VIETNAMESE ECONOMY AND EQUITY MARKET

Presented by **Mr. Trinh Hoai Giang** – Deputy CEO of Ho Chi Minh City Securities Corp (HSC)

HCMC, 06th August 2014

CONTENT

- Vietnamese economy
- Equity market
- Investment cases

VIETNAMESE ECONOMY

1

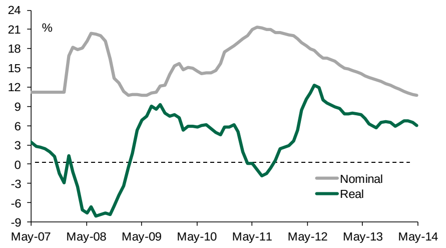
STABILIZATION PRIMES GROWTH

- Vietnam's economy has been stabilized via austerity
- Structural reforms are on going but at slow pace
- Country's macro outlook is now superior to many EM peers
- The market remains uncorrelated to global trends
- Stocks have risen, but still offer value and growth
- Bad debts in banking sector is a big obstacle to GDP growth
- GDP decelerated, but is off its bottom

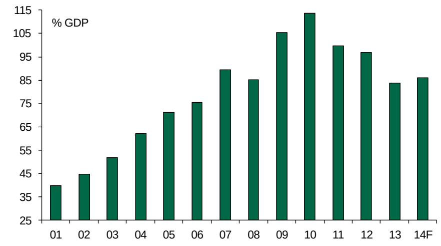
2

ECONOMY REBALANCED

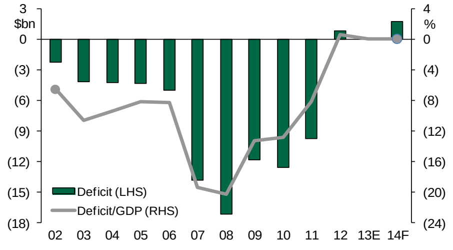
HISTORICALLY HIGH REAL RATES



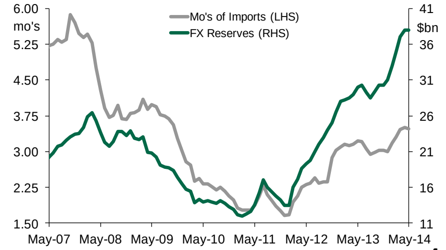
DELEVERAGING NOW A STRUCTURAL TREND



TRADE BALANCE RATIONALIZED



FX RESERVES SEE ONGOING RE-BUILD

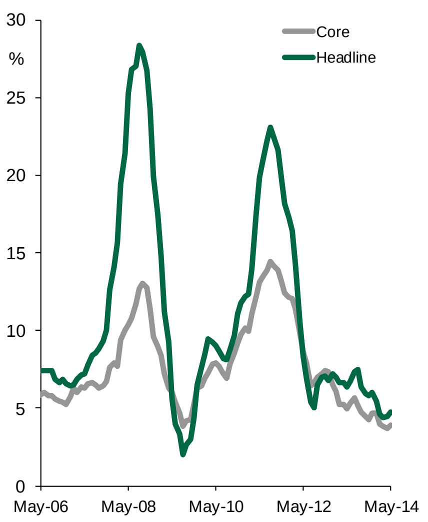


Sources: DC, IMF, GSO, WB

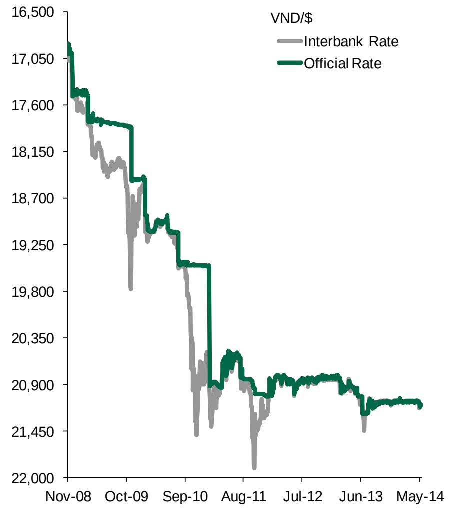
4

INFLATION WHIPPED / CURRENCY ANCHORED

INFLATION 2005-14



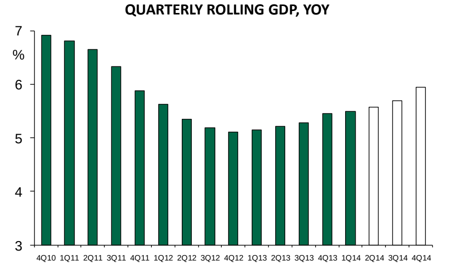
VND 2008-14

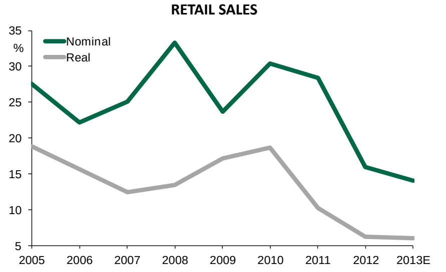


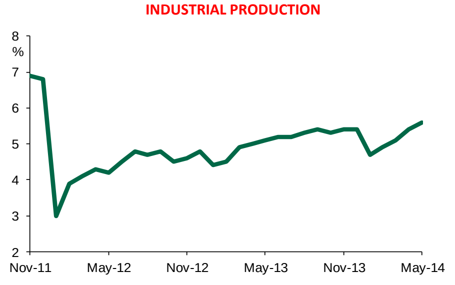
Sources: DC, IMF, GSO, WB

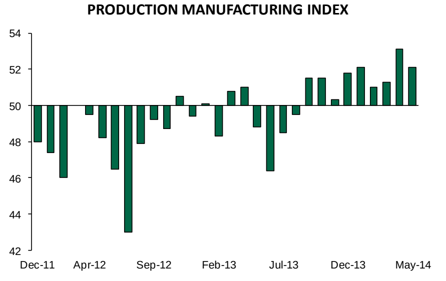
5

GROWTH SMACKED, BUT BOTTOMING



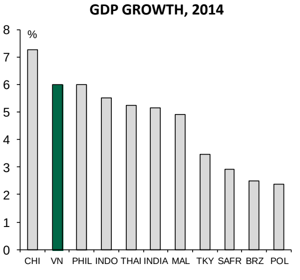


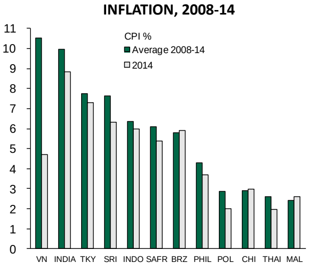


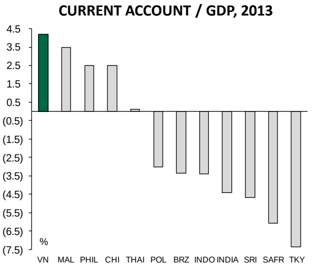


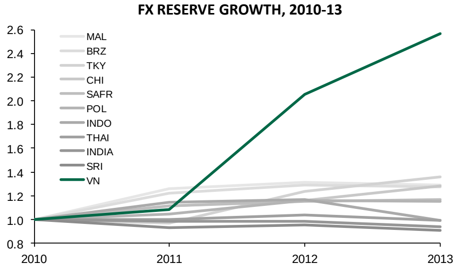
Sources: HSBC, DC, GSO

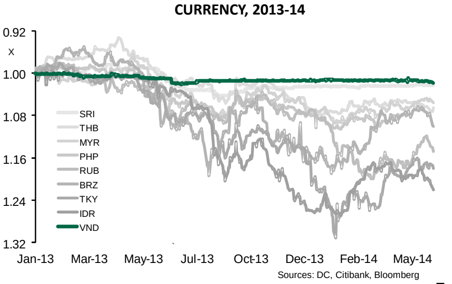
COMPARATIVE MACRO SHINES









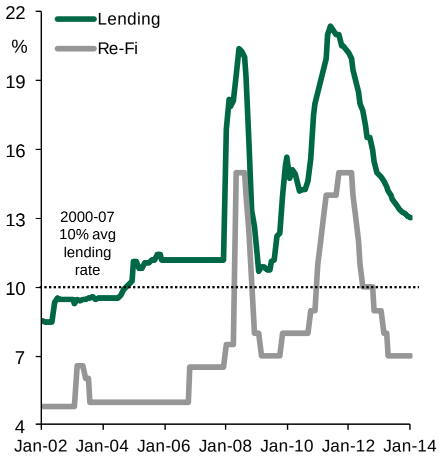


Sources: DC, Citibank, Bloomberg

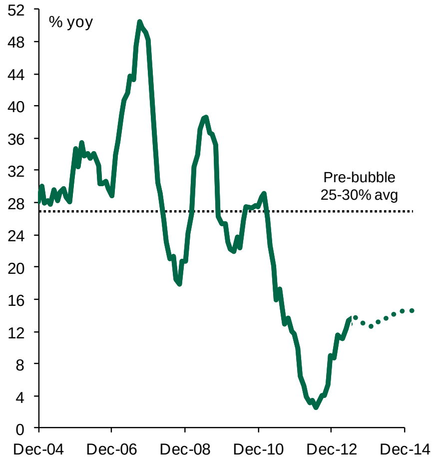
