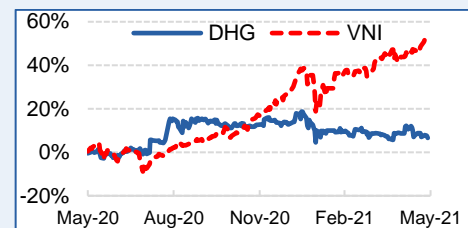


# Hau Giang Pharma (DHG) [OUTPERFORM +17.1%]

## Update Report

<b>Industry:</b>	<b>Pharma</b>		<u>2020</u>	<u>2021F</u>	<u>2022F</u>	<u>2023F</u>
<b>Report Date:</b>	<b>May 31, 2021</b>	Rev y/y	-3.6%	11.7%	5.3%	4.9%
Current Price:	VND94,100	EPS y/y	16.6%	5.4%	6.1%	6.4%
Target Price:	VND106,200	GPM	48.2%	46.7%	47.0%	47.4%
Last Target Price:	VND102,100	NPM	19.7%	18.6%	18.7%	19.0%
Upside to TP:	+12.9%	EV/EBITDA	11.4x	10.7x	10.0x	9.5x
Dividend Yield:	4.3%	P/Op CF	14.9x	18.2x	14.6x	13.6x
TSR:	+17.1%	P/E	17.3x	16.4x	15.5x	14.5x



Market Cap:	USD535mn		<u>DHG</u>	<u>Peers*</u>	<u>VNI</u>
Foreign Room:	USD243mn	P/E (ttm)	16.8x	17.7x	18.1x
ADTV30D:	USD94,000	P/B (curr)	3.3x	2.4x	2.7x
State Ownership:	45.2%	Net D/E	-0.5x	0.0x	N/A
Outstanding Shares:	130.7 mn	ROE	20.9%	13.6%	15.1x
Fully Diluted Shares:	130.7 mn	ROA	17.1%	10.4%	2.4x
3-yr PEG:	2.9	* Including foreign and domestic peers			

### Company Overview

DHG is the largest pharmaceutical company in Vietnam. Its main competitive advantage lies in its market-leading distribution network. DHG mainly produces generic drugs, with antibiotics and painkillers as major categories.

Son Tran  
 Senior Analyst  
[son.tran@vcsc.com.vn](mailto:son.tran@vcsc.com.vn)  
 +8428 3914 3588 ext. 185

Phap Dang, CFA  
 Associate Director  
[phap.dang@vcsc.com.vn](mailto:phap.dang@vcsc.com.vn)  
 +848 3914 3588 ext. 143

## Attractive valuations after share price correction

- We upgrade our rating from MARKET PERFORM to OUTPERFORM as we believe DHG now looks appealing with a 2021F PER of 16.4x compared to its five-year average of 18.5x and a five-year peer average of 18.9x after a 6% share price correction in the last three months.
- We raise our TP by 4% thanks to a 50-bp decrease in our house cost of equity to 12.5% and a rollover of our TP to mid-2022. Meanwhile, we cut our aggregate 2021F-2023F NPAT-MI by 5% as we lower our projected cash deposit rates partly due to DHG's plans to move its cash deposits from smaller banks to bigger banks — including foreign banks — in 2021.
- We maintain our outlook of mid-single-digit earnings growth per annum for DHG, which will be mainly driven by its longstanding, extensive presence in the pharmacy channel as well as Taisho's (DHG's controlling shareholder) product support in fast-growing lifestyle disease treatments such as neurological, cardiovascular and digestive drugs.
- We forecast an in-house product sales CAGR of 7% during 2020-2023F, including 9% in 2021F. These growth rates are slightly slower than the overall industry's due to DHG's small exposure to the faster-growing hospital channel, which accounted for ~14% of DHG's sales in 2020.
- Potential positive share price catalysts: Taisho's further ownership consolidation; better-than-expected realized business support from Taisho.

**Moderate growth outlook for the pharmacy channel.** We expect the pharmacy channel will grow slower than the hospital channel due to Vietnam's widening public health insurance coverage and the Government's potentially stricter enforcement on prescription drug sales in the pharmacy channel. Apart from DHG's limited hospital revenue, the fact that prescription drugs (mainly antibiotics) account for ~50% of DHG's in-house product revenue is another factor that could curb its sales growth.

