

# Vietnam Enterprise Investments Ltd (VEIL)

March 2024 Webinar

DRAGON CAPITAL 



# Speakers



## Tuan Le Anh

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### VEIL Lead Portfolio Manager

- ▶ Tuan joined Dragon Capital in 2006 as a Senior Analyst
- ▶ Tuan became Deputy Portfolio Manager of VEIL in 2010, before becoming Deputy Portfolio Manager of a segregated mandate managed by Dragon Capital for a large sovereign wealth fund, before taking over as Lead Portfolio Manager of the mandate in 2016
- ▶ Tuan holds a Masters of Corporate Finance from the University of Economics in Ho Chi Minh City.



## Thao Ngo Thanh

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### VEIL Co-Portfolio Manager

- ▶ Thao joined Dragon Capital in 2007 as an analyst covering F&B, energy, and utility sectors.
- ▶ Promoted to Deputy Portfolio Manager of VEIL in 2014.
- ▶ Thao holds an Executive MBA from the University of Hawaii (2011) and a BA in Money and Finance from New Zealand's Victoria University (2005).

# Agenda

**01** 2024 Outlook: Portfolio Manager's View

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**02** Global and Vietnam Macro Sensitivities

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**03** Vietnam Market View

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**04** Q&A

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# 2024 Outlook: Portfolio Manager's View



# Visibility Of Earnings: 2024 Outlook

## Vietnam's 2024 growth drivers

#1 government's priority: economic expansion

Higher credit growth, focus on real business demand rather than restructuring loans.

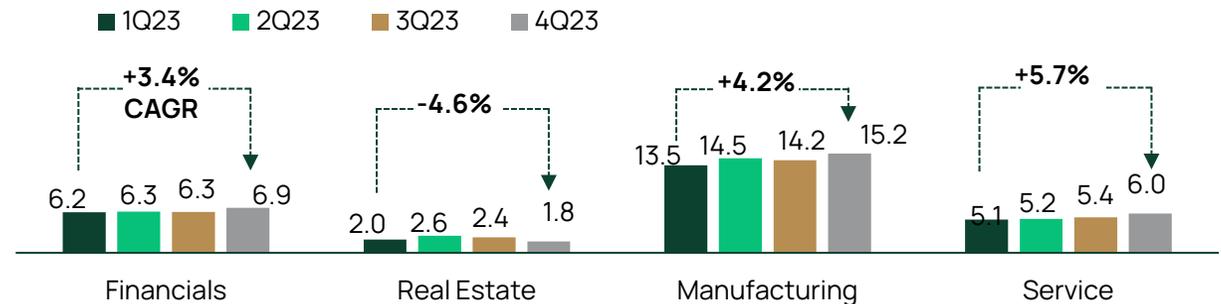
Manufacturing to lead recovery

Consumption to rebound later, as low interest rate penetrates the economy

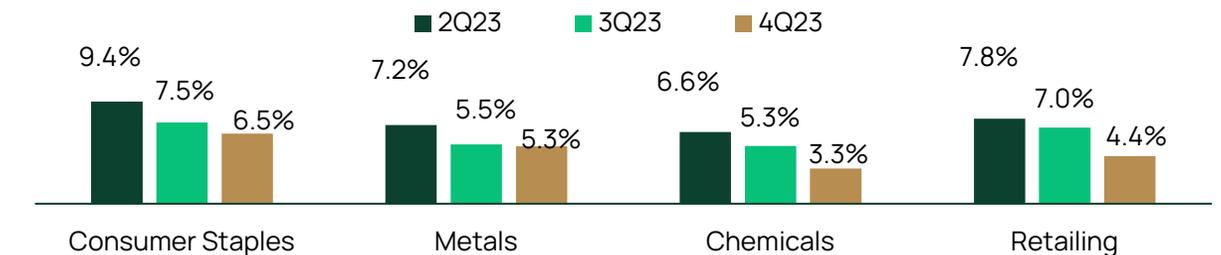
### Total Borrowing Growth (%YoY)



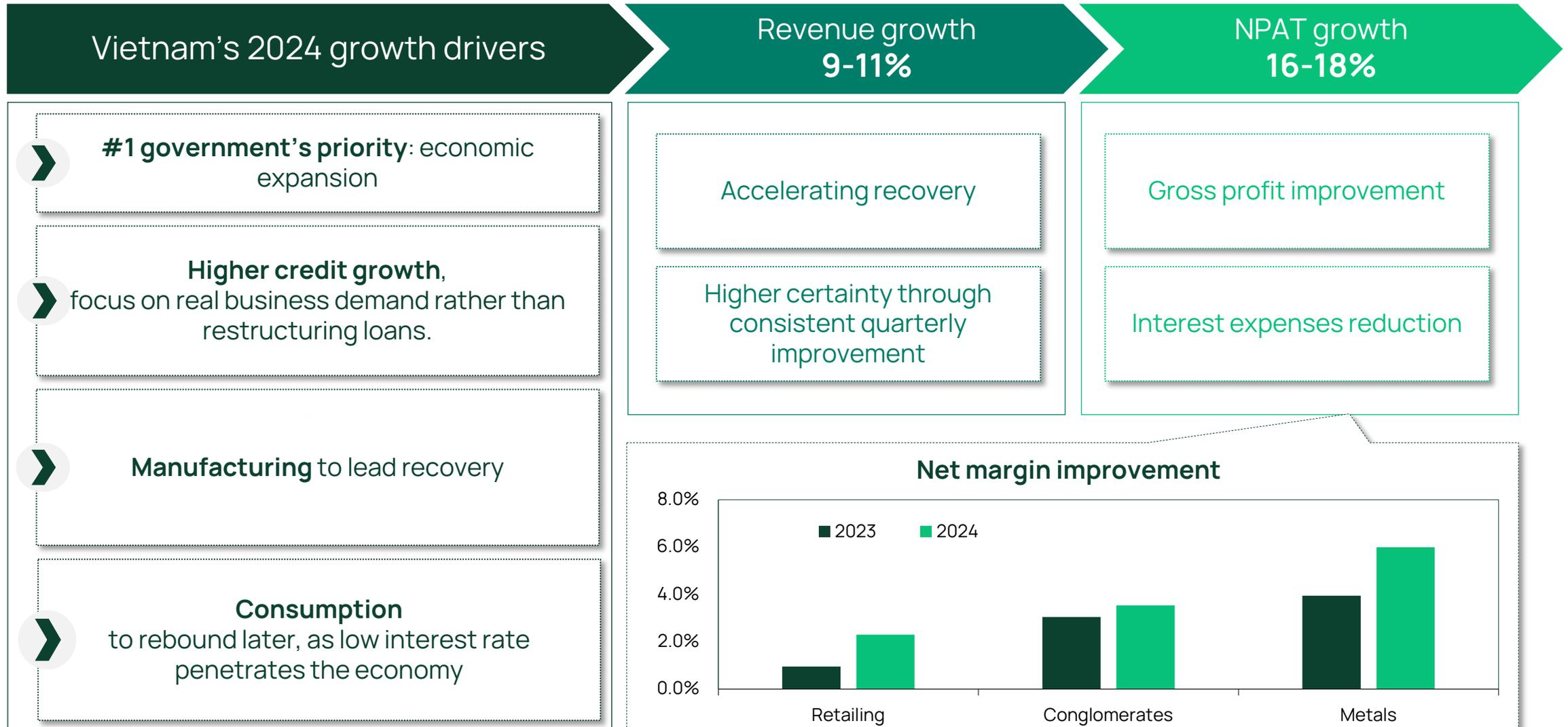
### Quarterly Revenue by Sector



### Top Sectors With Interest Rate Decline



# Visibility Of Earnings: 2024 Outlook



# VEIL: Portfolio Pre-positioning For 2024 Recovery

VEIL - Sector Allocation		FOL Stocks	Earnings Growth
<span style="color: green;">■</span> VEIL <span style="color: darkgreen;">■</span> VNI    Unit: %		25.6%	2024F
Bank	<div style="display: flex; align-items: center;"> <div style="width: 40.2%; height: 10px; background-color: green; margin-right: 5px;"></div> <span>40.2</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 40.7%; height: 10px; background-color: darkgreen; margin-right: 5px;"></div> <span>40.7</span> </div>	16.7	+22.3%
Residential Real Estate	<div style="display: flex; align-items: center;"> <div style="width: 13.7%; height: 10px; background-color: green; margin-right: 5px;"></div> <span>13.7</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 10.1%; height: 10px; background-color: darkgreen; margin-right: 5px;"></div> <span>10.1</span> </div>		+12.7%
Steel	<div style="display: flex; align-items: center;"> <div style="width: 12.6%; height: 10px; background-color: green; margin-right: 5px;"></div> <span>12.6</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 4.0%; height: 10px; background-color: darkgreen; margin-right: 5px;"></div> <span>4.0</span> </div>		+71.2%
Retail	<div style="display: flex; align-items: center;"> <div style="width: 7.5%; height: 10px; background-color: green; margin-right: 5px;"></div> <span>7.5</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 2.7%; height: 10px; background-color: darkgreen; margin-right: 5px;"></div> <span>2.7</span> </div>	2.5	+152.1%
Tech	<div style="display: flex; align-items: center;"> <div style="width: 6.4%; height: 10px; background-color: green; margin-right: 5px;"></div> <span>6.4</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 2.9%; height: 10px; background-color: darkgreen; margin-right: 5px;"></div> <span>2.9</span> </div>	6.4	+19.5%
Industrial Park	<div style="display: flex; align-items: center;"> <div style="width: 3.9%; height: 10px; background-color: green; margin-right: 5px;"></div> <span>3.9</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 2.5%; height: 10px; background-color: darkgreen; margin-right: 5px;"></div> <span>2.5</span> </div>		+14.3%
Oil & Gas	<div style="display: flex; align-items: center;"> <div style="width: 3.9%; height: 10px; background-color: green; margin-right: 5px;"></div> <span>3.9</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 5.0%; height: 10px; background-color: darkgreen; margin-right: 5px;"></div> <span>5.0</span> </div>		-7.2%
F&B	<div style="display: flex; align-items: center;"> <div style="width: 2.6%; height: 10px; background-color: green; margin-right: 5px;"></div> <span>2.6</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 6.9%; height: 10px; background-color: darkgreen; margin-right: 5px;"></div> <span>6.9</span> </div>		+3.8%
Others	<div style="display: flex; align-items: center;"> <div style="width: 9.3%; height: 10px; background-color: green; margin-right: 5px;"></div> <span>9.3</span> </div> <div style="display: flex; align-items: center;"> <div style="width: 25.2%; height: 10px; background-color: darkgreen; margin-right: 5px;"></div> <span>25.2</span> </div>		+20.5%

Top 80. Forecasts only. There can be no guarantee that such returns will be achieved.

