Resilience amidst chaos

- Our long-term view remains that Vietnam is in the middle of a unique growth cycle and that despite global turmoil is well positioned to outperform all of its peers. This remains a national story of resilience that is unmatched.
- On the shorter-term horizon, we forecast a 1-year index target of 2055 (12.5% upside) from a bottom up perspective from a more balanced portfolio. Our 2026 GDP growth target remains 7.6% (8% for 2027) despite global uncertainties.
- We see value across the index which trades at an undemanding 10.4x forward PE when VIC is excluded. Some high-quality names are offering longer term investors excellent entry points (FPT being the most obvious). By sector, we favor banks, consumer, and brokers at these levels.

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Vietnam's naturally resilient mindset wins longer term

In our last Strategy Book (*Vietnam in self-drive mode*) we discussed how effectively Vietnam had come through the US tariff crisis via a mixture of speed, flexibility and pragmatism. The subsequent stellar economic and trade performance surprised many but we emphasized **resilience as a national trait** learnt through a very difficult Twentieth Century for the country. With turmoil (via conflict in the Middle East) emanating from the same source and the potential for further sanctions via Section 301 investigations, Vietnam must flex its Bamboo Diplomacy for yet another time. We once again expect the country to emerge relatively stronger than its peers and suggest that natural resilience may be one of the most important traits for any nation state as the World moves into a highly unpredictable post-AI landscape.

It would be wrong, however, to claim that Vietnam is immune from the multitude of external issues at play in the World. Inflation is on the rise, interest rate uncertainty persists and a healthy trade balance can also bring negative consequences from the US. Longer term, Vietnam requires a more effective debt market and an ability to allow a more flexible currency regime. However, September will bring the long anticipated Emerging Market upgrade under FTSE and there are a slew of market listings ahead. The much heralded IFC is starting to get going predicated on crucial legislative reforms.

Index target of 2055 reflects opportunity and risk

We see strong buying opportunities in a number of stocks and I suggest some here that represent good entry now but also expose buyers to the longer term success story that we see here in Vietnam. Our top picks are listed in the table below but I highlight **FPT**, **TCB**, **GMD**, **REE** and **IDC**.

Figure 1: Highlighted sectors' earnings growth and notable stock picks

Sector	Mkt. cap. Weight	FY26F earnings growth	FY27F earnings growth	Upside	Top picks
Banks	41.5%	14.5%	19.1%	21.9%	ACB, CTG, MBB, HDB, TCB
Consumer	11.4%	25.9%	15.3%	27.9%	MWG, MSN, PNJ
Real Estate	16.2%	32.6%	14.0%	15.5%	NLG, IDC, PDR, TCH, SIP, PHR
Industrials & Transportation	11.9%	-14.2%	-8.7%	15.5%	HPG, GMD, PVT, DHC
Energy & Utilities	9.5%	137.4%	-23.0%	30.9%	POW, REE, PVD, PVS, BWE
Brokers	4.0%	12.4%	18.3%	24.4%	TCX, VCI
Technology & Telecom	2.6%	13.0%	13.6%	23.8%	FPT
Others	2.9%	36.7%	9.9%	8.5%	CTD, BVH, ANV

Source: HSC's Research universe coverage, 2 June 2026

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Contents

Vietnam equities outlook: Waiting for the tide to turn 3
Capital markets outlook: MSCI upgrade in sight, plus IPOs 11
2026-27 economic outlook: A shift to investment led growth 19
Is VN creating its own chaebols, or is it building national champions? 32
Financials: Rate cycle favors insurance, pressures banks & brokers 35
Banks: Liquidity headwinds persist, mind the funding gap 36
Brokers: Selective value amid soft liquidity 46
Insurance: Underpenetrated sector, improving earnings tailwinds 49
Consumer: A bright outlook ahead 52
Core consumer: Retailers outperformance to continue 53
Agriculture-related consumer names: ANV top pick 59
Textiles & Garments: Diverging performance & pressured margins 62
Health Care: Fair value at best 65
Real Estate: Navigating challenges 67
Residential: From tightening to proactive support 68
Realtors: DXS our top pick, with 47% upside 73
Industrial park developers: Back to “wait and see” stance 74
Retail RE: VRE’s aggressive mall rollout outpaces peers 77
Construction: CTD loaded and ready 78
Conglomerates: Exciting opportunities; funding is key 80
Industrials: Capturing restructuring opportunities 81
Materials: Riding the domestic growth cycle 82
Transportation: Navigating fuel cost pressures 86
Energy & Utilities: Energy security at a premium 91
Utilities – Electricity: Diversification is key 92
Energy – Oil & Gas: Offshore capex recovery 94
Utilities - Gas: E10 mandate reshapes the market 99
Utilities – Water: Industrial demand intact 101
Technology: AI upside outweighs near-term risks 104
Macroeconomic forecast 109
Top Picks 110