INVESTMENT CYCLE / MONETARY POLICY

.:hsc

INTEREST RATES ARE SLOWLY NORMALIZING



LOAN GROWTH IS FINALLY PICKING UP



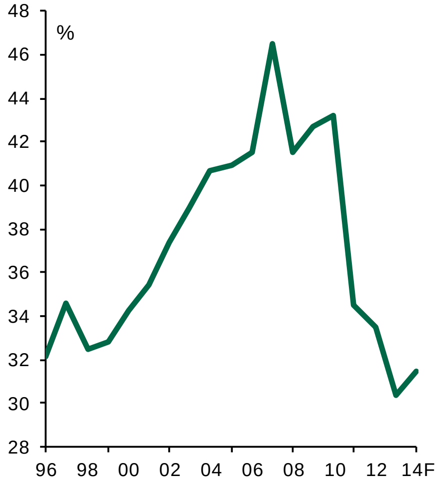
Sources: DC, IMF, GSO, SBV

8

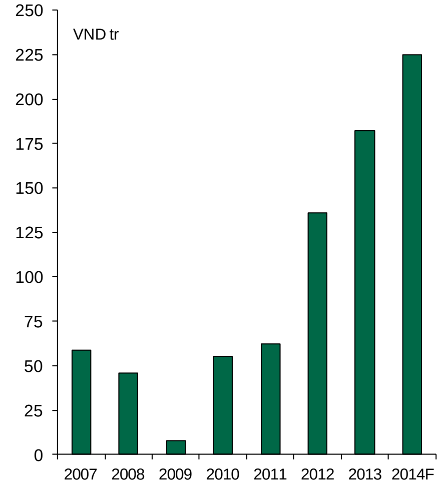
INVESTMENT CYCLE / FISCAL POLICY

.:hsc

TOTAL INVESTMENT / GDP WAS LOWEST-EVER IN 2013, BUT IS TURNING UP IN 2014…



…AND GOVERNMENT HAS RAISED BONDS AHEAD OF NEW SPENDING



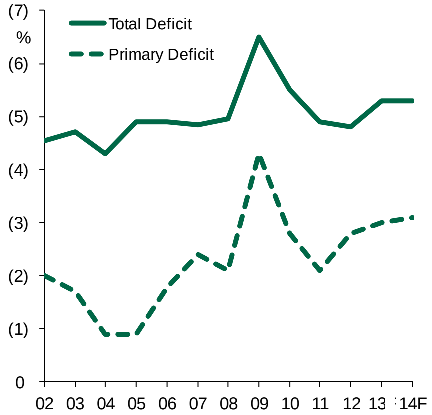
Sources: DC, GSO, MOF, SBV

9

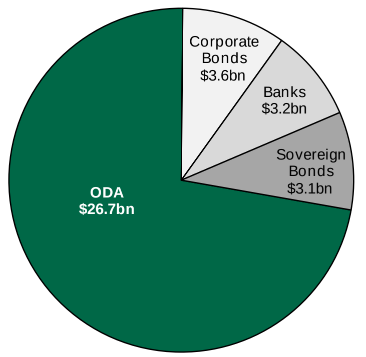
FISCAL / FOREIGN DEBT

RENEWED OVERHEATING IS HARDLY A CONCERN

FISCAL DEFICITS ARE UNDER CONTROL, WITH MUTED INFLATION



FOREIGN DEBT IS MINIMAL AND IS MOSTLY ODA ANYHOW (2012)



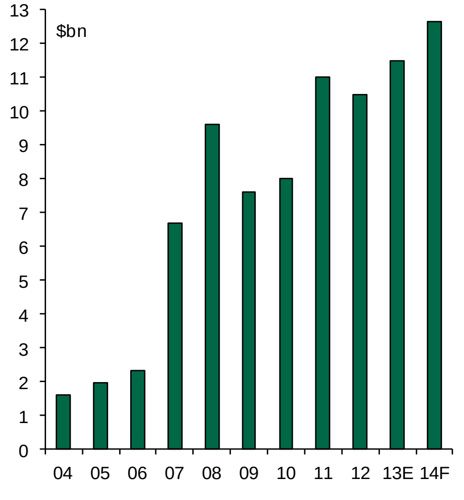
$37bn foreign debt = 24% of GDP
$27bn ODA = 73% of foreign debt

Sources: DC, IMF, MOF

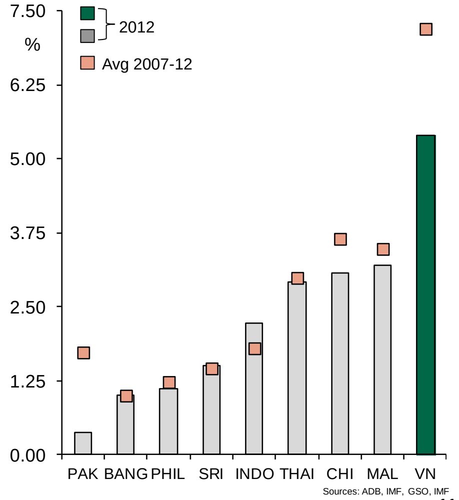
10

FDI

FDI HAS STAYED ROBUST AND CONTINUES TO SURGE



FDI/GDP – VIETNAM GREATLY SURPASSES PEERS

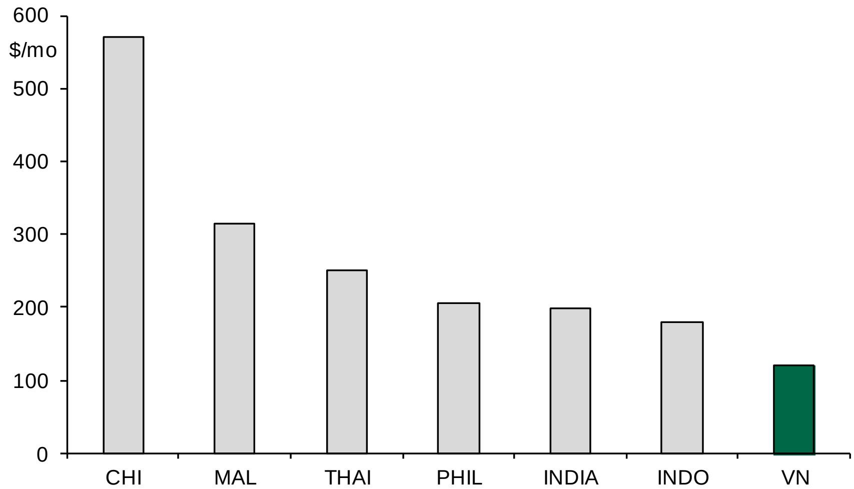


Sources: ADB, IMF, GSO, IMF

11

FDI

MANUFACTURING WAGES HEAVILY UNDERCUT PEERS (2012)

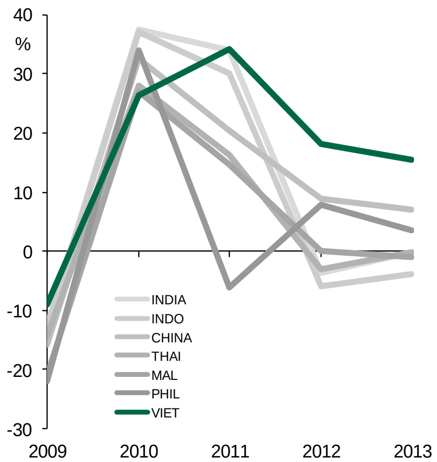


Source: Petersen Institute, http://blogs.piie.com/china/?p=2677

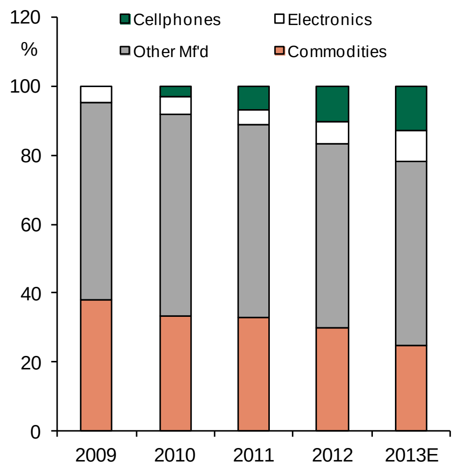
12

EXPORTS

GROWTH OFF 2011 PEAK, BUT STILL STRONG AND AHEAD OF PEERS, AS FDI FLOWS



PLUS THERE IS STEADY SHIFT INTO HIGHER-VALUED-ADDED GOODS



Sources: DC, GSO, BBG

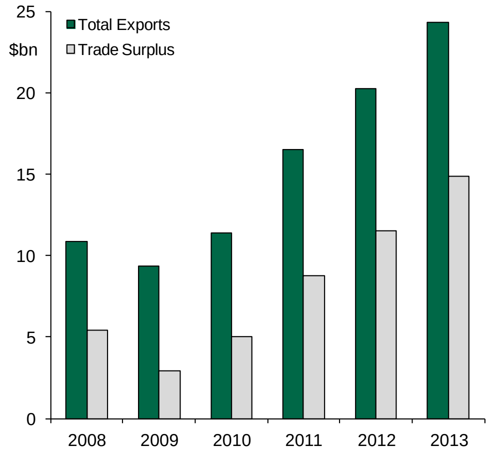
13

TRADES

EU -VIETNAM PARTNERSHIP

- Likely to be finalized by late 2014
- Vietnam's exports to EU have more than doubled since 2010
- EU is now Vietnam's No. 1 export market at $24.7bn in 2013
- Despite tariffs averaging 11% on textiles, seafood, footwear, garments