# VEIL: Portfolio Matrix

VEIL		Portfolio wt (%)	Market Cap. (USD mn)	EPS Growth (%)	PE (x)	PB (x)	ROE (%)
29/02/2024				2024	2024	2024	2024
HPG	Vietnam's largest and fully-integrated steel producer	9.9	7,313	79.1	15.0	1.6	11.1
ACB	Best private bank in terms of asset quality	9.0	4,412	18.5	5.8	1.2	24.0
VPB	Commercial bank with 60% of consumer lending sector	8.8	6,405	48.9	10.5	1.1	10.7
VCB	Vietnam's largest state-owned commercial bank	7.3	22,062	13.6	16.6	2.7	20.4
FPT	Vietnam's biggest ICT firm, with new businesses in AI segment	6.4	5,616	20.7	19.4	4.6	28.5
MWG	Vietnam's top retailer with an omni-channel platform	4.2	2,741	1619.9	23.4	2.6	11.6
TCB	Innovative private bank with highest affluent customers	4.1	6,030	25.5	6.8	1.0	16.3
MBB	Most profitable private bank with undemanding valuation	3.6	5,108	19.3	5.3	1.1	23.5
VHM	Vietnam's biggest residential property developer	3.4	7,667	6.4	5.4	0.9	18.0
GAS	Vietnam's biggest oil and gas company	3.3	7,212	-5.2	16.5	2.6	16.7
<b>Vietnam Enterprise Investments Limited</b>				<b>25.7</b>	<b>11.2</b>	<b>1.6</b>	<b>19.6</b>
<b>Top 80</b>				<b>23.2</b>	<b>10.5</b>	<b>1.5</b>	<b>15.3</b>

Past performance is not a reliable indicator of current and future results

# In-depth: Hoa Phat Group (HPG) – Steel Manufacturer

## Investment Rationale

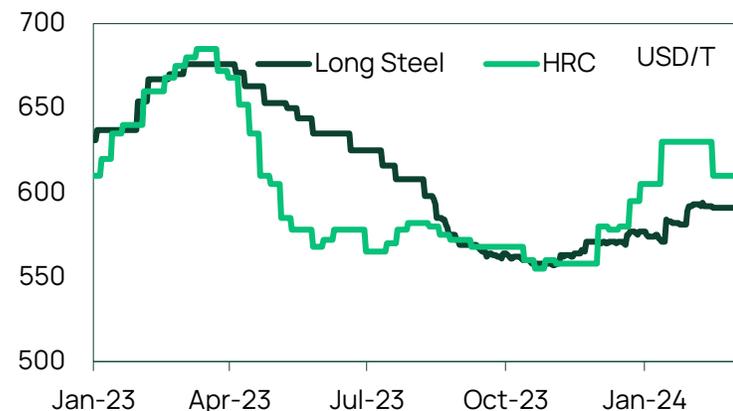
**9.9% of VEIL vs 3.6% of the VNI**

- ▶ Strong corporate governance and pioneer of the VN steel industry
- ▶ 1# BOF Steel manufacturer in terms of market share and profitability
- ▶ Stellar profit growth with new capacity ramp-up in 2025-2026
- ▶ Top Industrial Parks developer (Target 5,000ha in 10Y)

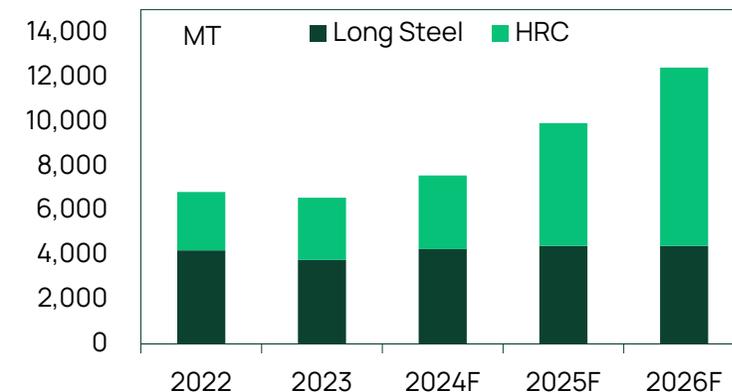
## Financial Summary

	2022	2023F	2024F
Sales growth (%)	-5.5	-15.9	17.6
EPS growth (%)	-74.7	-19.2	79.1
PER (x)	12.6	24.3	14.7
PBR (x)	1.1	1.6	1.6
ROE (%)	9.1	6.9	11.1

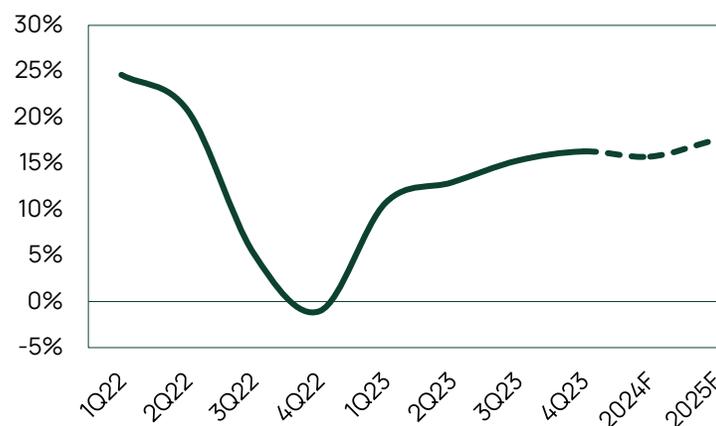
## Bottomed Out ASP (US\$/T)



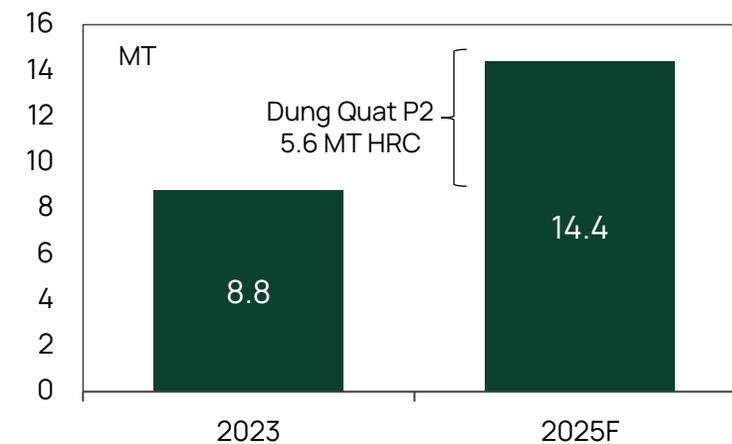
## Sales Volumes Ramps Up



## EBITDA Margin Improvement



## Becoming the Largest Steel Producer in SEA



# In-depth: Asia Commercial Bank



## Investment Rationale

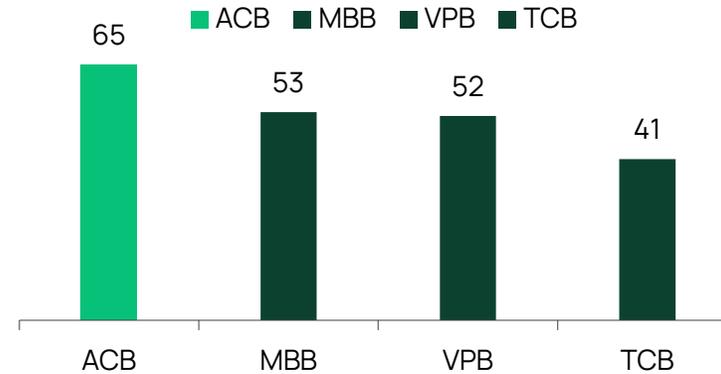
### 9.0% of VEIL vs 2.2% of the VNI

- ▶ Founded in 1993, ACB is a leader among private banks, with total asset size of \$26bn, and customer base of 5.2mn accounts
- ▶ Longstanding prudent risk-management practice
- ▶ Largest retail loan book amongst tier 1 private sector banks

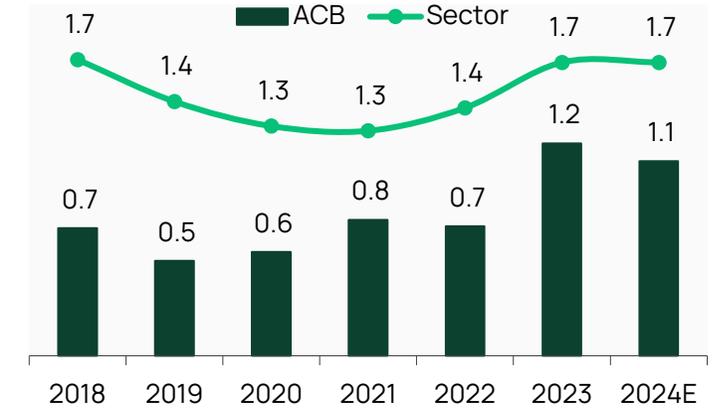
## Financial Summary

	2022	2023	2024F
TOI (%)	22.2	13.7	15.7
EPS growth (%)	42.9	17.5	18.5
PER (x)	5.3	5.9	5.7
PBR (x)	1.2	1.3	1.2
ROE	26.5	24.8	24.0

