Vietnam

Investment Outlook

July 2017

VNDIRECT

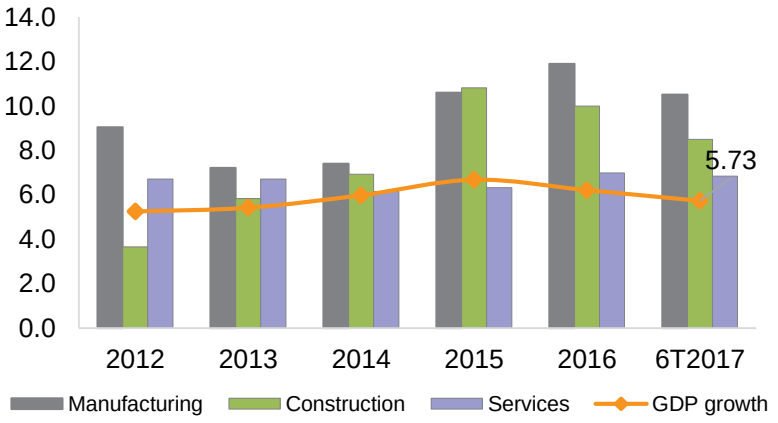
Contents

Macroeconomic update
Stock market review
Highlighted sectors

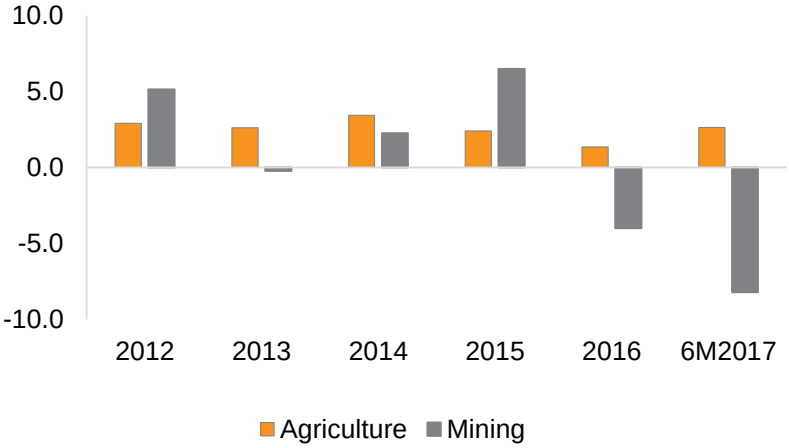
Vietnam Q2 GDP: Regaining Momentum

- Q2 GDP growth is 6.17%, much better than Q1 of 5.15%. 6M2017 GDP growth achieved 5.73%
- Higher Q2 GDP growth was driven by strong growth of Service sector and rebound of Agriculture sector:
  - Service sector growth rate: 6.85%, a 5 year high.
  - Agri. sector growth rate: 2.65%, up from 2.05% of 1Q
- Mining sector and manufacturing, two key factors causing poor GDP growth in 1Q2017, has improved.
- **Looking ahead, we expect the economy will continue to recover throughout the rest of 2017.**

GDP growth and sectors' contribution 2012 - 2Q2017 (%) (Source: GSO)



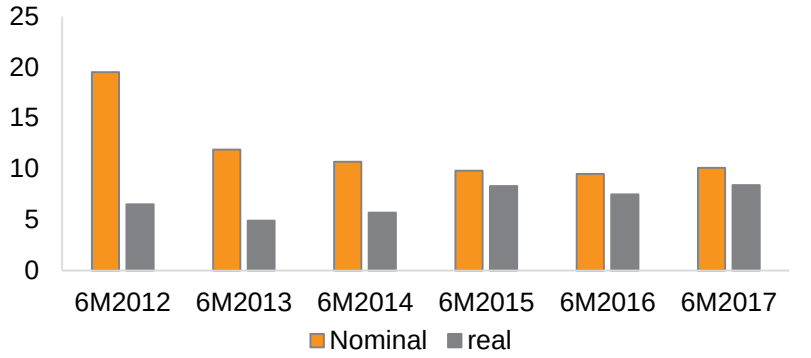
GDP growth of agriculture and mining sector (%) (Source: GSO)



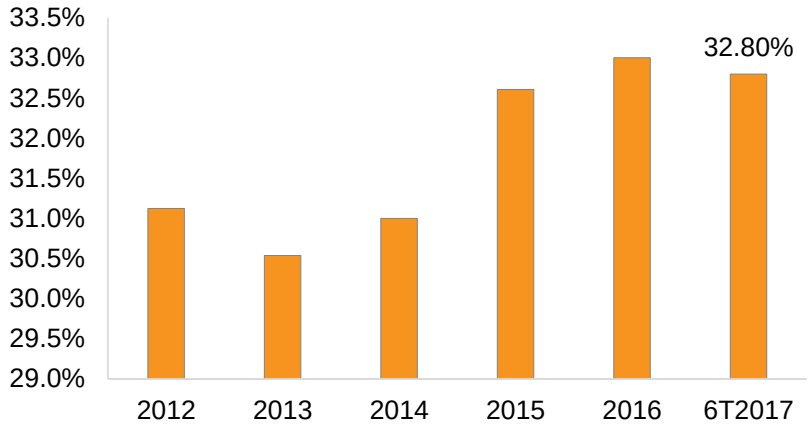
Vietnam Q2 GDP: Regaining Momentum

- 6M2017: Consumption accelerated by 8.4% yoy in real term, recording the highest in 5 years and is expected to stay strong in the upcoming quarters.
- Investment/GDP in 6M2017 reached 32.8% yoy (vs. 32% in 1Q2017 and 33% in 2016), mainly from FDI and private sectors. Vietnamese Government aims to increase Investment/GDP to 34-35% this year.
- Investment by state sector grew rather slowly by 6.8%. Investment by FDI and private sectors rose faster (14.9% yoy and 9.6% yoy, respectively)

Consumption growth (%)
(Source: GSO)



Investment/GDP
(Source: GSO)



Vietnam GDP: Government to stimulate GDP growth

Measures to be taken by the Government

- Increasing crude oil production and expanding coal exports
- Providing stimulus package (value of about VND100trl) for Agriculture sector
- Increasing credit growth target to over 18%
- Increasing public investment to 35% GDP (up from previous target of 32 – 33% GDP)
- Cutting benchmark refinancing rate from 6.5% to 6.25%

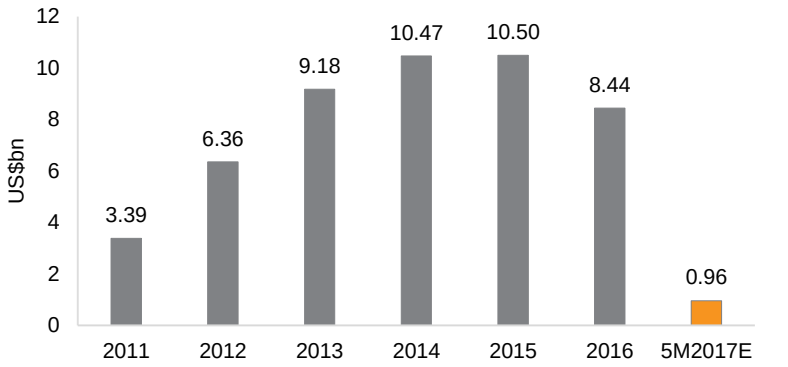
Our GDP forecast is 6.46% for 2017.

Good growth prospects ahead.

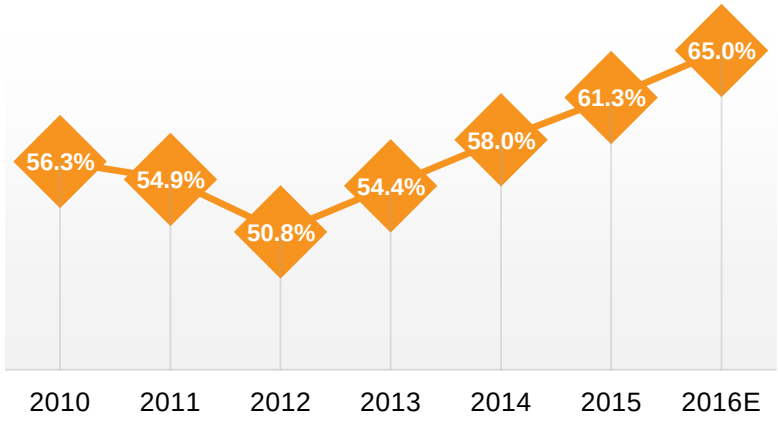
Fiscal health: An improvement

- 5M 2017: Lowest budget deficit in the past 5 years due to: (i) budget revenue increased sharply by 16.5% yoy in 5M2017 vs. 4.5% yoy of 1Q2016. (ii) Slow progress of public investment disbursement.
- Positive G-bond issuance bond issuance result: By 5M2017, the Government has completed 67% of the FY2017 guidance with total issuance value of VND122trl. Noticeably, foreign investors show more interest with net buy value of about VND14trl.
- The spending structure remains imbalanced when recurrent expenditure is increasing and hard to cut.

Vietnam's budget deficit from 2011-5M2017
(Source: GSO)



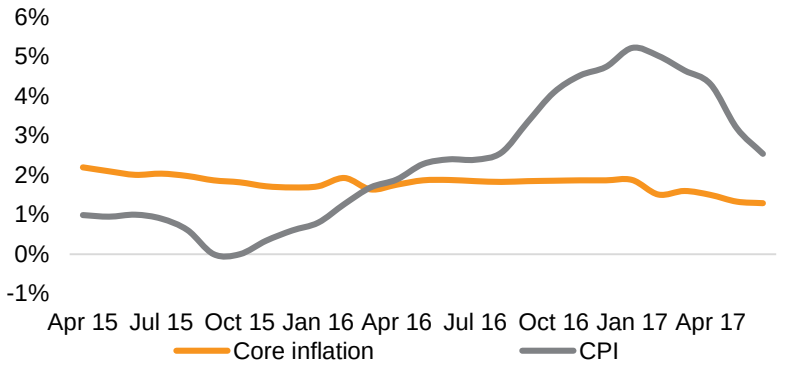
Public debt/GDP
(Source: MoF)



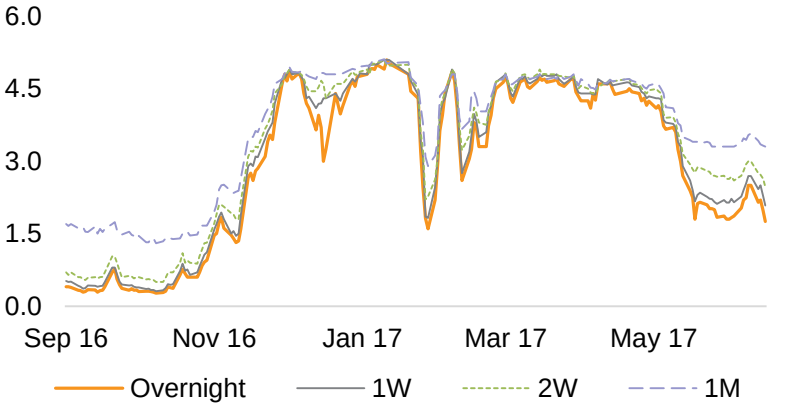
Stable macro-conditions to enable loosening policies