EXPORTS AND TRADE SURPLUS WITH EU, 2008-13

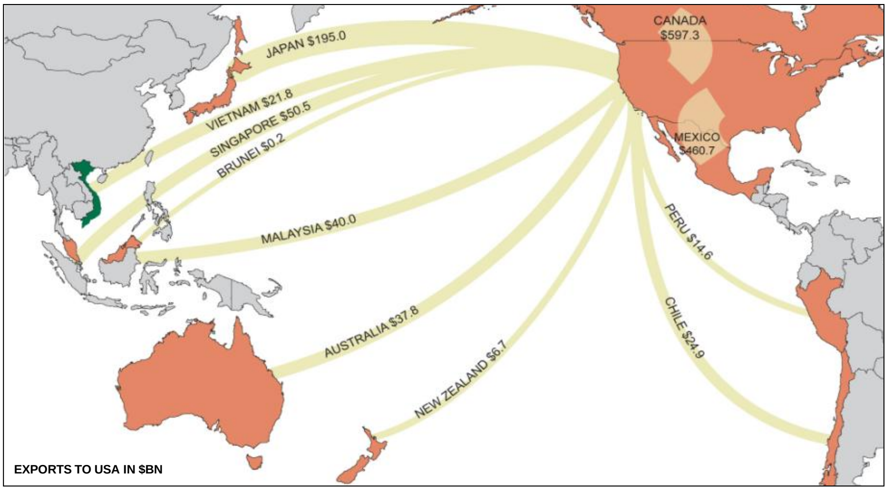


14

TRADES

TRANS-PACIFIC PARTNERSHIP

US-CREATED FREE TRADE BLOC WITH 30% OF GLOBAL EXPORTS – FROM WHICH CHINA EXCLUDED

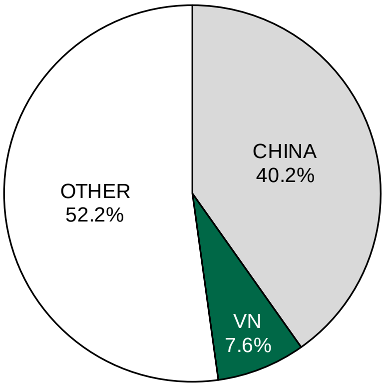


15

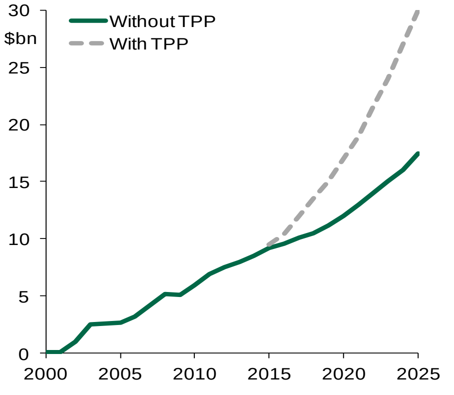
TRADES

CHINA EXCLUSION EFFECT

TEXTILE MARKET SHARES IN USA



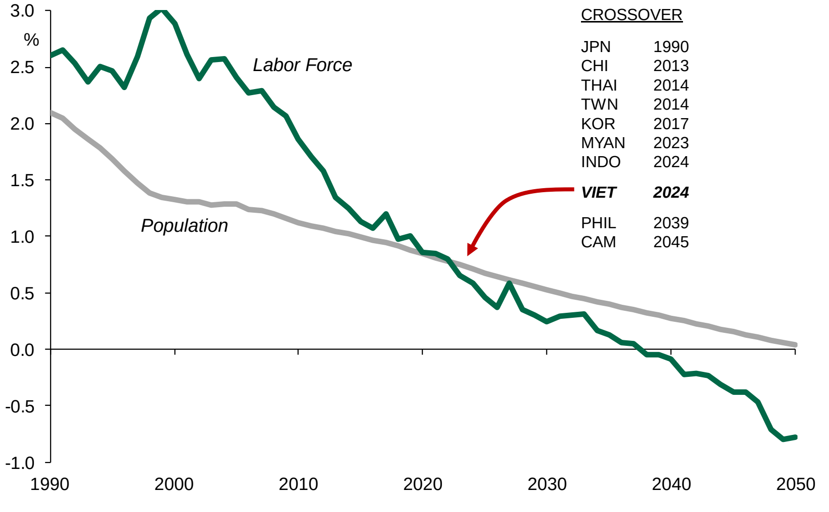
TEXTILE EXPORTS TO THE US



16

WAGE PRESSURE?

LABOR-FORCE GROWTH OUTPACES POPULATION GROWTH UNTIL 2024



Sources: UNDP, DC

17

EXTERNAL ACCOUNTS

.:hsc

RATIONAL MACRO POLICY RE-ESTABLISHES BOP SURPLUS

Healthy export/import dynamics mitigate, then reverse trade deficit

With ongoing strong remittances, current account also improves

Positive even with huge trade deficit

But internal capital flight is a problem in in 2009-11, smacking VND...

...until inflationary policies end, E&O's flatten out and reserves grow again

$bn	2008	2009	2010	2011	2012	2013	2014F
Trade Account (fob)	(12.8)	(7.6)	(5.1)	(0.4)	9.9	8.8	11.9
Net Svc's / Inv's	(5.3)	(5.4)	(7.1)	(8.0)	(9.0)	(10.4)	(12.3)
Remittances	7.3	6.4	7.9	8.7	8.2	8.4	8.2
Current Account	(10.8)	(6.6)	(4.3)	0.3	9.1	6.8	7.8
Capital Account	12.2	7.2	6.2	6.4	8.3	6.2	6.6
Preliminary BoP "Surplus"	**1.4**	**0.6**	**1.9**	**6.7**	**17.4**	**13.0**	**14.4**
Errors & Omissions	(1.0)	(8.0)	(3.7)	(5.5)	(5.2)	(6.5)	(6.0)
Ch in Reserves	0.4	(7.4)	(1.8)	1.2	12.2	6.5	8.4
Final BOP	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Final Reserves	**23.9**	**16.5**	**12.4**	**13.5**	**25.6**	**32.1**	**40.5**