## The highest portion of retail lending (%)

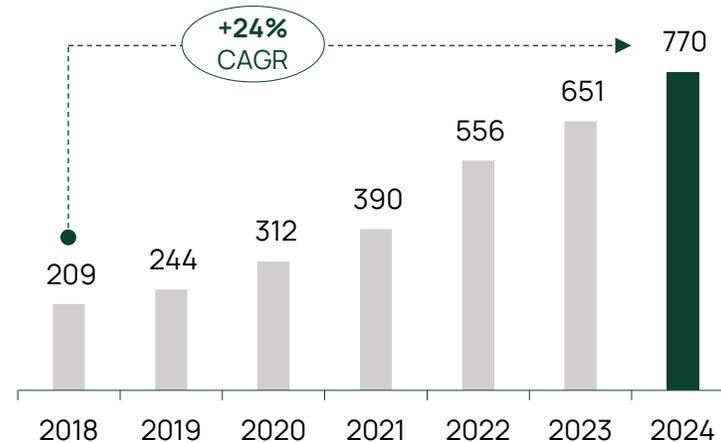


## ACB's NPL vs Banking Sector (%)

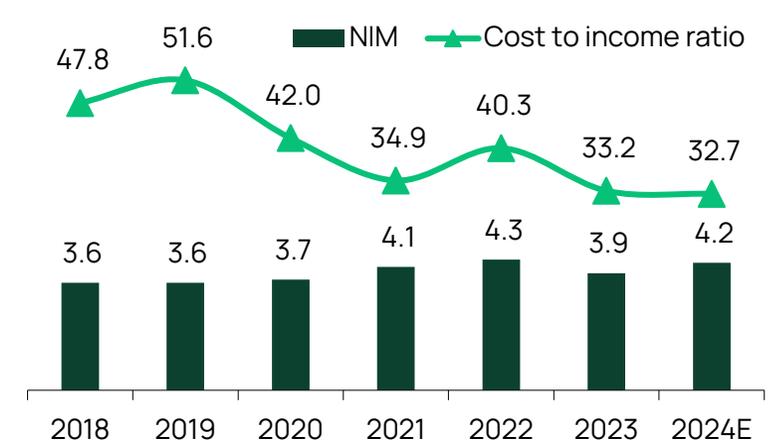


## Strong Profit Growth

USD mn



## Improved NIM - Lower Cost To Income Ratio (%)



# In-depth: Khang Dien House



## Investment Rationale

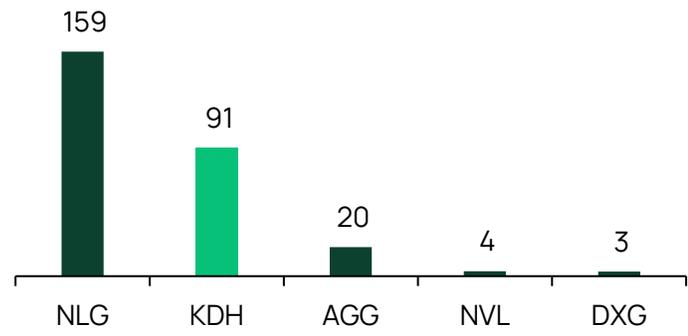
2.5% of VEIL vs 0.6% of the VNI

- ▶ Founded in 2001, KDH is a leader residential developer dominating HCMC with total asset size of \$1bn.
- ▶ Well known for good and prudent legal status, fast execution + timely handover for all of projects. Presales always receive good take up rate (90-100%).
- ▶ Solid track record, relatively unaffected from the recent corporate bond crisis.

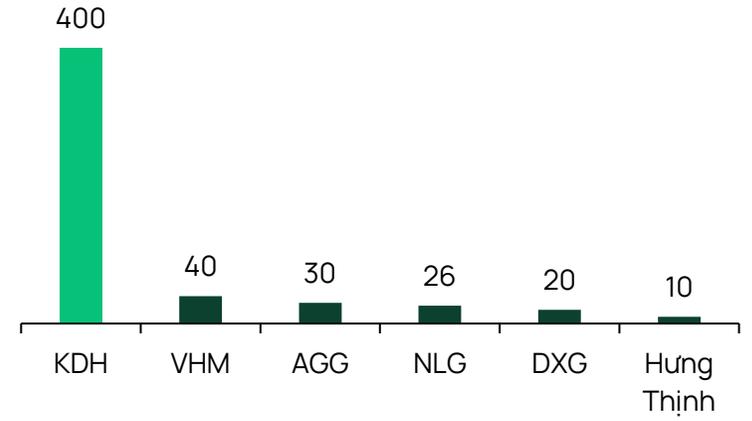
## Highlights

- 01 25% Discount to RNAV
- 02 Net Debt/Equity 0.2x
- 03 Construction finished or almost finished before launch

Among a few names to have 2023 presales (USD mn)



Biggest landbank in HCMC (ha)



Classia low rise: finished construction before launch



Privia high rise: 15-17 stories built before launch



# In-depth: Mobile World – The Leading Retailer

## Investment Rationale

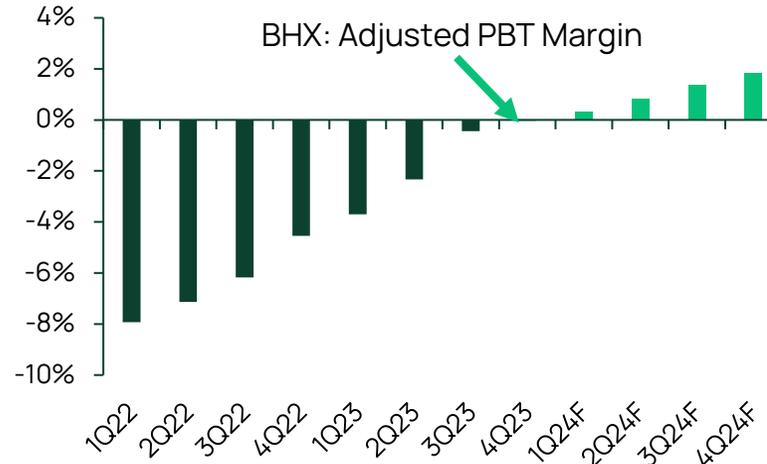
### 4.2% of VEIL vs 1.3% of the VNI

- ▶ Best-in-class management leading the retail transformation of Vietnam: CE/ICT, grocery, pharma
- ▶ Grocery chain (BHX) has reached profitability, allowing scaling into this \$100bn market.
- ▶ Pre-IPO round for BHX expected at \$1.5bn valuation, implying \$1.3bn valuation for the rest of MWG
- ▶ PBT increases strongly from the bottom as ICT/CE segment recovers along with BHX

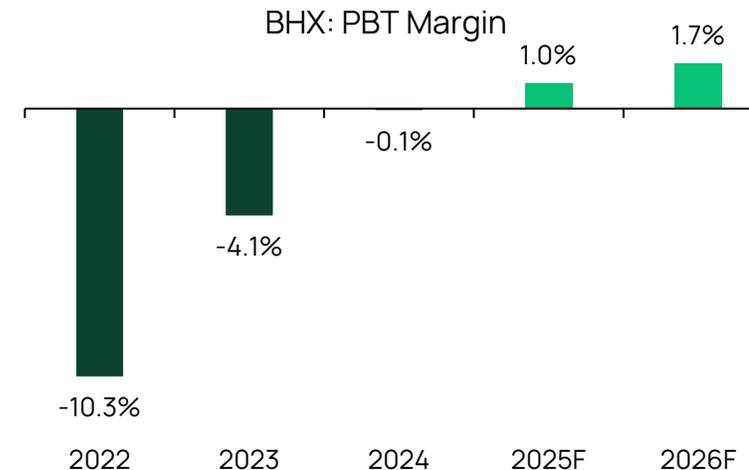
## BHX: Becoming largest player

2023	BHX	WCM	Co-op
Sales (VNDbn)	31,687	30,054	30,000
YoY Growth (%)	17.1	2.4	-2.8
YE Stores	1,698	3,633	n.a
Sales/Store/Mo (USD 000')	62.5	28.3	n.a
EBITDA Margin (%)	1.6	2.3	n.a

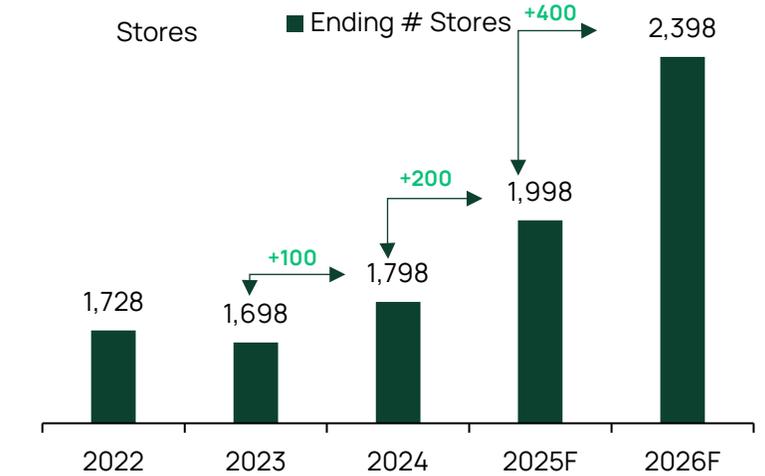
## BHX: Reaching critical point in business model



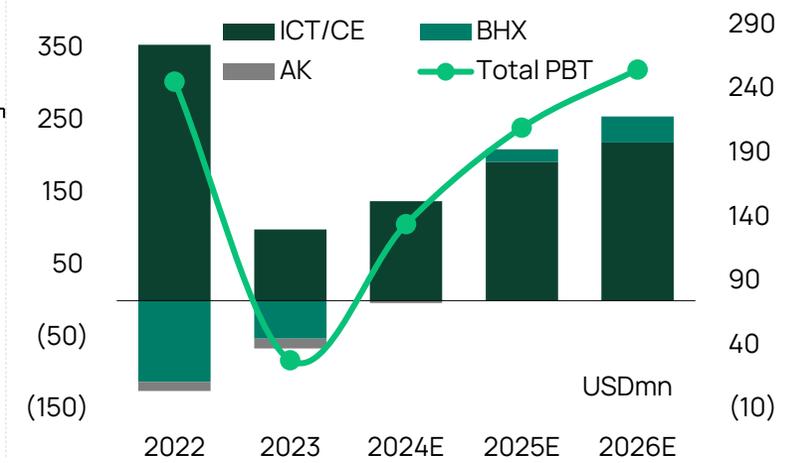
... while BHX keeps improving profitability



