VIETNAM'S CEMENT INDUSTRY STILL LOOKS UNATTRACTIVE

The continued supply overhang in Vietnam's cement industry coupled with sluggish cement consumption means we remain quite bearish on the medium-term prospects for this sector. We benchmark Vietnam's cement sector to Pakistan's and find that valuations of Vietnamese cement companies are not attractive in light of medium-term growth prospects. The steel sector serves as a sounder bet on construction materials growth in Vietnam.

11 December 2017

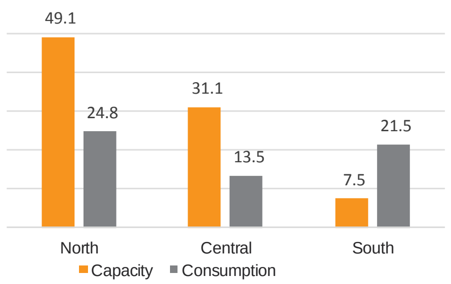
Tho Dien Hong
tho.dienhong@vndirect.com.vn
Anirban Lahiri
anirban.lahiri@vndirect.com.vn

Figure 1: Steel consumption by segment (mn tonnes)

	10M 2017	10M 2016	YoY
Steel construction	7.2	6.4	12.4%
Steel pipe	1.8	1.7	7.1%
Steel coat	2.9	2.4	25.3%
Steel coil	2.3	2.4	-1.6%
Total steel consumption	14.3	12.8	11.5%

Source: VNDIRECT, Fiinpro

Figure 2: Domestic Consumption by Region 2016 (mn tonnes)



Source: VNDIRECT, VNCA

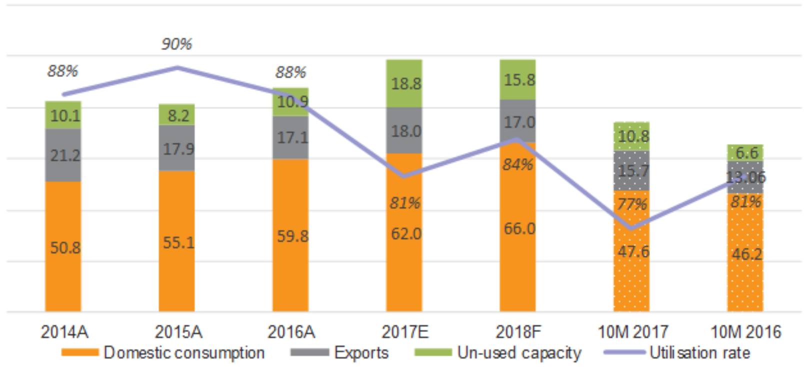
Domestic cement consumption is surprisingly sluggish. During the first ten months of 2017, domestic cement consumption reached 47.6mn tonnes (3% YoY) and 15.7mn tonnes of cement and clinker were exported (+20% YoY). Total output over the period was still 23% below industry-wide capacity. We find the domestic cement consumption growth figures to be surprising given the strong construction activity in Vietnam; as shown to the right, construction steel consumption grew at more than 3x the rate at which cement grew in the first ten months of this year. One possible explanation is unusually wet weather this year due to La Nina which disrupted construction activity (steel is purchased in advance while cement consumption is directly-related to progress on consumption sites)

Cement producers are focusing on boosting exports to narrow their surplus capacity. Since local demand is fully covered, producers are instead betting on export channels (both cement and clinker), mainly to Bangladesh and Philippines to maximize their plant utilization. However, companies are facing strong pricing competition from China in these export markets, as Chinese products were typically around 6-18% cheaper than products from Vietnam before Vietnam's government expanded this gap by imposing a 5% export tax on cement and clinker in 2016 (VNCA).

Recent curbs on capacity growth will take time to impact currently low capacity utilization. There are currently 83 cement production lines with a total capacity of around 98.8mn tonnes/year, a 12.5% increase from the end of 2016. 2016 utilization was only 88% and may fall to 81% this year based on the volumes realized in the first ten months of this year. The MOIT stopped granting licenses for new cement plants last year and also removed some small-sized plants (capacity below 1mn tonnes/year) out of its master plan due to their inefficiency and lack of competitiveness. Even with capacity growth being constrained, however, utilization will remain depressed in the near-term.

There is an oversupply in northern and central Vietnam, and an undersupply in the South. Over 90% of the national cement capacity is from northern and central factories. In the south, there are only 5 factories with aggregate designed output of around 7.5mn tonnes/year, which is constrained by the poor limestone quarry reserves in the area. However, the demand in the south accounted for ~36% (equal to 21.5mn tonnes) of total cement consumption in 2016. This undersupply in the South is a major advantage for southern cement factories particularly as it is expensive to transport cement from the North and Central regions to the South.

