

16 Aug 2024

# Quant Note

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**Non-rated**

## 2Q24 wrap-up: Somethings better

### 2Q24: Over time, good signs have started to show up

2Q24 is the third consecutive quarter that NPAT-MI has extended the chain of positive growth. Some positive signals of a recovery trend were shown in the general number of companies' FS:

- A positive NPAT-MI growth of +15.6% yoy, which is higher than 1Q24 regardless of the higher base.
- Non-financial recorded a strong recovery in 2Q24, with a growth pace of 31% yoy, considerably higher than VNIndex or the financial group. Notable, sectors related to domestic consumers, manufacturing, and im-export all showed the positive recovery trend.

### Spotlight sectors: Retail & Distribution and Transportation

*The Retail & Distribution* began a booming quarter in 1Q24 and continued its positive trend in 2Q24, with NPAT growing 27% qoq. MWG and FRT are still key factors that have greatly contributed to the sector's growth picture.

*Transportation*: Its NPAT isn't as impressive as it was in 1Q24, when HVN, VJC, and GMD no longer recorded a large amount of extraordinary profit in the recent quarter. However, the sector still grew +157% yoy in 2Q24 and, most companies have experienced positive growth in NPAT. In addition to NPAT growth, the gross margins of aviation and airline services also indicated that business operations were doing better.

*Materials* are on their way to recovery. The NPAT in 2Q24 continued to be higher than the previous quarter, a growth of +13% qoq. Steel (+211% yoy) and fertilizer (+108% yoy) are two sub-industries that lead the sector's growth. However, in the short term, global steel prices are plummeting, which raises concerns among steel companies' GMs.

On the other hand, the *Utility* sector continued a gloomy 2Q24 as the prospects of hydropower and gas-fired power companies are still facing many difficulties due to low sales prices, EVN's modification of the alpha ratio, and high gas prices.

*Real estate* also saw a significant decline in the 2Q24 NPAT-MI when VIC recorded a considerable loss of VND3,404bn and more than half of other real estate companies have not improved their business yet.

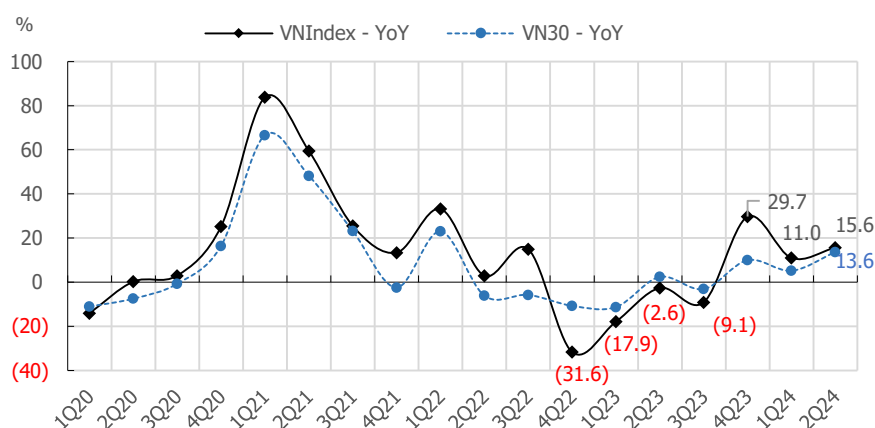
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## 2Q24: Over time, good signs have started to show up

**Figure 1. 2Q24 is the third consecutive quarter that NPAT-MI has extended the chain of positive growth**



Source: Bloomberg, KISVN  
Notes: Data for 394/395 companies listed on HOSE

2Q24 is the third consecutive quarter that NPAT-MI has extended the chain of positive growth. Some positive signals of a recovery trend were shown in the general number of companies' FS.

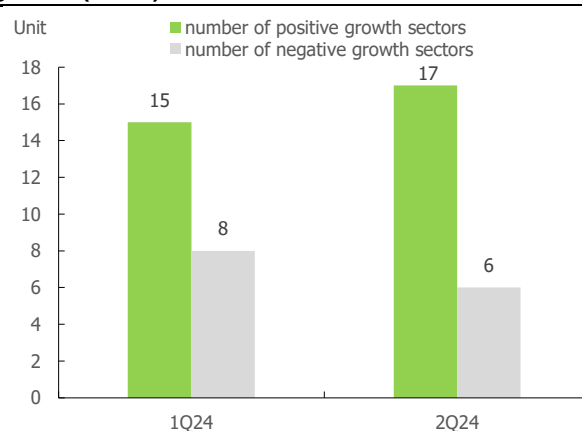
- (1) Total NPAT-MI<sup>1</sup> (abbreviated NPAT) was recorded at VND105.345bn, a positive growth of +15.6% yoy (Figure 1), which is higher than 1Q24 regardless of the higher base.
- (2) The number of positive sectors increased significantly to 17/23, an increase of 2 sectors compared to last quarter (Figure 2).
- (3) Non-financial recorded a strong recovery in 2Q24, with a growth pace of 31% yoy, considerably higher than VNIndex or the financial group (Figure 3). Notable, sectors related to domestic consumers, manufacturing, and im-export all showed the positive recovery trend (Figure 4).