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Vietnam equities outlook: Waiting for the tide to turn

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- We remain broadly positive on Vietnam's long-term equity market and set a 12-month VN Index target (through end-1H27) of 2,055 points, implying 12.5% upside, derived using a bottom-up approach. The market's implied forward P/E of 11.3x has become more undemanding compared to history.
- This said, the VNI remains susceptible to swings in global risk sentiment amid the current backdrop of elevated geopolitical uncertainty and macro volatility.
- Vietnam's medium-term investment outlook remains positive given its strong manufacturing base, proactive diplomacy, and ongoing reforms. Market catalysts could include FTSE's expected upgrade decision in September, potential MSCI watchlist inclusion, a new wave of IPOs, and Resolution 79 (supporting SOEs).

Long-term positive, but likely not without bumps

We recalibrate our 12-month forward VN Index target (through end-1H27) using a bottom-up framework, incorporating recent IPOs on HoSE and anticipated cash dividends. Our new target is 2,055 points, implying an undemanding 12M forward P/E of 11.3x; if we exclude Vingroup (VIC; not rated), the 12M forward P/E is a lower 10.4x, well below the 5Y average of 14.0x. Our new target incorporates recent earnings revisions from our team of corporate analysts; we now expect aggregate net profit growth of ~26.0% for FY26, higher than our earlier forecast of ~15.5%. Meanwhile, our economists recently set GDP growth forecasts of 7.6% for this year and 8.0% for 2027.

In our previous major market strategy from last Dec. ('*Vietnam in self-drive mode*'), we set an end-2026 VN Index target of 1,958 points. The market subsequently reflected much of the optimism we had outlined earlier, coming close to our target in May-26 when the index reached a high of 1,932 points, before profit taking led to a 5% retracement to the current level of 1,826 pts. That said, the advance was relatively narrow, with index performance disproportionately supported by the Vingroup complex well beyond our expectations.

In coming months, we expect a healthier and more balanced market, characterized by broader earnings participation and a more synchronized rally across both blue-chip conglomerates and the wider market. That said, the VN Index remains vulnerable to swings in market sentiment, particularly amid heightened geopolitical uncertainty globally. In addition, significant moves in mega-cap stocks could cause the index to deviate materially, either above or below our fundamentally derived forecasts.

Key upside and downside risks – 12M view

Key upside catalysts include the anticipated inflow of foreign capital following Vietnam's FTSE Emerging Market upgrade in September, a stabilizing FX environment, domestic interest rates reaching their peak, continued regulatory reforms aimed at facilitating a future MSCI upgrade, and a stronger pipeline of IPOs and market listings. Should these catalysts materialize, they could support a meaningful re-rating of Vietnamese equities and drive the VN Index higher and possibly beyond our current target.

We also note potential downside risks that could weigh on the market, including the potential for a short-term liquidity-driven retracement, a more prolonged conflict in the Mideast, higher-than-expected energy prices and consequent inflationary pressures, a weaker global growth backdrop, and the possibility that domestic interest rates remain elevated for longer than anticipated.

Light at the end of the tunnel; buy on dips

Despite near-term uncertainties and slightly weaker than expected forward earnings, we remain broadly positive on Vietnam equities and view market weakness as an opportunity to accumulate. Prices are already undemanding, in our view. We also highlighted sector picks and positioning below in our report for your perusal.