Figure 3: Cement & clinker supply-demand model in Vietnam (mn tonnes)

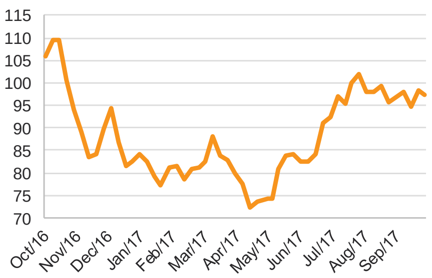


Source: VNDIRECT, VNCA

Chinese cement exports pose an indirect threat to Vietnamese producers by hurting their exports and delaying a market rebalancing. Vietnam has not recently being importing cement. Chinese cement exports have currently only impacted Vietnam's cement exports, but there is also no existing protection to prevent future penetration of imported cement from China. We believe that the threat of dumping Chinese cement is low, as the high transportation costs and intense competition in Vietnam make it less attractive as an export destination for Chinese cement producers.

CPEC provides a new "safety valve" for excess Chinese cement output, thereby helping Vietnamese cement producers. Pakistan's cement sector has already heated up due to massive funding inflows from China into infrastructure build-outs along the China-Pakistan Economic Corridor (CPEC) which is part of its One Belt One Road (OBOR) initiative. This has immediately boosted domestic cement consumption in Pakistan by 19.9%. China also plans to start building a rail system heading to Pakistan (TheEconomicTimes) which may help dump their surplus cement into the area, thereby easing excess capacity spillovers into other regional markets. This could indirectly benefit Vietnam exporters. However, this will take time to play-out and could yet still prompt a protectionist backlash from Pakistani authorities.

Figure 4: Coal price (US$/tonne)



Source: VNDIRECT, Bloomberg

The rising price of coal threatens margins: Coal accounts for roughly 50% of the production cost for cement, and therefore recent coal price increases are strongly impacting the margins of cement producers. Most local cement factories have been using cheaper coal imported from Indonesia or Australia, rather than the local supply. However, the price of imported coal rose by 94% from the 9-year lows seen in Jan 2016. This has weighed on margins of coal producers, given that companies' ASPs have barely changed due to severe industry competition.

2018 might see a slight improvement in conditions but Vietnamese cement producers will not be "out of the woods": Given that the selling price of cement will likely remain stable in the coming years, domestic cement consumption will be the only sustainable diver for earnings growth in this sector. The construction industry will grow by 9.7% in value terms next year according to BMI, driven by both residential and non-residential building activity, as well as surging investments from the government and private sector into property and infrastructure. The Ministry of Construction also believes that domestic consumption will grow by 4-6% in 2018, reaching 66-67mn tonnes and that the industry's export volume will remain nearly the same, at 17-18mn tonnes, following the sharp spike experienced this year. The total demand in 2018 will touch 83mn tonnes (+3.8% YoY), still significantly below capacity. We remain skeptical about the prospects for exports, given that Vietnamese cement is less competitive than Chinese and Thai cement in terms of price, quality and delivery time.

Vietnamese cement companies look unattractive relative to peers in other promising frontier markets such as Pakistan: Pakistan's cement sector has been delivering strong growth, largely driven by CPEC. Over the last five months sales of cement rose by 13.9% YoY on the back of a 19.9% YoY growth in local dispatches. Local cement companies are also increasing capacity in anticipation of further demand in the future. The fundamentals of these companies are also interesting as the gross and net margin absolutely outperformed Vietnamese companies (Figure 3). Cement stocks in Pakistan are currently trading at a discount to stocks in Vietnam, which is attractive given the strong growth potential for Pakistan's cement sector.

Figure 5: Regional peer valuation

Sticker	Country	Exchange	Market cap (USDmn)	ROE	ROA	Net profit margin	Gross profit margin	EBITDA margin	EBIT margin	P/E
Sector average (Vietnam)			**30**	**8.0%**	**2.0%**	**0.0%**	**11.0%**	**9.0%**	**4.0%**	**12.6**
HT1 VN Equity	Vietnam	HOSE	282	12.0%	4.3%	6.1%	16.6%	21.6%	12.4%	12.7
BCC VN Equity	Vietnam	HNX	37	7.1%	0.5%	0.4%	14.2%	9.7%	4.1%	35.2
Sector average (Pakistan)			**252**	**15.4%**	**9.4%**	**16.1%**	**29.8%**	**22.2%**	**16.9%**	**8.1**
LUCK PA Equity	Pakistan	PSX	1,519	19.8%	11.9%	18.1%	31.1%	27.9%	21.9%	9.8
DGKC PA Equity	Pakistan	PSX	553	12.2%	8.8%	26.6%	35.5%	34.5%	27.6%	6.6
MLCF PA Equity	Pakistan	PSX	391	19.8%	12.3%	19.3%	38.0%	36.5%	28.5%	8.0
ACPL PA Equity	Pakistan	PSX	179	29.1%	21.0%	19.5%	38.1%	30.7%	27.6%	7.1
KOHC PA Equity	Pakistan	PSX	190	24.4%	17.9%	26.2%	43.0%	43.8%	40.2%	5.6

Source: VNDIRECT, Bloomberg

Overall, Vietnam's cement sector looks unattractive due to continued overcapacity which will limit the ability to pass through increased production costs. While Southern producers like HT1 can still benefit from the regional shortage, there is not capacity expansion in the anvil. Hence, we recommend that investors seeking to ride the construction materials growth story in Vietnam should look at the steel sector which has far stronger fundamentals than the cement sector.