**New Japan-GMP factory to expand DHG's addressable market in the hospital channel; however, this factory will not contribute revenue until 2025, per DHG's plan.** Recently, DHG announced the establishment of a new beta-lactam factory that will produce antibiotics such as penicillin and cephalosporin under the Japan-GMP standard (a top-tier manufacturing standard). This factory's products will be able to participate in the high-quality tiers (Tier 1 and Tier 2) in the hospital channel's drug tender. Currently, the majority of DHG's hospital revenue comes from Tier 3 or lower. Nevertheless, this new factory is set to commence in late 2024; as such, we do not expect any significant improvements in DHG's hospital revenue in the near term — especially in terms of revenue from high drug tiers. In 2020, DHG's winning value in the Tier 2 of hospital drug tender reached merely USD2.5mn (+158% YoY), which was insignificant vs DHG's 2020 in-house product revenue of USD142mn.

## Q1 2021: Solid earnings growth despite last year's high base

**Figure 1: DHG's Q1 2021 results**

VND bn	Q1 2020	Q1 2021	YoY	VCSC comments
<b>Net revenue</b>	<b>858</b>	<b>1,017</b>	<b>19%</b>	
In-house products	763	803	5%	Q1 2021's growth is encouraging given that the aggressive stockpiling of pharmacies ahead of social distancing restrictions due to the emerging COVID-19 pandemic in March 2020 made Q1 2020 a high comparative base, in our view.
Trading and others	95	215	125%	
<b>Gross profits</b>	<b>423</b>	<b>450</b>	<b>6%</b>	Due to DHG's intensified offerings of promotional goods for pharmacies.
In-house products	417	444	6%	
Trading and others	6	6	8%	
SG&A expenses	-234	-226	-3%	This YoY decline could be due to fewer marketing activities in Q1 2021 amid the resurgence of COVID-19, in our view.
<b>EBIT</b>	<b>190</b>	<b>225</b>	<b>19%</b>	
Net interest income	32	28	-12%	Mainly because of lower deposit rates as DHG is moving its cash deposits from smaller banks to bigger banks — including foreign banks.
Net other non-operating items	-26	-24	-7%	
<b>PBT</b>	<b>197</b>	<b>230</b>	<b>17%</b>	
<b>NPAT-MI</b>	<b>177</b>	<b>204</b>	<b>15%</b>	
EBITDA	211	247	17%	
GPM	49.3%	44.3%		
In-house products	54.7%	55.3%		Thanks to economies of scale and a better product mix, per management. Based on our discussion with DHG, while prices of active pharmaceutical ingredients (API) are advancing due to elevated logistics costs and China's environmental crackdown, DHG already secured a large portion of its inputs for H1 2021, thereby mitigating this cost pressure.
Trading & others	6.2%	3.0%		Larger contribution from promotional goods.
SG&A/In-house products revenue	-30.6%	-28.1%		
EBIT margin	22.1%	22.1%		
EBITDA margin	24.6%	24.3%		
NPAT-MI margin	20.6%	20.1%		

