

EXPLORING INSTITUTIONAL INVESTMENT OPPORTUNITIES IN VIETNAM

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Dragon Capital*

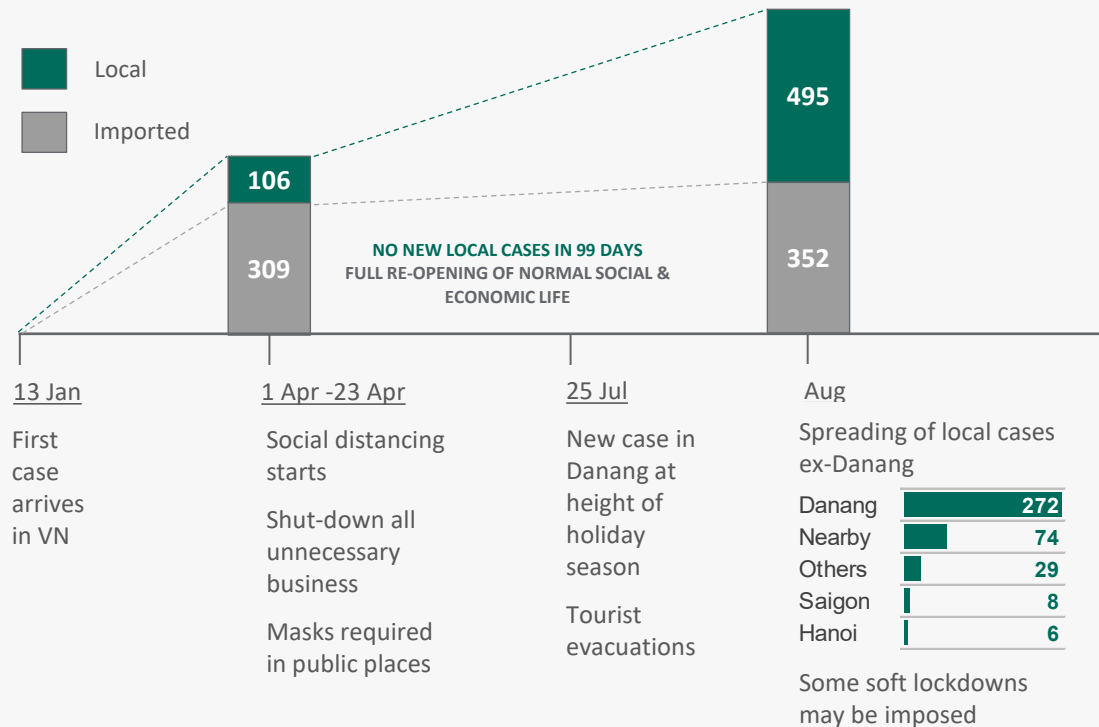
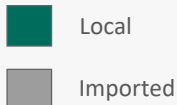


MACRO AND MARKET PERSPECTIVE

Vietnam: COVID-19 Containment

FIRST WAVE: CONTAINED

- 13 Jan to 23 Apr
- Strict lockdown, extensive testing
- 415 cases, 395 recovered
- 106 local, 309 imported, 0 deaths
- 75,969 quarantines

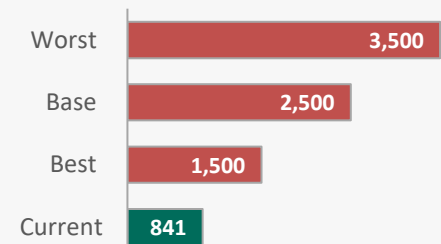


SECOND WAVE: SAME AGAIN?

- 25 Jul to present (11 Aug)
- Instant resumption of tracking
- 432 cases, 04 recovered
- 389 local, 43 imported, 13 deaths
- 182,267 quarantines

PEAK CASE PREDICTION

- Peak total case: Lower than one day in other countries



15 Aug

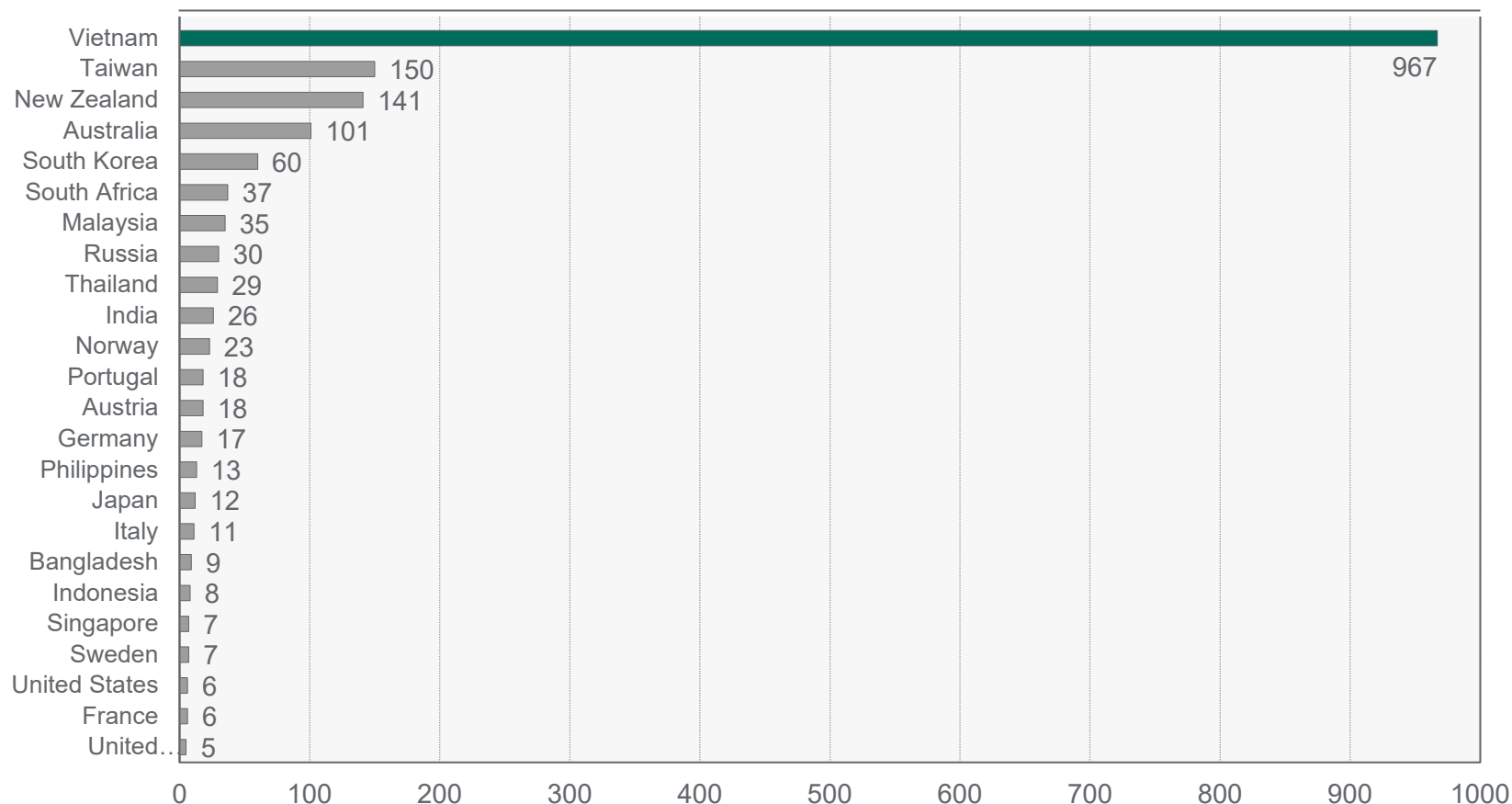
MOH predicts that Vietnam will reach its peak cases