DISCLAIMER

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to VNDIRECT Securities Corporation, and is distributed by CIMB pursuant to an arrangement between VNDIRECT Securities Corporation and CIMB. VNDIRECT Securities Corporation is not an affiliate of CIMB.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the “Restrictions on Distributions” set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report.

VNDIRECT Securities Corporation may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. VNDIRECT Securities Corporation and CIMB are under no obligation to update this report in the event of a material change to the information contained in this report. VNDIRECT Securities Corporation and CIMB have no, and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, VNDIRECT Securities Corporation and CIMB, or any of their respective affiliates, or its related persons (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, VNDIRECT Securities Corporation and CIMB disclaim all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CIMB or VNDIRECT Securities Corporation or their respective affiliates to any person to buy or sell any investments.

CIMB and/or VNDIRECT Securities Corporation, their respective affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB and/or VNDIRECT Securities Corporation, their respective affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CIMB and/or VNDIRECT Securities Corporation or their respective affiliates may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB and/or VNDIRECT Securities Corporation may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. The analyst(s) who prepared this research report is prohibited from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term “VNDIRECT Securities Corporation” shall, unless the context otherwise requires, mean VNDIRECT Securities Corporation and its affiliates, subsidiaries and related companies. The term “CIMB” shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, CIMB Group Holdings Berhad ("CIMBGH") and its affiliates, subsidiaries and related companies.

Country	CIMB Entity	Regulated by
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of 11 December 2017 VNDIRECT Securities Corporation has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:
(a) -
(ii) As of 11 December 2017 , the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:
(a) -
This report does not purport to contain all the information that a prospective investor may require. CIMB and/or VNDIRECT Securities Corporation or any of their respective affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CIMB and/or VNDIRECT Securities Corporation nor any of their respective affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.
This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.
Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.
Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited do not hold, and are not required to hold an Australian financial services licence. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).
China: For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.
France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.
Germany: This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.
The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.
Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are not our own but of VNDIRECT Securities Corporation as of the

date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK.

CIMB Securities Limited does not make a market on other securities mentioned in the report.

India: This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with SEBI as a stock-broker under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992, the Securities and Exchange Board of India (Research Analyst) Regulations, 2014 (SEBI Registration Number INH000000669) and in accordance with the provisions of Regulation 4 (g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with SEBI as an Investment Adviser.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from equity stock broking and merchant banking of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

Indonesia: This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

Ireland: CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

Malaysia: This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB") solely for the benefit of and for the exclusive use of our clients. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update, revise or reaffirm its opinion or the information in this research reports after the date of this report.

New Zealand: In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

Singapore: This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CIMB Research Pte Ltd, 50 Raffles Place, #19-00 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CIMBR has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following :

(a) Section 25 of the FAA (obligation to disclose product information);

(b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;

(c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];

(d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];

(e) Section 36 (obligation on disclosure of interest in securities), and

(f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CIMB Research Pte Ltd ("CIMBR"), its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMBR, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of 13 November 2017, CIMB Research Pte Ltd does not have a proprietary position in the recommended securities in this report.

CIMB Research Pte Ltd, CIMB Securities Singapore Pte Ltd and CIMB Bank Berhad, Singapore branch do not make a market on the securities mentioned in the report.

South Korea: This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch (“CIMB Korea”) which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea (“FSCMA”).

Spain: This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Switzerland: This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers’ Association (Directives on the Independence of Financial Research).

Taiwan: This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer or a placement within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Company Limited (“CIMBS”) based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CIMBS has no obligation to update its opinion or the information in this research report.

If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient are unaffected.

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom: In the United Kingdom and European Economic Area, this report is being disseminated by CIMB Securities (UK) Limited (“CIMB UK”). CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. Unless specified to the contrary, this report has been issued and approved for distribution in the U.K. and the EEA by CIMB UK. Investment research issued by CIMB UK has been prepared in accordance with CIMB Group’s policies for managing conflicts of interest arising as a result of publication and distribution of investment research. This report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), (c) fall within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, or (e) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with any investments to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Where this report is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent “investment research” under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent report will not have been prepared in accordance with legal requirements designed to promote the independence of investment research and will not subject to any prohibition on dealing ahead of the dissemination of investment research. Any such non-independent report must be considered as a marketing communication.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

RECOMMENDATION FRAMEWORK

Stock Ratings	Definition:
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

Anirban Lahiri – Head of Research
Email: anirban.lahiri@vndirect.com.vn

Phuong Nguyen Mai, CFA – Director
Email: phuong.nguyenmai@vndirect.com.vn

Tho Dien Hong – Analyst
Email: tho.dienhong@vndirect.com.vn

VNDIRECT Securities Corporation
1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi
Tel: +84 2439724568
Email: research@vndirect.com.vn
Website: https://vndirect.com.vn