## Store expansion to restart

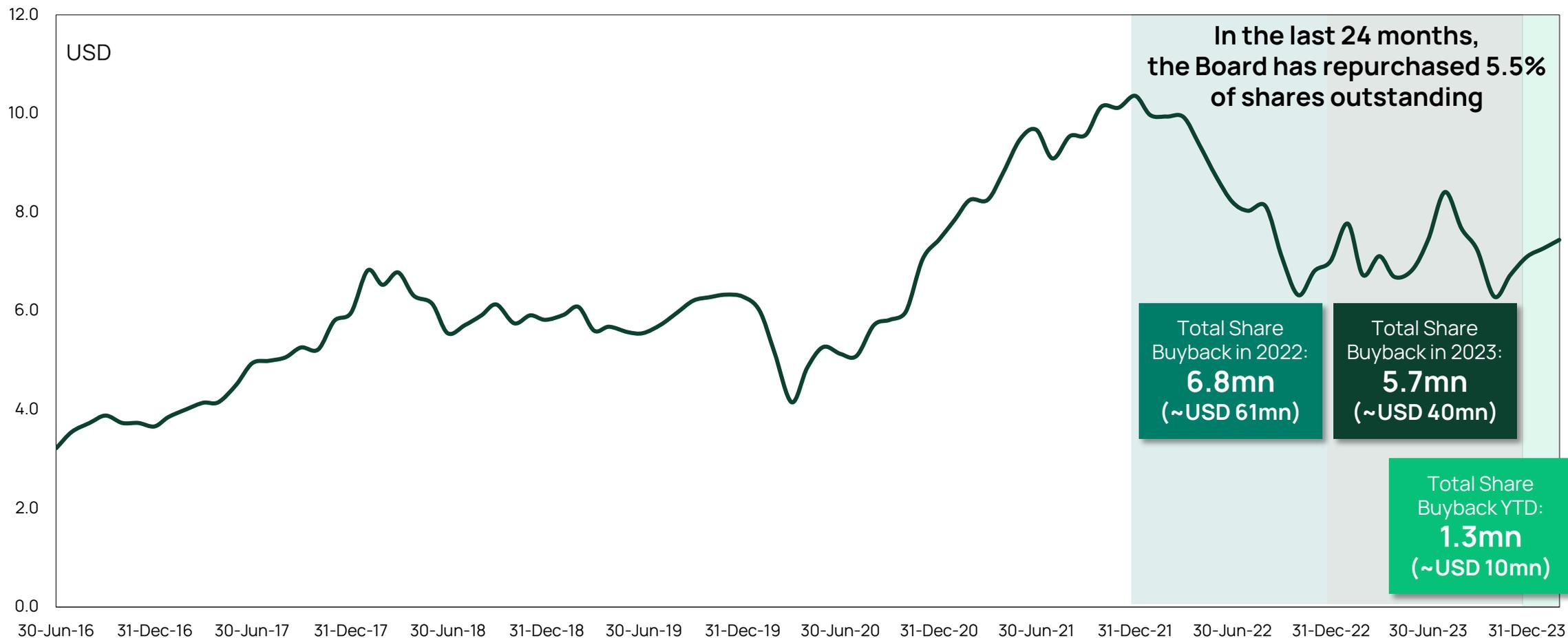


## Consolidated PBT to strongly recover



# VEIL Share Price Performance: Active Buybacks

VEIL share price performance since listing in LSE



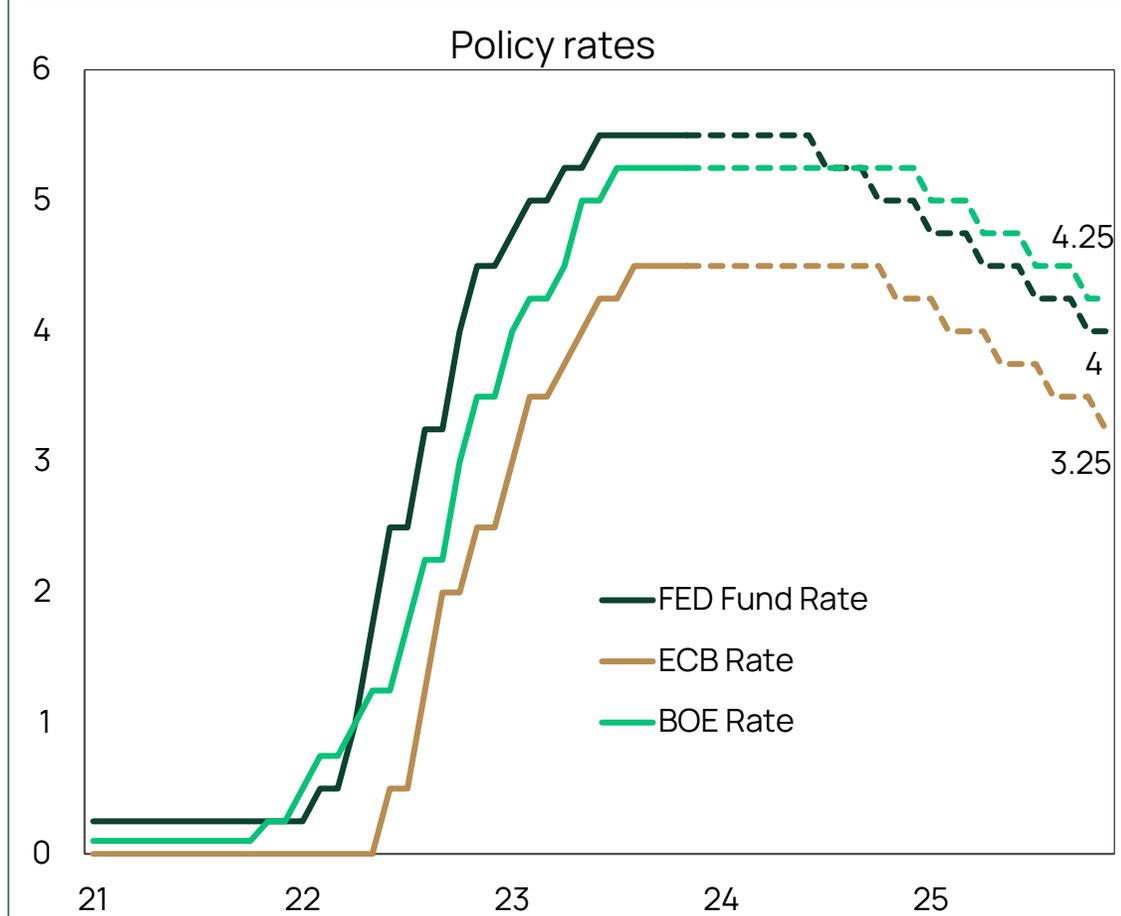
Past performance is not a reliable indicator of current and future results