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VN Index: 12M forward target of 2,055 points

Our end-1H27 VN Index target is derived using a bottom-up methodology, incorporating the latest earnings forecasts from our broad market coverage, expected cash dividends, and recent HoSE IPOs. For companies outside our coverage universe, we assume earnings growth broadly in line with our economists' GDP outlook. Based on this framework, our target is set at 2,055 points, equivalent to a forward P/E ratio of 11.3x, which still implies adequate upside from current levels.

Figure 2: HSC's VN Index projections

	End-26 target		Mid-27 target	
	Previous	Revised	New	12M fwd P/E
VN Index	1,958	1,937	2,055	11.3x*
Upside from 2 June level	7.2%	6.0%	12.5%	

*Note: *10.4x ex-VIC.*
Source: HSC Research estimates

We expect Vietnam to return to a recovery phase from end-FY26, supported by ongoing structural reforms and several key macro catalysts. Historically, Vietnamese equities have tended to rally ahead of earnings recovery, with liquidity often serving as the primary driver. As a result, market performance during these recovery cycles can be disproportionately influenced by large-cap stocks, leading valuations to temporarily disconnect from fundamentals.

Accordingly, while our target is anchored in bottom-up fundamentals, we also recognize the potential for valuations to expand further or lower at times, depending on liquidity, sentiment and global market conditions, consistent with previous market historical patterns. The VN Index remains highly sensitive to shifts in investor sentiment, and Vietnam's equity market has a well-documented tendency to overshoot in both directions. With the extremely volatile global market condition, a period of exuberance cannot be ruled out, potentially driving the index well distanced from its fundamentally-derived value.

Sector positioning

Despite near-term uncertainties, we remain broadly positive on Vietnam equities and view market weakness as an opportunity to accumulate. **Banks, Consumer, Brokers and Industrials** remain our preferred sectors, supported by ongoing regulatory reforms and improving economic activity.

We also see compelling alpha and **turnaround opportunities** in **Utilities**, **Industrial Park developers**, **and Technology.** In our view, much of the downside has already been priced in, while potential inflection points could emerge between now and 1H27. **While some residual downside risk for these "potential turnaround" sectors may persist in the near term**, we believe risk-reward is becoming increasingly attractive. We will continue to monitor developments closely and discuss these opportunities in the subsequent reports in the future.

Banks: Positive on economic recovery and more sustained credit growth. While tight system liquidity and elevated funding costs may continue to pressure NIMs in the near term, banks should remain key beneficiaries of accelerating economic activity and improving credit demand. We favor high-quality franchises with strong balance sheets and resilient profitability, including **MBB, CTG, ACB,** and **VCB**. For investors seeking higher alpha, **TPB, VIB, TCB,** and **VPB** offer greater earnings leverage and sensitivity to a strengthening macro environment.

Consumer: A combination of fiscal stimulus and structural growth drivers. The extension of the VAT reduction and proposed revisions to the Personal Income Tax Law should help boost household disposable income and strengthen domestic demand. At the same time, rapid AI adoption is creating new growth opportunities across the ICT value chain, supporting demand for technology products, digital services, and related infrastructure. Together, these trends should provide a favorable backdrop for stronger earnings growth across consumer and consumer-related technology companies. We favor **MSN** and **MWG** as core beneficiaries of improving consumption trends, while **PNJ** and **DGW** offer additional exposure to recovering discretionary spending and technology demand.

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Brokers: Broadly positive on market upgrade and capital market deepening. While market liquidity remains below peak levels, we expect trading activity to gradually recover as investor confidence improves. Progress toward FTSE/MSCI upgrades, alongside a potentially stronger IPO and equity issuance cycle, should support both brokerage and investment banking revenues over the medium term. We prefer **TCX** and **VCI** as our top picks, while **SSI** remains an attractive large-cap exposure to the sector.

Industrials: Growth powered by domestic demand. Vietnam is entering a favorable growth cycle driven by accelerating public investment, large-scale infrastructure projects and a recovery in the real estate market, providing a solid demand foundation for domestic-oriented materials producers. Unlike export-dependent businesses that remain exposed to external uncertainties and trade barriers, companies focused on the local market are better positioned to deliver stable earnings growth and benefit directly from Vietnam's long-term urbanization and infrastructure development trends. Our top pick is **HPG,** which is well positioned to benefit from Vietnam's construction growth cycle, supported by its dominant domestic market position and favorable trade protection measures.