Source: DHG, VCSC

## 2021F: We trim our NPAT-MI forecast by 5% primarily owing to lower cash deposit rates

Figure 2: VCSC's 2021 forecasts

VND bn	2020	Old 2021F	New 2021F	New 2021F YoY	VCSC comments on New 2021F
<b>Revenue</b>	<b>3,756</b>	<b>3,985</b>	<b>4,195</b>	<b>12%</b>	We forecast a rebound in 2021 off a low 2020 base when COVID-19 hurt traffic to pharmacies in Q2-Q4 2020. After 2021, we forecast mid-single-digit annual growth given DHG's small exposure to the faster-growing hospital channel while there is limited headroom for the company to expand its already saturated pharmacy distribution coverage.  At the same time, Taisho's product support is in its early stages; as such, it should have a non-material impact on revenue at this point, in our view.
In-house products	3,310	3,540	3,616	9%	
Trading & others	445	445	579	30%	
<b>Gross profit</b>	<b>1,811</b>	<b>1,926</b>	<b>1,959</b>	<b>8%</b>	Q1 2021 results tracked ahead our expectation. That said, trading revenue generates very thin margins; therefore, its fluctuations do not have a material impact on DHG's earnings.
In-house products	1,784	1,903	1,938	9%	
Trading & others	27	22	21	-21%	
SG&A expenses	-1,002	-1,076	-1,095	9%	
<b>EBIT</b>	<b>809</b>	<b>849</b>	<b>864</b>	<b>7%</b>	
Net interest income	120	148	89	-25%	We cut our projected interest income from VND162bn (USD7mn) to VND102bn (USD4.4mn) as DHG plans to move its cash deposits from smaller banks to bigger banks — including foreign banks.
Net other non-operating items	-108	-82	-87	-19%	
<b>PBT</b>	<b>821</b>	<b>916</b>	<b>866</b>	<b>6%</b>	In 2020, DHG recognized VND16bn (USD690,000) of provision expenses for financial investments.
NPAT	739	824	779	6%	
<b>NPAT-MI</b>	<b>740</b>	<b>824</b>	<b>779</b>	<b>6%</b>	
EBITDA	897	946	961	7%	
GPM	48.2%	48.3%	46.7%		
In-house products	53.9%	53.8%	53.6%		We expect the rally in API prices to have a more pronounced impact on GPM in H2 2021. Nevertheless, we forecast a stable GPM YoY as we assume economies of scale and DHG's ability to pass costs onto consumers will offset the spike in API prices.
Trading & others	6.1%	5.0%	3.7%		
SG&A/In-house products revenue	30.3%	30.4%	30.3%		We expect DHG to intensify its marketing spending in the pharmacy channel from Q2 2021 to stimulate sales and fend off stiffening competition.
EBIT margin	21.5%	21.3%	20.6%		
EBITDA margin	23.9%	23.7%	22.9%		
NPAT-MI margin	19.7%	20.7%	18.6%		

Source: DHG, VCSC

## Valuation

We adopt a DCF valuation approach for DHG given its simple business structure, stable revenue stream and robust cash generation.

**Figure 3: DCF valuation for DHG**

Cost of Capital	Previous Report	Revised	FCFF (Five Year)	VND bn
Beta	0.8	0.8	PV of Free Cash Flows	3,173
Market risk premium %	9.9	9.9	PV of Terminal Val (2.5% g)	8,674
Risk Free Rate %	3.1	2.6	<b>PV of FCF and TV</b>	<b>11,848</b>
Cost of Equity %	10.8	10.3	+ Cash & ST investments	2,486
Cost of Debt %	5.0	5.0	- Debt	-439
Debt %	8.5	8.5	- Minority Interest	-4
Equity %	91.5	91.5	<b>Equity Value</b>	<b>13,892</b>
Corporate Tax Rate %	11.0	11.0	Shares (million)	130.7
WACC %	10.3	9.8	<b>Price per share, VND</b>	<b>106,200</b>
			2021F/2022F PER @ TP	18.5x/17.4x

Source: VCSC

**Figure 4: Cash flows (FCFF)**

VND bn	2021F	2022F	2023F	2024F	2025F
Earnings before interest & tax	849	901	956	1,012	1,068
- Tax	-88	-94	-99	-115	-121
+ Depreciation	97	107	114	120	128
- Capex	-101	-65	-68	-71	-74
- Working cap increase	-170	-60	-59	-58	-55
<b>Free cash flows (FCF)</b>	<b>587</b>	<b>790</b>	<b>844</b>	<b>889</b>	<b>945</b>
<b>Present value of FCF</b>	<b>560</b>	<b>686</b>	<b>667</b>	<b>640</b>	<b>620</b>
<b>Total PV of FCF</b>	<b>560</b>	<b>1,246</b>	<b>1,914</b>	<b>2,554</b>	<b>3,173</b>

Source: VCSC

**Figure 5: Sensitivity analysis of our target price for DHG in relation to DCF's WACC and terminal growth rate, ceteris paribus**

DHG Target Price (VND)		WACC				
Terminal growth (g)		7.8%	8.8%	9.8%	10.8%	11.8%
	0.5%	111,700	100,100	91,000	83,700	77,600
	1.5%	123,700	108,900	97,700	88,900	81,800
	2.5%	140,200	120,500	<b>106,200</b>	95,400	86,900
	3.5%	164,300	136,500	117,500	103,700	93,200
	4.5%	203,000	159,900	133,000	114,600	101,200