VIETNAM'S SECRET

- ▶ EXPERIENCE FROM SARS
- ▶ COMMUNITY INFORMATION
- ▶ AGGRESSIVE TESTING / TRACING
- ▶ AGGRESSIVE QUARANTINING

World Leader in COVID-19 Testing

NUMBER OF COVID-19 TESTS PER CONFIRMED CASE, 6 MAY 2020



1. Economy Weakens Under COVID-19

BACK TO WORK – VINFAST



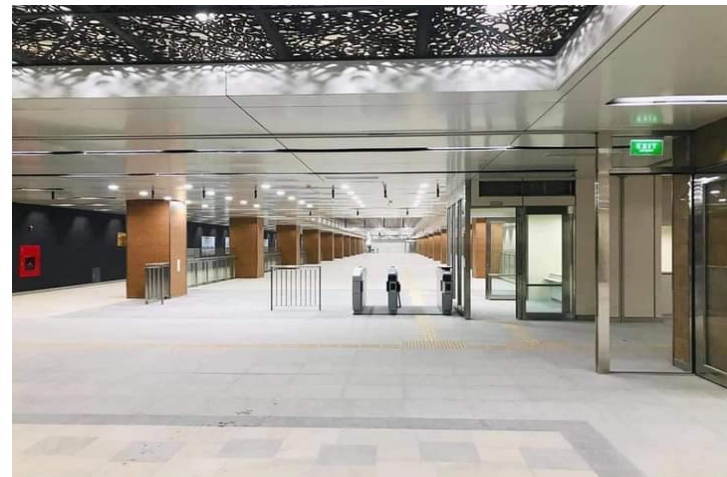
THU THIEM BRIDGE 2 – EXPECTED TO INAUGURATE IN DEC 20



BACK TO TRAFFIC JAMS

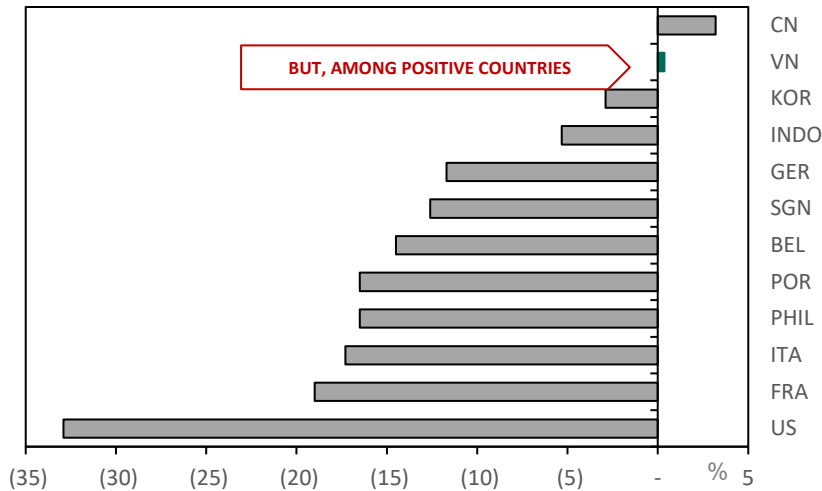


BACK TO WORK – SAIGON METRO BEN THANH

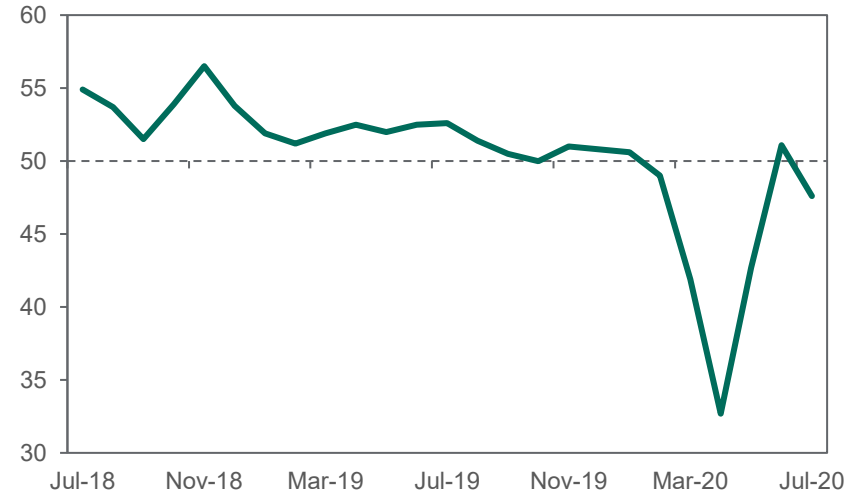


1. Economy Weakens Under COVID-19

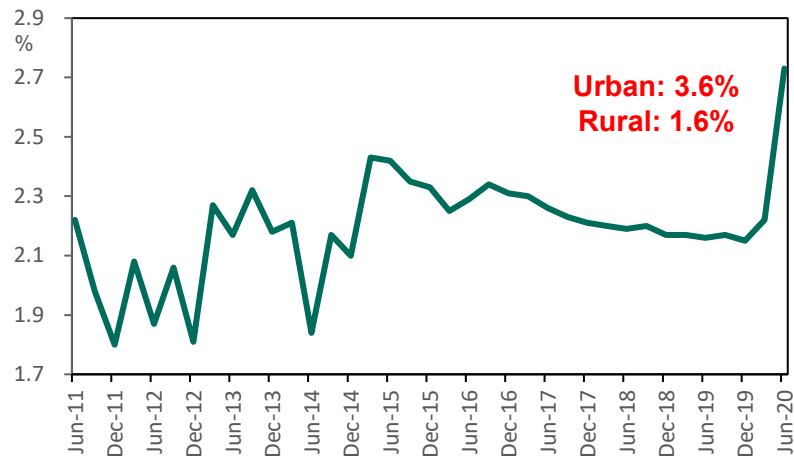
VIETNAM 2Q20 GDP: LOWEST IN 20Y



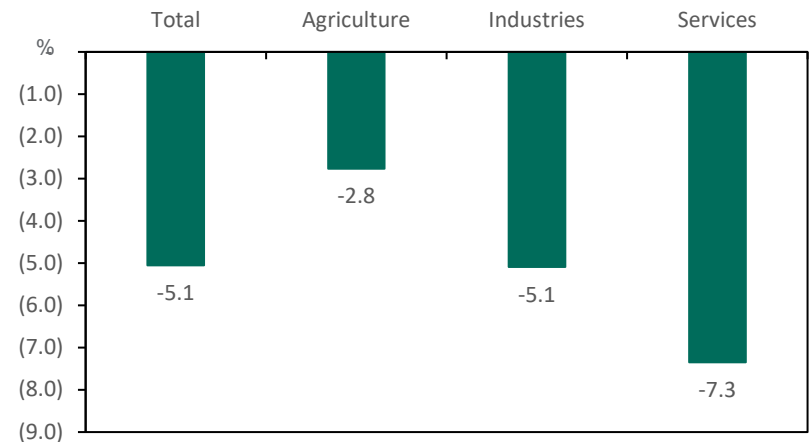
VIETNAM PMI 2016-20