- Stable inflation, CPI mostly influenced by price adjustment of public goods and services such as education, medical services, electricity. In June 2017, core inflation and CPI stood at 1.29% yoy and 2.54% yoy, respectively.
- Exchange rate risk is mitigated in the short term thanks to strong inflows of capital. However, increasing trade deficit would pose a threat to exchange rate stability in the upcoming period.
- The SBV continues to buy USD. Foreign reserves by the end of 2016 stood at about USD41bn.
- Credit growth target is lifted to over 18% (vs. the original plan of 16-18%)

Vietnam's CPI
(Source: GSO)



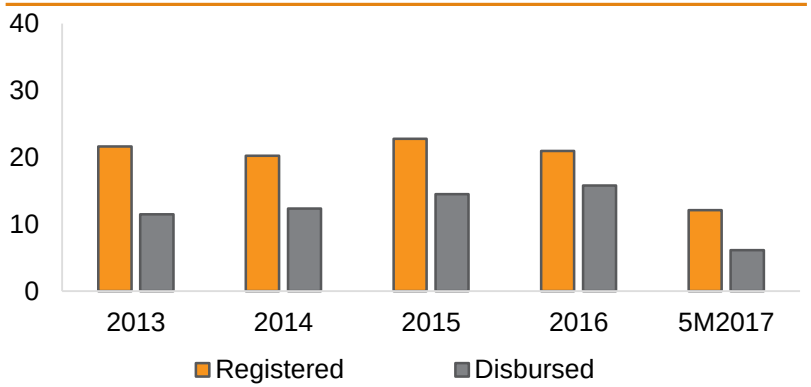
Interbank rate
(Source: Bloomberg)



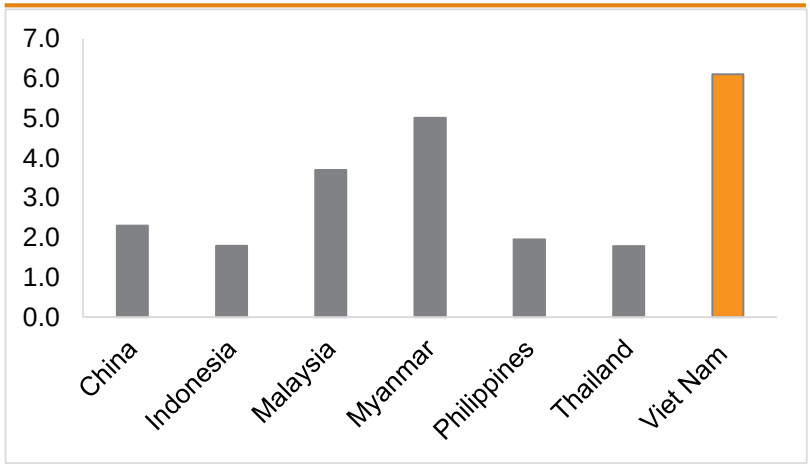
FDI: A bright prospect

- FDI inflows grew strongly. As of Jun 20, total registered FDI reached USD19.2bn (+54.8% YoY), disbursed FDI reached USD7.72bn (+6.5% YoY).
- FDI focused in manufacturing and processing; and power and energy sectors (32.4% and 44.4%, respectively). FDI into power segment rose sharply as a big thermal power plant was granted license in Thanh Hoa, with total value of USD2.7bn
- 6M2017 FII reached USD2.25bn
- Vietnam's FDI/GDP ratio were among the highest in Asia of 6.1%.

FDI into Vietnam from 2013-5M2017 (USDbn)
(Source: GSO)



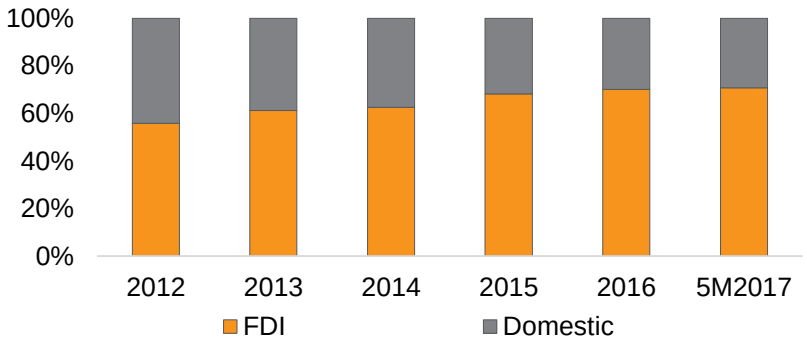
FDI/GDP 2015
(Source: GSO)



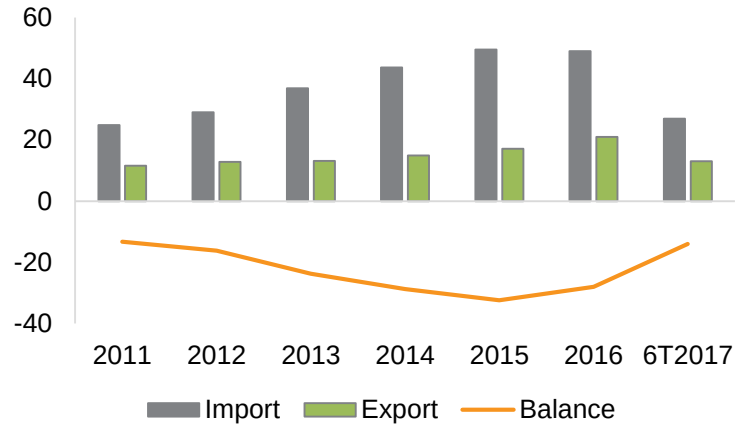
Exports: Another bright segment

- Exports benefited from global economy rebound but remained heavily dependent on FDI segment. Export reached USD97.78bn (+18.9%yoy), import reached USD100.47bn (+24.1% yoy), hence a deficit of USD2.7bn in 6M2017.
- FDI sector accounted for 70% of total export and 60% of import and dominated in key export items (99% for phones and accessories and 97% for computers and electronic products etc.)
- The trade deficit with China reduced, with slower rate of import growth vs export growth.

Export by sector from 2012 – 5M2017
(Source: GSO)



Bilateral trade with China (USDbn)
(Source: MoF)



Reform program: New attempt for Banking system

Resolution on the handling of bad debts:

- Grant more right to creditors (Bank, VAMC…) in dealing with collateral
- Allow selling debt at market price, which means debts can be sold at the value lower than its book value
- Detailed regulation on the handling of accrued interest

Contents

Macroeconomic update
Stock market review
Highlighted sectors

Listed companies' earnings: Strong gain recorded in 1Q2017

+12.2% yoy increase in revenue

+33.8% yoy increase in net profit

By listed companies on HOSE & HNX in 1Q2017

1Q net profit of listed companies on HOSE & HNX
Source: VNDIRECT)

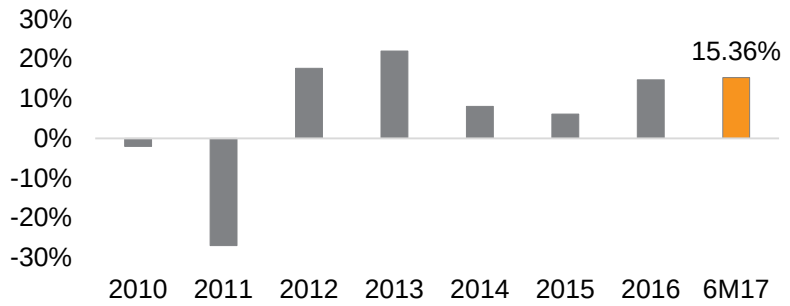
Unit: US$bn	1Q2017	1Q2016	+/- (%)
Net revenue of companies on HOSE	13.0	11.4	14.28%
Net revenue of companies on HNX	1.3	1.0	3.65%
Net profit of companies on HOSE	2.9	2.8	35.87%
Net profit of companies on HNX	0.2	0.1	19.92%

Business results of VN30 companies in 1Q2017

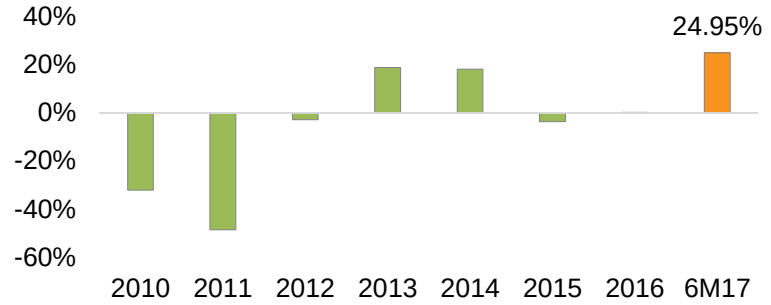
Code	Net revenue (US$mn)			Net profit (US$mn)			Market cap (US$bn)
	1Q2017	1Q2016	yoy (%)	1Q2017	1Q2016	yoy (%)	
VNM	528.5	453.2	16.6%	128.7	94.6	36.1%	9,892
VCB	231.4	198.8	16.4%	96.8	80.6	20.1%	6,004
VIC	692.6	646.4	7.2%	40.1	34.2	17.5%	4,911
GAS	713.0	613.3	16.3%	95.4	57.7	65.5%	4,809
CTG	270.4	235.9	14.7%	89.1	84.2	5.9%	3,291
BID	298.5	247.4	20.7%	80.0	72.8	9.9%	2,991
MSN	374.6	384.6	-2.6%	10.4	11.1	-6.3%	2,077
BVH	222.4	176.7	25.9%	16.3	16.8	-2.9%	2,043
HPG	450.2	313.2	43.7%	84.8	44.8	89.2%	1,719
MBB	105.6	77.5	36.1%	39.0	30.9	26.2%	1,638
MWG	683.6	422.2	61.9%	24.5	18.3	33.5%	1,356
FPT	413.1	371.4	11.2%	18.1	15.2	19.4%	1,123
STB	46.1	54.3	-15.1%	9.3	7.1	30.2%	1,079
CTD	191.3	137.8	38.8%	13.2	10.6	24.9%	738
DHG	38.7	35.7	8.2%	7.6	6.6	14.6%	712
SSI	23.9	19.3	23.9%	12.9	8.4	53.6%	589
HSG	272.5	192.3	41.7%	18.2	18.3	-0.5%	551
REE	47.7	24.3	96.7%	14.5	4.3	234.3%	503
CII	6.1	9.8	-37.5%	53.8	1.2	4675.0%	489
DPM	86.8	87.4	-0.7%	9.8	17.9	-45.2%	413
KDC	54.8	17.3	217.3%	0.8	1.2	-32.1%	394
BMP	33.2	30.9	7.7%	4.4	8.7	-49.5%	391
HNG	20.6	56.2	-63.3%	0.3	4.1	-92.6%	386
NT2	77.6	60.8	16.6%	11.7	14.0	-16.6%	383
SBT	49.9	54.4	16.4%	3.6	2.0	80.4%	364
KBC	19.1	19.6	7.2%	7.8	4.2	86.3%	360
GMD	37.7	37.2	16.3%	4.2	3.0	39.1%	358
HAG	36.1	86.5	14.7%	0.5	3.0	-84.1%	346
PVD	22.1	69.2	20.7%	-8.8	2.5	-458.9%	236
ITA	6.5	4.1	-2.6%	1.0	0.7	35.3%	162
Sum	**6,054.6**	**5,137.6**	**17.85%**	**888.2**	**679.0**	**30.81%**	**50,308**