# GLOBAL MACRO SENSITIVITIES

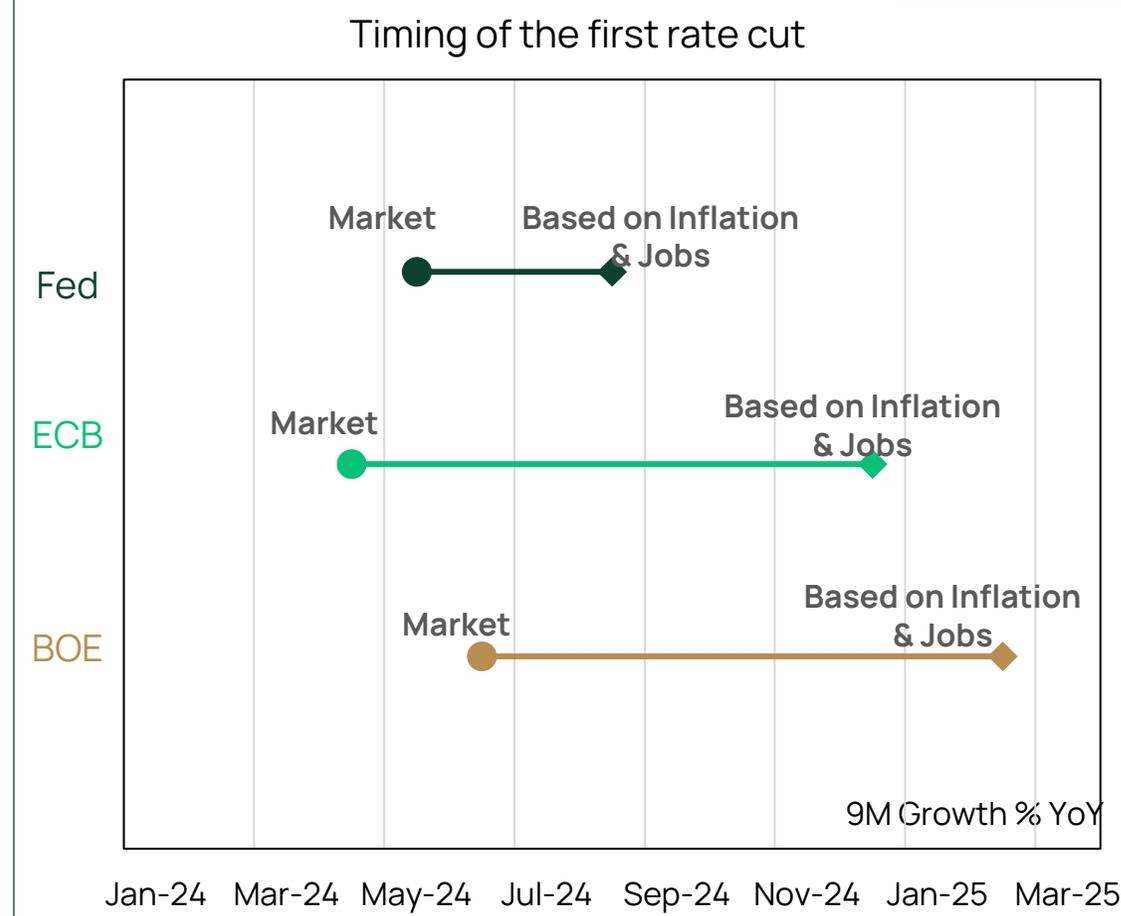


# Rates: Global Rates Expected To Decrease

No further hikes expected,  
Cuts may begin in 3Q24



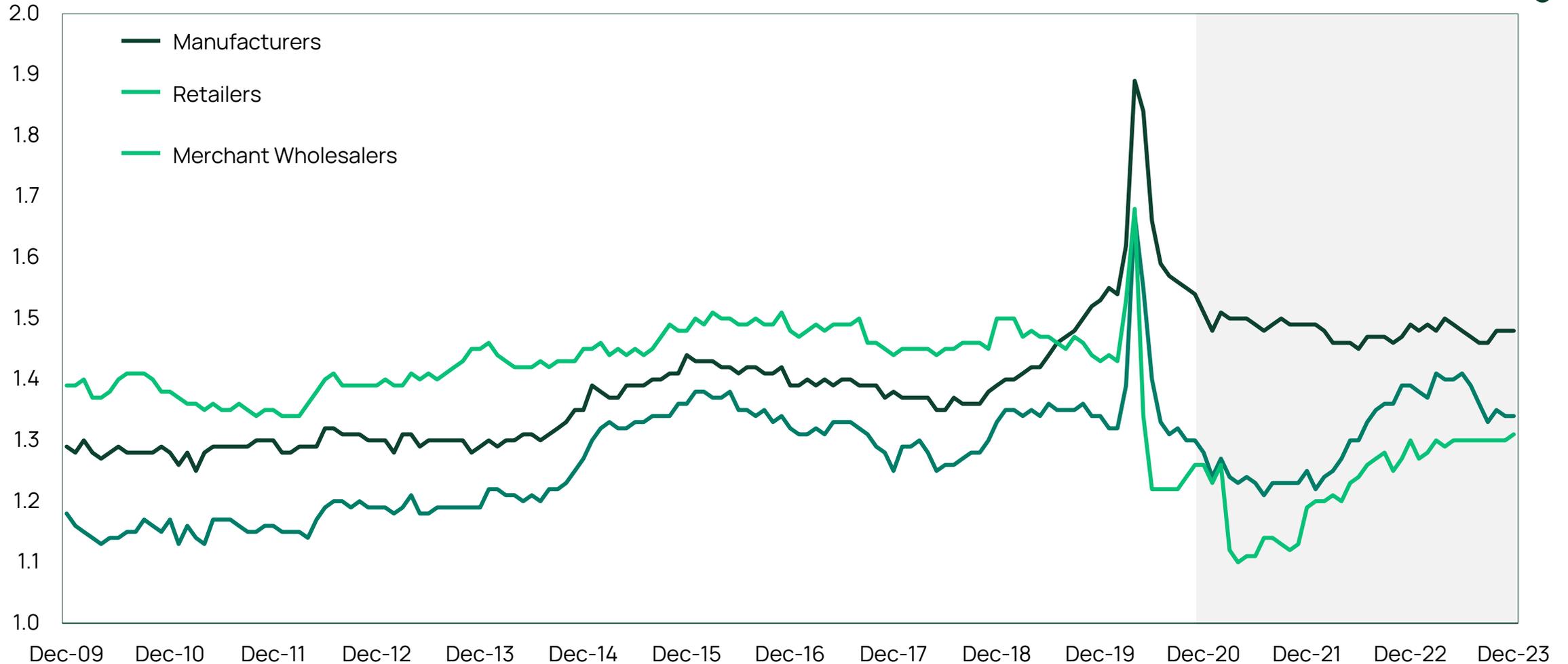
.. Several months earlier than typical timing  
from macro indicators



Source: Industry Reports, DC forecast

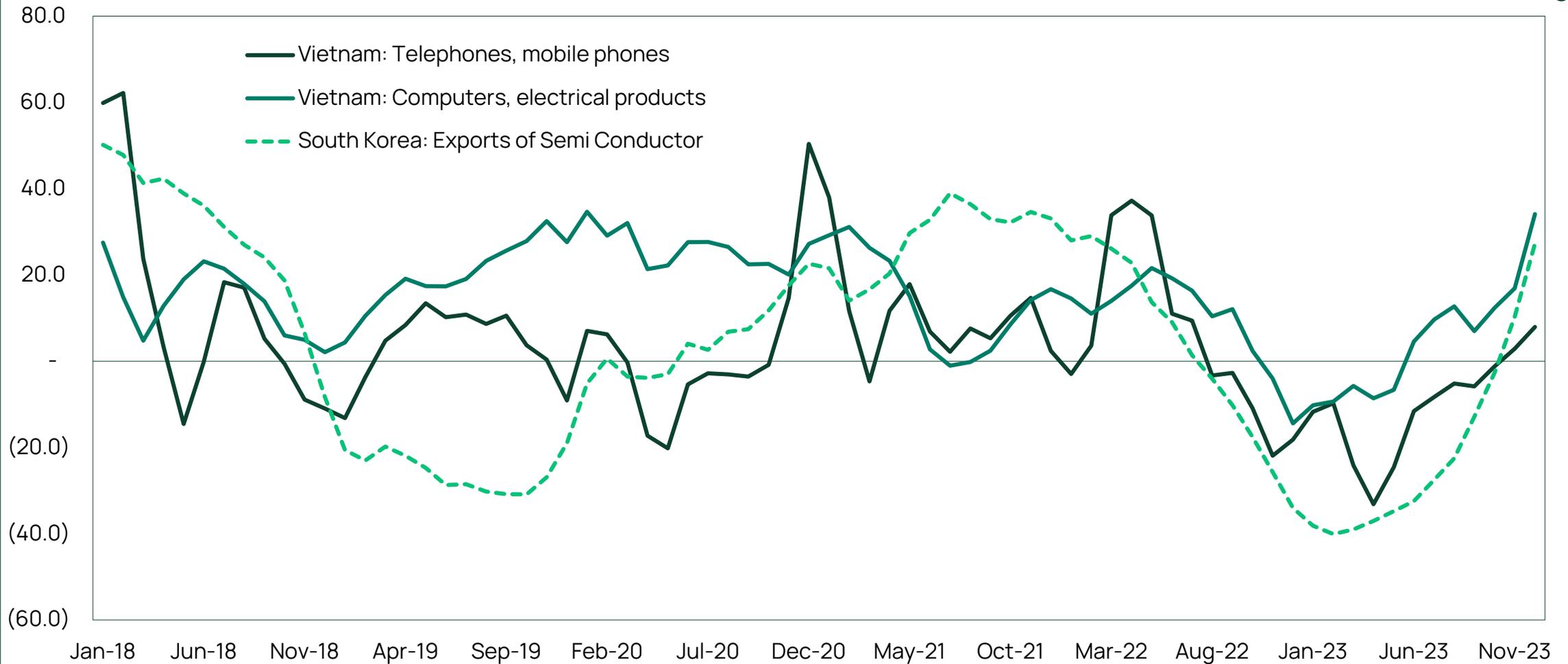
# Exports: Restocking & The Rise of AI-Enabled Devices (1)