UNEMPLOYMENT RATE

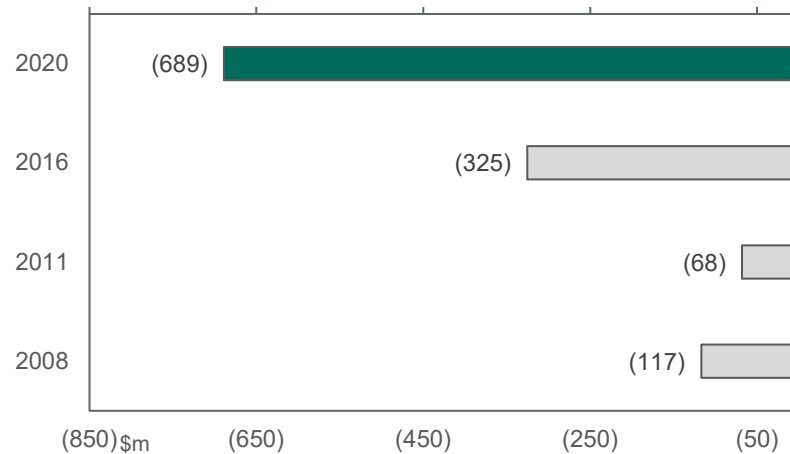


AVERAGE INCOME FELL IN 2Q20

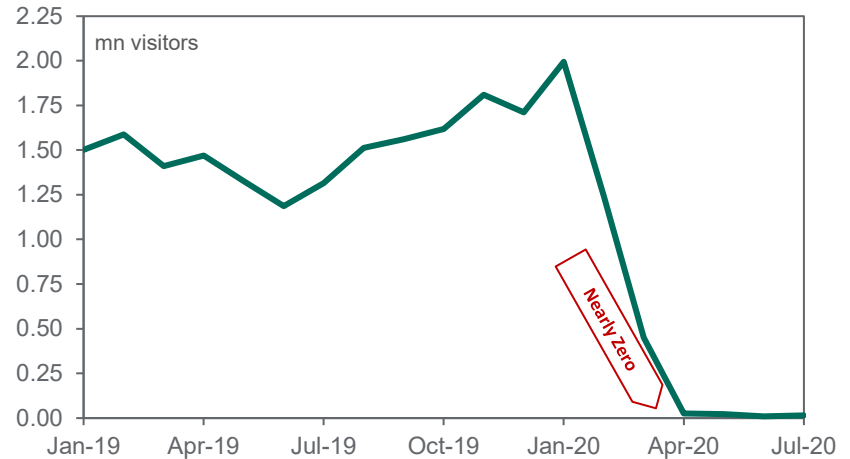


2. But Macro Stability Prevails

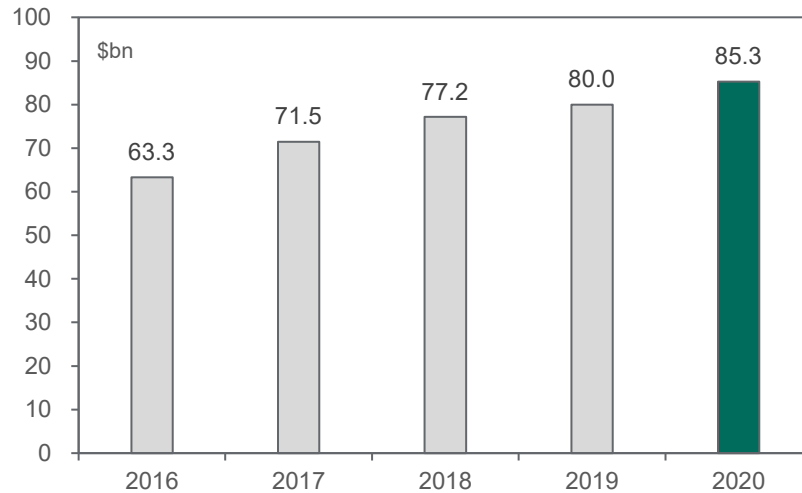
BIGGEST EQUITY OUTFLOW EVER AND...



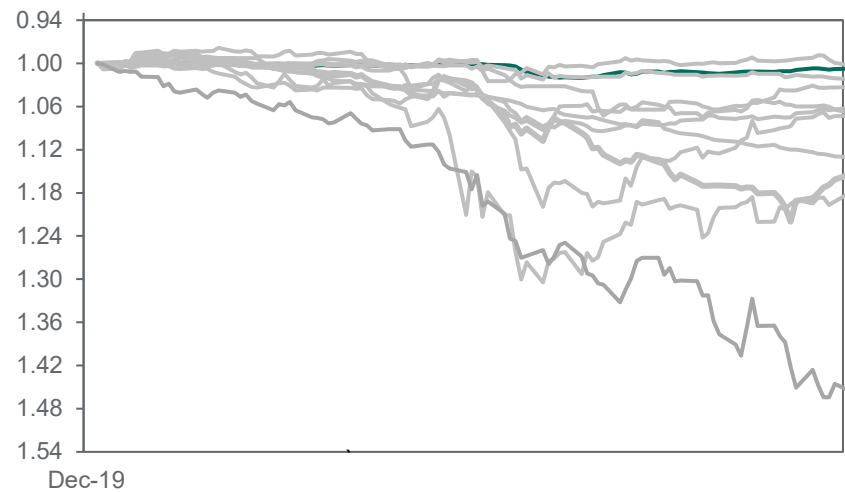
...LOW RECEIPTS FROM TOURISM & REMITTANCE



BUT: RECORD-HIGH FOREIGN RESERVES AND...

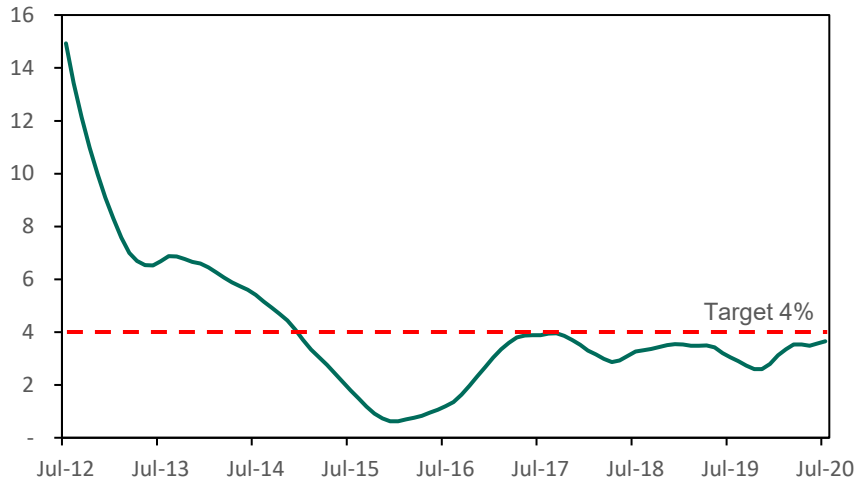


... CURRENCY PERFORMANCE AMONG BEST YTD



2. But Macro Stability Prevails

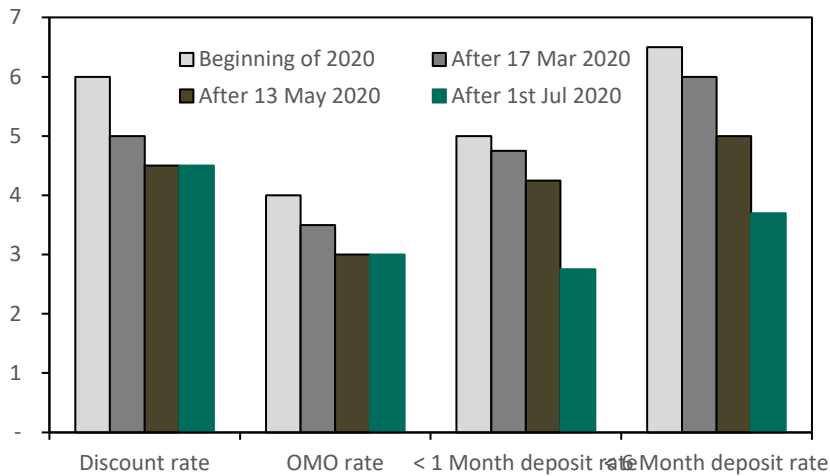
MUTED INFLATION DESPITE RECORD PORK PRICE



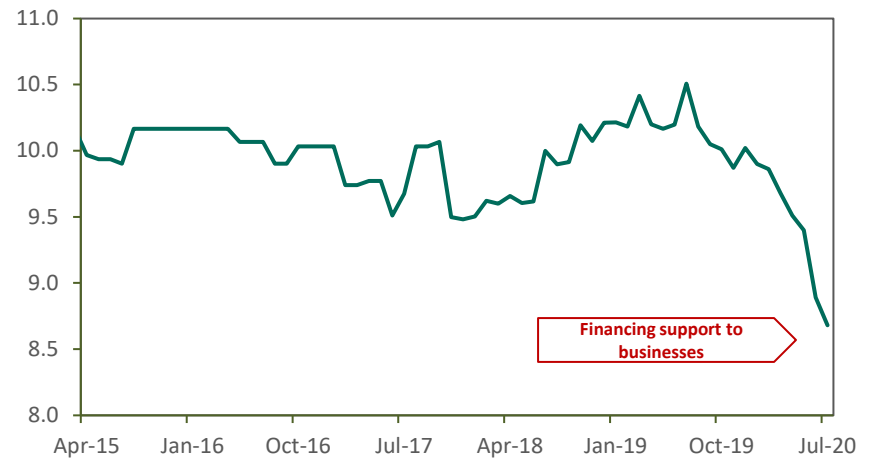
CREDIT GROWTH (YOY) STILL POSITIVE



SBV CUTS POLICY RATE BY 100-125 BPS...