Stock market: Strong growth of index in 6M2017

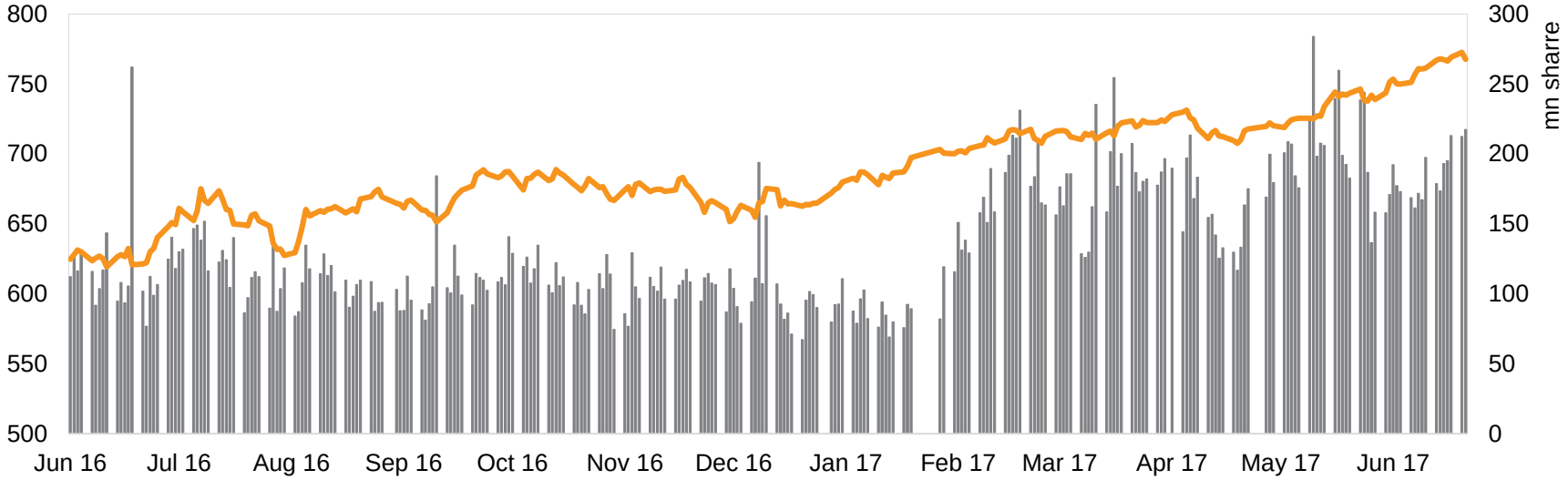
Historical performance of VNINDEX
(Source: VNDIRECT)



Historical performance of HNXINDEX
(Source: VNDIRECT)



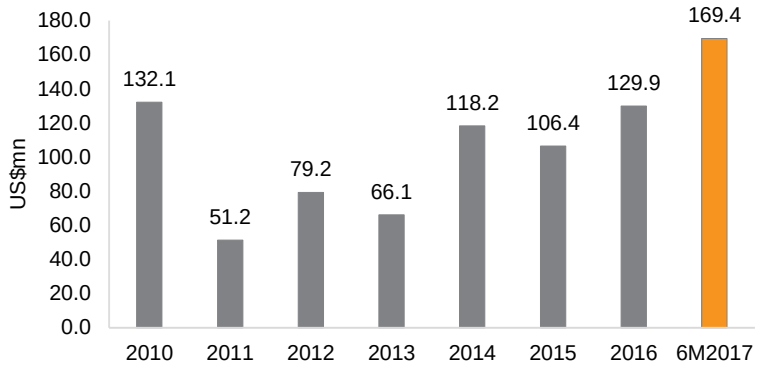
VNINDEX 1-year performance



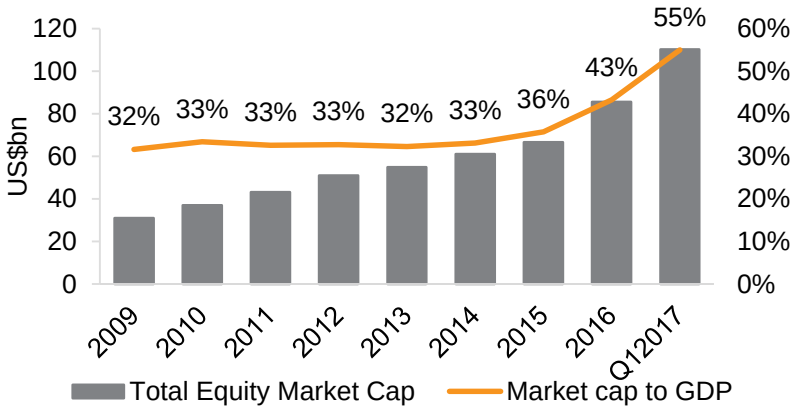
Stock market: Strong growth of liquidity in 6M2017

- Average trading value of stock market in 1H2017 reached US$169.4mn/day **+30.43%** yoy. highest figure since 2010.
- As of Jun 19th 2017, Vietnamese stock market capitalization reached **US$110bn** (+26% YTD), equivalent to **55%** of total GDP.

Average daily trading value 2010-1H2017
(Source: VNDIRECT)



Vietnam stock market capitalization
(Source: VNDIRECT)



Foreigners were net buyers of U$348mn Ytd

Top 10 stocks net sold by foreign investors

Ticker	Exch.	Sector	Listed from	Net bought (US$mn)
PVD	HOSE	Oil & gas	2006	-23.6
DXG	HOSE	Real Estate	2009	-15.9
DCM	HOSE	Fertilizer	2007	-12.6
QCG	HOSE	Real Estate	2015	-12.1
KDC	HOSE	Food and Beverage	2005	-11.8
NLG	HOSE	Real Estate	2013	-9.9
HT1	HOSE	Cement	2007	-9.5
DPM	HOSE	Fertilizer	2007	-9.3
VIC	HOSE	Real Estate	2006	-8.4
BMP	HOSE	Plastic	2006	-8.4

Top 20 stocks net bought by foreign investors

Ticker	Exch.	Sector	Listed from	Net bought (US$mn)
VNM	HOSE	Food	2006	186.9
ROS	HOSE	Infrastructure	2016	42.0
HPG	HOSE	Steel	2007	37.4
PLX	HOSE	Oil & Gas	2017	35.8
VHC	HOSE	Fishing	2007	23.9
CTD	HOSE	Infrastructure	2010	23.4
VJC	HOSE	Aviation	2017	21.4
SAB	HOSE	Beverage	2016	16.6
KBC	HOSE	Real Estate	2009	14.5
GAS	HOSE	Oil & Gas	2012	13.2
CII	HOSE	Infrastructure	2006	12.3
TLG	HOSE	Consumer	2010	11.8
PC1	HOSE	Infrastructure	2016	11.5
EIB	HOSE	Banking	2009	8.4
DMC	HOSE	Pharmaceutical	2006	8.1
VGC	HNX	Building Materials	2016	6.4
HCM	HOSE	Securities	2009	6.2
FLC	HOSE	Real Estate	2013	5.8
CTG	HOSE	Banking	2009	5.7
STB	HOSE	Banking	2007	4.6

FOL relaxation: There are success stories, though not many

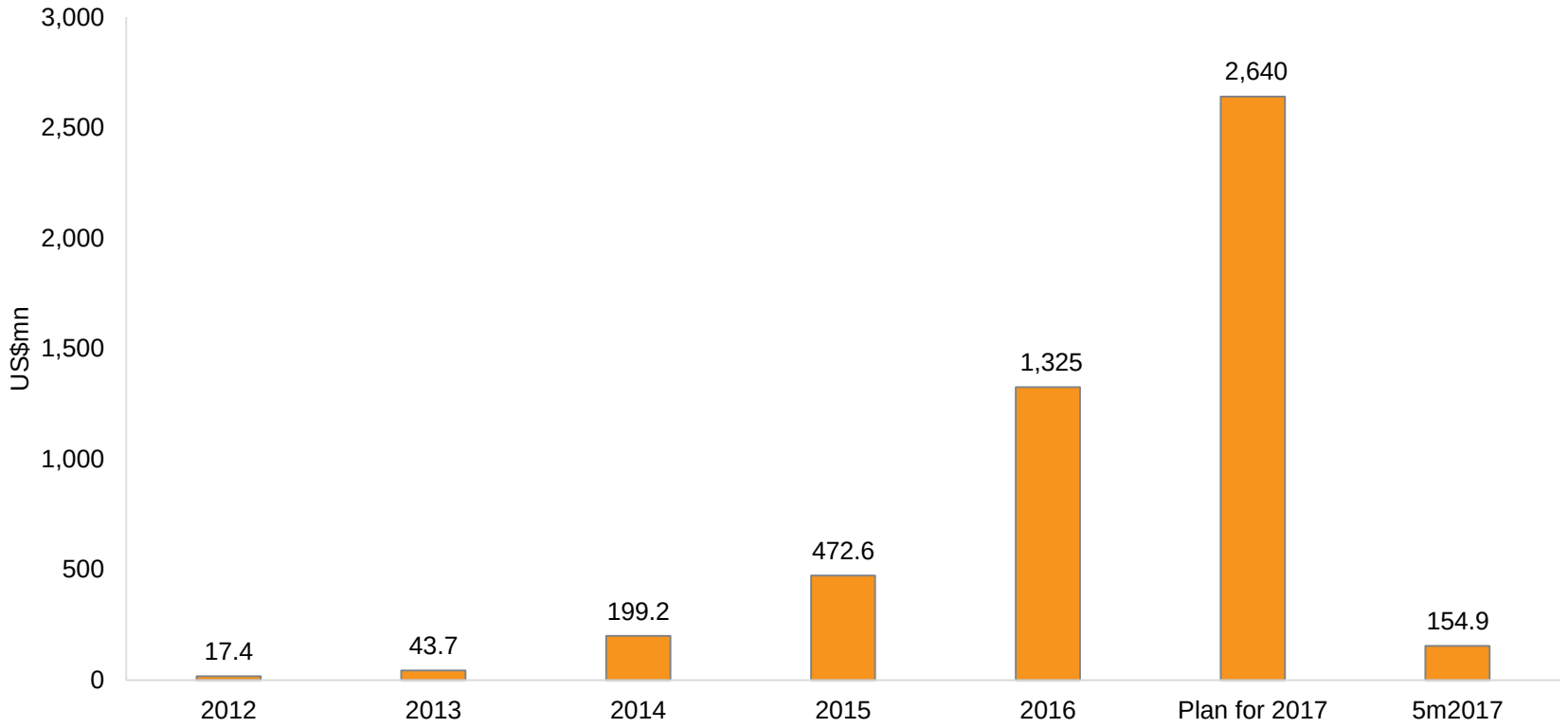
- Around 30 companies have been approved to increase the FOL since the policy to raising the foreign ownership limit from 49% to 100% was effective.
- 16 companies have lifted FOL to 100%.
- The process needs to be made easier
- According to the decision of the Politburo internal meeting on Jun 5th, State shareholding in 4 largest SOCBs will be maintained at a minimum of 65%. The Decision may be viewed as making it more difficult for increasing banking sector FOL; except for restructuring banks.