Sources: DC, IMF, SBV

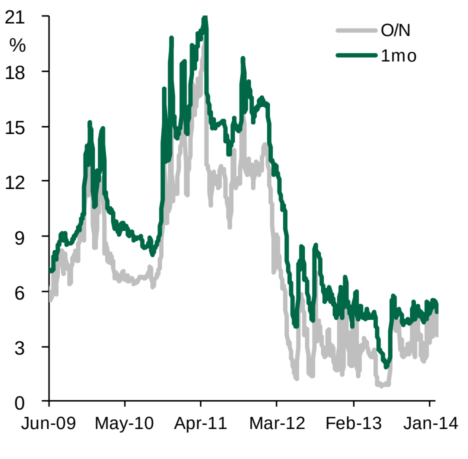
18

BANKS / PROPERTY

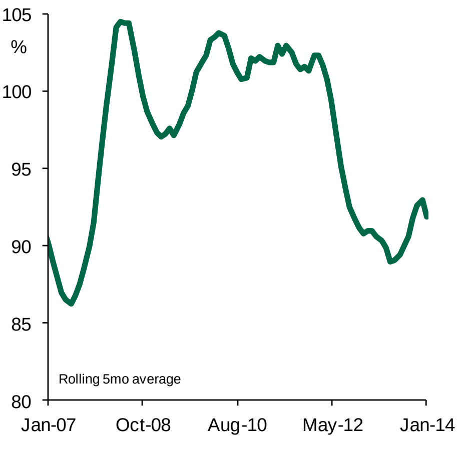
.:hsc

INSOLVENCY RISK A NON-ISSUE

INTERBANK RATES



LOAN/DEPOSIT RATIOS

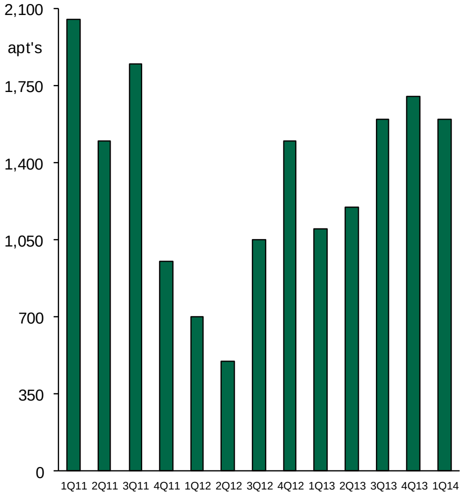


Sources: DC, IMF, SBV

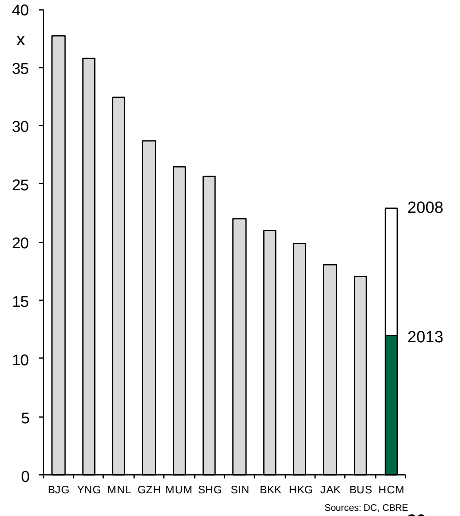
19

BANKS / PROPERTY

PICK-UP IN HCMC APT'S SOLD



PLUNGE IN HOME/INCOME RATIO

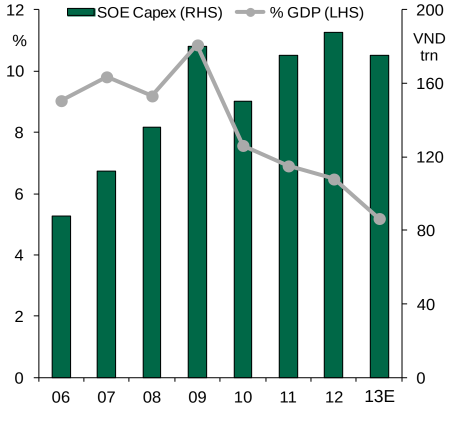


Sources: DC, CBRE

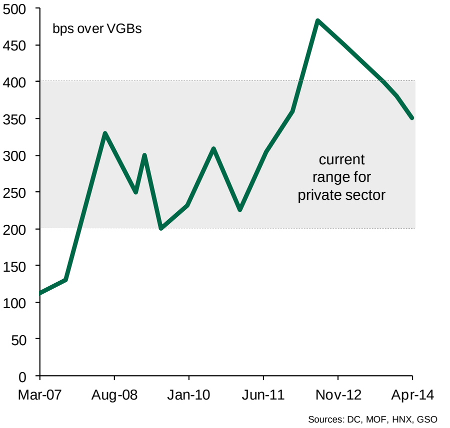
20

SOEs: HUGE PRIVATIZATION

SOE PROJECT INVESTMENT FLAT IN OFFICIAL BUDGET, FALLS VS GDP



SOE BORROWING SPREADS GO TO TOP OF COMMERCIAL RANGE



Sources: DC, MOF, HNX, GSO

21

MACRO FORECASTS

GROWTH WITH STABILITY

	unit	2011	2012	2013	2014F
Real GDP Growth	%	5.9	5.0	5.3	6.0
Nominal GDP	$bn	133.5	155.8	172.1	190.0
CPI	%	18.1	6.8	6.0	4.7
Exports (cif)	$bn	96.9	114.6	132.1	154.3
Export Growth	%	34.2	18.2	15.4	16.8
Imports (cif)	$bn	106.7	113.8	132.1	152.6
Import Growth	%	25.8	6.6	16.1	15.5
Trade Balance (cif)	$bn	(9.8)	0.8	0.0	1.7
FX Reserve	$bn	13.5	26.5	32.1	40.5
FDI Disbursed	$bn	11.0	10.5	11.5	12.5
VND (interbank)	$1	21,200	20,850	21,115	21,350

Sources: DC, IMF, GSO, WB, SBV

EQUITY MARKET

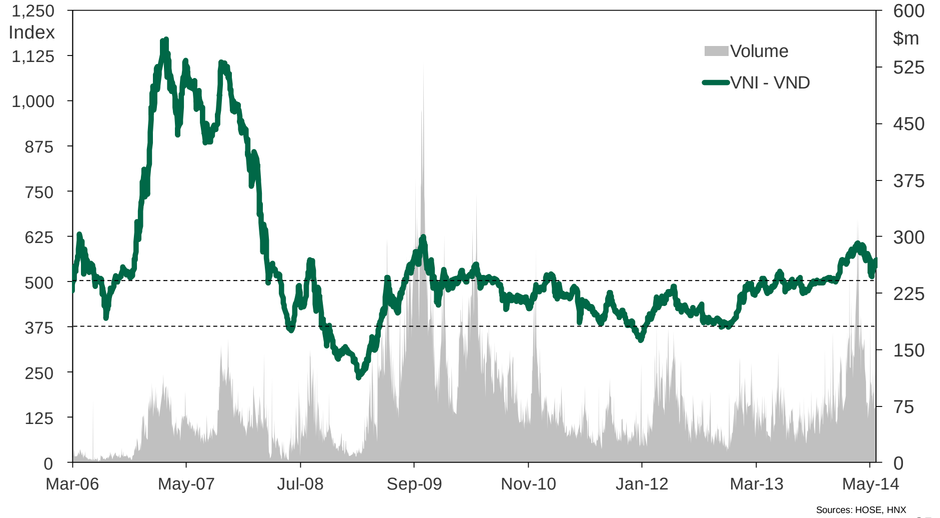
WHY NOW?

- The market consolidated for two years in a 375-500 trading range
- It has only just broken the upper bound definitively
- Traditional alternatives to stocks do not look attractive
- Vietnam is uncorrelated with global markets
- Privatization and reduced foreign ownership limits impend
- Valuations no longer absurdly low but they still hold own with peers
- It was not easy to break 500, and 600 is showing resistance too
- But macro dynamics make upside inevitable

24

MARKET 2006 -14

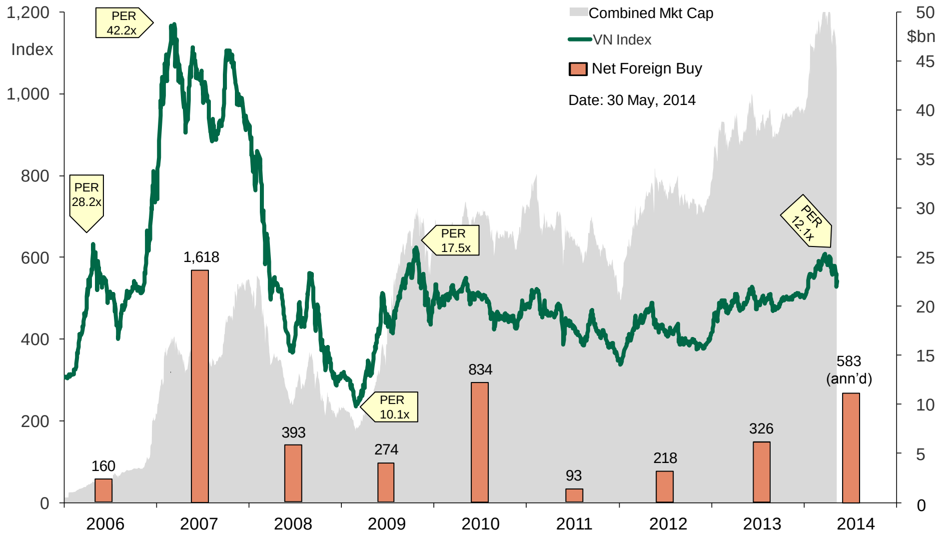
RISING FROM STRONG 375-500 SUPPORT RANGE, AS VOLUMES TRIPLE FROM $50M TO $150M



Sources: HOSE, HNX

25

FOREIGN PARTICIPATION IN MARKET

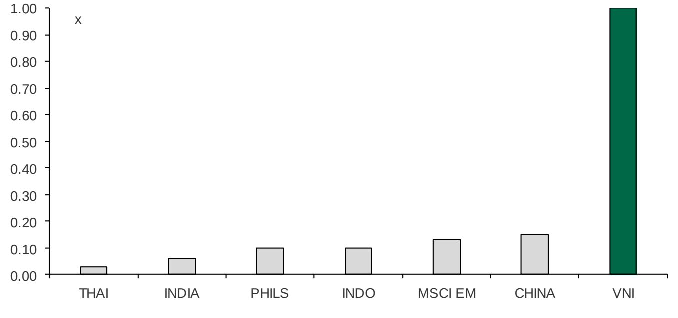


Sources: HOSE, HNX

26

NON-CORRELATION

TWO-YEAR CORRELATION VS ASIAN PEERS



2YR	TSE	NSE	PSEI	JCI	MSCI EM	SCOMP	VNI
TSE	**1.00**	0.44	0.43	0.52	0.53	0.24	0.03
NSE	0.44	**1.00**	0.25	0.40	0.60	0.20	0.06
PSEI	0.43	0.25	**1.00**	0.47	0.45	0.24	0.10
JCI	0.52	0.40	0.47	**1.00**	0.64	0.34	0.10
MSCI EM	0.53	0.60	0.45	0.64	**1.00**	0.48	0.13
SCOMP	0.24	0.20	0.24	0.34	0.48	**1.00**	0.15
VNI	0.03	0.06	0.10	0.10	0.13	0.15	**1.00**