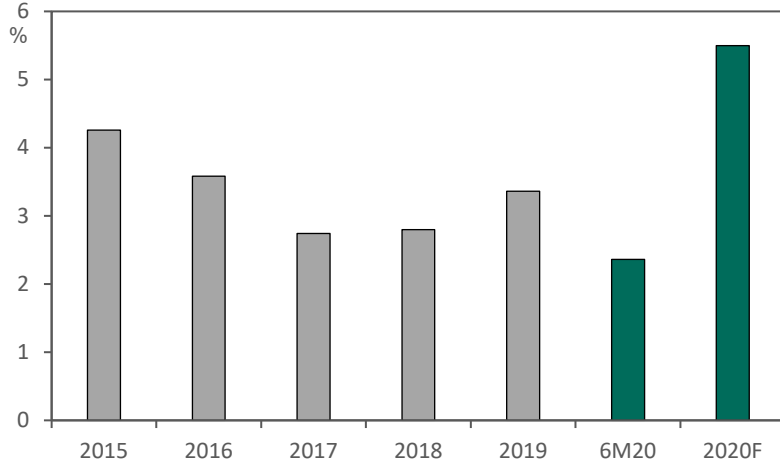


... AND LOWERS LENDING INTEREST RATE

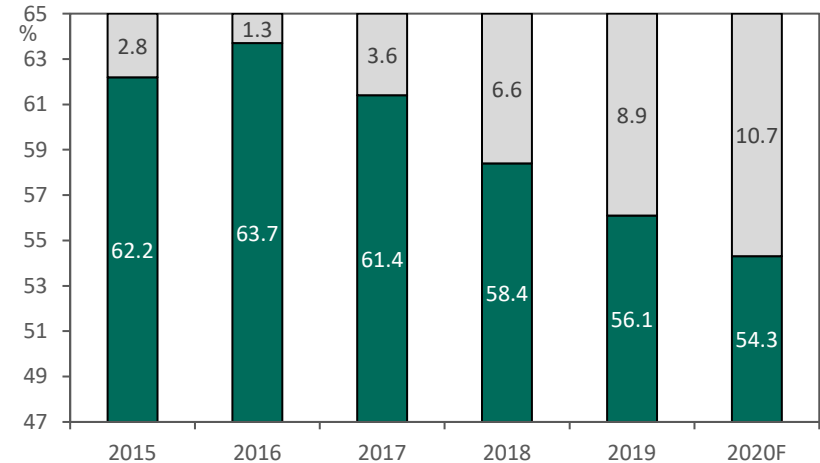


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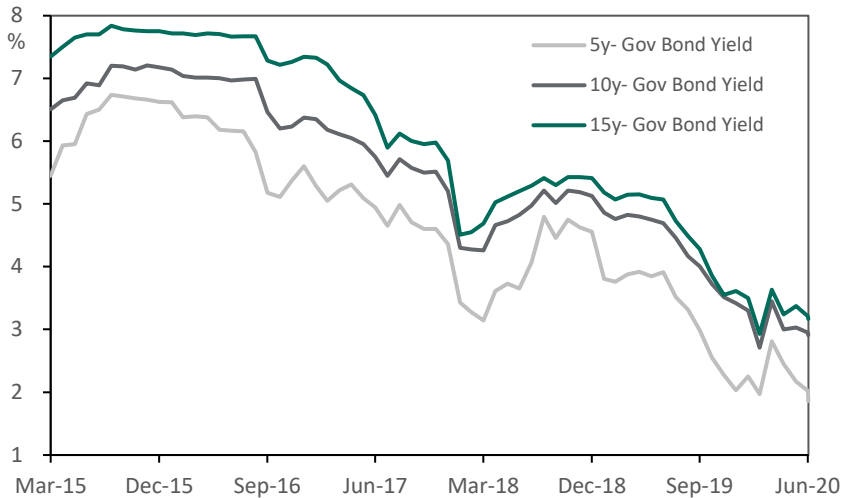
FISCAL DEFICIT - PLENTY OF ROOM



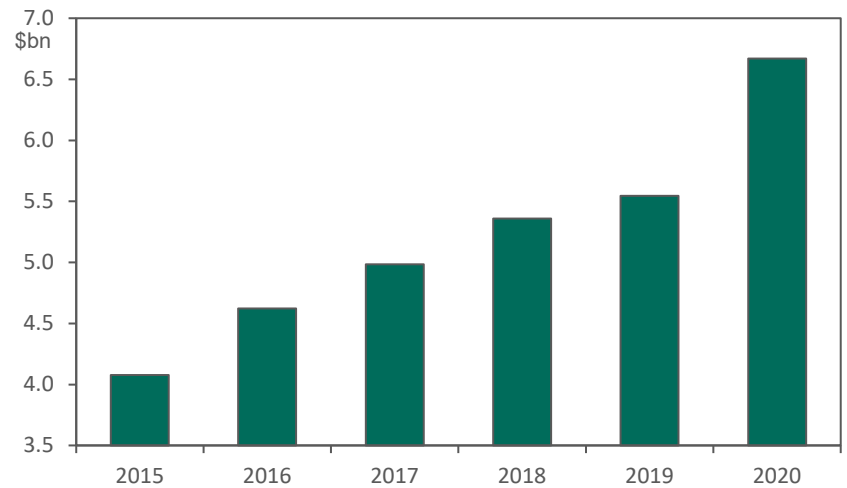
PUBLIC DEBT/GDP: NO NEED TO WORRY



ESPECIALLY WHEN BORROWING COST AT RECORD LOW



PUBLIC INVESTMENT UP 20% 1H20 DESPITE COVID-19



3. Benefiting From External Factors

SHIFT IN GLOBAL SUPPLY CHAIN: VIETNAM IS THE MAIN WINNER



3. Benefiting From External Factors

SHIFT / PLAN TO SHIFT TO VIETNAM DUE TO COVID



Microsoft



Google

Panasonic

SHARP

FOXCONN
The Art of More



SOME COUNTRIES SUBSIDIZED COMPANIES TO
MOVE TO VN

HOYA

Hard disk drive manufacturers



Medical gear and personal protective equipment

MEIKO

Electronic devices providers

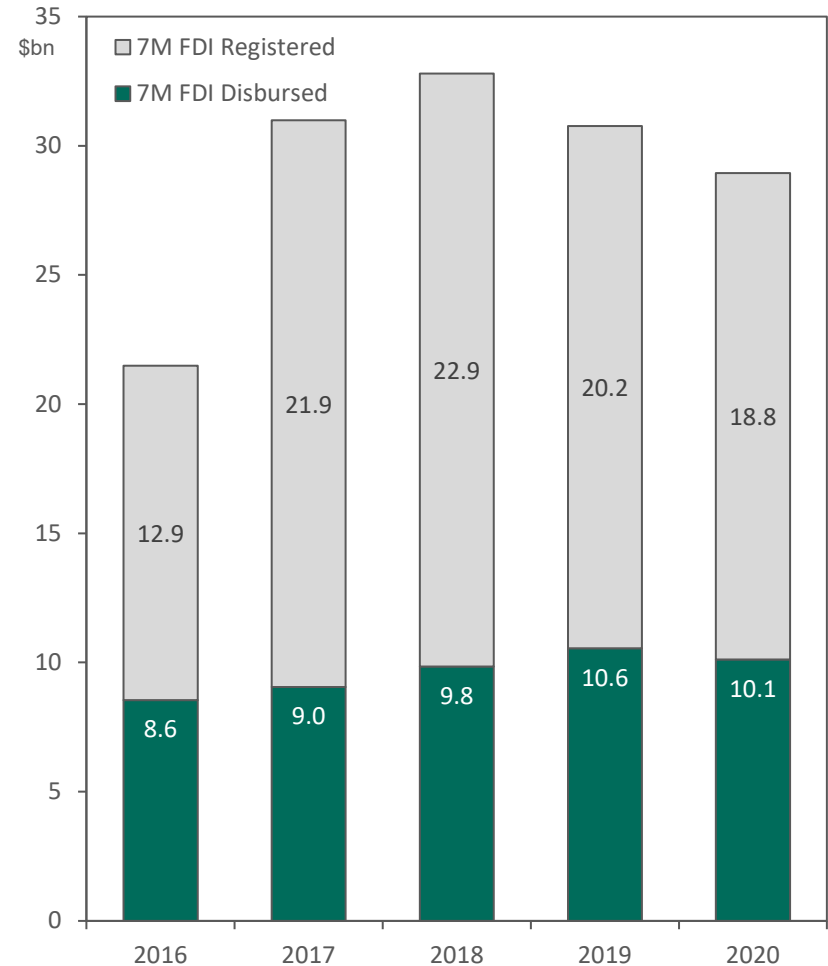
NIKKISO

Original technologies and products provider

ShinEtsu

Chemical corporation

FDI VIETNAM 7M20: NOT BAD



3. Benefiting From External Factors

US 2020 ELECTION: POTENTIAL POSITIVE SURPRISE



Implied Winning Prob



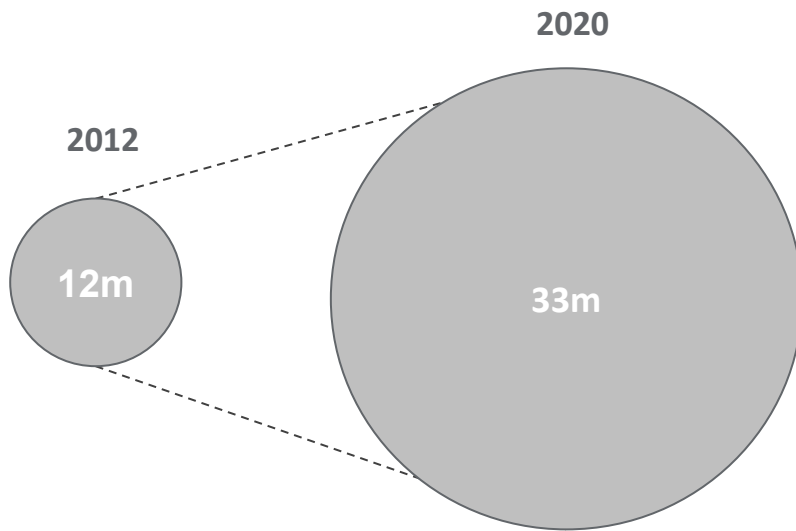
- Biden emphasized the need (July debate) to join TPP to compete with China
 - Huge benefit for Vietnam if it becomes reality
- Biden seeks to decrease bilateral and military tension against China
 - Unlikely to significantly revert the supply shift from China to other countries