Source: VCSC

## Comparable peers

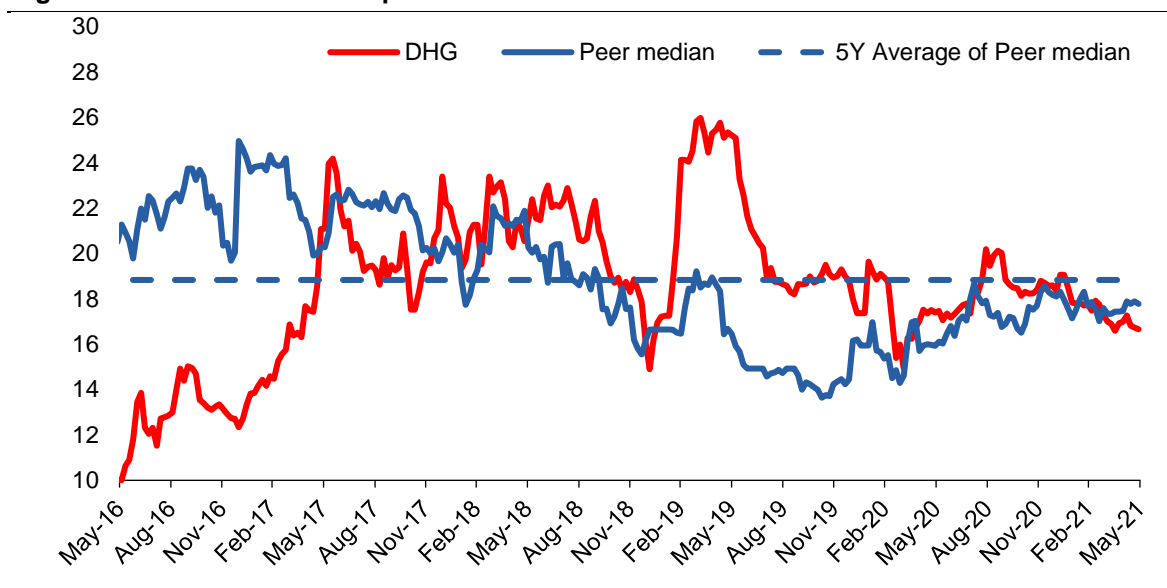
For peer references, we look at leading generic pharma companies in India, China and Indonesia as well as the four largest listed pharma companies in Vietnam apart from DHG.

**Figure 6: Comparable peers**

USD mn Company	Country	Market cap	TTM Net Sales	YoY %	TTM NPAT	YoY %	Net D/E x	TTM ROE %	TTM P/E	LQ P/B
<b>Regional peers</b>										
Aurobindo Pharma	India	8,272	3,208	18.3	399	19.7	0.2	18.4	21.2	3.6
Glenmark Pharmaceuticals	India	2,368	1,456	3.9	131	25.0	0.5	14.8	17.7	2.4
Beijing SI Pharmaceutical	China	1,876	173	-33.4	58	13.6	-0.3	7.9	30.2	2.3
Shanghai Shyndec	China	1,730	1,947	6.9	108	21.0	0.2	9.1	15.0	1.3
Eris Lifesciences	India	1,317	163	14.5	48	19.8	-0.1	24.7	26.8	6.0
Zhejiang Jingxin Pharmaceu	China	1,192	485	-7.4	101	41.7	-0.4	17.6	11.0	1.9
Kpc Pharmaceutical	China	1,163	1,188	1.7	83	26.4	-0.2	12.5	13.2	1.6
Guizhou Yibai Pharmaceutic	China	746	524	10.1	35	68.4	0.2	6.8	19.8	1.4
<b>Local peers</b>										
Pymepharco	Vietnam	256	87	5.0	14	1.3	0.0	15.9	17.8	2.8
Imexpharm	Vietnam	210	59	-4.9	9	25.9	0.0	11.2	25.4	2.7
Traphaco	Vietnam	126	86	14.5	9	37.8	-0.3	17.7	15.6	2.7
Domesco	Vietnam	70	63	0.2	7	-28.7	-0.2	12.2	10.0	1.2
<b>Median</b>		<b>1,177</b>	<b>329</b>	<b>4.5</b>	<b>53</b>	<b>23.0</b>	<b>0.0</b>	<b>13.6</b>	<b>17.7</b>	<b>2.4</b>
<b>Average</b>		<b>1,610</b>	<b>787</b>	<b>2.5</b>	<b>84</b>	<b>22.6</b>	<b>0.0</b>	<b>14.1</b>	<b>18.6</b>	<b>2.5</b>
<b>DHG</b>	<b>Vietnam</b>	<b>535</b>	<b>169</b>	<b>-1.8</b>	<b>33</b>	<b>13.4</b>	<b>-0.5</b>	<b>20.9</b>	<b>16.8</b>	<b>3.3</b>