**Table 1. VNSML represented an impressive recovery. VN30 and VN100 also showed the positive results**

	YoY - NPAT growth (%)		QoQ - NPAT growth (%)	
	2Q24/2Q23	1Q24/1Q23	2Q24/1Q24	1Q24/4Q23
HOSE	15.6	11.0	4.9	16.6
VN30	14.5	5.2	4.9	17.5
VN100	10.6	7.3	5.6	14.9
VNMID	(4.9)	0.6	25.4	(15.3)
VNSML	167.9	33.9	12.3	5.2

Source: Bloomberg, KISVN

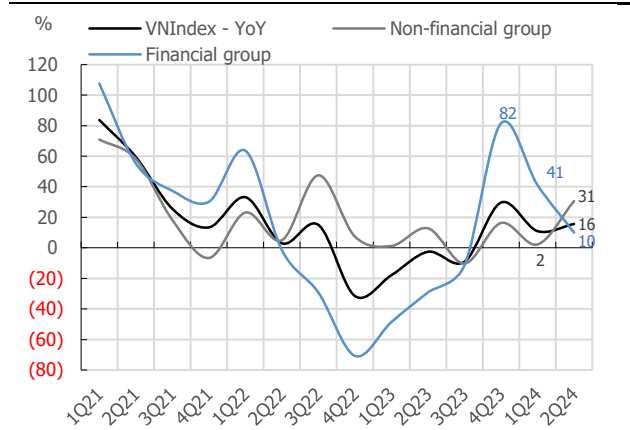
**Figure 2. The number of industries having positive growth (17/23) increased in 2Q24**



Source: Bloomberg, KISVN  
Notes: Sectors are classified by GICS, level 2

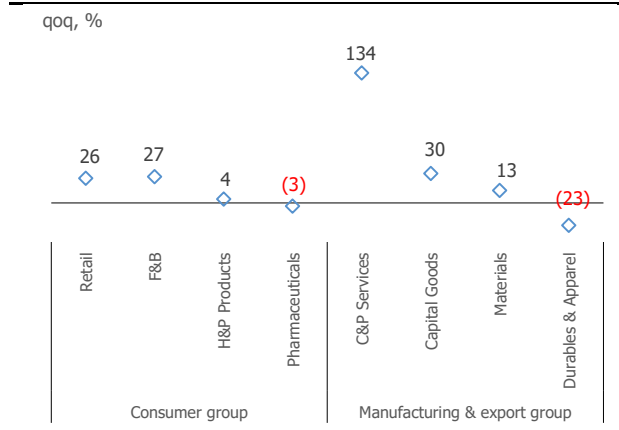
<sup>1</sup> In the entire report, the data is analyzed by NPATMI, which is abbreviated to NPAT for the rest of the report.

**Figure 3. Non-financial sectors is the main driver behind growth**



Source: Bloomberg, KISVN

**Figure 4. The consumer, manufacturing and im-export groups become better**



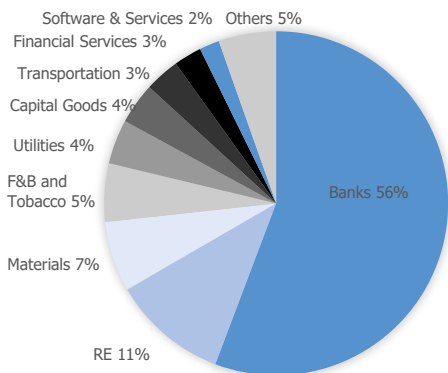
Source: Bloomberg, KISVN  
Note: Sectors are classified by GICS, level 2

In terms of sub-indexes, the highlight comes from the strong recovery of the small cap group (+168% yoy); in 1Q24, the number is 32% yoy (table 1). The green color also spread to the almost of the indexes: VN30 (+14.5% yoy), and VN100 (+10.6% yoy). Only VN MID recorded a decline of 4.9% yoy.

**Spotlight sectors: Retail & Distribution and Transportation**

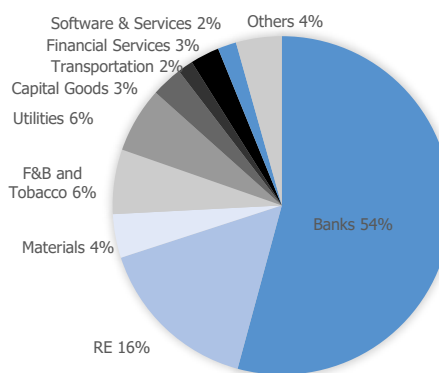
The FS data revealed that the Retail & Distribution, Transportation, Materials, and Capital goods sectors performed more effectively in 2Q24. On the other hand, the Utilities and Real estate sectors continue to experience a negative quarter in earnings.

**Figure 5. 2Q24 NPAT share by sector**



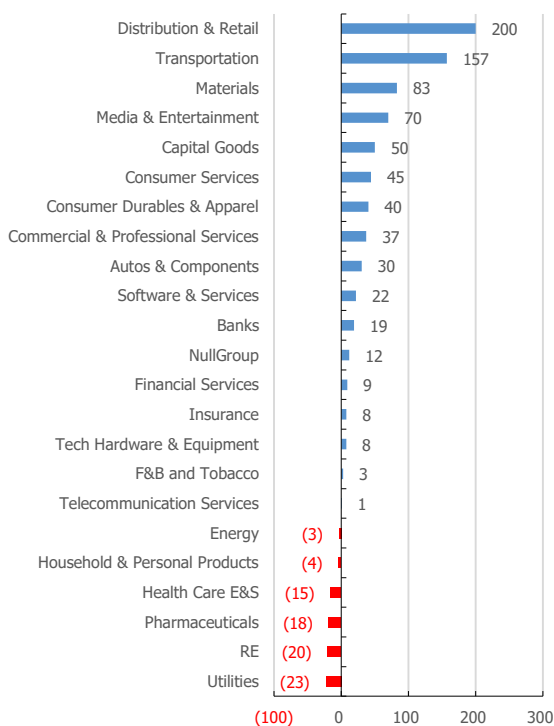
Source: Bloomberg, KISVN  
Note: Sectors are classified by GICS, level 2