Source: Bloomberg

27

FORECASTS AND VALUATIONS

TOP 50 RATINGS: ALL-IN

31 May - VNI 562	unit	2013	2014F	2015F
P/E Ratio	x	13.6	12.6	11.1
EPS Growth	%	19.1	8.5	13.6
NPAT Growth	%	22.6	9.4	13.7
PEG	x	0.72	1.47	0.82

TOP 50 RATINGS: EX-PROPERTY

31 May - VNI 562	unit	2013	2014F	2015F
P/E	x	14.0	12.6	10.8
EPS Growth	%	6.9	10.0	17.0
NPAT Growth	%	10.0	11.4	17.0
PEG	x	2.02	1.25	0.64

28

TOP 50 LISTED'S – FIRST 25

COMPANIES AT OR NEAR FOL ARE 45% OF TRADEABLE TOP 50 MARKET CAP, WHICH REPRESENTS VIRTUALLY ALL OF THE VNI'S INVESTIBLE COMPANIES

No	Company	31-May Price (VND)	Price YTD (%)	Mkt Cap ($m)	Wt in MC (%)	Wt in VNI (%)	For Room (%)	EPS Growth 2013 (%)	EPS Growth 2014F (%)	EPS Growth 2015F (%)	PER 2013 (x)	PER 2014F (x)	PER 2015F (x)	PBV 2013 (x)	PBV 2014F (x)	PBV 2015F (x)	Yield 2013 (%)	Yield 2014F (%)	Yield 2015F (%)
1	PV Gas	97,500	46.6	8,757	16.6	19.4	46.2	25.3	10.6	15.3	15.0	13.6	11.8	5.5	4.3	4.3	4.3	3.1	3.1
2	Vinamilk	123,000	-8.9	4,859	9.2	10.8	-	12.3	0.4	24.4	17.4	17.4	14.0	5.8	4.5	3.9	3.9	3.3	3.3
3	Masan	98,500	19.4	3,431	6.5	7.6	12.2	-70.2	381.9	52.2	150.0	31.1	20.5	5.0	4.3	3.6	-	-	-
4	Vietcombank	29,000	8.2	3,185	6.1	7.1	9.5	-1.7	4.2	35.5	15.4	14.8	10.9	1.6	1.5	1.4	4.1	4.1	4.1
5	Vincom	68,500	-2.1	2,903	5.5	6.4	7.1	320.7	-7.1	-14.3	9.4	10.1	11.8	4.3	4.2	4.2	-	-	-
6	Vietinbank	14,900	-8.0	2,629	5.0	2.1	1.3	-20.2	-15.6	-2.1	8.5	10.1	10.3	1.0	1.0	1.0	6.7	6.7	6.7
7	BIDV	14,800	-21.3	1,972	3.7	4.4	29.7	-0.1	9.2	7.0	10.3	9.5	8.8	1.1	1.3	1.2	5.7	5.7	5.7
8	Bao Viet Holding	40,500	7.1	1,306	2.5	2.9	24.6	-15.6	22.2	14.9	24.2	19.8	17.3	2.3	2.2	2.1	3.7	3.7	3.7
9	Hoa Phat Group	51,000	42.7	1,165	2.2	2.6	4.5	96.6	23.8	-5.0	12.6	10.2	10.7	2.2	2.4	2.4	2.9	5.9	5.9
10	Sacombank	20,500	19.2	1,110	2.1	2.5	24.6	89.6	-5.8	10.0	10.5	11.2	10.1	1.4	1.3	1.2	3.9	-	-
11	PV Drilling	84,000	37.7	1,096	2.1	2.4	8.6	20.7	11.4	15.5	12.2	10.9	9.5	2.4	2.1	2.1	2.4	2.4	2.4
12	Hoang Anh Gia Lai	24,300	18.5	827	1.6	1.8	10.0	119.1	31.2	-23.9	19.1	14.6	19.1	1.4	1.2	1.2	-	-	-
13	Eximbank	13,200	5.6	769	1.5	1.7	2.9	-69.2	44.2	15.0	24.8	17.2	14.9	1.1	1.1	1.0	3.0	6.4	6.4
14	FPT	46,200	22.6	753	1.4	1.7	-	3.3	11.6	23.0	11.0	9.8	8.0	1.8	2.1	1.8	6.5	4.3	4.3
15	Military Bank	13,800	8.7	736	1.4	1.6	-	-11.3	2.7	34.8	6.6	6.4	4.8	1.0	0.9	0.8	5.8	7.2	7.2
16	ACB	15,700	0.6	686	1.3	-	-	8.0	11.0	38.8	17.4	15.7	11.3	1.2	1.1	1.0	4.5	-	-
17	PV Fertilizer	32,500	-21.7	585	1.1	1.3	25.1	-26.6	-35.1	-18.9	5.6	8.6	10.6	1.3	1.2	1.2	15.4	7.7	7.7
18	PV Technical Svc's	26,800	32.0	567	1.1	-	23.7	15.5	8.6	10.0	7.6	7.0	6.4	1.4	1.3	1.4	4.5	4.5	4.5
19	South Kinh Do	60,000	17.6	491	0.9	1.1	3.8	55.9	20.2	20.6	20.2	16.8	13.9	2.0	2.0	2.0	3.3	3.3	3.3
20	Hau Giang Pharma	102,000	19.3	421	0.8	0.9	-	21.0	4.4	17.0	17.1	16.1	13.7	3.4	3.8	3.2	2.9	2.0	2.0
21	Saigon Sec's	24,100	33.9	401	0.8	0.9	-	-10.4	74.0	-3.3	20.4	11.7	12.1	1.6	1.6	1.6	4.1	4.1	4.1
22	Saigon Hanoi Bank	9,100	31.9	382	0.7	-	21.2	2,130	23.9	0.0	9.5	7.7	7.7	0.8	0.8	0.8	8.2	8.2	8.2
23	Pha Lai Power	22,100	-12.0	333	0.6	0.7	35.2	222.8	-31.8	19.5	4.3	6.3	5.3	1.3	1.3	0.9	6.8	6.8	6.8
24	REE	25,200	-14.9	317	0.6	0.7	-	38.3	-17.4	3.6	6.8	8.2	7.9	1.2	1.3	1.1	6.3	6.3	6.3
25	Tan Tao Ind'l Park	7,900	19.7	269	0.5	0.6	32.1	120.0	13.8	7.2	53.3	46.9	43.7	0.7	0.8	0.8	-	-	-