Companies that have raised the foreign ownership limit to 100%

Name	Foreign Ownership Limit (%)	Current foreign ownership (%)	Share price (16/6/2017) (VND)	Market Cap (USDmn)
APS	100%	19.85%	3,700	6.3
CVT	100%	12.12%	43,700	56.7
DMC	100%	61.69%	123,000	200.9
EVE	100%	64.49%	20,300	36.6
FTS	100%	29.16%	12,500	54.3
GTN	100%	50.32%	17,200	183.1
HCM	100%	50.09%	43,900	252.5
IFS	100%	99.38%	7,600	29.0
IVS	100%	49.08%		16.1
KMR	100%	47.66%	4,510	11.0
NVT	100%	48.98%	3,950	16.6
PAN	100%	45.90%	40,000	179.8
SSI	100%	56.20%	27,700	587.6
TTP	100%	88.24%	45,300	32.9
VHC	100%	37.36%	56,900	236.4
VNM	100%	55.01%	154,400	9,732.9

Equitization and divestment of SOEs

Divestment from state-owned enterprises



(Source: MoF)

Speeding up divestment, IPOs of SOEs in 2H2017

PV OIL, PV POWER, VRG will be equitized in Q3 2017 and they will attract attention of foreign investors

Name	IPO schedule	Divestment %	Types of transactions	Enterprise value (USDmn)
Vietnam Urban and Industrial Zone Development Investment Corporation (IDICO)	2017 - 2019	64%	Strategic partners 45%, ESOP 0.56%, IPO 18.44%.	131.6
Song Da Corporation	2017 - 2019	49%	Strategic partners 30%, IPO 18.82%, ESOP 0.18%	811.5
Housing and Urban Development Corporation (HUD)	2017 -2019	49%	Startegic partners 25%, IPO 23.69%, ESOP 0.31%	480.0
Vietnam Southern Food Corporation (Vinafood 2)	2017	49%	IPO	235.7
Vietnam Rubber Group (VRG)	July 2017	25%	Startegic partners and IPO	Na
Saigon Trading Group (Satra)	2017	35%	Na	Na
PetroVietnam Power Corporation (PV Power)	August 2017	49%	Strategic partners 45%, IPO 3-4%	2,658.9
Vietnam Oil and Gas Group (PV Oil)	2017	51%	Strategic partners (39%-44%), IPO (6-10%), ESOP (1%)	453.6
Binh Son Refining and Petrochemical Company (BSR)	Q4 2017	5-6%	IPO 5-6%	3,196.5

Some major state divestments in 2H2017

Number	Name	Chartered Capital (USDmn)	State Chartered Capital (USDmn)	Percentage (%)	Status
SCIC plan to divest from some major companies					
1	Sa Giang Import Export Corporation	3.1	1.6	50	In progress
2	Can Tho Agricultural Products and Foodstuff Export Company	4.8	4.7	98	In progress
3	An Giang Import Export Company	8.0	2.3	28	In progress
4	Bao Minh Insurance Corporation	40.0	20.3	51	In progress
5	Vinaconex Corporation	193.7	112.0	58	In progress
6	Quang Ninh Thermal Power Joint Stock Company	197.4	22.5	11	In progress
7	Hai Phong Thermal Power Joint Stock Company	219.3	19.7	9	In progress
8	Thang Long Joint Stock Corporation	18.4	4.6	25	In progress
9	Viet Lao Vung Ang Port Joint Stock Company	10.3	2.8	27	In progress
10	Binh Minh Plastic Joint Stock Company	20.0	5.9	30	In progress
11	Tien Phong Plastic Joint Stock Company	32.6	12.1	37	In progress
12	Viettronics Corporation	19.2	16.9	88	In progress
13	FPT Corporation	201.5	12.1	6	In progress
14	Thai Nguyen Iron and Steel Joint Stock Corporation	124.6	43.9	35	Done
15	Vietnam Broadcasting Tower Investment Joint Stock Company	26.3	2.2	8	In progress
Others major state divestment					
1	Saigon Beer-Alcohol-Beverage Joint Stock Corporation (SAB)	281.3	252.0	89.59	In progress
2	Hanoi Beer Alcohol And Beverage Joint Stock Corporation (BHN)	101.7	83.2	81.79	In progress

Stock market outlook

The uptrend is still dominant, though there may be short term corrections

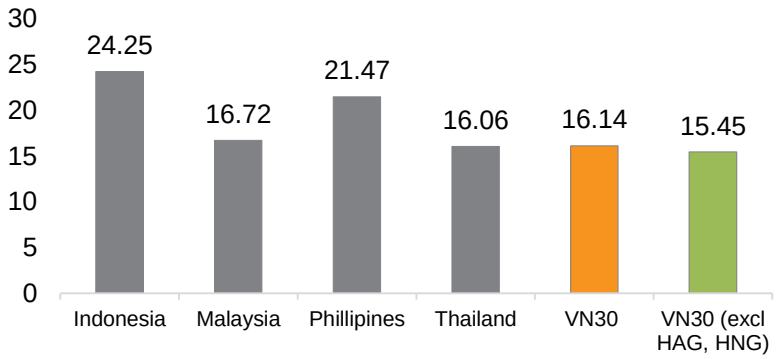
Positive

- Prospect of 2Q business results could be the major catalyst to drive the market sentiment.
- Waiting for the big IPOs in 3Q2017: Binh Son Oil Refinery, PV Oil, and PV Power.
- Continuing on State divestment plan from VNM, SAB, BHN, BMP, NTP, BMI, FPT, and VCG.
- Derivative market expected to be launched in 3Q2017

Negative

- Monetary loosening policy may slow at the end of this year
- Profit taking activities can take place
- Market valuations are pretty fair. P/E of VN30 is 16.1x, proximity to the valuation of some markets in the region such as Thailand, Malaysia.

P/E of Vietnam and some regional market
(Source: Bloomberg)



Contents

Macroeconomic update

Stock market

Highlighted sectors

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- Financial Services - Brokerage
- Banking
- Food & Beverages
- Non-grocery retails
- Aviation
- Building Materials

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WISDOM TO SUCCESS

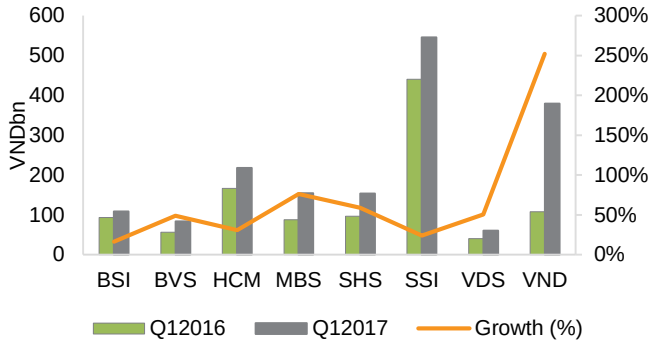
Highlighted sectors

- Financial Services - Brokerage
- Banking
- Food & Beverages
- Non-grocery retails
- Aviation
- Building Materials

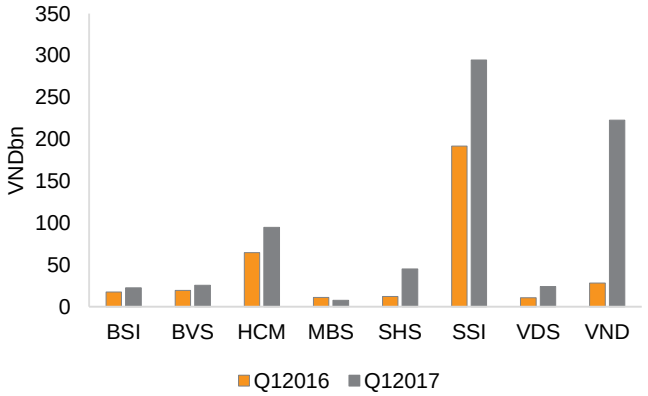
VNDIRECT
WISDOM TO SUCCESS

Brokerage: Strong growth in 2017

Revenue growth
(Source: VNDIRECT)



Net Profit Growth
(Source: IMF, GSO, VND est.)



INVESTMENT THESIS

- A positive FY2017 outlook for brokerage companies thanks to a stronger stock market. Stock market remained positive trend in 2Q2017 with average trading value reached VND4,498bn, increased by 35% compared to 1Q2017. VNINDEX grew by 5.93% and HNX increased by 8.20% in 2Q2017
- Government will promote the equitization of SOEs, listing and state divestment in the second half of 2017
- Derivative market expected to open in Q3/2017

2017 UPDATE (YTD)

- Total revenue of 18 listed brokerage companies (on HOSE & HNX) reached VND1,951bn in Q1/2017 and increased by 50% compared to 1Q2016.
- Meanwhile, operating expenses increased slightly by 4% to boost 1Q2017 earnings of brokerage companies grow strongly by 87% yoy vs 1Q2016.

Strong sales growth while expenses remained stable in Q1/2017

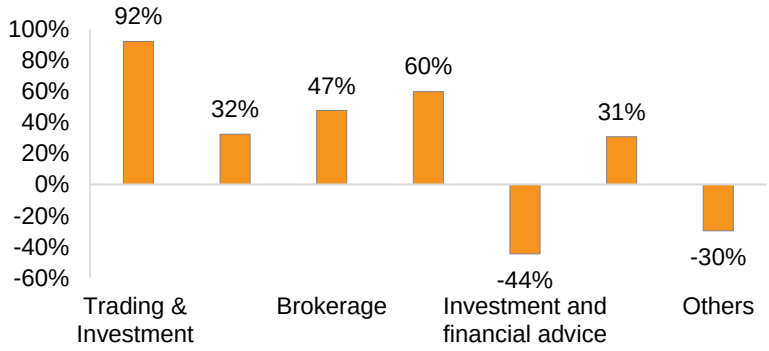
Positive growths in revenue of securities brokerage, margin lending, investment & trading and underwriting.

- Earnings from investment and financial assets in 1Q2017 reached VND813bn, up 91.75% yoy
- Interest income from loans and receivables of 1Q2017 (margin loans, ...) reached VND509bn billion dong, up 32% yoy in 1Q2016.
- Brokerage revenue in 1Q2017 reached VND484 billion, up 47% y / y vs. 1Q2016
- Underwriting securities revenue in 1Q2017 reached VND23.2 billion, up 60% yoy.
- On the other hand, operating expenses increased slightly by 4% yoy regarding to expanding brokerage network.