**Figure 6. 2Q23 NPAT share by sector**



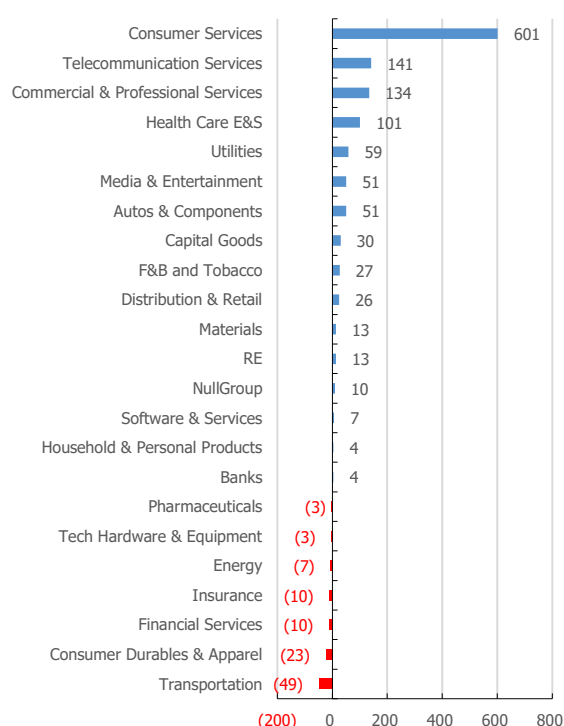
Source: Bloomberg, KISVN  
Note: Sectors are classified by GICS, level 2

**Figure 7. YoY- NPAT growth by industry (%)**



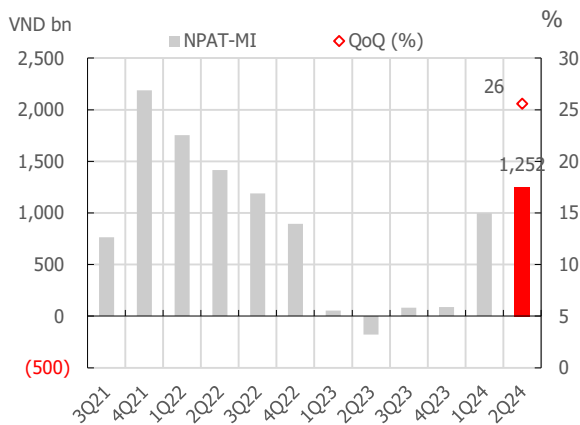
Source: Bloomberg, KISVN  
 Note: Sectors are classified by GICS, level 2

**Figure 8. QoQ- NPAT growth by industry (%)**



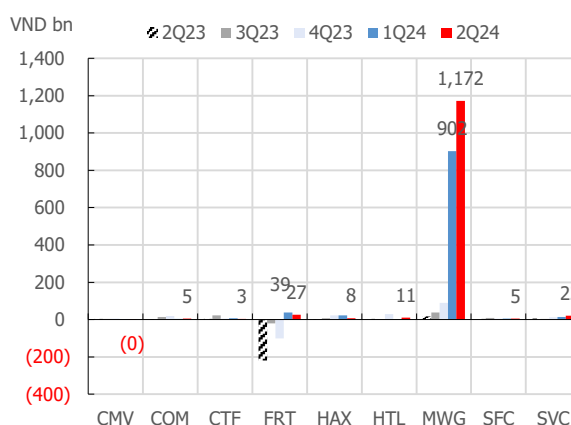
Source: Bloomberg, KISVN  
 Note: Sectors are classified by GICS, level 2

**Figure 9. ...began a booming quarter in 1Q24 and continued its positive trend in 2Q24**



Source: Bloomberg, KISVN

**Figure 10. MWG and FRT are still key factors that greatly contributed to the sector's growth picture**



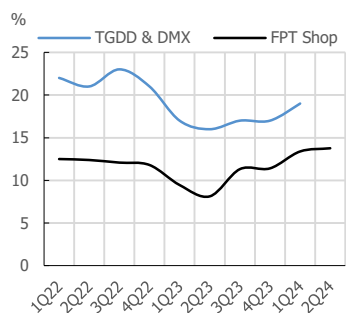
Source: Bloomberg, KISVN

**Retail & Distribution** began a booming quarter in 1Q24 and continued its positive trend in 2Q24 with VND1,252bn in NPAT (1Q24: 27% qoq, figure 9). MWG and FRT are still key factors that greatly contributed to the sector's growth picture (Figure 10):

- MWG continued to record strong growth in 2Q24, with NPAT at VND1,172bn of VNDbn, +66 times yoy, +30% qoq, thanks to (1) increasing demand, (2) DMX and TGDD operations are better when reducing the price competition pressure in the ICT segment (Figure 11), and (3) BHX is more effective after restructuring (Figure 12).

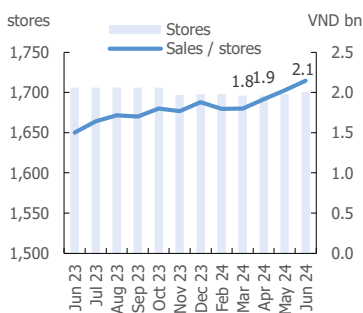
- While FRT also recorded a second positive quarter, in 2Q24, NPAT was VND27bn, an increase of VND245bn compared to the loss of VND219bn in 2Q23. The Long Chau chain's support for FRT profits, which continue to completely offset the losses of the ITC chain (Figure 13), primarily drives the positive trend. This success also serves as a catalyst for FRT's growth of FRT in the coming periods.

**Figure 11. TGDD – DMX and FPT Shop's GP are both improving, which suggests reducing the price competition pressure in the ICT segment**