37

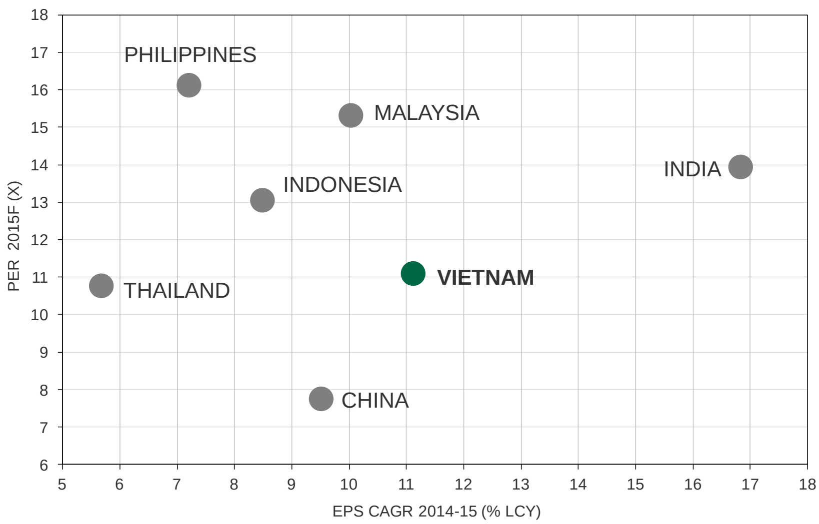
TOP 50 LISTED'S – SECOND 25

No	Company	31-May Price (VND)	Price YTD (%)	Mkt Cap ($m)	Wt in MC (%)	Wt in VNI (%)	For Room (%)	EPS Growth 2013 (%)	EPS Growth 2014F (%)	EPS Growth 2015F (%)	PER 2013 (x)	PER 2014F (x)	PER 2015F (x)	PBV 2013 (x)	PBV 2014F (x)	PBV 2015F (x)	Yield 2013 (%)	Yield 2014F (%)	Yield 2015F (%)
26	Hoa Sen Group	44,900	8.7	205	0.4	0.5	7.3	57.8	-26.1	39.2	7.8	10.5	7.6	2.0	2.0	2.0	4.5	4.5	4.5
27	Vinacafe	154,000	13.2	194	0.4	0.4	21.0	-12.7	15.7	18.7	15.7	13.6	11.4	3.6	3.2	2.7	1.3	1.3	1.3
28	HCM Sec's	31,200	27.3	188	0.4	0.4	-	14.2	39.4	-0.2	13.9	10.0	10.0	1.7	1.7	1.7	5.4	3.8	3.8
29	PV Insurance	17,500	-3.3	188	0.4	-	-	-20.6	8.7	10.0	12.4	11.4	10.4	0.6	0.6	0.6	5.7	5.7	5.7
30	Danang Rubber	45,700	17.2	180	0.3	0.4	18.1	20.3	15.6	29.8	11.2	9.7	7.5	2.8	2.3	1.8	4.4	4.4	4.4
31	Gemadept	32,600	-3.0	177	0.3	0.4	20.9	75.6	52.9	16.7	19.0	12.4	10.7	0.8	0.8	0.8	-	-	-
32	Becamex IJC	12,500	38.9	162	0.3	0.4	42.4	-12.0	27.5	32.0	21.2	16.6	12.6	1.1	1.1	1.1	4.8	4.8	4.8
33	Vinh Son-Song Hinh	16,600	12.2	162	0.3	0.4	19.0	-16.5	72.5	-0.9	17.2	10.0	10.0	1.3	1.2	1.1	6.0	6.0	6.0
34	Lam Thao Fertilizers	41,000	9.3	151	0.3	-	43.3	-21.3	1.2	7.8	7.1	7.1	6.6	2.3	2.3	2.3	7.3	7.3	7.3
35	Binh Minh Plastic	67,000	-4.3	144	0.3	0.3	-	2.5	12.8	14.9	8.2	7.3	6.4	2.0	1.8	1.6	4.5	3.0	3.0
36	PV Trans	13,000	11.1	143	0.3	0.3	35.7	119.0	-4.0	-13.4	12.6	13.2	15.2	1.1	1.1	1.1	-	-	-
37	Hung Vuong Group	24,900	1.6	142	0.3	0.3	30.3	-4.8	53.3	2.6	12.0	7.8	7.6	1.3	1.1	1.1	8.0	8.0	8.0
38	Kinh Bac City	10,100	3.1	139	0.3	0.3	45.6	ltp	83.9	0.9	41.2	22.4	22.2	0.7	1.0	0.7	-	-	-
39	Vinare	28,800	26.3	138	0.3	-	14.0	17.5	15.0	15.0	9.7	8.4	7.3	1.2	1.2	1.2	6.9	5.2	5.2
40	Tifoplast	51,500	11.8	138	0.3	-	7.2	-0.6	5.7	5.0	10.0	9.5	9.0	1.8	2.4	2.4	5.8	5.8	5.8
41	Casumina	40,500	12.5	129	0.2	0.3	33.0	36.9	35.8	7.0	7.6	5.6	5.2	2.2	1.8	1.5	5.7	3.7	3.7
42	Coteccons	62,000	22.8	124	0.2	0.3	-	3.3	20.3	13.7	10.2	8.4	7.4	1.1	1.1	1.0	3.2	3.2	3.2
43	Vinasun	43,000	8.5	115	0.2	0.3	1.8	47.6	9.7	13.6	10.1	9.2	8.1	1.6	1.8	1.8	4.7	4.7	4.7
44	Phu Nhuan Jewelry	31,000	1.3	111	0.2	0.2	-	-35.9	34.5	19.9	13.7	10.2	8.5	1.8	1.8	1.8	6.5	6.5	6.5
45	Pomina	12,500	-1.6	110	0.2	0.2	42.5	ptl	ltp	1,928	-10.7	176.8	8.7	1.0	1.0	1.0	-	-	-
46	Nam Long Group	17,600	2.3	101	0.2	0.2	1.9	-44.6	196.3	100.0	79.4	26.8	13.4	1.3	1.7	1.7	4.5	4.5	4.5
47	Phuoc Hoa Rubber	27,000	-10.6	100	0.2	0.2	29.9	-38.2	-19.0	-6.6	5.9	7.3	7.8	1.0	0.9	0.9	11.1	11.1	11.1
48	CII	18,600	-3.6	99	0.2	0.2	0.8	-79.4	6.8	39.1	24.4	22.8	16.4	1.3	1.3	1.3	6.5	6.5	6.5
49	DIC Group	14,500	16.9	98	0.2	0.2	15.0	125.3	5.7	25.1	38.1	36.0	28.8	0.9	0.9	0.8	-	-	-
50	Traphaco	74,500	-11.8	87	0.2	0.2	3.0	22.7	9.7	17.5	12.0	10.9	9.3	2.7	2.6	2.2	2.7	2.7	2.7
	AGGREGATES	**562.02**	**11.4**	**52,630**	**82.6**	**87.5**	**21.1**	**19.1**	**8.5**	**13.6**	**13.6**	**12.6**	**11.1**	**2.3**	**2.0**	**1.9**	**3.7**	**3.2**	**3.2**

38

COMPARATIVE VALUATIONS: MARKETS

FORWARD REGIONAL PER/EPS – 31 MAY 2014



Sources: Dragon Capital Top 50 for Vietnam; CLSA all others

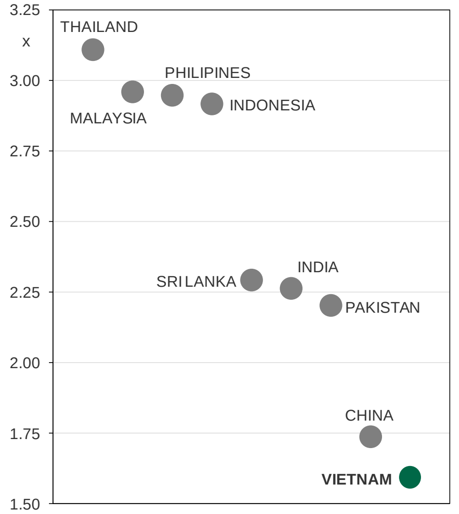
29

COMPARATIVE VALUATIONS: MARKETS EX TOP 5

hsc

31-MAY TRAILING PERs

31-MAY TRAILING PBVs



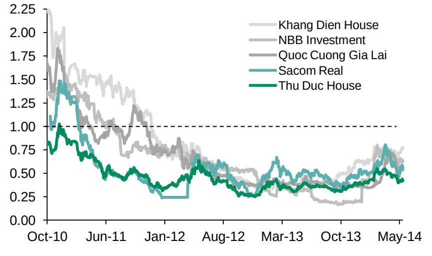
Source: Bloomberg

30

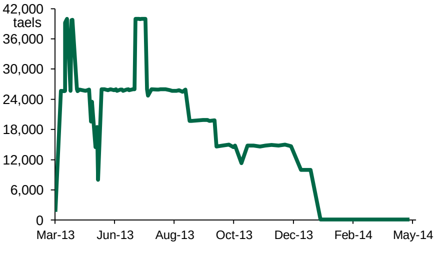
ALTERNATIVE ASSETS: OUT OF FAVOR

hsc

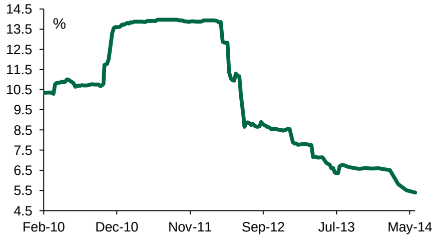
PROPERTY: LOW LISTED PBVs AS PROXY FOR THE INDUSTRY



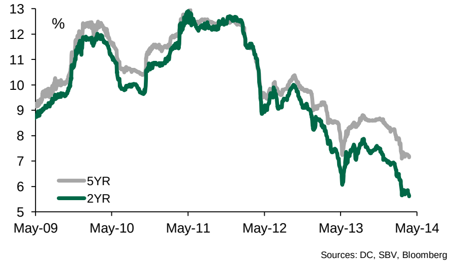
GOLD: AUCTION DEMAND GOES TO ZERO



BANK DEPOSITS: BARELY ABOVE INFLATION



BONDS: SAME AS BANK DEPOSITS



Sources: DC, SBV, Bloomberg 31

BEST OUTLOOK IN YEARS

- The economy has been stabilized and will resume healthy growth
- Despite an impressive rally, stocks still have good ratings vs peers
- Macro dynamics surpass those of peers and will drive earnings
- IPOs will start to happen, slowly but surely
- The country has moved on from its bubble-economy crisis
- The Government has learned hard lessons about policy
- Vietnam is reinstating itself as a top EM investment destination
- New infrastrcuture and derivatives market will be in place from 2016

39

PRIVATIZATION

- Gov’t wants privatization for both its macro and fiscal benefits
- To push privatization, decrees have been pro-actively passed to:
  - clarify land appraisals
  - extend time validity of valuation
  - ease audit requirements
  - facilitate strategic investors
  - allow sale of State assets below book value
- Some 435 out of 1,000 SOEs have been slated for sale
- Certain high-profile companies likely to go in next 18 months