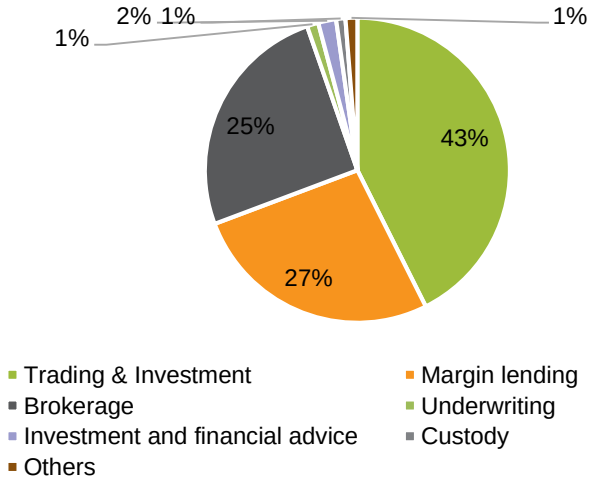
Q1/2017 bottom lines of brokerage companies grew significantly by 87% yoy.

- Total net profit of listed securities companies on HOSE and HNX reached VND838 billion, up sharply by 86.9% yoy.

Revenue increased sharply



Revenue structure

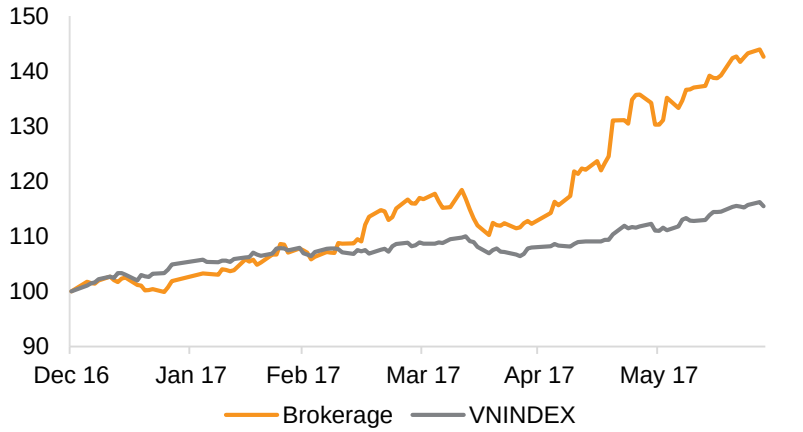


Brokerage

Our top picks

- **SSI, HCM, VND:** the largest brokerage companies with good market shares and services.

Industry performance (Dec 30, 2016 = 100)



Key ratio

Company	Market price (VND)	Market Cap 22/6/2017 (bn VND)	Average trading volume (20d)	NI 2016 (bn VND)	ROA 2016 (%)	ROE 2016 (%)	P/B	P/E	Dividend Yield (%)
BVS	18,400	1,329	36,340	101.7	5.98	6.85	0.84	12.33	0
CTS	11,500	1,039	1,008,877	83.2	8.20	9.27	0.96	9.97	0
HCM	44,400	5,757	734,904	304.5	8.60	13.32	2.25	16.91	3.83
SHS	13,400	1,340	1,714,662	86.6	3.35	10.32	1.26	11.20	5.97
SSI	27,400	13,397	4,280,773	877.0	6.87	12.17	1.59	12.84	3.66
VND	21,900	3,175	676,172	186.3	5.88	17.79	1.56	8.67	0

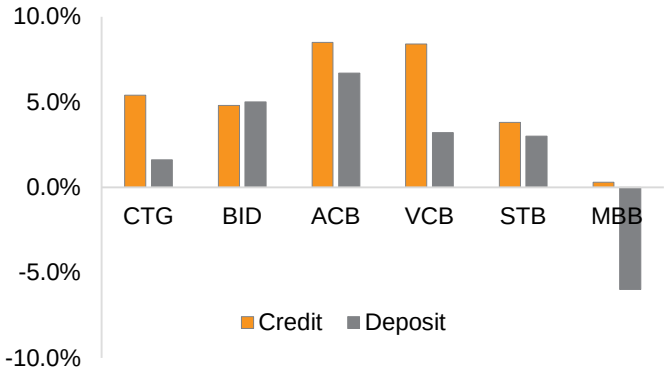
Highlighted sectors

- Financial Service - Brokerage
- Banking
- Food & Beverage
- Non-grocery retail
- Aviation
- Building Material

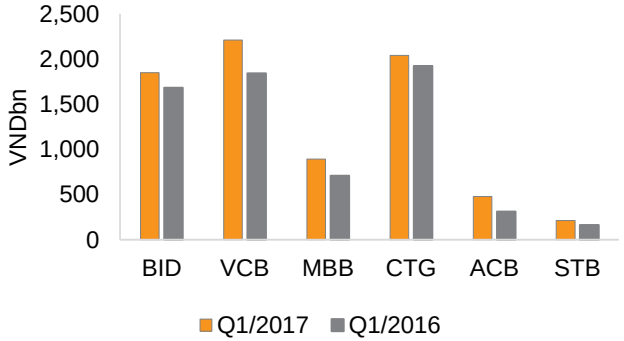
VNDIRECT
WISDOM TO SUCCESS

Banking

Credit & deposit growth by 1Q2017



Pre-tax profit of banks under coverage as of 1Q2017



INVESTMENT THESIS

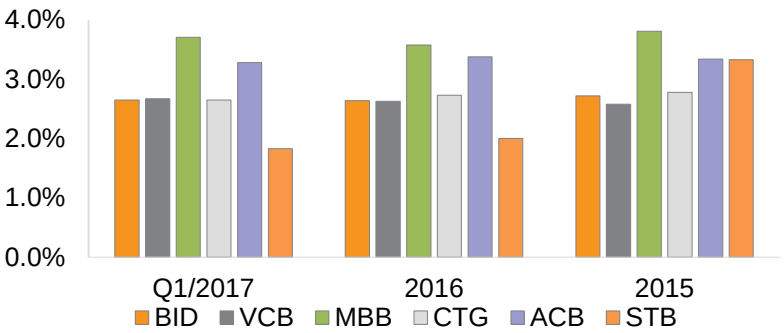
- New resolution tackling bad debts to facilitate the lenders more power in collecting and selling collaterals under book value.
- Strong credit growth is expected, driven by the SMEs and individual segments:
- Banks which aggressively made provision in the past (indicating through high LLR) will enjoy the higher credit growth and lower provision-related expenses.

1H2017 REVIEW

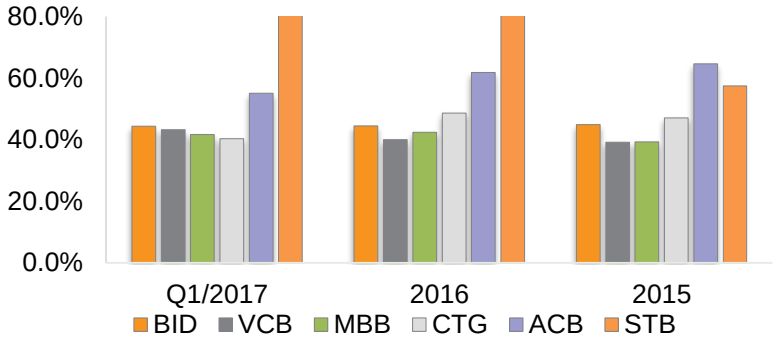
- Credit growth as of May 25th is 6.53% yoy, much higher than 5% and 4.5% recorded in same period of 2016 & 2015 (source: SBV)
- In term of earnings, several banks recorded the highest results in 1Q2017. Top-ten largest banks posted an increase of 29% yoy in pre-tax profit 1QFY17.
- On May 3rd, Moody's upgraded the credit rating of 8 JSCBs including VCB, CTG, BID, ACB, MBB, VIB, TCB and ABB.
- NPL ratio jumped from 2,46% by FY16-end to 2.56% by end of 1QFY17. However, some positive signs emerged as some banks start to repurchase bad debts from VAMC to self-handle

Banking

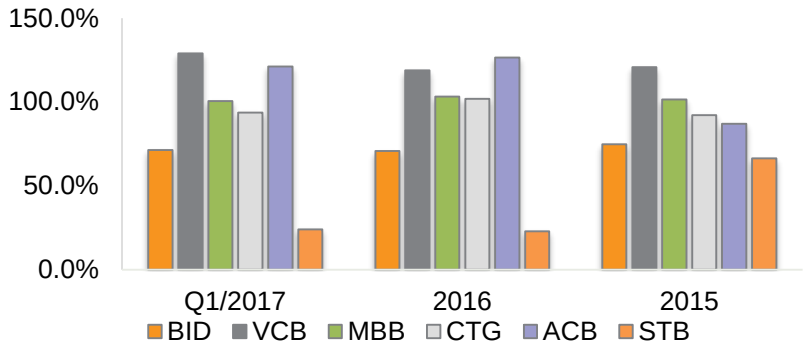
NIM still on pressure despite the increasing of higher yield loan



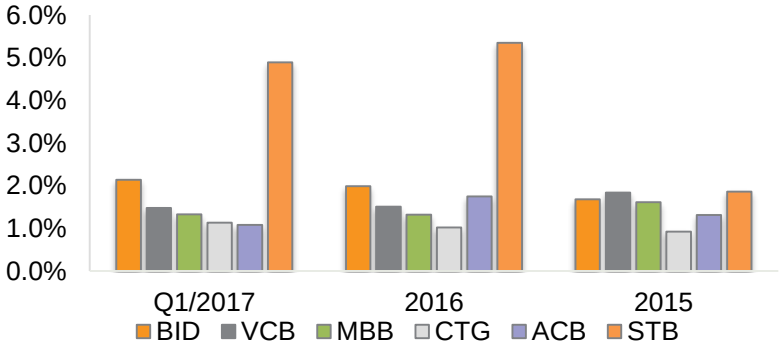
CIR to be elevated as the banks' investment in IT and retail segment expansion



LLR: VCB, MBB and ACB have significantly improved asset quality



NPL ratio



Source: Company data, VNDIRECT

OUTLOOKS

Positive:

- Strong credit growth become possible:

(1) credit growth so far has been driven more by the SME and individual sector, both of which we believe still have further room to grow.

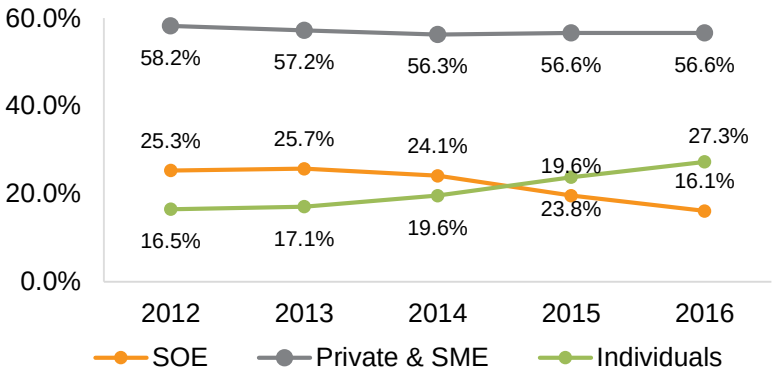
(2) the Basel 2 delay till 2020 allows strong credit growth to continue in the near term and allow more time for banks to prepare themselves.

- New resolution tackling bad debts to facilitate the lenders more power in collecting and selling collaterals under book value.
- A sustained strong foreign appetite for Vietnamese banks would be a positive. FOL increasing is possible but still slowly.