For alpha and turnaround names, we prefer to await a more meaningful retracement before building positions later this year, including:

Utilities: Positive on Vietnam's energy security agenda and industrial upgrading. As Vietnam positions itself as a regional hub for high-tech manufacturing and moves up the global value chain, ensuring reliable energy and infrastructure supply has become a strategic priority. Rising power demand, accelerating grid investments, and renewed focus on domestic energy development should support long-term growth across the utility and energy value chain. We favor **POW** and **REE** for exposure to rising electricity demand, **PVD** and **PVS** as beneficiaries of increased upstream energy investment and energy security initiatives, and **BWE** as a high-quality play on expanding industrial and urban water demand.

Industrial Park Developers: Positive on recovering FDI inflows and long-term manufacturing relocation trends. Recent months have seen a reacceleration in FDI commitments and disbursements, reinforcing Vietnam's position as a key regional manufacturing hub. While leasing demand remains below historical peaks and rising construction costs may slow the rollout of new industrial parks, land rents in major industrial clusters continue to trend upward. We favor developers with sizeable land banks, visible expansion pipelines, and strong recurring cash flows. **IDC** and **SIP** are our preferred names for long-term exposure, while **PHR** offers additional upside from land compensation catalysts.

Technology: Overblown concerns over AI disruption create an attractive entry opportunity. While investors remain concerned that GenAI and autonomous agents could pressure the traditional outsourcing model, we believe these risks have been overstated. The sector continues to benefit from structural demand for digital transformation and AI adoption, while earnings growth remains resilient. Following the recent derating, valuations have become increasingly attractive relative to historical levels. **FPT** remains our top pick, supported by its market leadership, diversified growth drivers, and strong positioning across emerging technology trends.

We also show our preferred picks and dynamics across the sectors we cover. However, depending on investor preferences, there may be different playbooks for different investment horizons.

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Figure 3: Sector earnings growth forecast & upside, HSC coverage

No.	Industry	Market cap. weight	FY26 earnings growth	FY27 earnings growth	Upside
1	Financials: Banks	41.5%	14.5%	19.1%	21.9%
2	Financials: Insurance	1.3%	35.9%	14.6%	7.0%
3	Financials: Brokers	4.0%	12.4%	18.3%	24.4%
4	Real Estate: Residential	12.6%	51.2%	11.7%	12.6%
5	Real Estate: Retail	1.2%	-31.1%	33.6%	31.0%
6	Real Estate: Construction & Construction Materials	0.1%	-4.4%	28.8%	49.7%
7	Real Estate: Industrial Parks	2.4%	-7.4%	20.3%	21.5%
8	Energy - Oil & Gas	6.5%	256.8%	-31.3%	38.0%
9	Utilities - Electricity, Gas, and Water	3.0%	-32.1%	38.8%	15.6%
10	Transportation	7.6%	-14.2%	-8.7%	-0.3%
11	Industrials	4.4%	38.2%	11.0%	42.7%
12	Chemicals	0.6%	52.6%	-7.9%	28.4%
13	Agriculture-related	0.5%	27.9%	17.8%	25.0%
14	Consumer	11.4%	25.9%	15.3%	27.9%
15	Textiles	0.1%	1.7%	-1.7%	17.5%
16	Technology & Telecom	2.6%	13.0%	13.6%	23.8%
17	Health Care	0.4%	11.0%	8.6%	2.6%
	Total	**100.0%**	**26.0%**	**10.4%**	**21.6%**