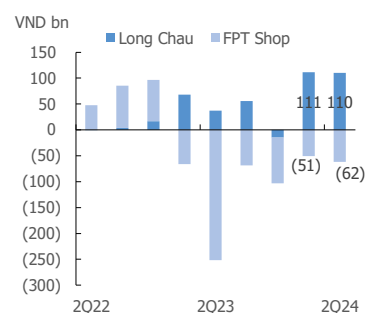
Source: Company data, KISVN

**Figure 12. BHX's sales per store overcame the break-even point and are on a good track**



Source: Company data, KISVN

**Figure 13. Long Chau drove NPAT, while FPT Shop's after-tax loss was higher due to one-off expenses**

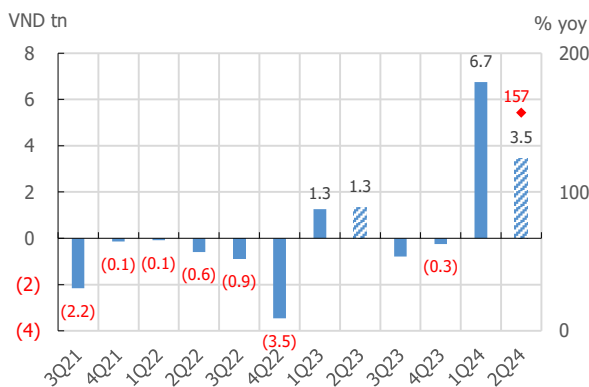


Source: Company data, KISVN

**Transportation** recorded the NPAT of VND3.5tn, +157% yoy in 2Q24 and, most companies have experienced positive growth in NPAT (Figure 14, 17). However, if we compare to 1Q24, the profit was no longer booming and declined by 49% qoq (Figure 14), when HVN, VJC and GMD no longer recorded a large amount of extraordinary profit in the recent quarter. (In 1Q24, HVN recorded VND3,030bn, ~67% PBT of other income from liability forgiveness; VJC recorded VND1,349bn, +212% yoy of plan leasing revenue; and GMD recorded ~ VND350bn, ~50% PBT of financial revenue from the sale of Nam Hai port).

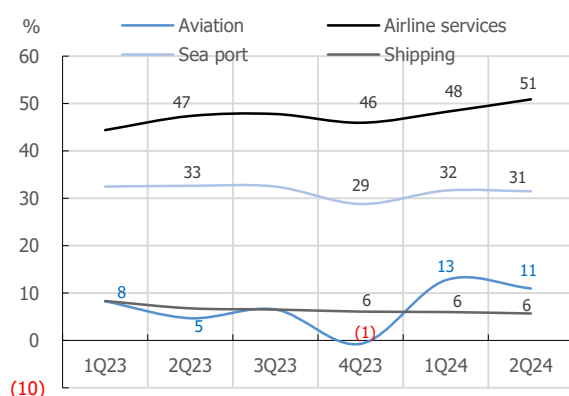
In addition to NPAT growth, the gross margins off Aviation and Airline services also indicated that business operations were doing better (Figure 15).

**Figure 14. Transportation continued to have a favorable NPAT in 1Q24, even though it wasn't booming as it was in 1Q24**



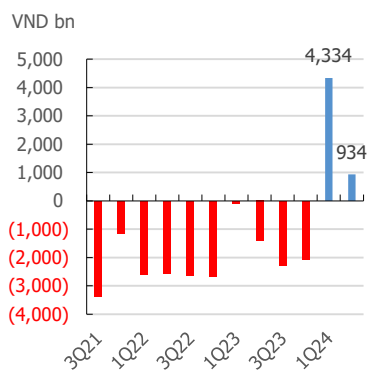
Source: Bloomberg, KISVN

**Figure 15. ... the gross margins off Aviation and Airline services also indicated that business operations were doing better in 2Q24**



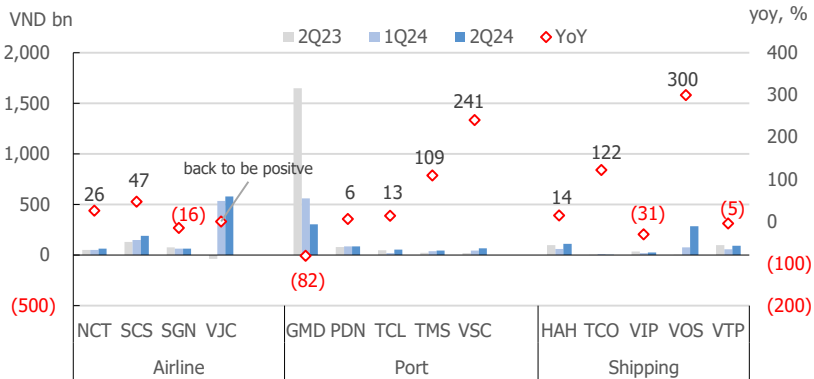
Source: Bloomberg, KISVN

**Figure 16. HVN's NPAT declined when it no longer recorded large amount of other income from liability forgiveness**



Source: Company data, KISVN

**Figure 17. Most transportation companies have experienced a positive recovery in 2Q24**

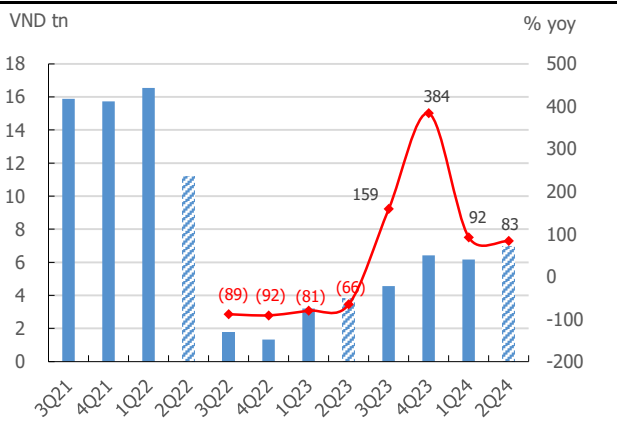


Source: Bloomberg, KISVN

**Materials** are on the recovery path. The NPAT in 2Q24 continued to be higher than the previous quarter, reaching VND6,975bn, +13% qoq. Steel and fertilizer are two sub-industries which lead the sector's growth.

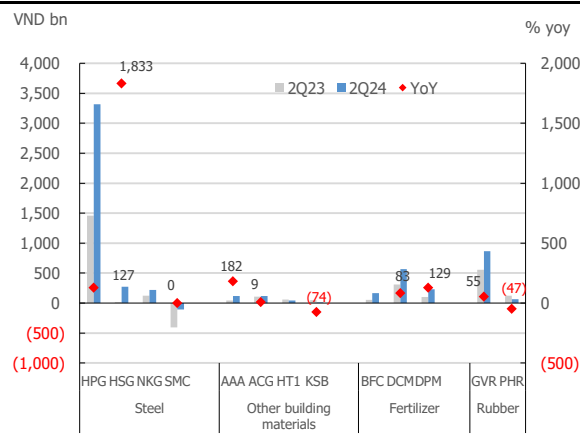
- (1) *Steel companies* recorded VND3,706bn in NPAT, +211% yoy thanks to sales activities continuing a positive trend in 2Q24 (+10% yoy, figure 20), in which the rebound of domestics (+25% yoy) sustained growth trend, while exports slowed down (-10% yoy) as we noticed in previous report. In addition to GM is sideways compared to 1Q24, but still higher than 2Q23, which supported the growth number (Figure 21). However, in the short term, global steel prices are plummeting, which raises concerns among steel companies' GMs (Figure 22).
- (2) All of the *fertilizer companies* on HOSE had a successful 2Q24. The total of NPAT reached VND967bn, +108% yoy. The advantage lies in the fact that ure price has improved by limiting China and Russia's supply.