32

PRIVATIZATION

.:hsc

VOCARIMEX

EXPECTED IPO 2Q14

27% cooking-oil market share

Production: 700,000 MT

Revenue: $1.2bn

NPAT: unknown

Charter capital: $60m

63% of shares in IPO

VINATEX

EXPECTED IP0 3Q14

20% textile market share

The industry is booming, internationally, and Vinatex is a major player

Revenue: $2.1bn

NPAT: $69m

Charter capital: $238m

49% of shares in IPO

ACV
AIRPORTS CORPORATION OF VIETNAM

EXPECTED IP0 2014

Monopoly on airports

22 facilities in operation

Revenue: $400m

Profit before tax: $64m

Charter capital: $700m

25% of shares in IPO

33

PRIVATIZATION

.:hsc

mobi fone
mọi lúc - mọi nơi

EXPECTED IPO 2014

32% market share

No 2 of three carriers

Allowed to drop involvement in expensive Gov't satellite program

Allowed to drop merger with Vinafone, No 3 carrier

Revenue: $2bn

PBT: $290m

Charter capital: $500m

Vietnam Airlines

EXPECTED IP0 2014

114,000 flights

15m passengers

80% occupancy

May face valuation challenges

Revenue: $3.4bn

PBT: $25m

Charter capital: $426m

25% shares in IPO

PETROVIETNAM
BSR

EXPECTED IPO 2014-15

Dung Quat Refinery

Finance capacity expansion: 6.5m to 10.0m MT and EURO II to Euro IV

Revenue: $7.1b

NPAT: $150m

Charter capital: $905m

49% of shares in IPO

34

PRIVATIZATION

- Gov't may also sell down more stakes in listed SOEs – led by PV Gas
- Biggest stock on the market at $9.7bn market cap, listed Jan 2012
- But only 3% was floated – despite which it is counted 100% in Index!
- PetroVietnam parent has pledged to sell another 21.7% by end-2015
- Target of 16.7-19.7% for strategic investors leaves only 2-5% for public
- But shows progressive attitude on strategics, with up to $435m for market

35

INVESTMENT CASES

40

HOA PHAT GROUP (HPG)

INVESTMENT CASE

HPG is fully integrated in construction steel. This has enabled it to impose ruthless cost leadership on the industry and it is steadily gaining market share as the business consolidates. Urbanization is at an early stage and steel consumption is well below regional levels, so HPG can hardly avoid strong growth.

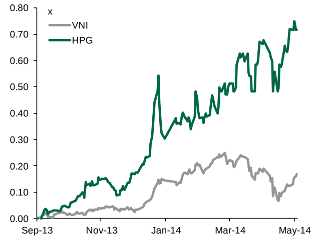
SNAPSHOT

- HPG goes from billet, using its own iron ore, to finished re-bar and pipe, manufactured in plants with their own electricity supply
- Market share is rising at smaller players' expense: 15.1% now from 8.6% at end-2009
- Expanding its presence from the North to the Central and South of Vietnam to further grasp market share
- More focus on exports starting with a billet export contract to the Philippines which will contribute about 8% of revenue in 2014
- HPG is currently doubling capacity, yet with improving financials: DER of 0.7x now, from 0.9x in 2010
- Earnings will pause in 2015 as a successful property project drops out of the P&L, but the core business will still be moving ahead

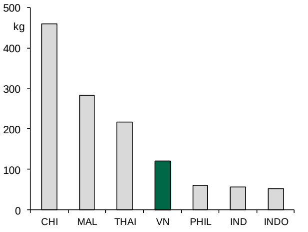
COMPANY INFO			
Market Cap:	$1,165m	Price:	51,000
For Room:	4.5%	Target:	54,783
Vol (6mo):	$1.67m/day	Upside:	7.4%

FINANCIALS				
Item	unit	2013	2014F	2015F
Sales	$m	897	1,129	1,077
Sales Gro	%	12.5	25.8	-4.6
NPAT	$m	93	115	109
NPAT Gro	%	96.6	23.8	-5.0
EPS Gro	%	96.6	23.8	-5.0
ROE	%	22.2	24.5	22.5
PER	x	12.6	10.2	10.7
Yield	%	2.9	5.9	5.9

SHARE PRICE VS INDEX



ASIAN STEEL USAGE / CAPITA, 2011



40

PV DRILLING (PVD)

INVESTMENT CASE

A subsidiary of PetroVietnam, the State oil and gas company, and the leading provider of drilling rigs and services. It is guaranteed all the business it can take from the parent's D&E program, which is in permanent high gear as the country's oil reserves are developed. PVD is continually expanding the rig fleet to build out its franchise. Yet despite the debt it periodically takes on for this purpose, earnings have outpaced finance charges and stayed briskly on the rise – showing PVD's mastery of accretive leverage.

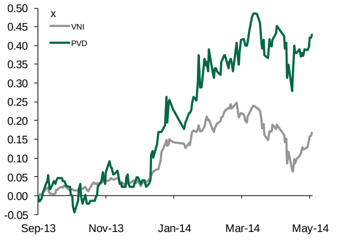
SNAPSHOT

- PVD has a 50% market share in drilling but its business is strictly at global day rates – PVN's favoritism does not extend to pricing
- The current fleet is four owned rigs (25-50% margins) and four hires (10% margins)
- Two more owned rigs will be added next year, which will drive earnings in 2015-16, after capacity maxes out in 2014
- Drilling is 70% of gross profit and there is a quasi-monopoly in drilling services that accounts for the other 30%
- Capex is debt-funded but earnings growth has kept well ahead of the interest burden; net DER is now 0.6x, from 1.3x in 2011

COMPANY INFO			
Market Cap:	$1,096m	Price:	84,000
For Room:	8.6%	Target:	97,000
Vol (6mo):	$1.63m/day	Upside:	15.5%

FINANCIALS				
Item	unit	2013	2014F	2015F
Sales	$m	705	760	863
Sales Gro	%	24.6	7.9	13.5
NPAT	$m	89	100	116
NPAT Gro	%	42.5	12.3	15.5
EPS Gro	%	20.7	11.4	15.5
ROE	%	22.4	20.1	21.8
PER	x	12.2	10.9	9.5
Yield	%	2.4	2.4	2.4

SHARE PRICE VS INDEX



COMPARATIVE RATINGS

2013	State	PER	EPS ±	ROE
Weatherford	CHI	30.4	55.9	(4.1)
Tesco	USA	21.4	-27.9	9.2
Oceaneering	USA	21.3	28.0	19.3
Schlumberger	USA	20.4	30.8	18.6
Halliburton	USA	19.8	-15.5	18.8
TGS Nopec	NWY	12.6	-5.9	21.9
Petrofac	UK	12.4	2.7	36.7
PV Drilling	**VN**	**12.2**	**20.7**	**22.4**
Petroleum Geo	NWY	10.6	29.1	12.0
China Oilfield	CAN	10.3	47.3	19.3
Transocean	CHI	10.0	70.5	8.6

41

VINAMILK (VNM)

INVESTMENT CASE

VNM is heavily dominant in Vietnam's foremost consumer business of dairy products. As the middle class expands it will continue to leverage robust growth here, backed by muscular finances and distribution that even MNCs have been unable to replicate. Despite the attractive fundamentals VNM is still cheap vs Asian peers, whose PERs are on average in the low/mid 20x's.

SNAPSHOT

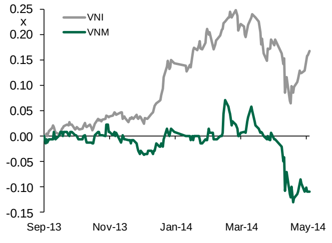
- 50-80% market share in major products, based on country's biggest FMCG distribution - 200,000 POS
- State-of-the-art "mega factories" will double milk capacity in 2014, yet net cash keeps rising: it is now $310m or 0.37x equity
- Earnings will flatten out in 2014 as margins absorb raw-material cost hikes and other factors, but thereafter margins will stabilize
- Once the "gap year" is over, earnings can then follow the top line, where ca 25% growth is achievable
- This will come from a combination of recovering demand, increasing per-capita consumption and ongoing market-share capture
- The latter will be encouraged by the systematic fashion in which VNM is continually upping its game against foreign competitors

COMPANY INFO			
Market Cap:	$4,859m	Price:	123,000
For Room:	0.0%	Target:	154,000
Vol (6mo):	$3.79m/day	Upside:	25.2%

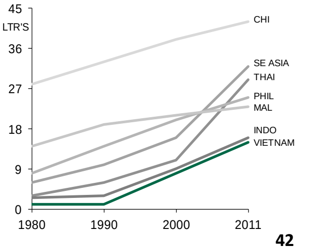
FINANCIALS

Item	unit	2013	2014F	2015F
Sales	$m	1,467	1,819	2,367
Sales Gro	%	16.5	24.0	30.1
NPAT	$m	310	311	387
NPAT Gro	%	12.3	0.4	24.4
EPS Gro	%	12.3	0.4	24.4
ROE	%	39.6	32.7	33.5
PER	x	17.4	17.4	14.0
Yield	%	3.9	3.3	3.3

SHARE PRICE VS INDEX



ASIAN MILK CONSUMPTION



42

COTECCONS (CTD)

INVESTMENT CASE

Vietnam's leading construction company, whose net-cash balance sheet enabled it to cruise through the property bust. It has steadily been shifting its business from the problematic residential area into the infrastructure, commercial and industrial sectors, where FDI is now a huge driver. There is much greater activity here, along with bigger project scale, and the clients actually pay.