LONG TERM SUPPORTS AND PROBLEMS

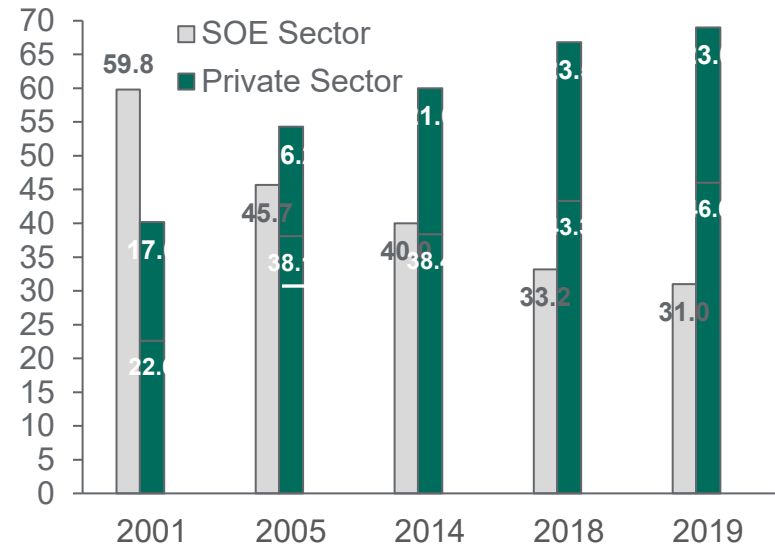
Supported by Long Term Drivers

NUMBER 1: MIDDLE CLASS IS RAMPING UP...HUGE CONSUMPTION



- **Air Travel:** 14m flights in 2011 → 52m in 2018
- **Smartphone :** 30% in 2012 → 86% in 2018
- **Salary:** 1000+ listed companies \$950/mo average for 1.5mil employees

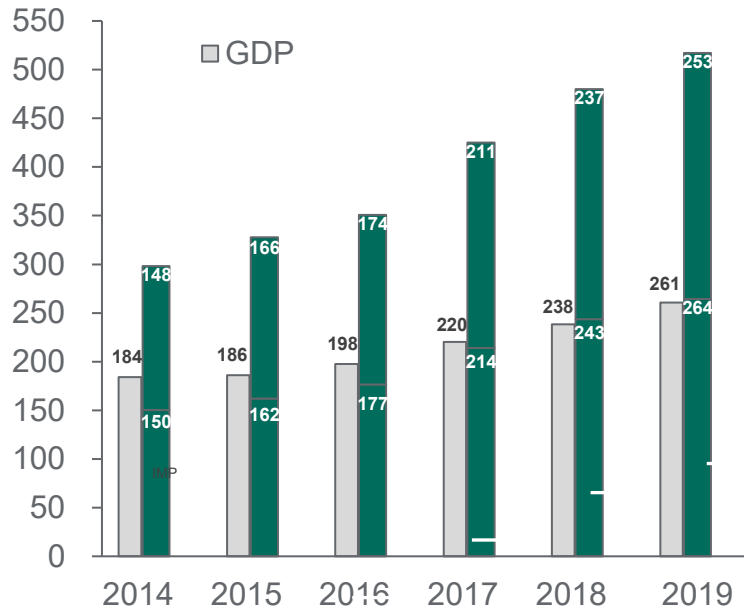
NUMBER 2: PRIVATE SECTOR OVERTOOK SOES – BETTER EFFICIENCY



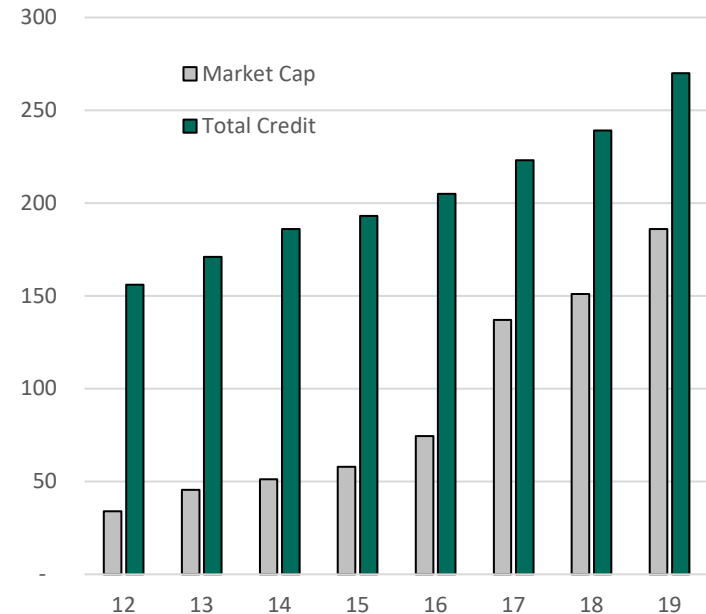
- **SOEs :** commander of the economy until 2011
- **Private Sector:** double its contribution whilst SOEs reduces by half
- **Improving Productivity:** as private sector takes control