Inventory level/sales - No. Of Months



# Exports: Restocking & The Rise of AI-Enabled Devices (2)

## Retail Electronics' Indicators

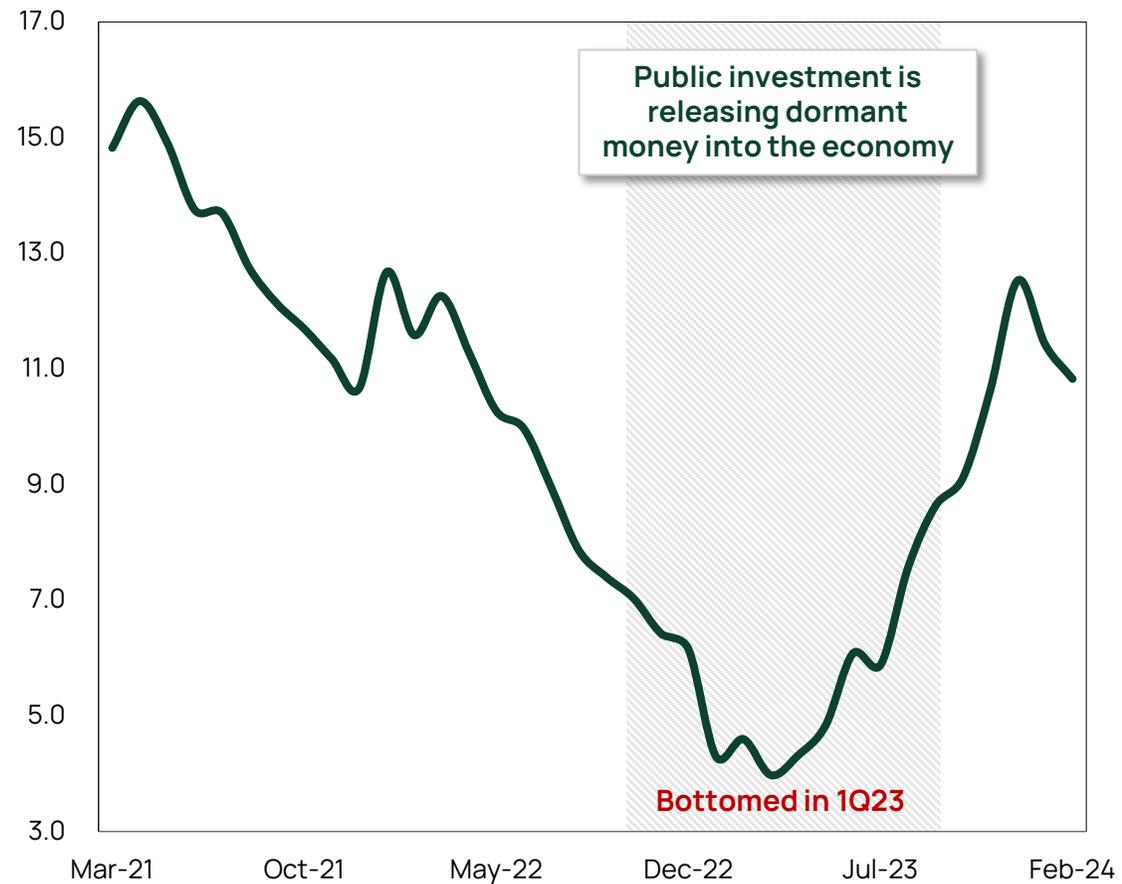


# VIETNAM MACRO SENSITIVITIES

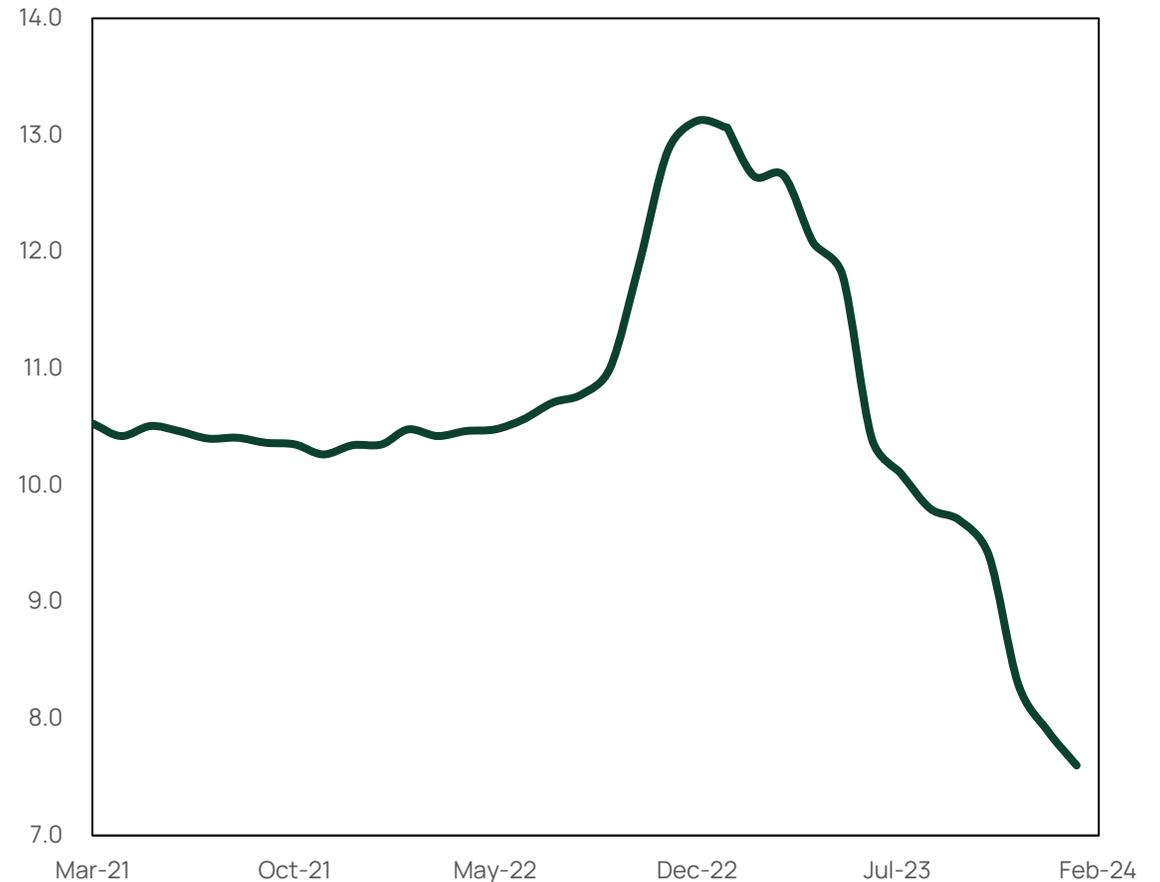


# Economic Policies: Previous Easing Flowing Into The Economy

Accommodative M2: (1) money injection  
+ (2) public investment



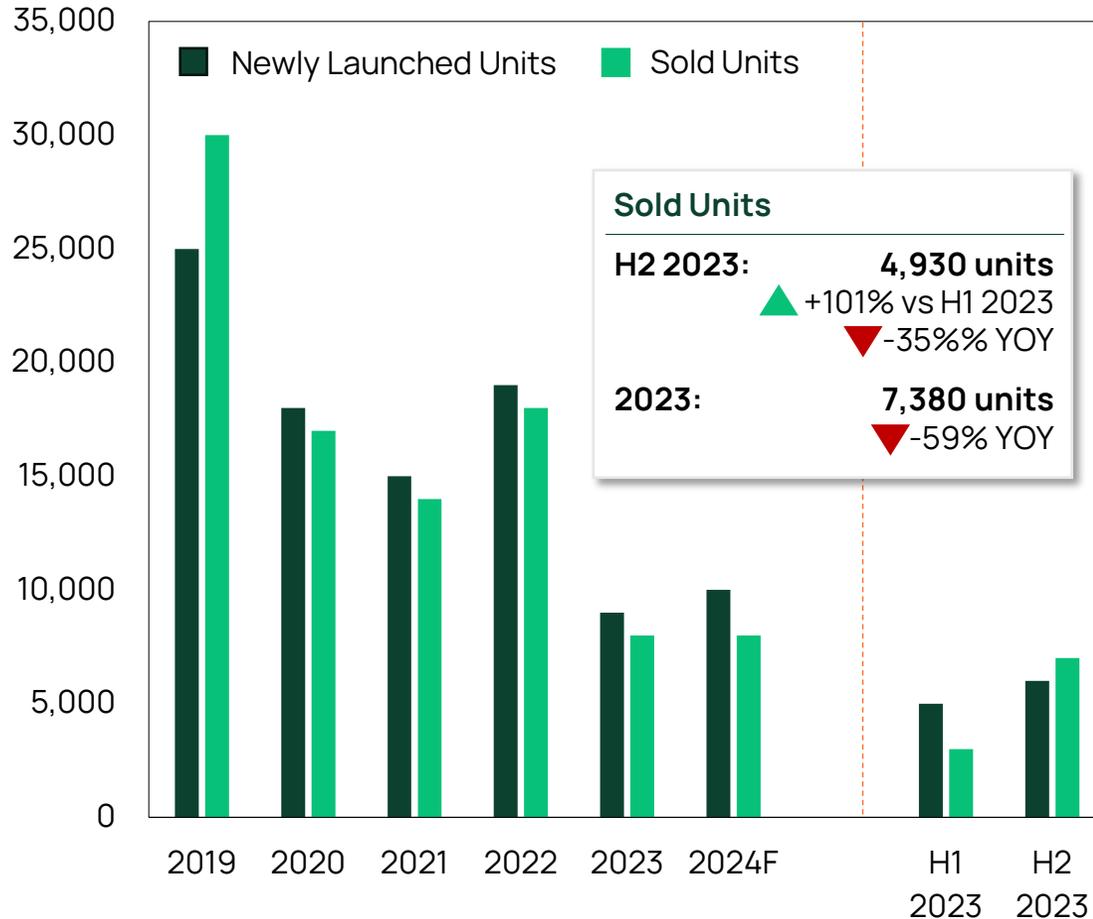
Mortgage Rates Dropping Sharply



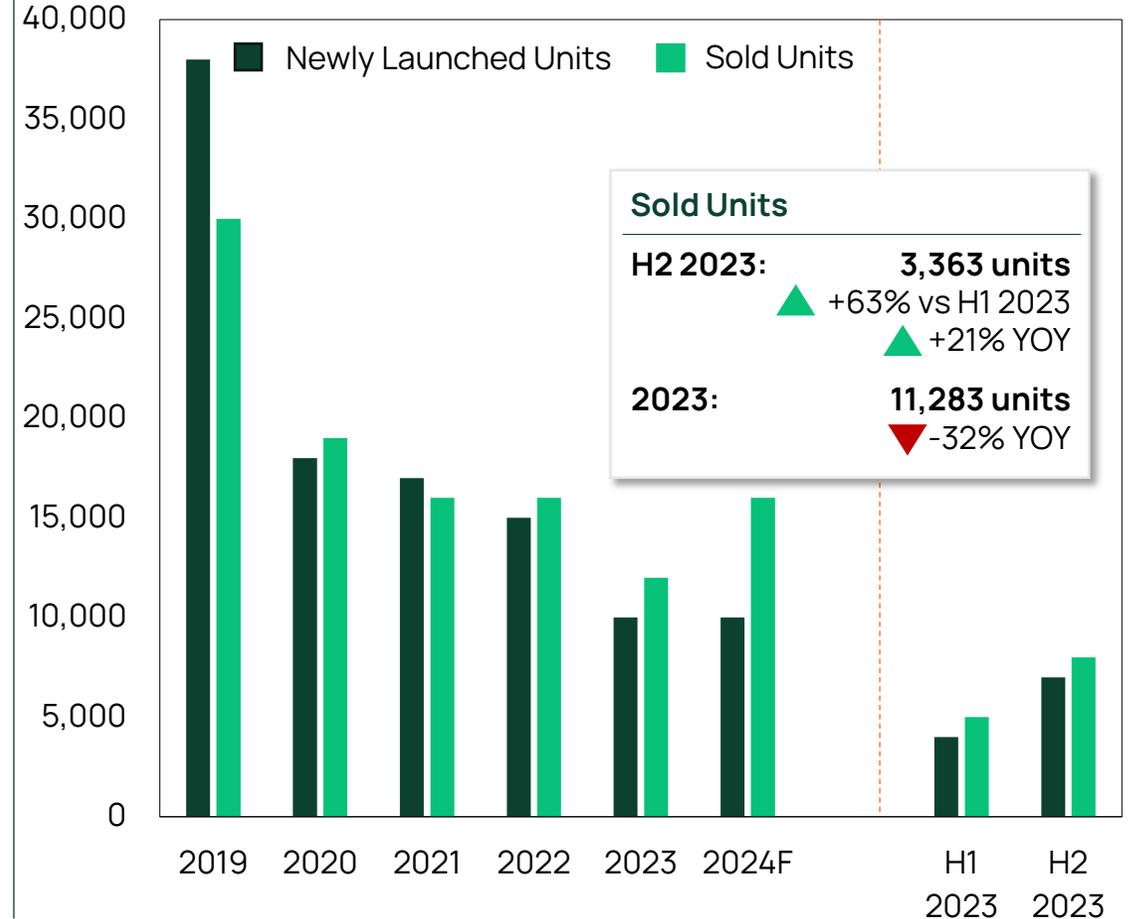
Source: SBV, MOF, Bloomberg

# Case Study: Residential Sales Picked up Slightly in 2H23

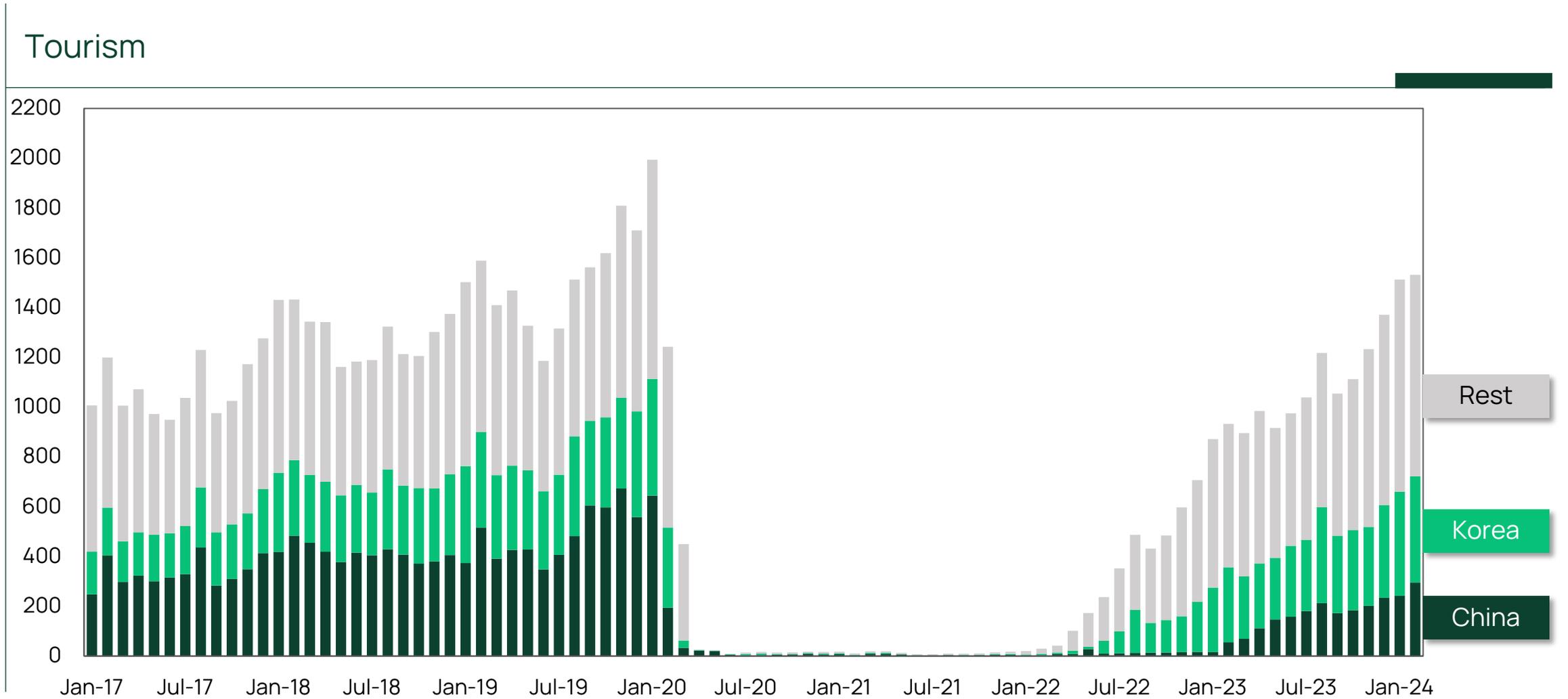
## Condominium Sales In Ho Chi Minh City