Source: Bloomberg, VCSC (data as of May 31, 2021)

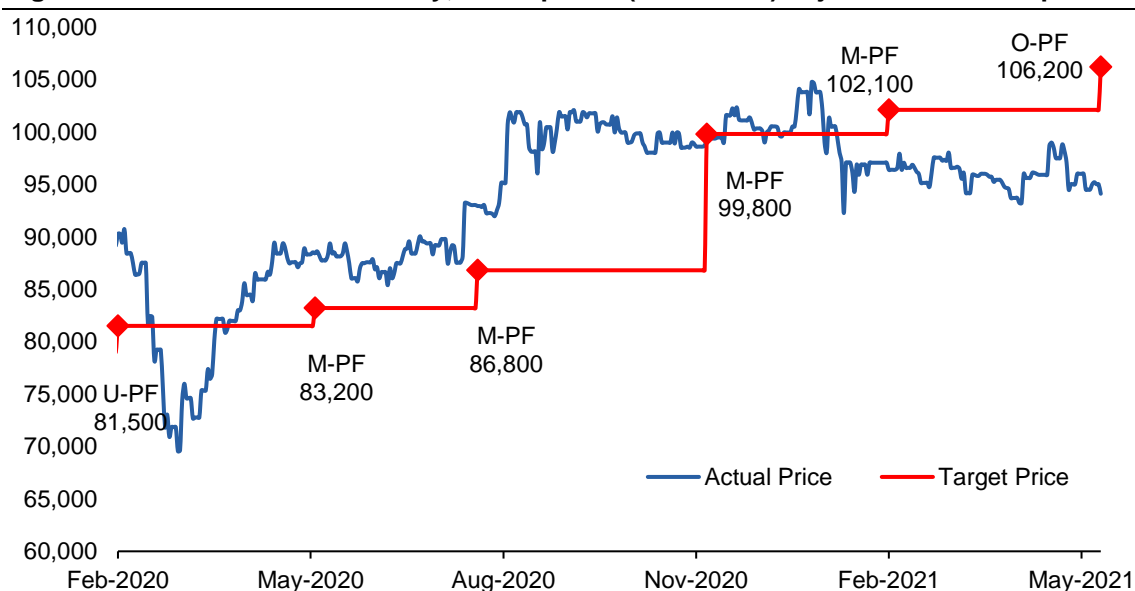
**Figure 7: DHG's TTM PER vs peers**



Source: Bloomberg, VCSC

## Recommendation History

**Figure 8: Recommendation history; share prices (VND/share) adjusted for share splits**



Source: Bloomberg, VCSC

## Financial Statements

P&L (VND bn)	2020	2021F	2022F	2023F
<b>Revenue</b>	<b>3,756</b>	<b>4,195</b>	<b>4,416</b>	<b>4,634</b>
COGS	-1,944	-2,236	-2,338	-2,440
<b>Gross Profit</b>	<b>1,811</b>	<b>1,959</b>	<b>2,077</b>	<b>2,194</b>
Sales & Marketing exp	-699	-805	-855	-903
General & Admin exp	-303	-289	-307	-324
<b>Operating Profit</b>	<b>809</b>	<b>864</b>	<b>916</b>	<b>966</b>
Financial income	140	108	116	128
Financial expenses	-119	-106	-113	-117
- o/w interest expense	-14	-12	-13	-11
Associates	-1	0	0	0
Net other income/(loss)	-9	0	0	0
<b>Profit before Tax</b>	<b>821</b>	<b>866</b>	<b>919</b>	<b>977</b>
Income Tax	-82	-87	-92	-98
<b>NPAT before MI</b>	<b>739</b>	<b>779</b>	<b>827</b>	<b>880</b>
Minority Interest	1	0	0	0
<b>NPAT less MI, reported</b>	<b>740</b>	<b>779</b>	<b>827</b>	<b>880</b>
<b>NPAT less MI, adjusted<sup>(1)</sup></b>	<b>740</b>	<b>779</b>	<b>827</b>	<b>880</b>