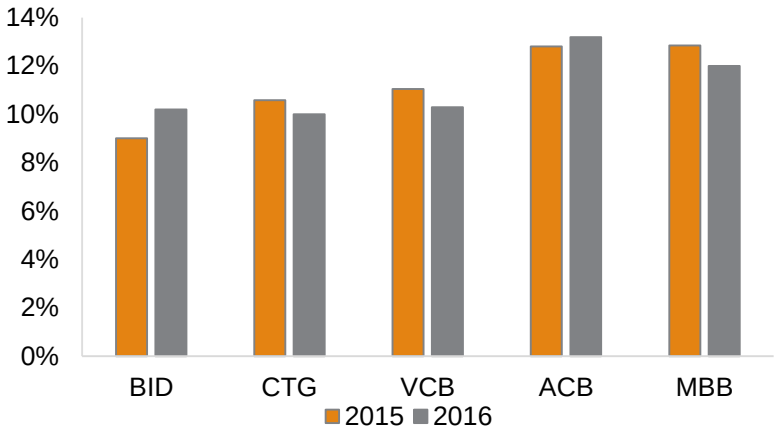
Risks:

- New resolutions with measures to address loans that have turned bad or will turn bad prior to August 15, 2017, lead to the fact that the banks might record more bad debts in Q2/2017.
- The banks still need major recapitalization as CAR is decreasing.

Asset mix toward higher yielding individuals and SME loans



CAR decreased since there was no major public offering or private placement last year



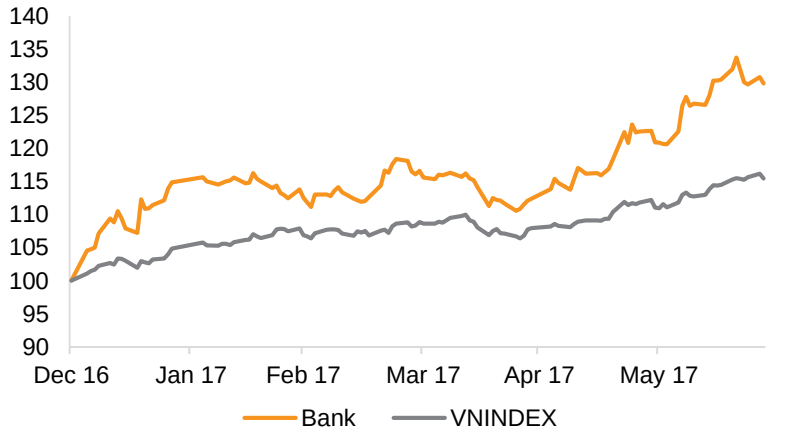
Source: Company data, VNDIRECT

Banking

Our top picks

- **VCB:** Being the first bank to fully provision for VAMC bonds, VCB will see a significant drop on provision related expenses in FY17 and FY18. With healthy balance sheet, we expect solid growth outlook for VCB with ROE heading to 17% in FY18.
- **MBB:** we believe that the bank has more visible growth in FY17 with its relatively better capital position (12% CAR), well equipped with low LDR (77,4%).

Industry performance (Dec 30, 2016 = 100)



Key ratio:

Banks	Market Cap (VND bn)	ROA FY16	ROE FY16	P/B TTM	P/E TTM	Div.yield %	NI growth FY17	P/B FY17	P/E FY17
VCB	139,051	0.9%	14.7%	2.8x	19.3x	2.1%	7.8%	2.59x	22.2x
CTG	75,585	0.8%	11.8%	1.3x	10.9x	3.4%	6.4%	1.18x	12.8x
BID	69,400	0.7%	14.9%	1.6x	11.0x	3.4%	0.7%	1.41x	13.2x
MBB	37,679	1.2%	12.0%	1.5x	12.4x	2.7%	23.8%	1.35x	12.5x
ACB	25,929	0.6%	9.9%	1.8x	17.4x	0.0%	33.1%	1.64x	17.3x
Average		0.8%	12.7%	1.8x	14.2x			1.6x	15.6x

Source: Company data, VNDIRECT

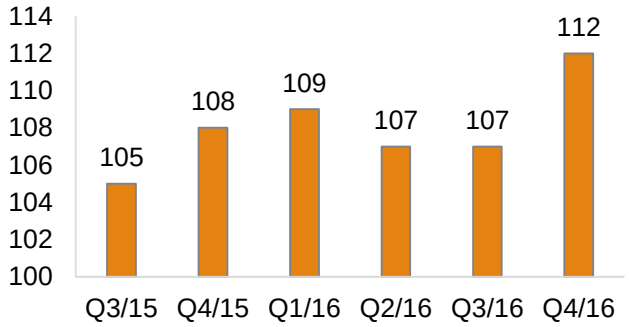
Highlighted sectors

- Financial Services - Brokerage
- Banking
- Food & Beverages
- Non-grocery retails
- Aviation
- Building Materials

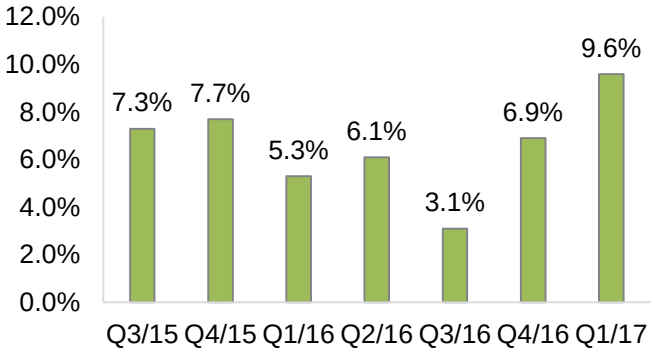
VNDIRECT
WISDOM TO SUCCESS

Food & beverages

Consumer confidence index is improving (Source: Nielsen)



Nominal growth of FMCG sector (Source: Nielsen)



INVESTMENT THESIS

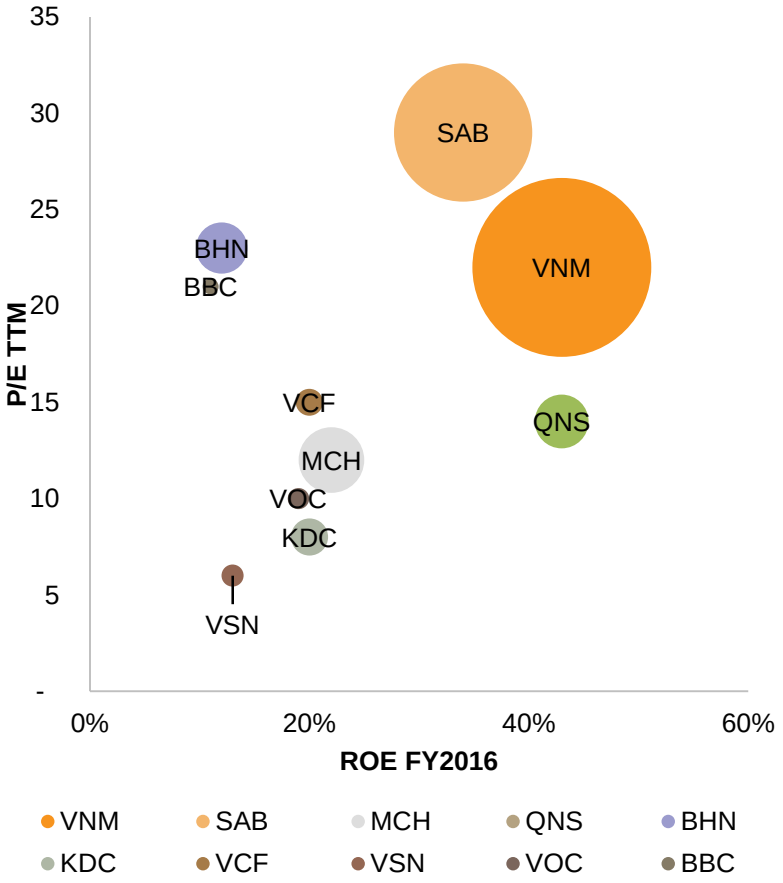
- Macro scenario: economic growth, mid-class expanding and consumer confidence improving.
- Opportunities open for players who are able to develop “organic-higher quality” products, quickly to adapt the change of consumer trend as well as to control the increasing of cost.

1H2017 REVIEW

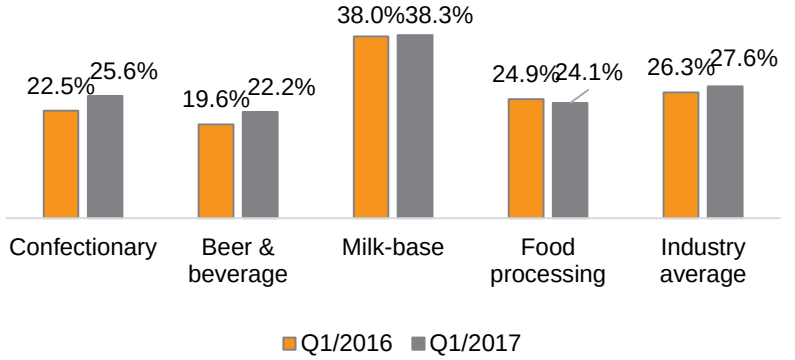
- FMCG sector grew by 9,6%, recording the highest in 5 years. Notably, the growth was majorly driven by the increase of volume by 8.5% yoy. (source: Nielsen).
- Beverages, including beer, continued to be the biggest category contributor to total FMCG sales with 45% and picking up 9.5% yoy.
- Food accounted for 13% of total sales and bounced by 13.9%, the highest growth in 5 years.
- Milk-base grew by 10.3% yoy, much higher than 5.1% of 1Q16.
- In 1Q2017, revenue and net profit of listed F&B companies (including UPCOM) increased at an average of 16.3% yoy and 14.3% yoy, respectively, regarding to: price of F&B rose by 2,75% yoy and gross margin slightly improved from 26.3% in 1Q2016 to 27.6% in 1Q2017e

Food & beverages

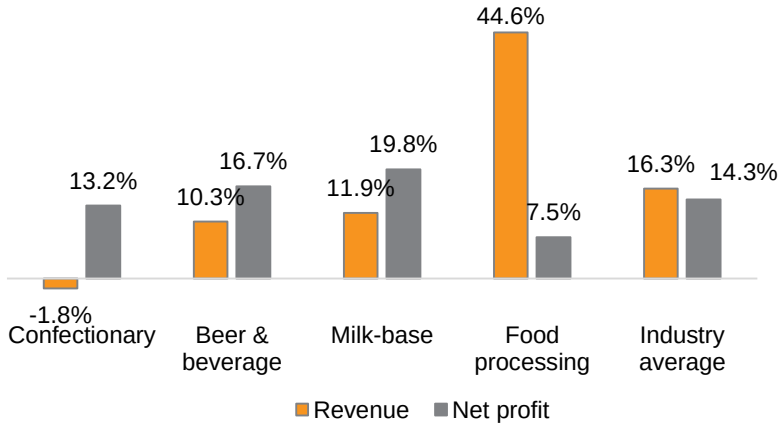
Market valuation of Top 10 largest F&B listed companies in term of market cap



1QFY17 Gross margin improved across categories (Source: Company data, VNDIRECT)



Revenue and net profit growth of 1Q2017. The strong growth of Food processing major came from KDC.



