietnam-Singapore Industrial Park (VSIP) over the next two to three years. This deal brings at least VND600 bn gross profit in the next 2 years. After this transfer, PHR can receive 20% of the project profit which is about VND60 mn/hectare as we estimate
- ✓ PHR will transfer in total 350 ha to Nam Tan Uyen Industrial park operator (Upcom: NTC) at an estimated price of VND935 mn (US\$41,000) per hectare. This translates to gross profit gain of VND270 bn in the next 2 years
- PHR will transfer 5.2mil shares of NTC to Vietnam Rubber Group after the IPO. This potential deal would probably bring VND395 bn in revenue as well VND260 bn in Profit
- PHR will liquidate 4,000 hectares of old rubber wood from 2018-2020. This recent increase in rubber wood price, from VND200 mn – VND250 mn /hectare will add VND260 bn to gross profit.
- We estimate the fair price for PHR of VND52,000 which is equivalent to 6.5 P/E of 2018 abnormal earnings. FDI inflow is one of the most prominent story in VN market and PHR is a indirect beneficiary.



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