## Condominium Sales In Hanoi City



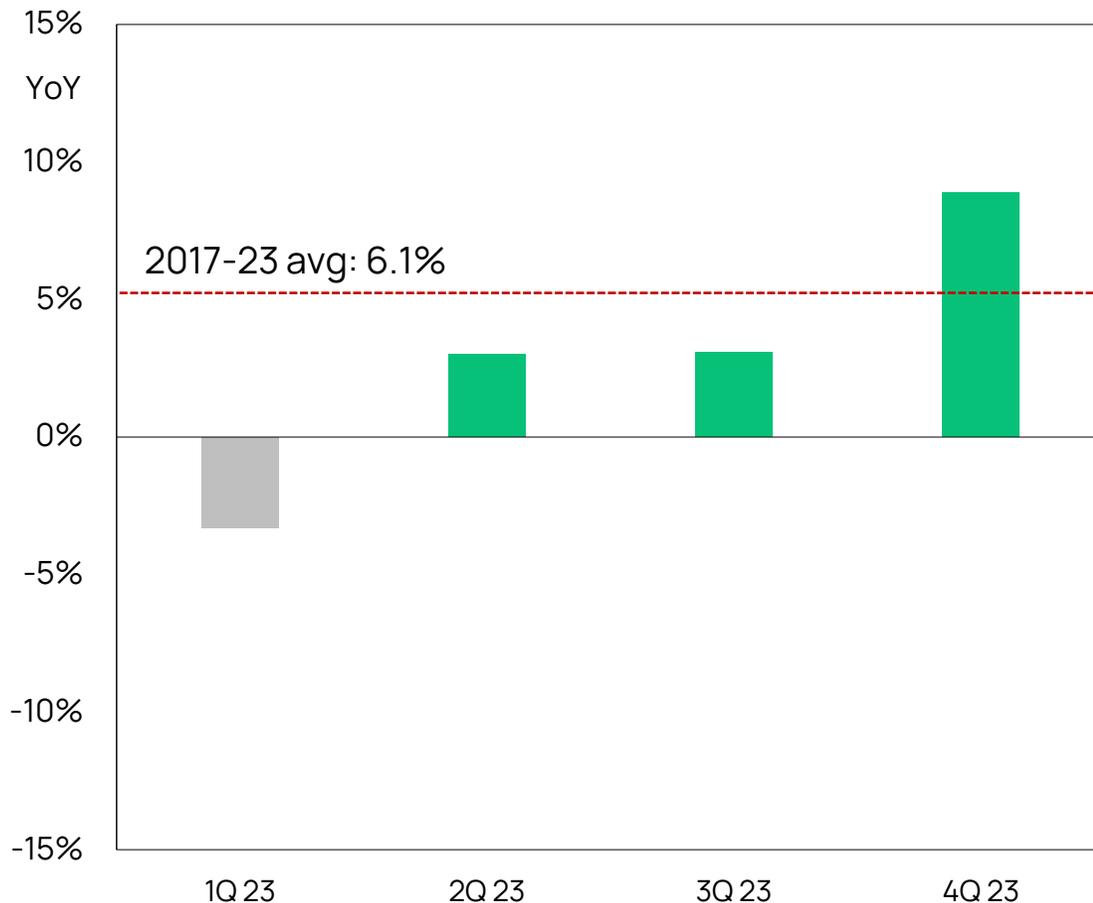
# Tourism: Numbers Return Rapidly



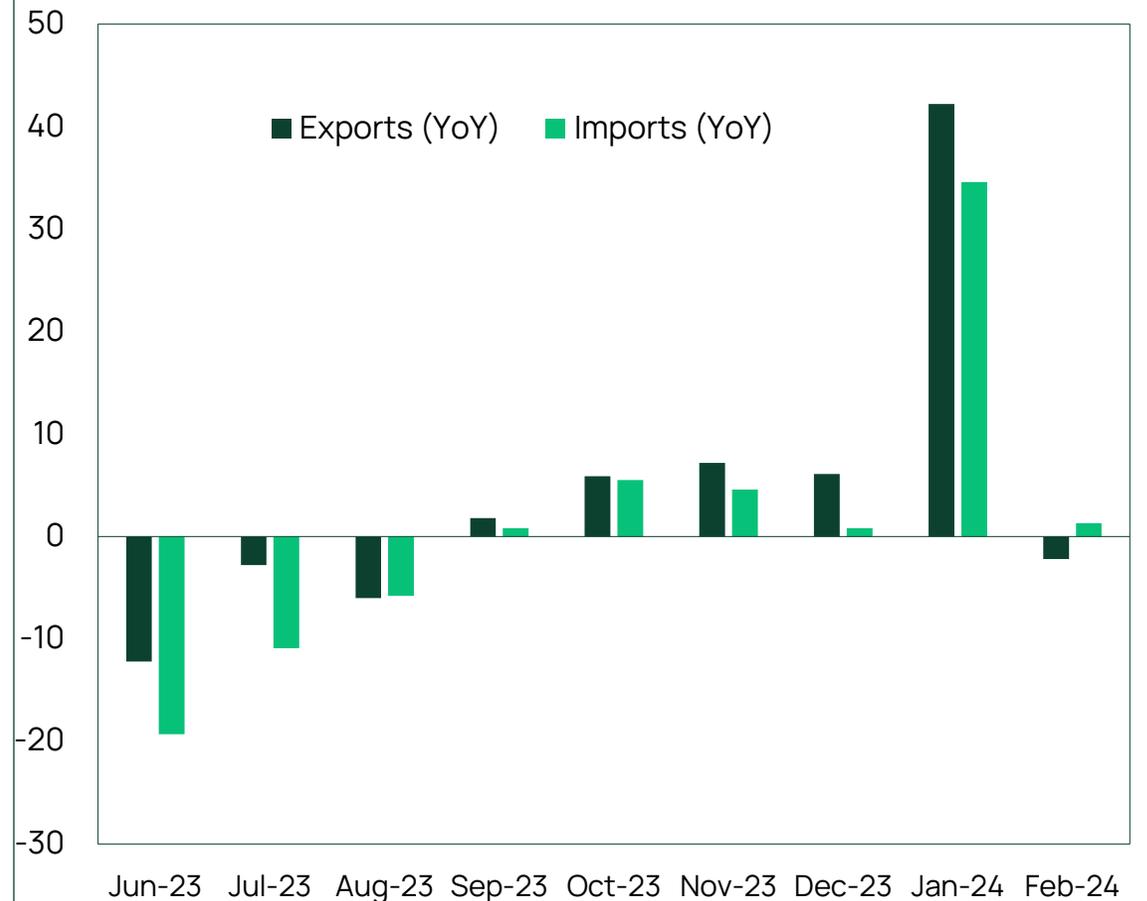
Source: IMF, Bloomberg, GSO

# Economic Activity: Proxies Suggest Recovery

## Electricity Consumption



## Imports & Export Activities



Source: SBV, MOF, Bloomberg

# Macroeconomic Indicators

Item	Unit	2022	2023E	2024F
GDP	\$bn	408.8	430.0	463.0
▶ Growth	%	8.0	5.1	6.0 – 6.5
Exports	\$bn	371.3	354.7	389.4
▶ Growth	%	10.5	-4.6	9.8
Import	\$bn	358.9	326.4	359.7
▶ Growth	%	7.8	-9.5	10.2
Trade Balance	\$bn	12.4	28.0	29.8
Disbursed FDI	\$bn	22.4	23.2	24.2
Inflation	%	3.2	3.3	4.0
FX Reserves	\$bn	85.0	89.0	100.0
VND	\$1	23,550	24,250	25,000
▶ Change	%	3.3%	3.0%	3.0%