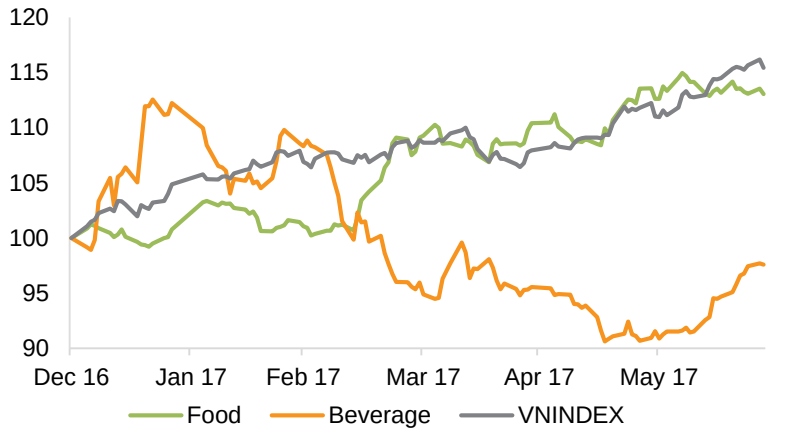
Source: Company data, VNDIRECT

Food & beverages

Our top pick

- **QNS:** A dominant industry participant in soy milk with 84% of market share, one of the largest F&B key player in term of profitability

Industry performance (Dec 30, 2016 = 100)



Key ratio:

Tickers	Market price (VND)	Market cap (VND bn)	P/E TTM	P/B TTM	Gross margin 1Q2017	EBITDA margin 1Q2017	Rev.% yoy 1Q2017	NP % yoy 1Q2017	ROE FY2016	ROA FY2016
VNM	153,500	222,636	22.0	9.0	44.9%	25.9%	16.6%	36.1%	43.2%	32.9%
SAB	207,400	133,002	28.6	10.6	28.6%	16.9%	4.9%	18.7%	33.8%	22.0%
MCH	55,800	30,033	11.7	2.7	45.6%	24.7%	-16.7%	-63.6%	21.7%	15.8%
QNS	83,400	20,195	14.3	3.9	31.8%	26.1%	7.3%	3.5%	43.3%	25.0%
KDC	45,800	9,625	8.3	1.6	31.2%	2.1%	223.0%	9.1%	20.3%	15.1%
VSN	42,500	3,382	5.6	4.0	0.0%	0.0%	0.0%	0.0%	13.5%	8.0%
SGC	68,000	486	14.9	4.4	23.1%	16.2%	16.5%	39.6%	25.3%	18.4%
SAF	57,200	453	15.1	3.8	11.0%	4.4%	0.6%	1.9%	28.3%	19.6%

Source: Company data, VNDIRECT

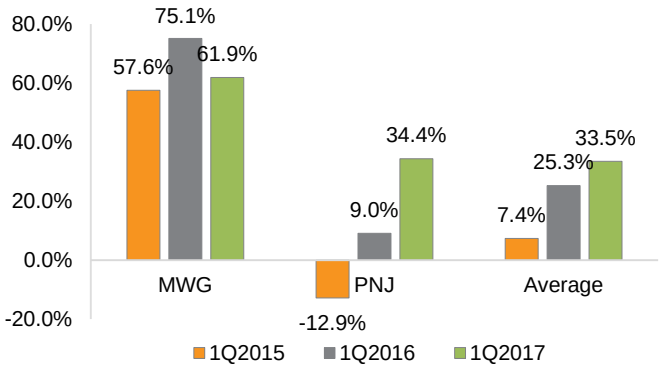
Highlighted sectors

- Financial Services - Brokerage
- Banking
- Food & Beverages
- Non-grocery retails
- Aviation
- Building Materials

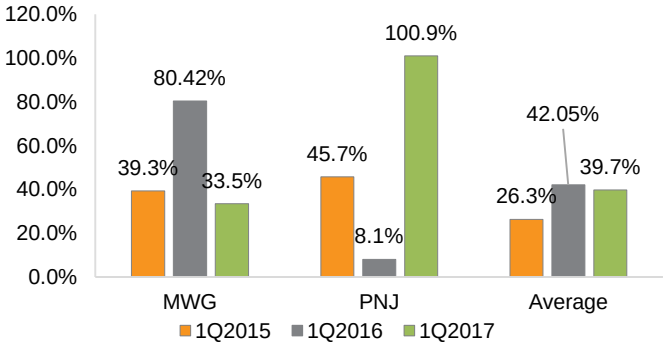
VNDIRECT
WISDOM TO SUCCESS

Non-Grocery Retails

Net revenue growth of listed retailers



Net profit growth of listed retailers



INVESTMENT THESIS

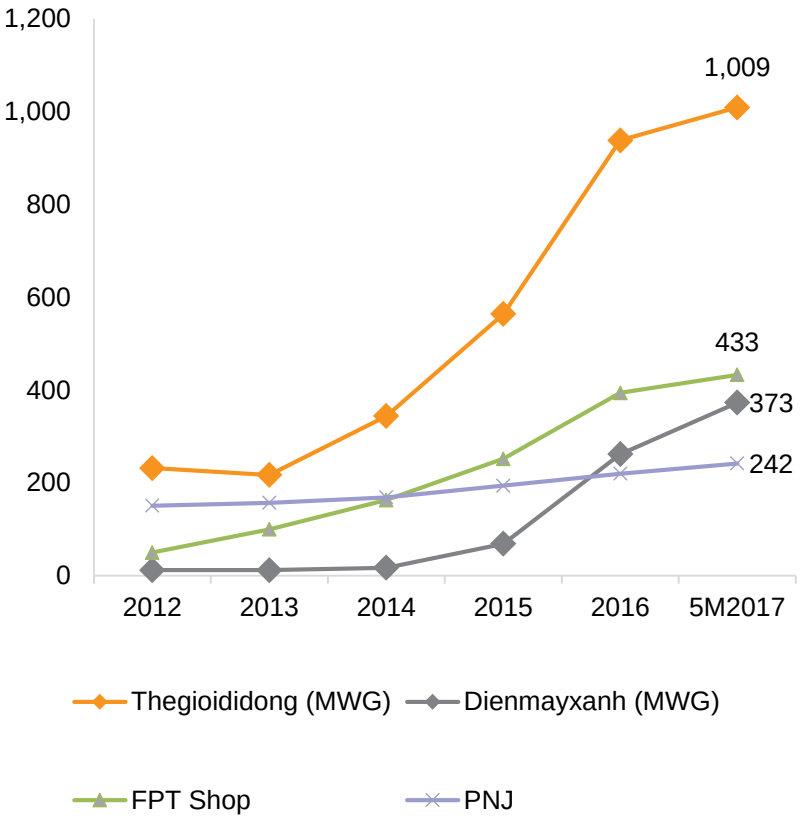
- Macro scenario: economic growth, mid-class expanding and consumer confidence improving.
- Branded stores are gaining market share from traditional/ mom and pop shops.

1H2017 REVIEW

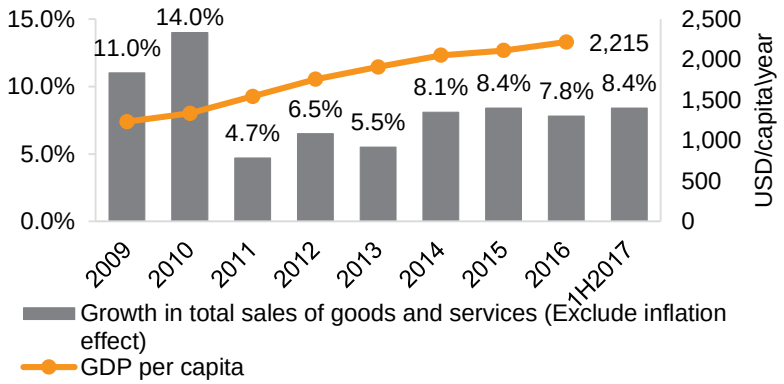
- **Listed retail companies showed impressive business results in 1Q2017** with average revenue growth of 33.5% yoy, average net profit growth of 39.8% yoy.
- **Expansion race of retail companies shows no sign of slowing down.** In 5M2017, MWG opened more than 71Thegioididong stores (+7% vs Dec 2016), and 111 Dienmayxanh stores (+42.4%). More difficult to set up jewelry outlets, but PNJ also increased its total stores by 10% (to 242 stores by end of June 17).
- The challenges await retailers is the rapid entrance of foreign players and Grocery retail players (Circle K, 7 Eleven…), that will put more pressure upon competition in retail space.

Non-Grocery Retails

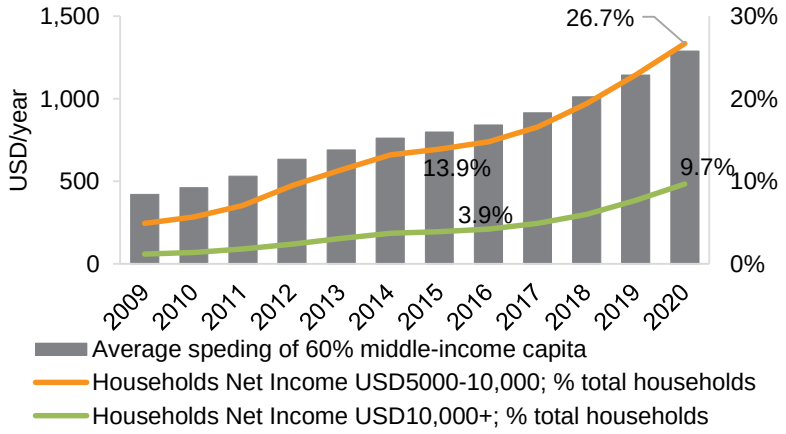
Number of retail store of some listed companies



Consumption continues to recovery
(Source: GSO, BMI)



Growing middle class
(Source: GSO, BMI)

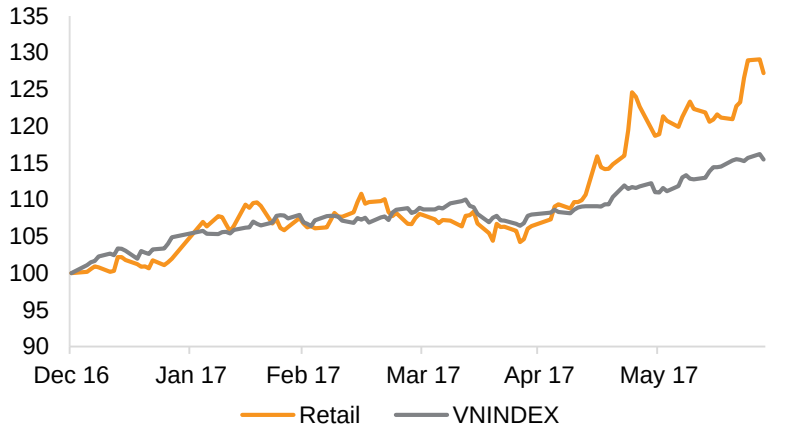


Non-Grocery Retails

Our top picks

- **MWG:** Biggest player on smartphone and home electronics market. Expanding to grocery and e-commerce market. On track to achieve the ambitious target of US$10by by 2020.
- **PNJ:** Leading jewelry retailer, holding 26% market share in 2016 (branded products market) and an expanding retail network.