Supported by Long Term Drivers

NUMBER 3: GLOBAL SUPPLIER- THE BENEFIT OF GETTING LARGER SCALE



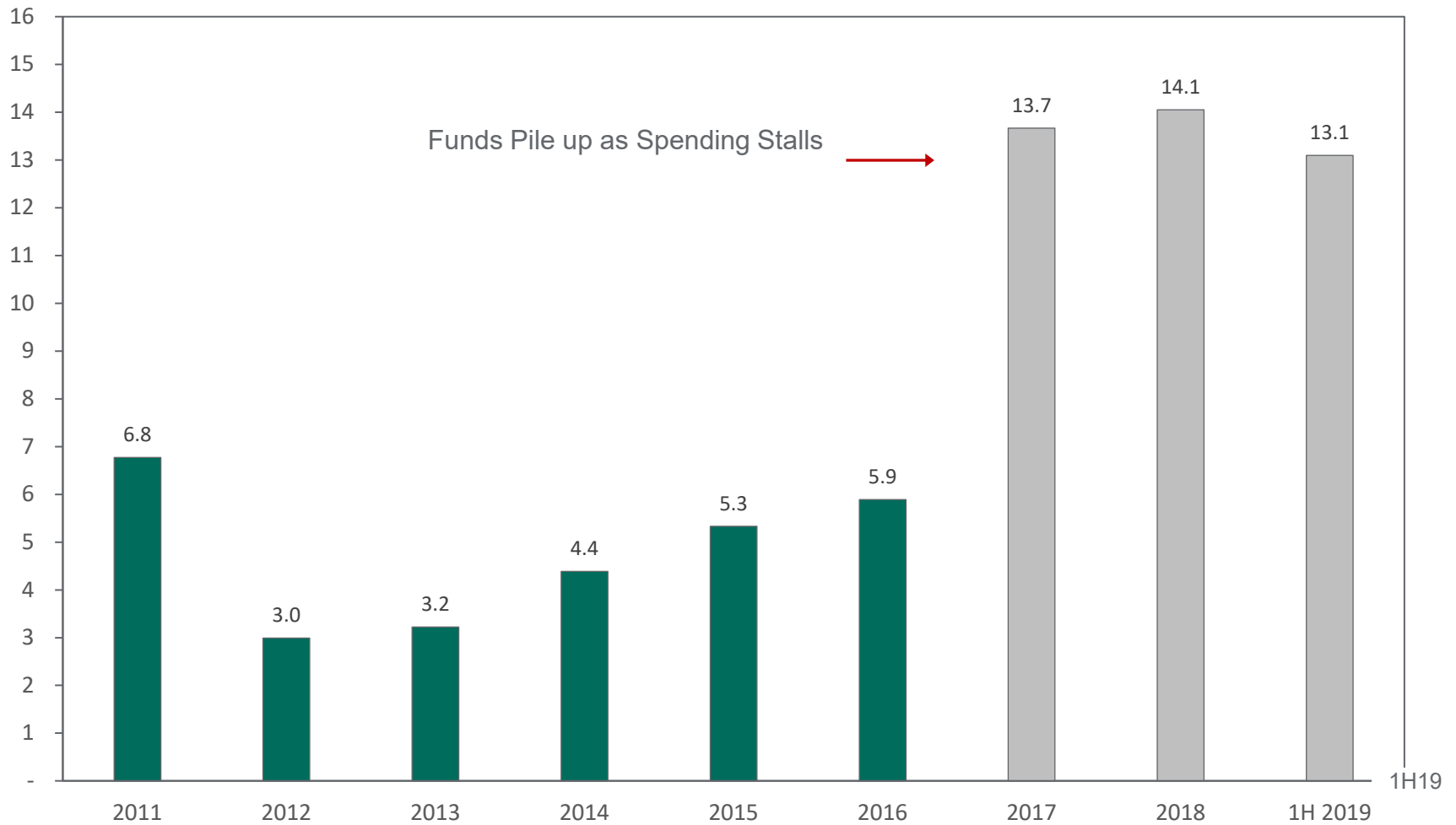
NUMBER 4: EVOLVING CAPITAL MARKET REDUCES RELIANCE ON BANKS



- **Global Supplier:** 200% trade / GDP indicates Vietnam's transformation into a global manufacturing powerhouse
- **Scale Matters:** unit production cost declines thanks to economy of scale, much overweighting the increase wages
- **Bank Centric Economy:** VN used to rely 100% on bank credit to fuel the economy
- **Evolving Capital Market:** the combined equity and corporate bond markets almost as important as the bank credit

Infrastructure Problems

STATE BUDGET MONEY AT SOCBs



Summary

Covid19 Situation: Serious but Controllable

- Second wave is likely to peak in Aug. Selective social distancing is applied.

Impact on the Economy: Weakening

- 2020 GDP growth is 1-2%, revising down from 3.5% pre-second wave
- Highest unemployment and underemployment in 11 yrs.

Impact on Stability: Improving

- Muted on inflation, record high currency reserve
- Good liquidity in the system and good stance on fiscal and debt

Impact from External Factors: Benefiting

- Major supply shift to Vietnam
- US election may benefit Vietnam

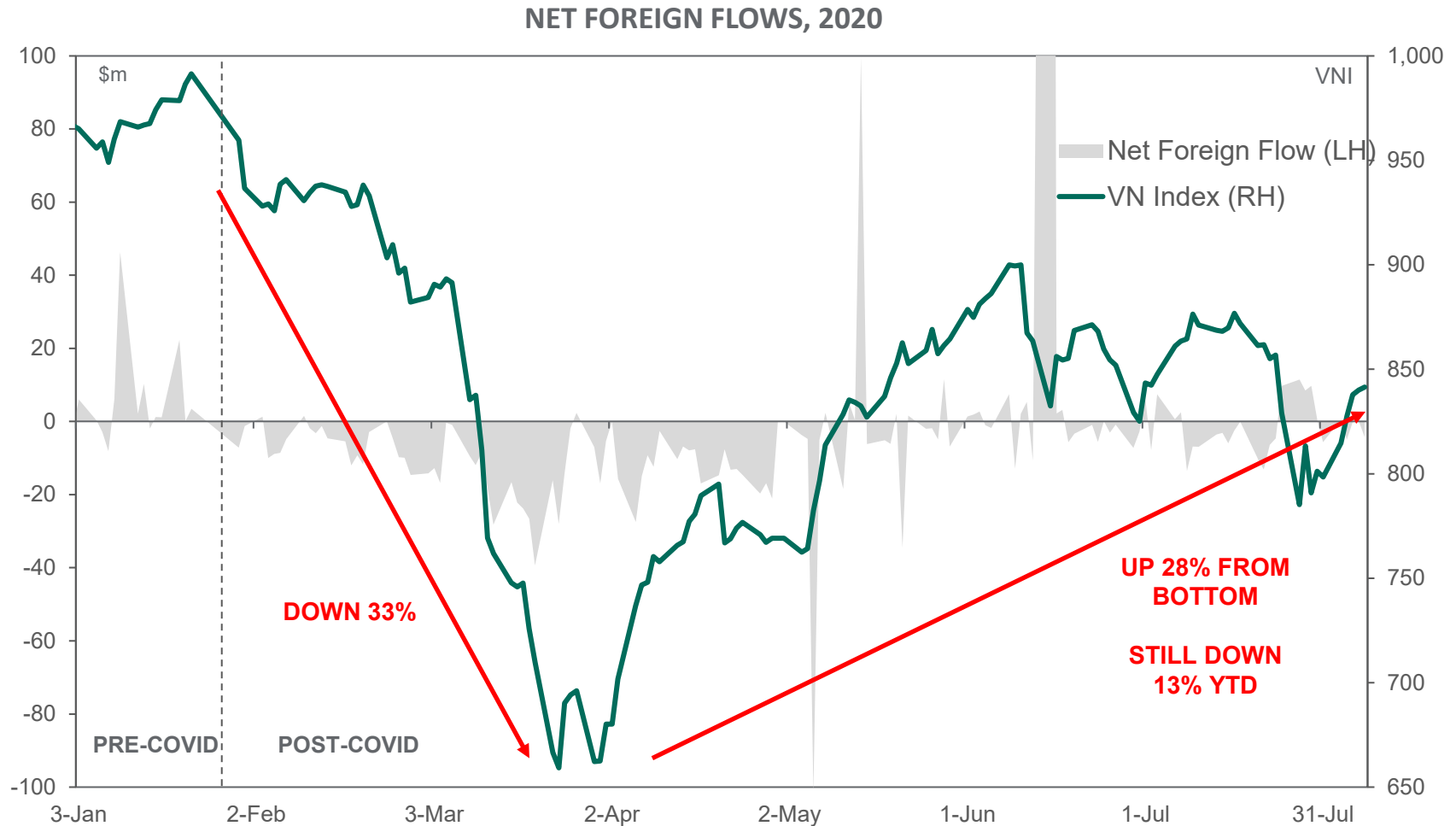
Long Term Supporting Factors and Problems: More tailwinds and headwinds

- Middle class, private sectors, and manufacturing powerhouse drive the economy
- Infrastructure is lagging behind