EBITDA	897	961	1,023	1,080
EPS reported, VND	5,443	5,735	6,088	6,480
EPS adjusted <sup>(1)</sup> , VND	5,443	5,735	6,088	6,480
EPS diluted, adj <sup>(1)</sup> , VND	5,443	5,735	6,088	6,480
DPS, VND	4,000	4,000	4,000	4,000
DPS/EPS (%)	73%	70%	66%	62%

(1) Adjusted for one-offs

RATIOS	2020	2021F	2022F	2023F
<b>Growth</b>				
Revenue growth	-3.6%	11.7%	5.3%	4.9%
Op profit (EBIT) growth	17.0%	6.8%	6.0%	5.5%
PBT growth	15.1%	5.5%	6.1%	6.3%
EPS growth, adjusted	16.6%	5.4%	6.1%	6.4%

<b>Profitability</b>				
Gross Profit Margin	48.2%	46.7%	47.0%	47.4%
Op Profit, (EBIT) Margin	21.5%	20.6%	20.7%	20.9%
EBITDA Margin	23.9%	22.9%	23.2%	23.3%
NPAT-MI Margin, adj,	19.7%	18.6%	18.7%	19.0%
ROE	21.3%	21.2%	21.1%	20.8%
ROA	17.2%	17.2%	17.4%	17.5%

<b>Efficiency</b>				
Days Inventory On Hand	145.7	137.5	136.9	137.1
Days Accts, Receivable	51.4	44.1	43.9	43.9
Days Accts, Payable	33.2	31.2	21.2	21.2
Cash Conversion Days	163.8	150.4	159.6	159.8

<b>Liquidity (x)</b>				
Current Ratio	4.3	4.8	5.3	6.1
Quick Ratio	3.2	3.6	4.1	4.7
Cash Ratio	2.6	3.0	3.4	3.9
Debt / Assets	0.0	0.1	0.1	0.0
Debt / Capital	0.1	0.1	0.1	0.0
Net Debt / Equity	-0.5	-0.5	-0.6	-0.6
Interest Coverage	57.7	70.6	70.3	85.9

Source: Company data, VCSC

B/S (VND bn)	2020	2021F	2022F	2023F
Cash & equivalents	73	65	86	60
ST investment	2,074	2,200	2,400	2,700
Accounts receivable	496	517	544	571
Inventories	827	858	897	936
Other current assets	11	11	11	11
<b>Total Current assets</b>	<b>3,481</b>	<b>3,651</b>	<b>3,939</b>	<b>4,278</b>
Fixed assets, gross	1,723	1,824	1,889	1,957
- Depreciation	-807	-904	-1,011	-1,125
Fixed assets, net	916	920	878	832
LT investment	4	4	4	4
LT assets other	47	47	47	47
<b>Total LT assets</b>	<b>967</b>	<b>971</b>	<b>929</b>	<b>883</b>
<b>Total Assets</b>	<b>4,448</b>	<b>4,622</b>	<b>4,867</b>	<b>5,160</b>

Accounts payable	252	135	141	147
Short-term debt	212	277	243	206
Other ST liabilities	352	352	352	352
Total current liabilities	816	764	736	705
Long term debt	0	0	0	0
Other LT liabilities	63	63	63	63
<b>Total Liabilities</b>	<b>879</b>	<b>827</b>	<b>799</b>	<b>768</b>