Industry performance (Dec 30, 2016 = 100)



Key ratio:

Tickers	Market price (VND)	Market cap (VND bn)	P/E TTM	P/B TTM	Rev.% yoy 1Q2017	NP % yoy 1Q2017	ROE FY2016
MWG	100,500	30,916	17.7	3.52	61.9%	33.5%	49.9%
PNJ	101,900	10,014	17.4	5.73	34.4%	100.9%	32.0%

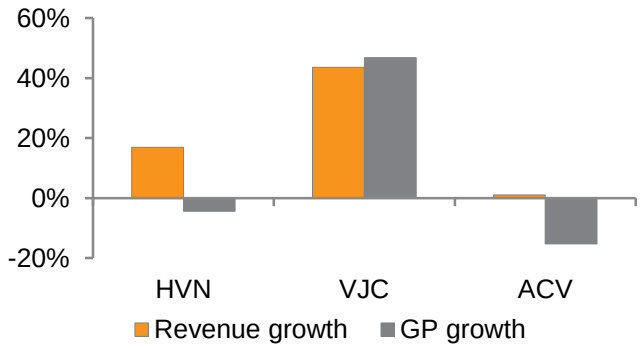
Highlighted sectors

- Financial Service - Brokerage
- Banking
- Food & Beverage
- Non-grocery retail
- Aviation
- Building Material

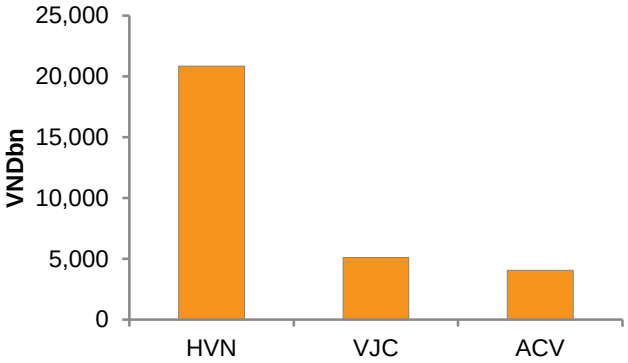
VNDIRECT
WISDOM TO SUCCESS

Aviation

1Q2017 Revenue and GP growth



1Q2017 Revenue



INVESTMENT THESIS

- Passenger traffic to maintain annual growth rate of around 15% thanks to: (1) Improving air travel penetration as middle-income class population could double in the next 5 years. (2) Shifting of travel behaviors towards air travel.
- Carriers such as HVN, VJC continue to expand fleet size, stimulating passenger traffic growth.

1H2017 REVIEW

- VJC continues to expand aircrafts by adding 5 A321s and replaced some A320s during 1H2017. Compared to the end of 2016, fleet size remains unchanged but capacity has increased by 42% due to higher proportion of A321s which have higher seating capacity.
- HVN's fleet expanded at a slower rate. The company added only one A321, one A350, and one Boeing 787-9 Dreamliner during 1H2017.
- ACV's 1Q2017 business results were mild: revenue of VND4,046b (+2% yoy), GP of VND1,614b (-15% yoy)

Aviation

OUTLOOKS

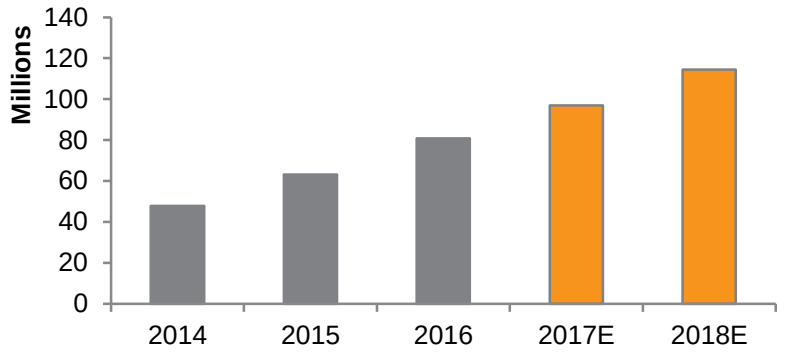
Positive:

- Carriers such as HVN, VJC continue to expand fleet size, stimulating passenger traffic growth.
- Passenger traffic maintains annual growth rates of around 15% due to:
  - Improving air travel penetration as middle-income class population could double in the next 5 years.
  - Shifting of travel behaviors towards air travel.
- ACV could raise passenger fees beginning 4Q2017.

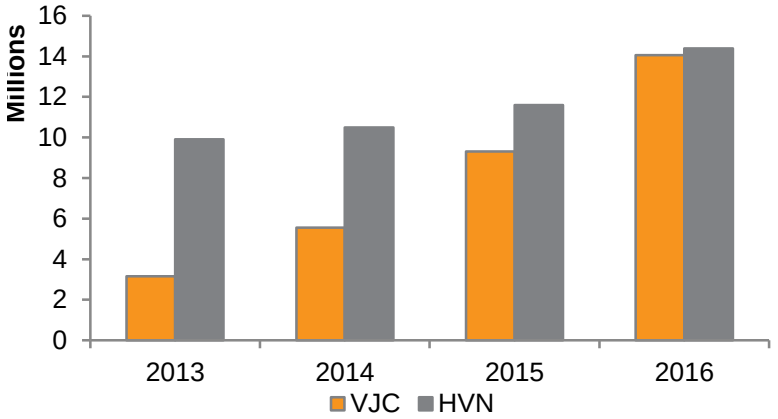
Risks:

- VND gruadually depreciates against USD and JPY, creating FX losses for companies having USD and JPY borrowings such as VJC, ACV.
- Fuel prices could rebound, hurting carriers's GP margin.

Passenger traffic through ACV's airports



Passenger volume



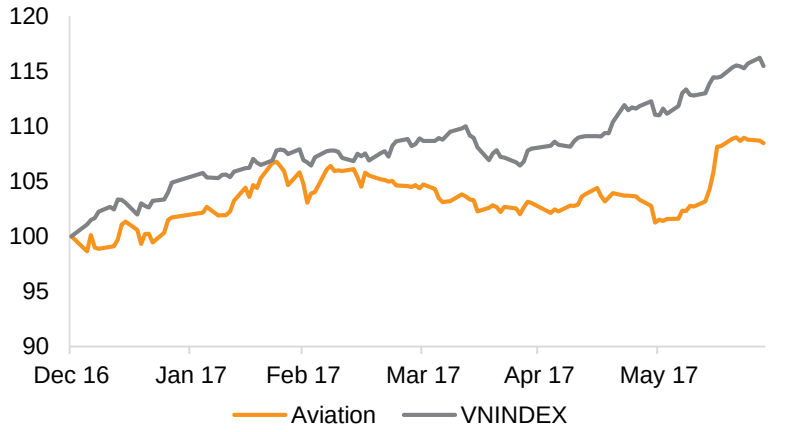
Source: Company data, VNDIRECT

Aviation

Our top pick

- **ACV:** We believe ACV's earnings will benefit from both passenger traffic growth and service prices growth. The outlook could be more visible in 2018 when ACV could raise service prices.

Industry performance (Dec 30, 2016 = 100)



Key ratio:

Companies	Market Cap (VND bn)	ROA (%)	ROE (%)	PE	EV/EBITDA	NI growth FY17	EV/EBITDA FY17	P/E FY17
VJC*	40,717	6	28.8	39.3	13.2	41.3	9.1	25.9
HVN	32,652	2.1	12.7	15.8		na	na	na
ACV	112,995	7.68	13.8	23.5	13.5	17.1	15.9	32.0

*VJC: Exclude aircraft sales

Source: Company data, VNDIRECT

Highlighted sectors

- Financial Services - Brokerage
- Banking
- Food & Beverages
- Non-grocery retails
- Aviation
- Building Materials

VNDIRECT
WISDOM TO SUCCESS

Building materials

Building material Index
(Source: Stoxplus)

Key SUMMARY	2015A	2016A	2017YTD
Construction industry value (VNDbn)	228,102	257,261	95,000
Revenue of industry (VNDbn)	89,174	84,034	17,489
Net income of industry (VNDbn)	5,388	5,998	1,055
GPM (%)	18%	19%	18.1%
ROE (%)	14.7%	16.1%	2.8%

INVESTMENT THESIS

- Overall demand is expected to grow at 11.7% yoy thanks to increasing sales volume from property development and mega infrastructure projections.
- Construction stone sector is forecasted to grow by 18% yoy thanks to the implementing of infrastructure projects. The technical barriers to entry in this sector is high

2017 UPDATE (YTD)

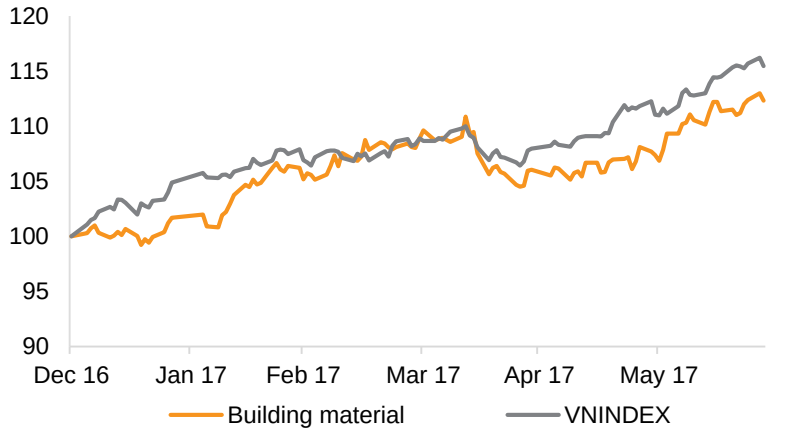
- Building material index in 6M 2017 has increased by 11% YTD.
- CVT, VGC price have performed brilliantly, increasing by 73% ytd and 34% ytd, respectively.
- Gross profit margin in 1H2017 was lower as the cost of coal – accounting for 20% cost of good sold, increased by 12% yoy.
- Average selling price in 1H2017 increased by 1% yoy.
- Industry's PE is 11.63x – lower than VNINDEX PE which is 16.48x.

Building materials

Our top picks

- **PTB**: Expected positive growth from the exploitation and production of natural granite from the new factory. In addition, FY 2017 wood production was forecast to grow by 32% yoy thanks to new Japanese customers.
- **KSB:** Having the most efficient Tan Dong Hiep mine with the highest profit margin among South East Vietnam quarries. This mine contributes for 51% of KSB's profit.

Industry performance (Dec 30. 2016 = 100)



Key ratios

Ticker	Market price (VND)	Market Cap (VND bn)	NI 2016 (VND)	ROA	ROE	P/B	P/E	Div.yield %	FY2017 NI growth	P/B 2017	P/E 2017
PTB	111,500	2,890	264	15.2%	36.3%	3.1	10.5	2.24%	31%	2.91	8.82
KSB	55,500	2,597	125	24.0%	38.6%	1.9	10.5	4.50%	27%	2.05	7.88
CTI	29,600	1,805	107	3.0%	14.3%	1.8	10.3	5.74%	26%	2.05	8.8
VGC	19,600	8,369	513	4.5%	14.0%	1.5	9.9	4.59%	26%	1.45	10.7

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