**Figure 18. Materials are on the recovery path. The NPAT in 2Q24 continued to be higher than the previous quarter**



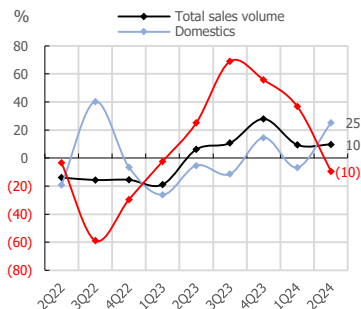
Source: Bloomberg, KISVN

**Figure 19. Steel and Fertilizer companies led the sector's earnings growth in 2Q24**



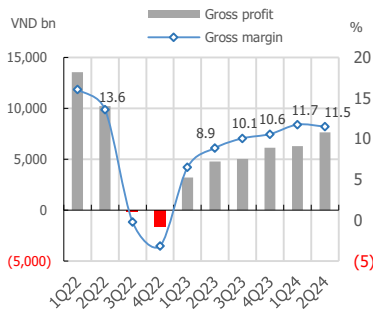
Source: Bloomberg, KISVN

**Figure 20. ...the rebound of domestics sustained steel volume growth, while exports slowed down**



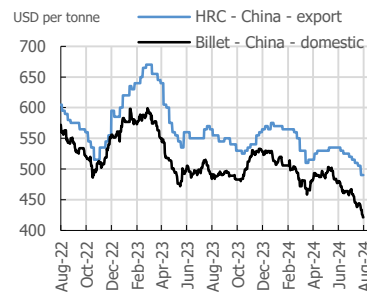
Source: VSA, KISVN

**Figure 21. Steel companies' gross margin continued to show a good trend**



Source: Bloomberg, KISVN

**Figure 22. ...However, in the short term, global steel prices are plummeting, which raises concerns among steel companies' GMs**

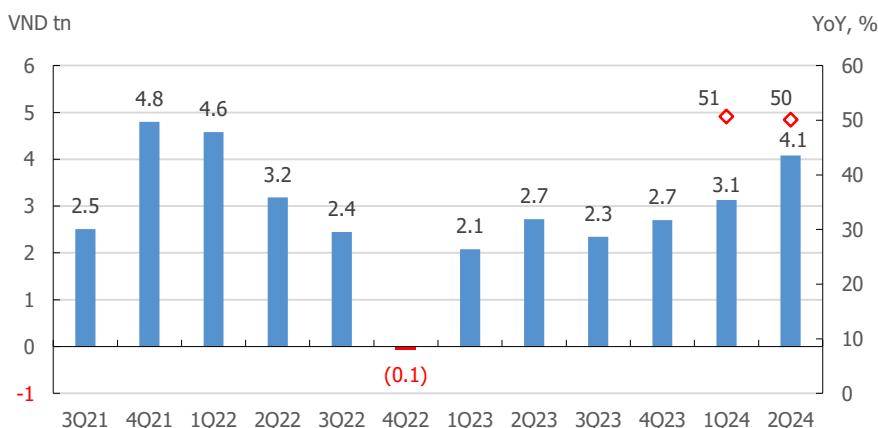


Source: Bloomberg, KISVN

**Capital Goods** recorded the NPAT of VND2,786bn, +50% yoy and +30% qoq. The growth is led by:

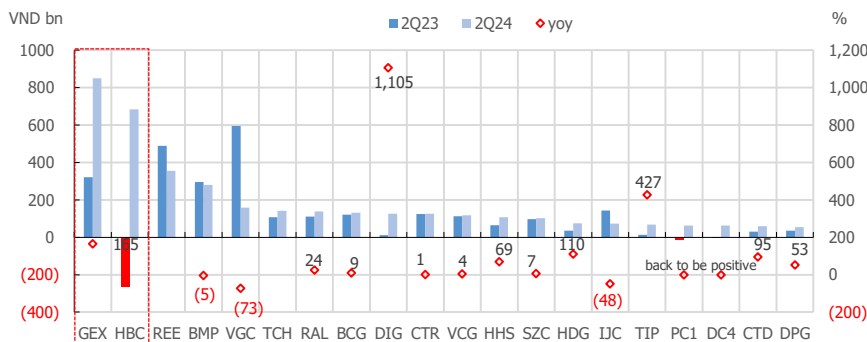
- GEX' NPAT-MI was VND849bn in 2Q24, +165% yoy, due to divestment of investments (financial revenue recorded VND995bn).
- In 2Q24, HBC recorded an NPAT-MI of VND682bn, compared to a loss of VND268bn in 2Q23. The positive outcome was once again attributed to the reversal of provision for customer receivables.