SNAPSHOT

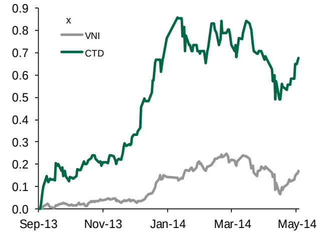
- Only two or three domestic contractors can compete with foreigners in the premium segment and CTD is one of them
- CTD is expanding in the North to tap the ongoing FDI inflows there in manufacturing and processing
- It has built two mega-malls for ION, as part of a 20-mall program, and has executed small road and bridge projects for the Gov't
- The new-business strategy has seen gross margins increase to 7.6% from 7.2% in 2013, and 8-9% is targeted by 2015-16
- Net margins have lagged but this is the temporary effect of M&A that is directly related to the new-business strategy
- Cash is 63% of market cap and the company has no bank debt

COMPANY INFO			
Market Cap:	$124m	Price:	62,000
For Room:	0.0%	Target:	84,000
Vol (6mo):	$0.11m/day	Upside:	35.5%

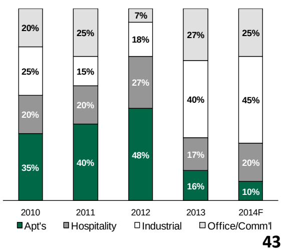
FINANCIALS

Item	unit	2013	2014F	2015F
Sales	$m	293	337	371
Sales Gro	%	38.2	15.0	10.0
NPAT	$m	12	15	17
NPAT Gro	%	17.7	20.3	13.7
EPS Gro	%	3	20	14
ROE	%	11.7	13.0	13.5
PER	x	10.2	8.4	7.4
Yield	%	3.2	3.2	3.2

SHARE PRICE VS INDEX



IMPROVING REVENUE MIX



43

CASUMINA (CSM)

INVESTMENT CASE

CSM is Vietnam's leading domestic tire producer. Its traditional products are truck and bus tires with market share of 25%, and motorcycle tires with 20%. It is now expanding to higher-tech radial tires. In coming years it will enjoy triple benefits: increased revenues from capacity gains, better margins on advanced products, and a further boost to margins from depressed rubber costs. This will greatly its enhance its industrial profile and local investors are likely to re-rate it accordingly, from its present derisory 5.6x.

SNAPSHOT

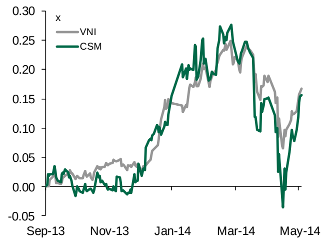
- New radial factory supplies tires that are cheaper than foreign, yet as good; and better quality than unbranded Chinese
- With exports also planned (for US, Canada, Australia and India, at zero tariffs), revenue primed to double in 2014-18
- Operating margins will thrive on flat or declining price of rubber: global supply is put at +12% pa to 2017, demand at +2.5%
- Divestment of non-core businesses will inflate growth in 2014, but usefully offset depreciation and interest on new plant
- 2015 earnings will show this high-base effect, but will normalize to a minimum 15% pa in 2016-17, putting PERs into the 4x's

COMPANY INFO			
Market Cap:	$129m	Price:	40,500
For Room:	33.0%	Target:	52,000
Vol (6mo):	$1.23m/day	Upside:	28.4%

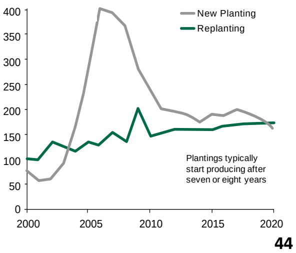
FINANCIALS

Item	unit	2013	2014F	2015F
Sales	$m	149	174	209
Sales Gro	%	3.0	17.2	20.0
NPAT	$m	17	23	25
NPAT Gro	%	41.8	35.8	7.0
EPS Gro	%	36.9	35.8	7.0
ROE	%	33.0	35.8	30.9
PER	x	7.6	5.6	5.2
Yield	%	5.7	3.7	3.7

SHARE PRICE VS INDEX



EXCESS GLOBAL RUBBER PLANTING



PV TECHNICAL SERVICES (PVS)

INVESTMENT CASE

PVS is the domestic monopoly provider of marine support services to Vietnam's oil and gas industry. It benefits from the same factors as PV Drilling: a guarantee of all the business it can take from the parent's ever-advancing D&E program. That does not translate into immediate hyper-growth, but the PER of ca 6.5x seems low for the 10-11% NPAT growth the company does offer, given also a strong, high-ROE balance sheet and tempting yield prospects. And fleet expansion could transform profit power longer-term.

SNAPSHOT

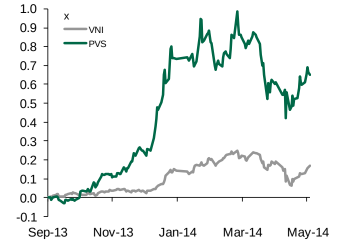
- PVS generates gross margins of 15-20% from its 20-strong fleet of supply and support vessels, but this is only 45% of revenues
- The company wants to build up this business and downplay rig engineering, which has 48% of revenues but margins of just 3-5%
- It plans to double the fleet by 2025, eliminating leased vessels in the process, and over time this should pump growth potential
- Strong cashflow can be mixed with accretive leveraging, à la PVD, to accomplish this without much of a dent in finances
- $100m net cash ($290m gross) could see 2014-15 dividends above previous VND 1,200 – maybe up to VND 2,000, for 7.5% yield

COMPANY INFO			
Market Cap:	$567m	Price:	26,800
For Room:	23.7%	Target:	30,500
Vol (6mo):	$3.10m/day	Upside:	13.8%

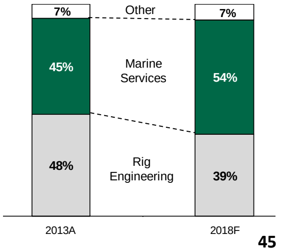
FINANCIALS

Item	unit	2013	2014F	2015F
Sales	$m	1,200	1,350	1,521
Sales Gro	%	3.4	12.5	12.7
NPAT	$m	74	82	90
NPAT Gro	%	40.9	11.0	9.8
EPS Gro	%	14.8	11.0	9.8
ROE	%	21.7	20.6	20.1
PER	x	7.6	6.9	6.3
Yield	%	4.5	4.5	4.5

SHARE PRICE VS INDEX



IMPROVING REVENUE MIX



PV GAS (GAS)

.:hsc

INVESTMENT CASE

GAS is Vietnam's monopoly operator of offshore gas pipelines and the key gas supplier to power plants and industrial users. Growth is being driven by a nice combination of regulated price hikes, rising gas consumption and aggressive capacity expansion. The latter is taking place without much of a hit to the balance sheet, where net cash prevails. GAS is the biggest listed stock at 16% of the VNI, but has only a 3% float, and further issuance may pique more foreign and ETF interest – especially given undemanding valuations.

SNAPSHOT

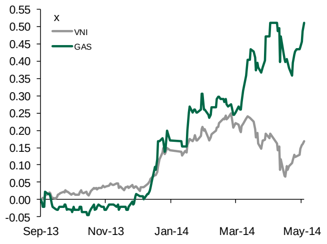
- A new pipeline, Nam Con Son 2, will take capacity up by 10% in early 2015 and again by 65% in 2018-20, to an ultimate 18 bcf
- The Government will lift gas prices by an average 10% in 2014 and 2015 and meanwhile gas usage is surging by +11% pa
- GAS is also the leading supplier of LPG; this is much bigger in revenues, at 40%, than in profits, at 20%, but is still a useful earner
- Capex is huge but well-funded by cashflow; currently GAS has net cash of $430m or 0.27x equity, and looks to stay robustly liquid
- Although GAS has run hard, its all-round numbers are still in line with the market and attractive vs regional peers

COMPANY INFO			
Market Cap:	$8,757m	Price:	97,500
For Room:	46.2%	Target:	105,000
Vol (6mo):	$1.79m/day	Upside:	7.7%

FINANCIALS

Item	unit	2013	2014F	2015F
Sales	$m	3,100	3,397	4,099
Sales Gro	%	-4.2	9.6	20.7
NPAT	$m	582	644	743
NPAT Gro	%	25.3	10.6	15.3
EPS Gro	%	25.3	10.6	15.3
ROE	%	40.6	35.5	36.4
PER	x	15.0	13.6	11.8
Yield	%	4.3	3.1	3.1

SHARE PRICE VS INDEX



COMPARATIVE RATINGS

2013	PER (x)	EPS (±%)	ROE (%)	Yield (x)
Toho Gas	39.2	116.6	3.7	1.5
Petronas Gas	23.1	47.9	21.4	2.3
China Gas	19.7	24.3	16.6	1.1
PV Gas	**15.0**	**25.3**	**40.6**	**4.3**
GAIL India	9.2	3.7	16.3	3.0
Korea Gas	neg	ptl	(3.3)	2.5

46

.:hsc

HO CHI MINH CITY SECURITIES CORPORATION

THANK YOU