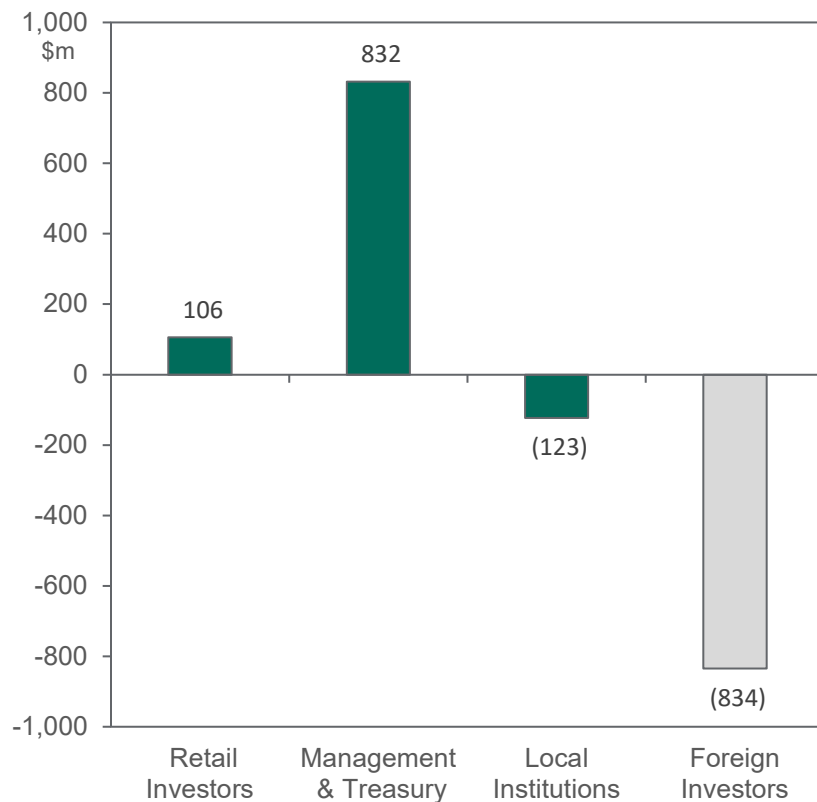
MARKET PERSPECTIVE

Market During COVID-19

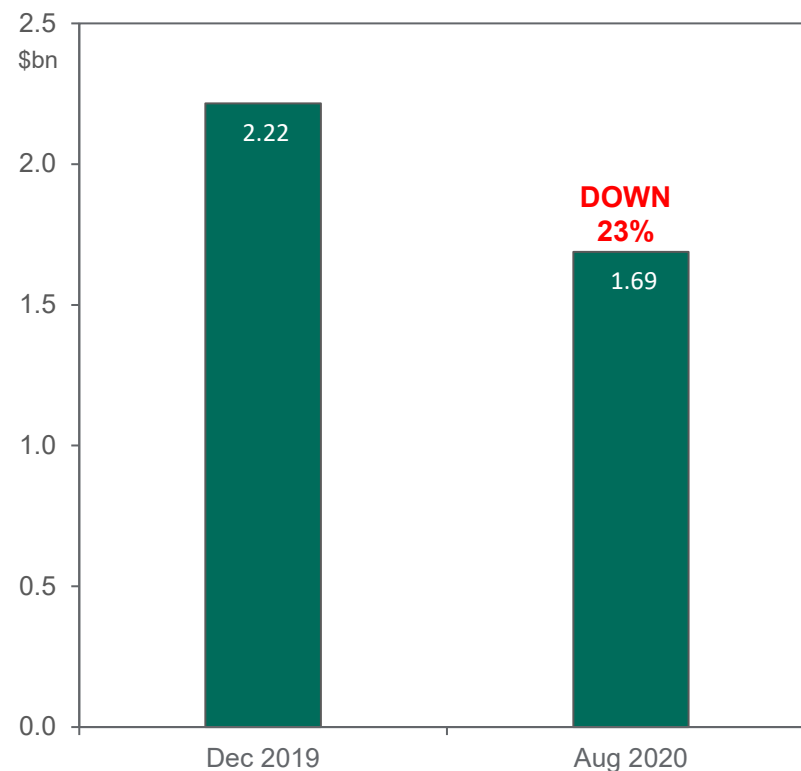


Who Drives the Market Down / Up

INVESTORS NET FLOW DURING COVID-19 (FEB-AUG)