**Figure 23. The capital goods sector's NPAT-MI is on the recovery track**



Source: Bloomberg, KISVN

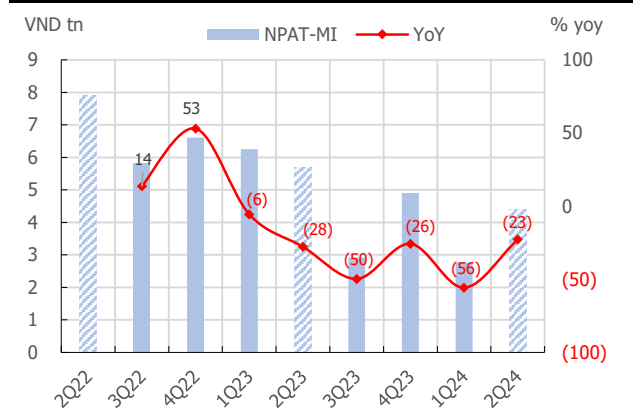
**Figure 24: GEX and HBC led the sector's growth picture**



Source: Bloomberg, KISVN

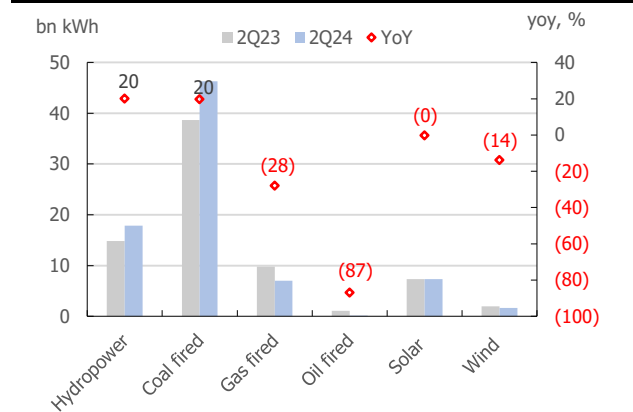
**Utilities** continued to put pressure on VNIndex's profit picture in 2Q24. In the period, NPAT was VND4,403bn, -23% yoy. However, when viewed qoq perspective, NPAT has improved +59% qoq (Figure 21). Generally, power companies continue to operate inefficiently. While, GAS recorded a slight increase compared to the same time last year.

**Figure 25. The utility sector has expanded five consecutive quarters of unsatisfactory NPAT**



Source: Bloomberg, KISVN  
Note: Financial group includes: banks, securities and real estate companies

**Figure 26. ...volume of gas-fired power plants continued to drop in 2Q24**

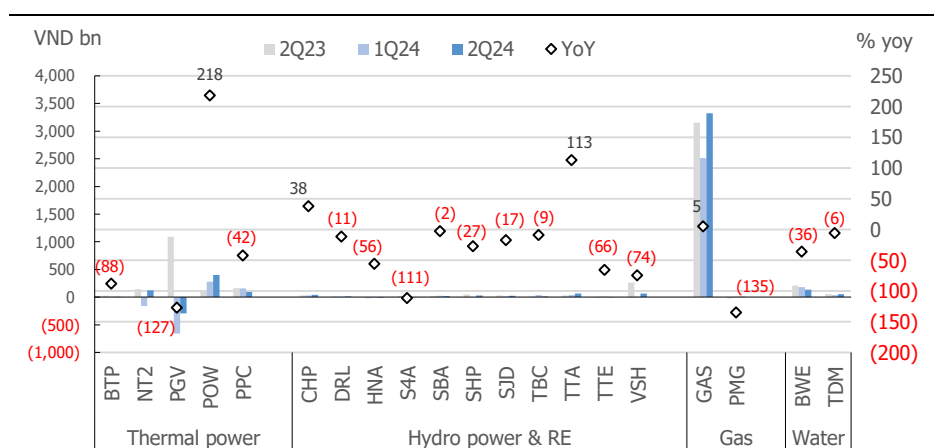


Source: EVN, KISVN

In terms of power companies:

- Hydropower group:** In general, hydropower source volume has improved in 2Q24, however, in the southern where mainly hydropower companies are listed, the hydrological situation was not better yet. In addition, EVN modified the alpha ratio to 98%, so hydropower plants are forced to sell 98% of their volume at contract price, which is lower than the market price. Two factors led to a decrease in hydropower companies' revenue and profits.

**Figure 27. ...inefficient operation by power companies is the main cause**



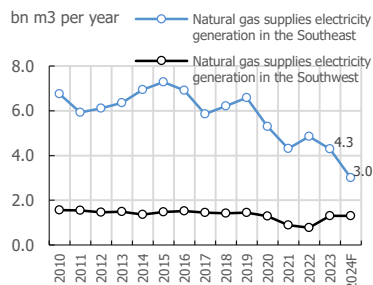
Source: Bloomberg, KISVN

- Thermal-power group:** In 2Q24, the output of gas-fired power plants continued to mobilize at a low level, recording 7.0 bn kWh, -28% yoy (Figure 26). While coal prices have cooled down natural gas prices remain relatively high, posing a disadvantage for gas-fired plants in the competitive electricity market (Figure 29). Additionally, the MOIT's temporary price policy (Figure 30) has led to an increase in the



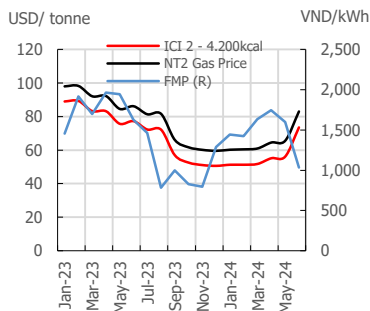
mobilization of wind power sources. This had a significant impact on the electricity plant's output volume and average selling price.

**Figure 28. Gas production at Southeast fields decrease considerable in 2024**



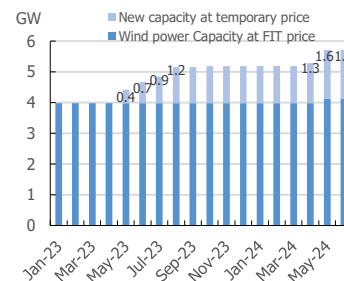
Source: Power Master Plan 8, KISVN

**Figure 29. ...high gas prices while coal prices cool down has made it difficult for gas power plants to compete with coal power plants in the spot market**