Preferred Equity	0	0	0	0
Paid in capital	1,307	1,307	1,307	1,307
Share premium	7	7	7	7
Retained earnings	770	997	1,270	1,594
Other equity	1,480	1,480	1,480	1,480
Minority interest	4	4	4	4
<b>Total equity</b>	<b>3,568</b>	<b>3,795</b>	<b>4,068</b>	<b>4,392</b>
<b>Liabilities &amp; equity</b>	<b>4,448</b>	<b>4,622</b>	<b>4,867</b>	<b>5,160</b>

Y/E shares out, mn	130.7	130.7	130.7	130.7
Y/E treasury shares, mn	0.0	0.0	0.0	0.0

CASH FLOW (VND bn)	2020	2021F	2022F	2023F
<b>Beginning Cash Balance</b>	<b>70</b>	<b>73</b>	<b>65</b>	<b>86</b>
Net Income	740	779	827	880
Dep, & amortization	88	97	107	114
Chge in Working Cap	126	-170	-60	-59
Other adjustments	-128	-29	-31	-32
<b>Cash from Operations</b>	<b>826</b>	<b>677</b>	<b>843</b>	<b>901</b>

Capital Expenditures, net	-89	-101	-65	-68
Investments, net	-159	-126	-200	-300
<b>Cash from Investments</b>	<b>-248</b>	<b>-227</b>	<b>-265</b>	<b>-368</b>

Dividends Paid	-523	-523	-523	-523
Δ in Share Capital	0	0	0	0
Δ in LT debt	0	0	0	0
Δ in ST debt	-52	65	-34	-37
Other financing C/F	0	0	0	0
<b>Cash from Financing</b>	<b>-575</b>	<b>-458</b>	<b>-557</b>	<b>-560</b>

<b>Net Change in Cash</b>	<b>3</b>	<b>-8</b>	<b>21</b>	<b>-26</b>
<b>Ending Cash Balance</b>	<b>73</b>	<b>65</b>	<b>86</b>	<b>60</b>



## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

**Risks:** Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.



## Disclaimer

### Analyst Certification of Independence

We, Son Tran and Phap Dang, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities or issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2013 Viet Capital Securities Company "VCSC". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

**U.K. and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

## Contacts

### Corporate

[www.vcsc.com.vn](http://www.vcsc.com.vn)

#### Head Office

Bitexco Financial Tower, 2 Hai Trieu Street  
District 1, HCMC  
+84 28 3914 3588

#### Transaction Office

10 Nguyen Hue Street  
District 1, HCMC  
+84 28 3914 3588

### Research

**Research Team:** +84 28 3914 3588

[research@vcsc.com.vn](mailto:research@vcsc.com.vn)

#### Banks, Securities and Insurance

##### Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Tu Hoang, Analyst, ext 139

#### Consumer and Pharma

##### Phap Dang, Associate Director, ext 143

- Ha Dao, Senior Analyst, ext 194
- Son Tran, Senior Analyst, ext 185
- Vinh Bui, Analyst, ext 191

#### Real Estate, Construction and Materials

##### Hong Luu, Senior Manager, ext 120

- Vy Nguyen, Manager, ext 147
- Duc Pham, Analyst, ext 174

#### Retail Client Research

##### Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363

### Institutional Sales and Brokerage

& Foreign Individuals

#### Dung Nguyen

+84 28 3914 3588, ext 136  
[dung.nguyen@vcsc.com.vn](mailto:dung.nguyen@vcsc.com.vn)

#### Hanoi Branch

109 Tran Hung Dao  
Hoan Kiem District, Hanoi  
+84 24 6262 6999

#### Transaction Office

236-238 Nguyen Cong Tru Street  
District 1, HCMC  
+84 28 3914 3588

**Alastair Macdonald, Head of Research, ext 105**

[alastair.macdonald@vcsc.com.vn](mailto:alastair.macdonald@vcsc.com.vn)

#### Macro

##### Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

#### Oil & Gas and Power

##### Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Nghia Le, Analyst, ext 181
- Duc Le, Analyst, ext 196

#### Industrials and Transportation

##### Nam Hoang, Manager, ext 124

- Dang Thai, Senior Analyst, ext 149

### Retail & Corporate Brokerage

Ho Chi Minh & Hanoi

#### Quynh Chau

+84 28 3914 3588, ext 222  
[quynh.chau@vcsc.com.vn](mailto:quynh.chau@vcsc.com.vn)