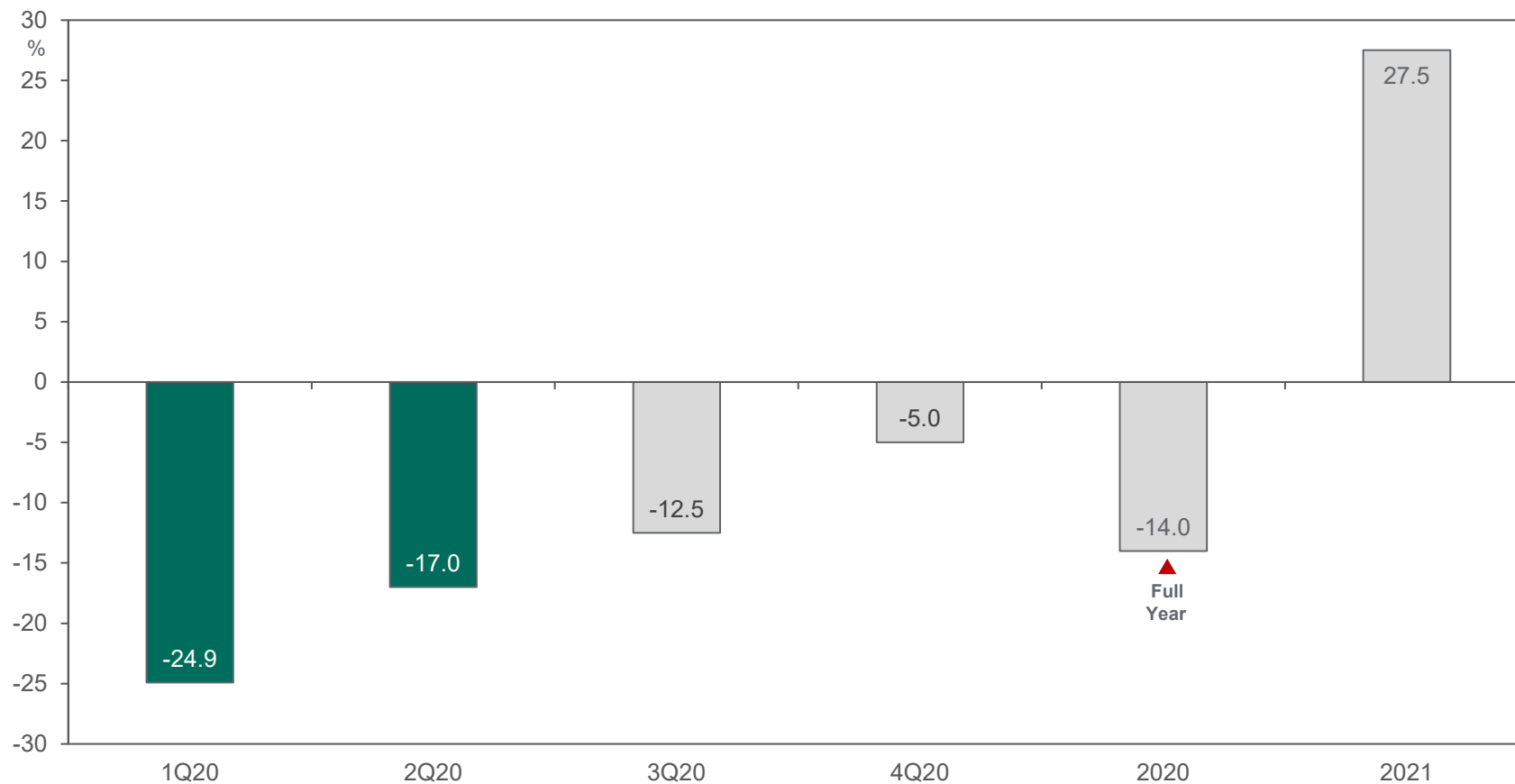


RETAIL MARGIN LENDING



2020 Earnings

UNADJUSTED TOP-60 NPAT, 2020-21F



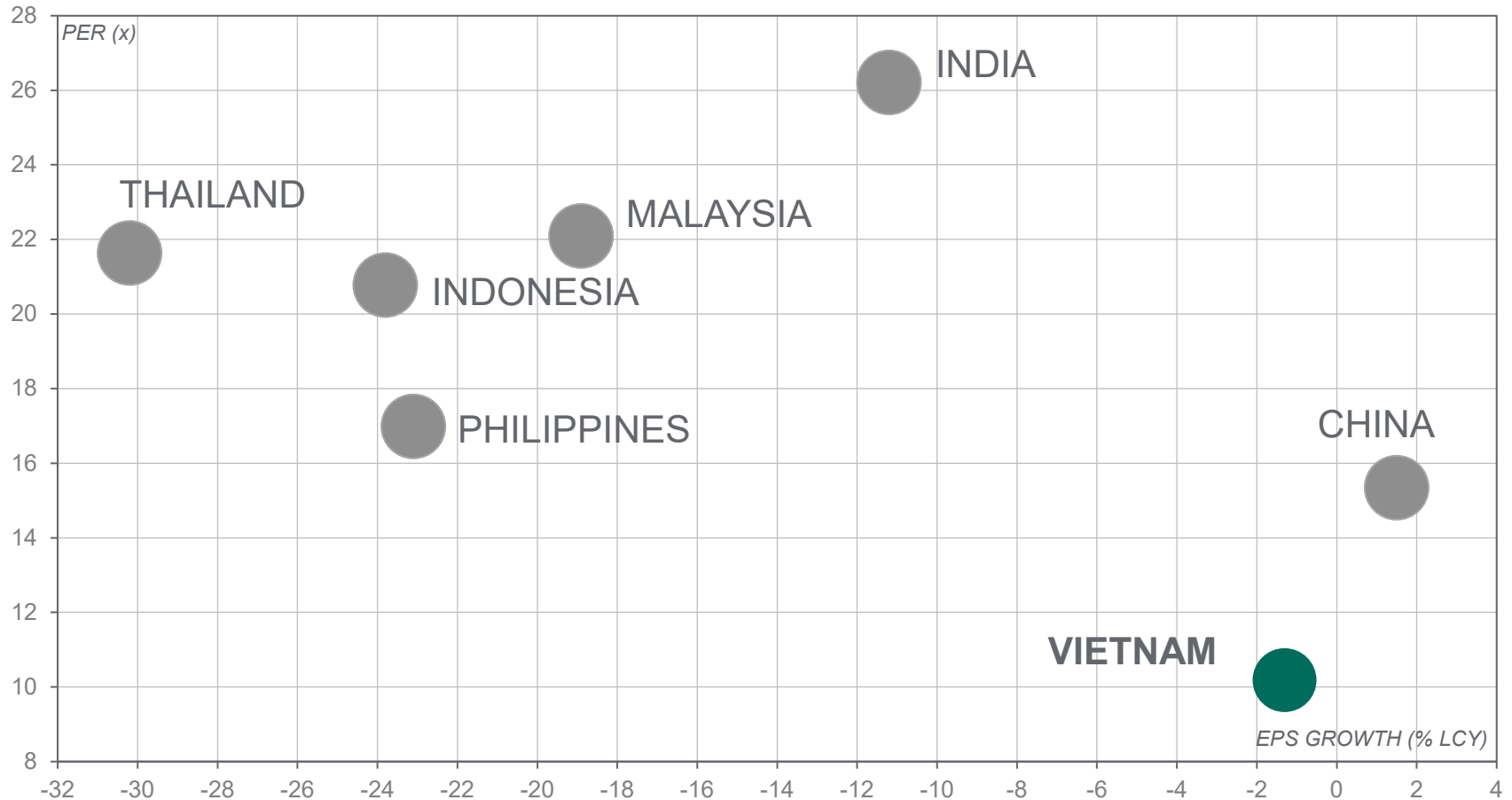
Market Value / Growth Story Intact

DC TOP-60 EARNINGS ADJUTED FOR FREE FLOAT

31-Jul-20	unit	2019	2020F	2021F
PER	x	12.1	11.2	9.6
EPS Growth	%	11.7	-1.9	17.9
Sales Growth	%	10.0	7.8	20.0
NPAT Growth	%	12.9	-1.7	17.9
Net DER	x	0.3	0.2	0.2
PBV	x	2.1	1.7	1.5
ROE	%	19.2	16.2	17.1
Yield	%	1.7	1.5	1.9

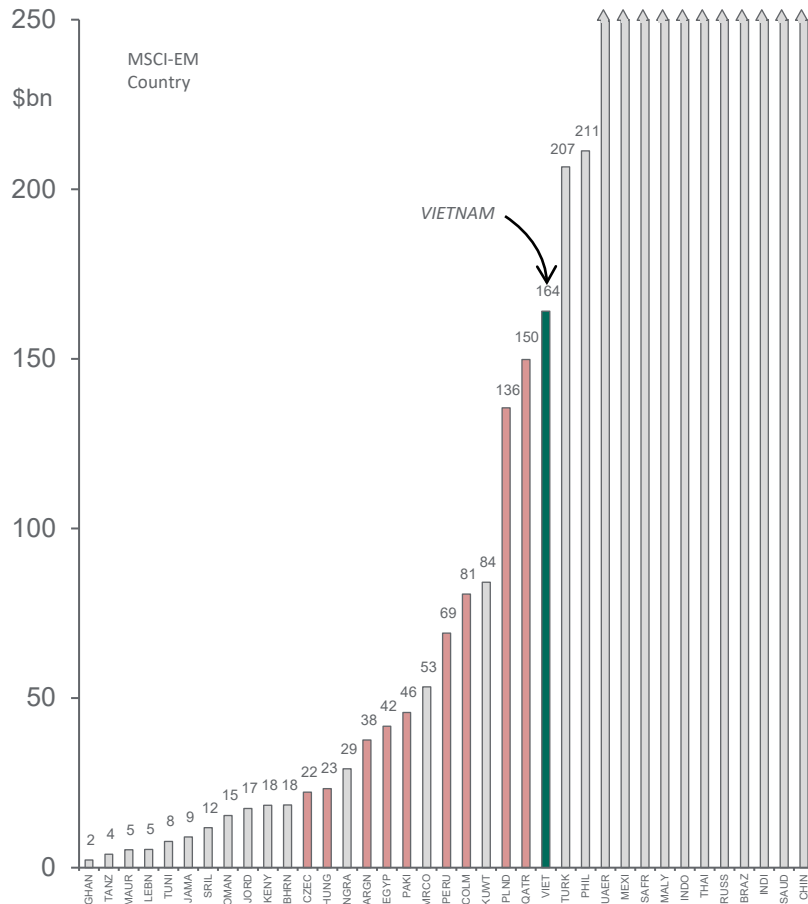
Comparative Valuations 2020F

VIETNAM VS PEERS – PER / EPS GROWTH – 31 JUL 2020

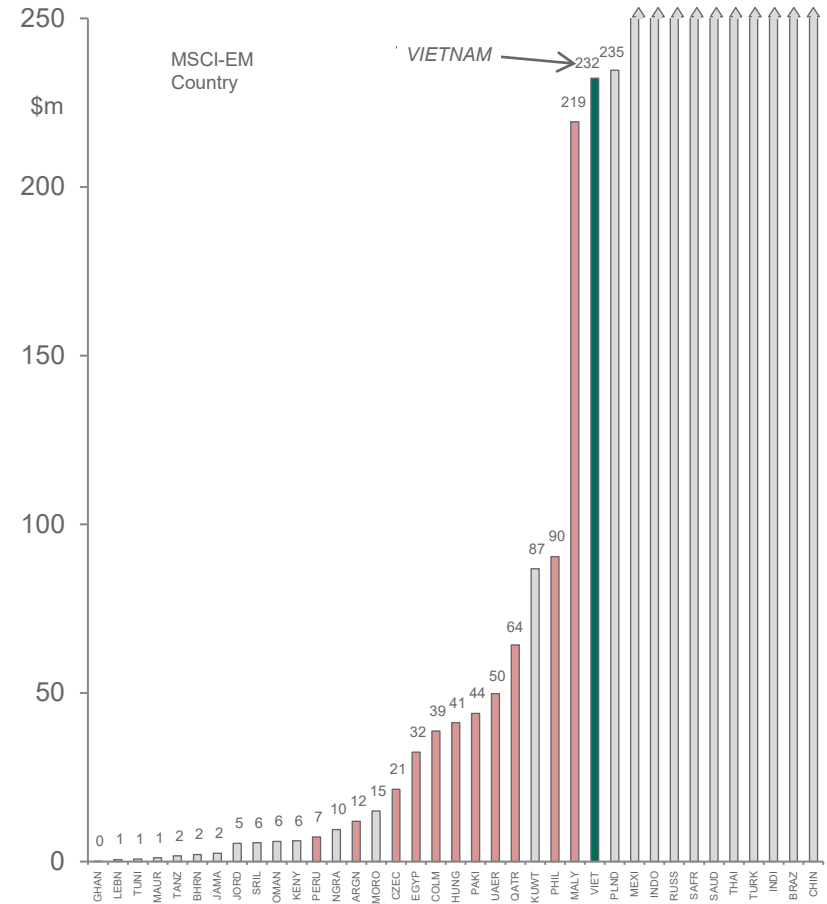


Healthy Developmental Track

EM / FM MARKET CAP – 31 JULY 2020



EM / FM AVERAGE DAILY TURNOVER – 12 MO'S



Market: Problem – FOL'S

LEADING FOL STOCKS

Company 31-May-20	2020 PER (x)	2020 PBR (x)	Local Price (VND)	Foreign Price* (VND)	Premium (%)	Total 1mo Volume (\$m)	
						Local	Foreign*
Techcombank	6.7	1.0	21,300	22,800	7.0	69.6	3.0
VP Bank	7.0	1.2	24,550	26,200	7.0	175.9	6.0
Military Bank	5.2	0.9	17,850	19,100	7.0	122.2	4.3
Asia Commercial Bank	6.3	1.3	25,100	27,600	10.0	93.8	3.5
MobiWorld Group	9.2	2.5	86,000	125,000	45.0	109.7	5.0
FPT Corporation	12.1	2.6	48,300	58,000	20.0	114.8	5.0
Phu Nhuan Jewelry	12.2	2.5	63,900	68,400	7.0	72.4	2.0
Nam Long Group	7.0	1.0	23,550	25,200	7.0	26.6	1.0