Source: Bloomberg, NT2, KISVN

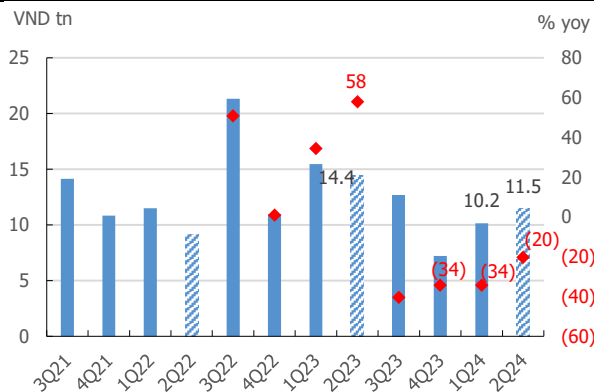
**Figure 30. ...in addition, increasing gas wind power capacity has made competition between traditional power plants, including gas power plants, increasingly difficult**



Source: EVN, KISVN

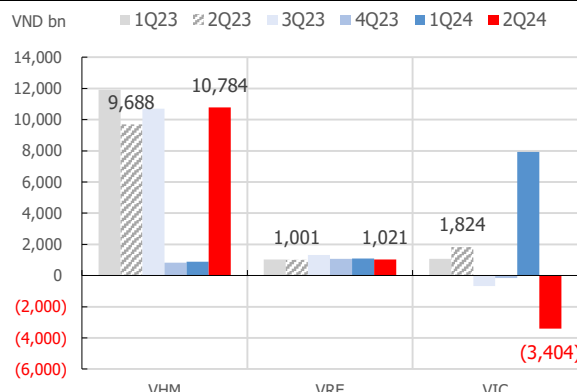
**Real estate** was one of the sectors that saw a significant decline in the 2Q24 NPAT-MI. The total NPAT-MI was VND11.5tn, -20% yoy and +13 qoq (Figure 34). The main reasons:

**Figure 31. Real estate's NPAT has gradually recovered, but it is still lower than in the same period**



Source: Bloomberg, KISVN

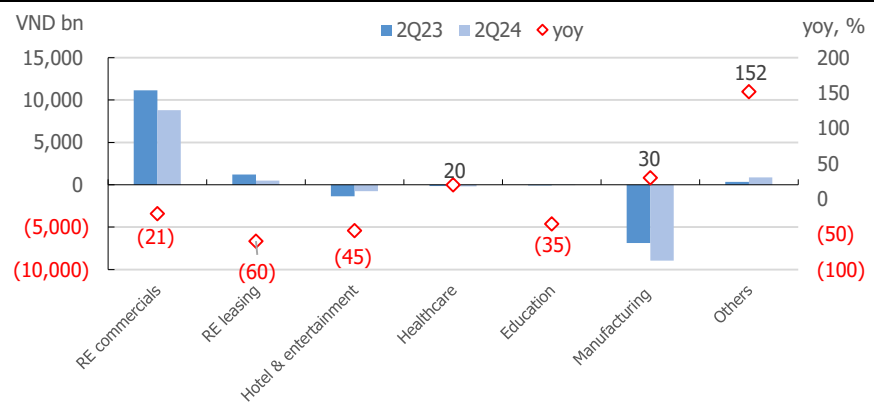
**Figure 32. ...mostly affected by VIC not recording a large amount of financial revenue in 2Q24 like it did in 1Q24**



Source: Bloomberg, KISVN

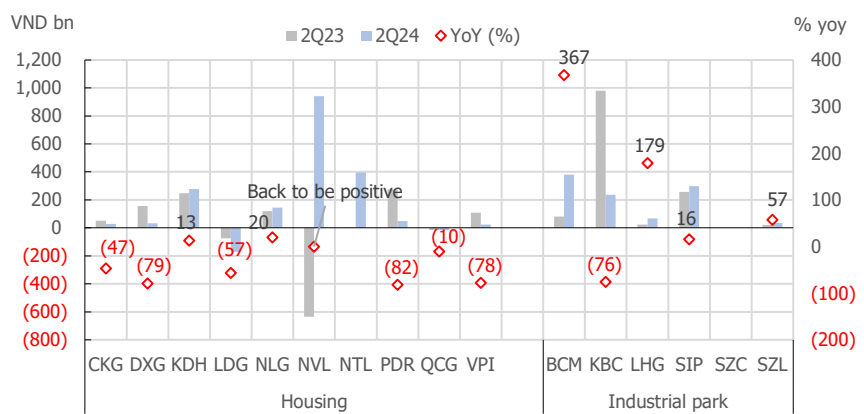
- VIC showed a considerable loss of VND3,404bn in 2Q24 when its manufacturing and Hotel-entertainment segments were ineffective yet (Figures 32, 33). Furthermore, in 2Q24, VIC didn't recorded a strong profit from divestment of investment like it did in 1Q24. (1Q24: VND18.9tn; 2Q24: VND11.2tn, -59% qoq).
- More than half of other companies have not recorded a business improvement in 2Q24 yet (Figure 34). Although some better signals appeared, such as: trading volume, new launch projects, and demand for building materials in 2Q24. In the short term, however, we think that, most listed real estate companies are facing many challenges, as the deferred revenue item shows a weakness in sales activity (Figures 35, 36), and debts are on an increasing trend to spend on their operations (Figures 37, 38).