Source: IMF, Bloomberg, GSO

# VIETNAM MARKET VIEW

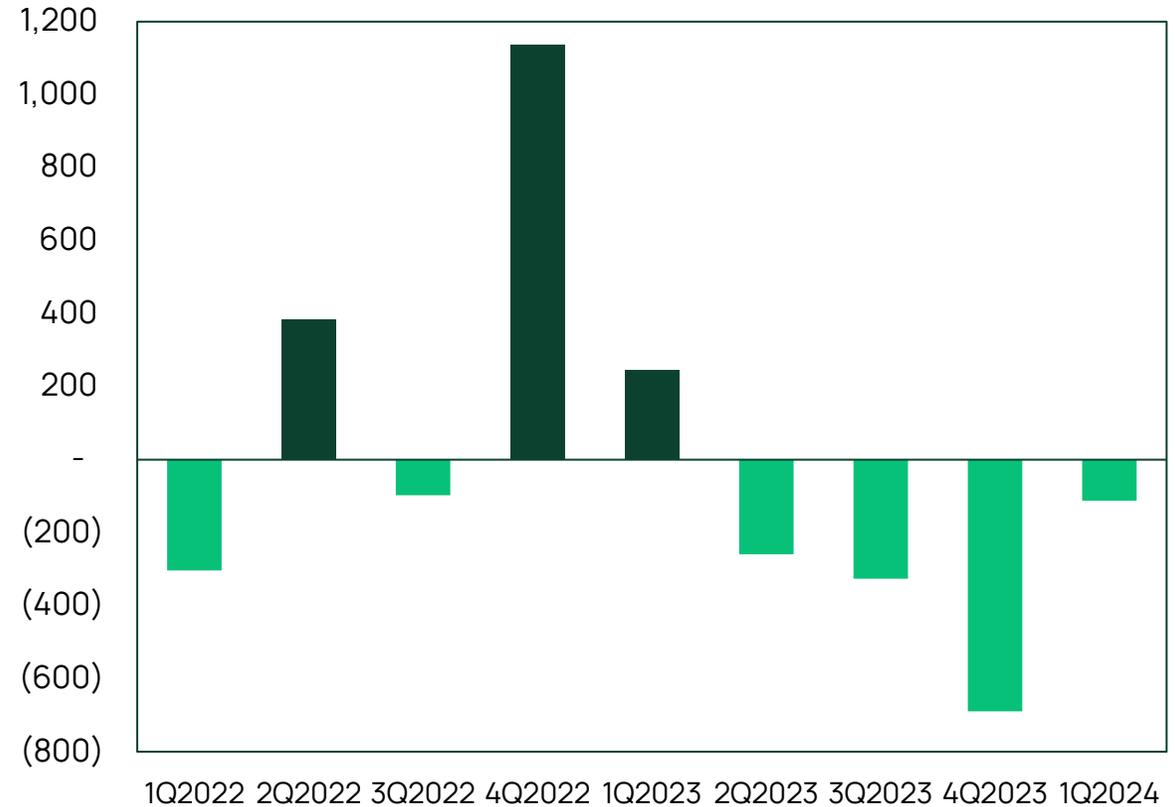
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# Market Forecasts and Valuations

02/29/2023	unit	2020	2021	2022	2023E	2024F
Revenue Growth	%	2.2	22.0	12.3	1.5	13.0
EPS Growth	%	5.6	37.1	-1.4	-4.4	22.7
PER	x	13.7	14.5	9.1	11.7	10.5
PBR	x	2.3	2.6	1.5	1.5	1.5
ROE	%	17.6	20.5	17.2	14.2	15.3
Net DER	x	0.3	0.2	0.3	0.3	0.2
Yield	%	1.4	1.0	1.9	2.2	1.7
VN Index Return	%	14.9	35.7	-32.8	12.2	-

Foreign Flows (USDm)



<sup>1</sup>Top 80 investible stocks across the three exchanges, accounting for 69% of market cap, and its VNI stocks are 80% of that benchmark. All forecasts, valuations and aggregate numbers are adjusted for free float.

Source: Bloomberg

# Roadmap to Market Upgrade

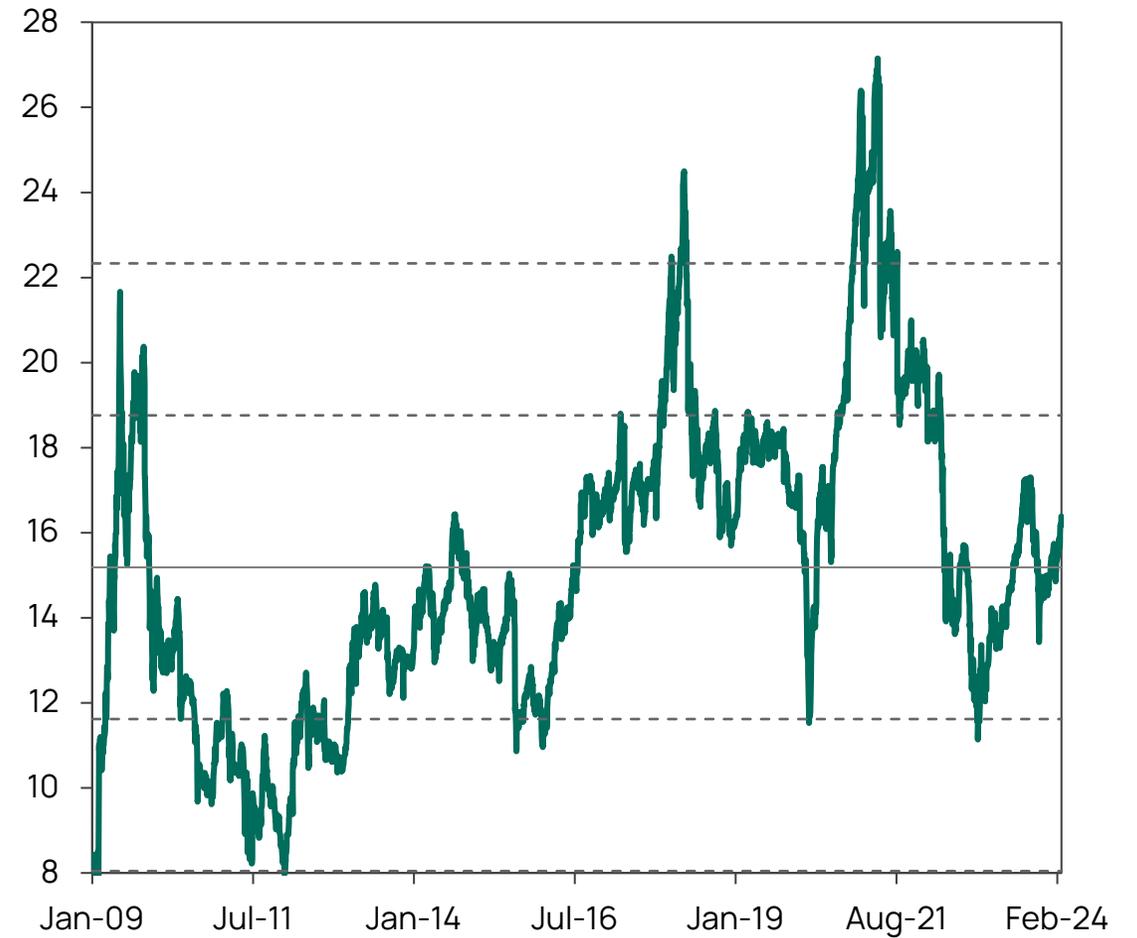
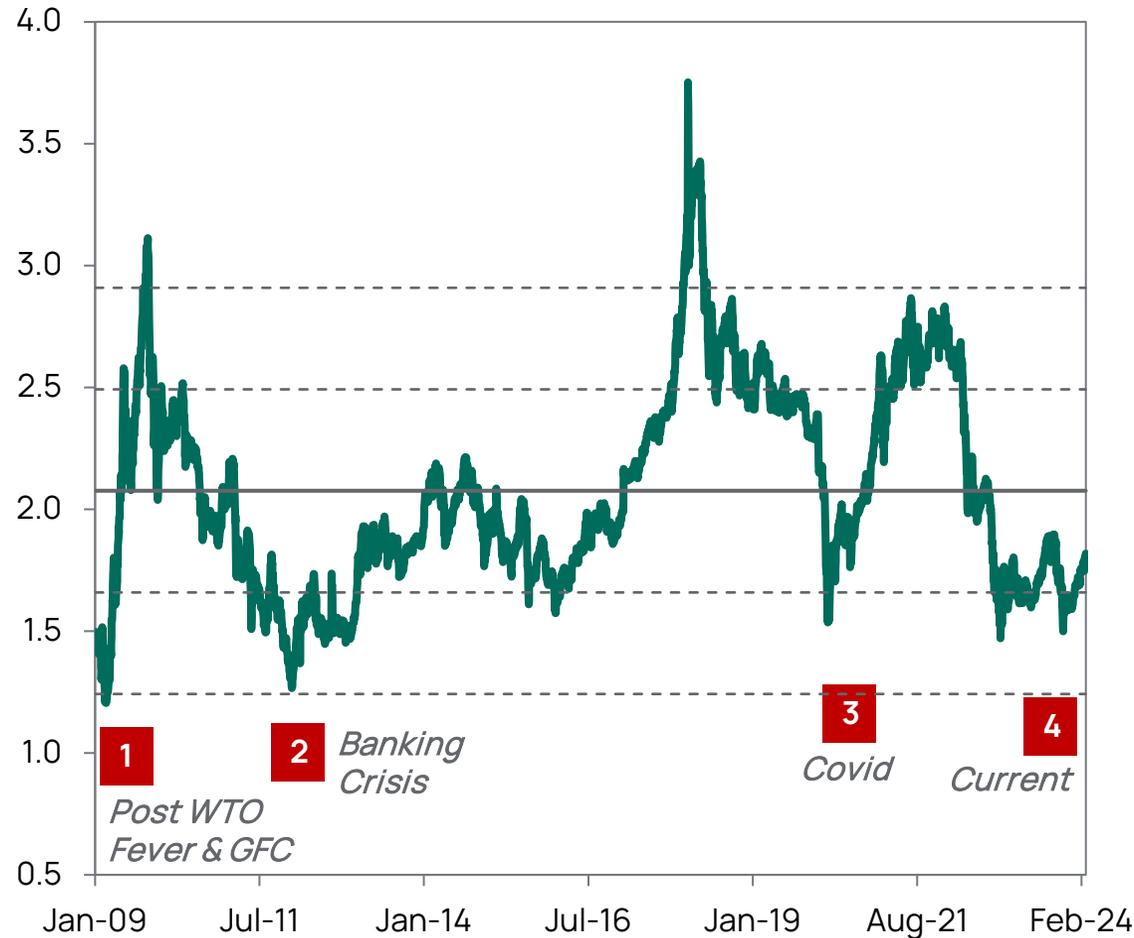
Roadmap to Market Upgrade	
3Q 2022	29 Aug 2022, Shortened Settlement Time to T+2.5 from T+3
2024	Published Decrees and Circulars to address Pre-funding issues
Mar 25	Removal of Pre-funding & FTSE surveys market participants
Sep 2025	Potential FTSE Secondary EM inclusion

## Sensitivity Analysis on Potential Capital Flow

Total AUM tracking in \$bn (Passive + Active)				
	600	800	1,000	
Vietnam's Expected Weight (%)	0.20%	1.2	1.6	2.0
	0.25%	1.5	2.0	2.5
	0.30%	1.8	2.4	3.0

# Valuations

Good Valuation And Accommodative Policies Likely Limit Downside and Offer A Value Entry Point



Source: Bloomberg

# Q&A



THANK YOU  
FOR LISTENING

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