**Figure 33. 2Q24 VIC's performance by segment**



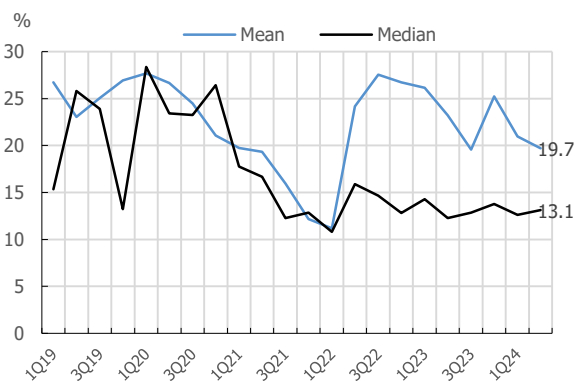
Source: Company data, KISVN

**Figure 34. More than half of other companies have not recorded a business improvement in 2Q24 yet**



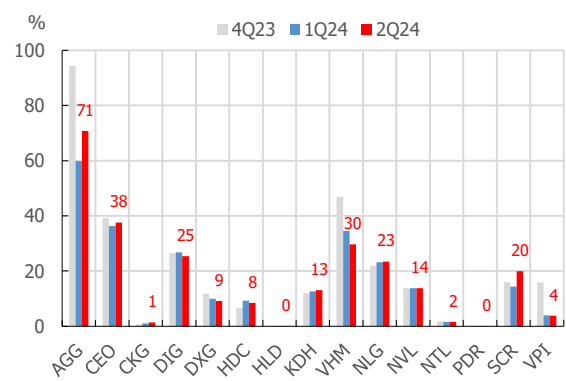
Source: Bloomberg, KISVN

**Figure 35. Ratio deferred revenue and inventory shows a weakness in sales activity**



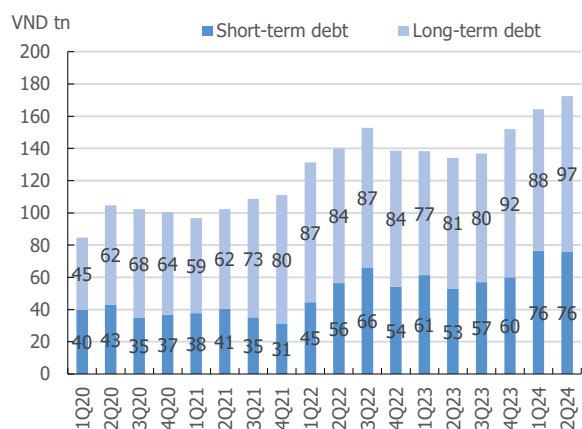
Source: Bloomberg, KISVN

**Figure 36. Ratio deferred revenue and inventory for some big real estate companies**



Source: Bloomberg, KISVN

**Figure 37. Decline in core business has caused real estate companies to borrow more debt**



Source: Bloomberg, KISVN

**Figure 38. Ratio deferred revenue and short-term debt for some big real estate companies**

%Deferred rev / ST-debt	4Q21	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
AGG	375%	330%	752%	278%	122%	247%	92%	78%
CEO	39%	58%	55%	366%	419%	203%	468%	391%
CKG	8%	7%	6%	4%	3%	3%	2%	3%
DIG	284%	145%	195%	179%	197%	140%	95%	91%
DXG	74%	118%	121%	82%	99%	68%	60%	49%
HDC	38%	13%	18%	27%	22%	17%	21%	18%
HLD	3%	3%	3%	2%	2%	0%	0%	0%
KDH	24%	96%	98%	294%	213%	163%	193%	176%
VHM	3552%	411%	309%	329%	279%	298%	178%	161%
NLG	187%	181%	199%	237%	143%	159%	175%	139%
NVL	44%	63%	56%	71%	59%	71%	56%	64%
NTL				64%	14%	12%		
PDR	210%	46%	48%	9%	0%	0%	0%	0%
SCR	172%	49%	56%	43%	40%	37%	34%	43%
VPI	35%	74%	62%	23%	23%	75%	11%	11%
Real estate sector	100%	171%	145%	152%	119%	147%	100%	99%
Real estate sector ex VHM & NVL	118%	105%	118%	102%	90%	98%	77%	71%

Source: Bloomberg, KISVN

**Table 2. Summary of NPAT & valuation by sector**

Industry (GICS – level 2)	Capitalization rate (%)	2Q24 NPAT (VND bn)	YoY (%)	QoQ (%)	Trailing P/E	Avg-3y PE	Trailing PB	Avg-3y PB
Automobiles & Components	0.2	157	30	51	16.3	12.7	1.8	1.6
Banks	38.7	58,738	19	4	9.1	10.6	1.8	1.8
Capital Goods	4.3	4,080	50	30	17.5	17.7	1.4	1.5
Commercial & Professional Services	0.1	278	37	134	11.5	10.8	1.7	1.4
Distribution & Retail	2.5	1,252	Back to be positive	26	53.1	16.3	4.3	3.3
Consumer Durables & Apparel	1.1	787	40	(23)	17.1	13.5	2.1	2.2
Consumer Services	0.1	132	45	601	17.7	73.4	1.5	1.9
Energy	1.8	1,442	(3)	(7)	17.8	26.8	1.8	1.6
Financial Services	3.9	2,764	9	(10)	17.9	14.6	2.1	1.8
Food, Beverage & Tobacco	8.8	5,773	3	27	22.8	23.4	2.8	3.9
Health Care Equipment & Services	0.1	50	(15)	101	16.1	24.0	1.4	1.6
Household & Personal Products	0.0	46	(4)	4	12.6	7.9	3.0	2.2
Insurance	0.9	818	8	(10)	14.3	19.6	1.5	1.8
Materials	9.1	6,975	83	13	19.0	10.5	1.8	1.8
Media & Entertainment	0.0	21	70	51	21.4	22.8	1.3	1.2
Null Group	0.1	106	12	10	13.8	5.7	1.2	0.2
Pharmaceuticals	0.7	510	(18)	(3)	16.6	15.6	2.4	2.4
RE	12.7	11,472	(20)	13	15.4	19.1	1.3	2.5
Software & Services	4.0	1,976	22	7	26.7	16.5	7.2	3.5
Tech Hardware & Equipment	0.2	89	8	(3)	26.4	13.2	3.9	4.0
Telecommunication Services	0.0	15	1	141	48.1	35.1	1.2	1.7
Transportation	4.1	3,462	157	(49)	22.4	NA	4.2	3.4
Utilities	6.5	4,403	(23)	59	21.8	14.2	2.0	2.1
<b>VNIndex</b>	<b>100</b>	<b>105,345</b>	<b>15.6</b>	<b>4.9</b>	<b>13.5</b>	<b>14.8</b>	<b>1.9</b>	<b>2.1</b>

Source: Bloomberg, KISVN

Notes: Sectors are classified by GICS, level 2, Data for 394/395 companies listed on HOSE

**■ Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15%p or more
- Hold: Expected total return will be between -5%p and 15%p
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- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

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