Source: HSC Research

Figure 4: Highlighted sectors earnings growth and notable stock picks

Sector	Mkt. cap. Weight	FY26F earnings growth	FY27F earnings growth	Upside	Top picks
Banks	41.5%	14.5%	19.1%	21.9%	ACB, CTG, MBB, HDB, TCB
Consumer	11.4%	25.9%	15.3%	27.9%	MWG, MSN, PNJ
Real Estate	16.2%	32.6%	14.0%	15.5%	NLG, IDC, PDR, TCH, SIP, PHR
Industrials & Transportation	11.9%	-14.2%	-8.7%	15.5%	HPG, GMD, PVT, DHC
Energy & Utilities	9.5%	137.4%	-23.0%	30.9%	POW, REE, PVD, PVS, BWE
Brokers	4.0%	12.4%	18.3%	24.4%	TCX, VCI
Technology & Telecom	2.6%	13.0%	13.6%	23.8%	FPT
Others	2.9%	36.7%	9.9%	8.5%	CTD, BVH, ANV

Source: HSC's Research universe coverage, 2 June 2026

Market drivers – 12M view

Foreign flows: A gradual return toward equilibrium by end-2026

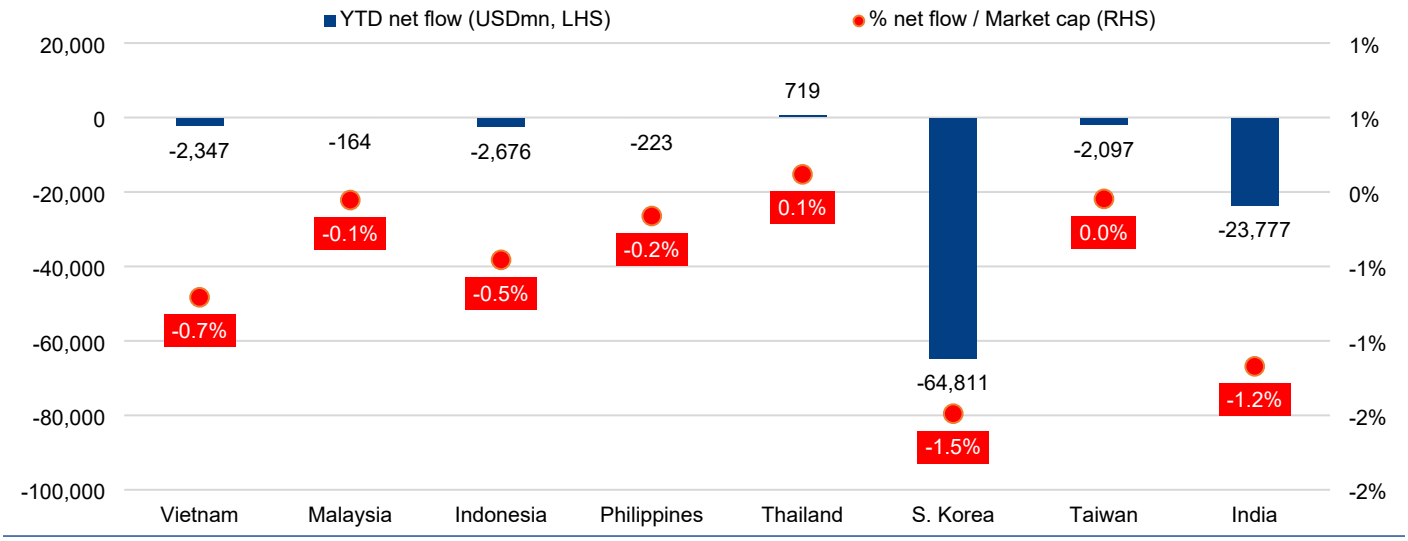
Foreign selling in Vietnam equities has reached unprecedented levels and should reach equilibrium soon. The market has continued to experience substantial foreign outflows in 2026, with net foreign selling already exceeding USD2bn YTD. Over the past three years, cumulative net foreign sales have amounted to approximately USD10.3bn, and the latest YTD figure places Vietnam among the hardest-hit equity markets in ASEAN in terms of total net sold over market capitalization.

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Figure 5: Vietnam and peers' foreign capital flow YTD

Net outflow is the dominance theme of peer equity markets



Source: Bloomberg, HSC Research

This said, Vietnam is not an isolated case. Most ASEAN markets and emerging economies have also faced persistent foreign outflows amid a broadly risk-off global environment characterized by elevated US bond yields, a prolonged period of tight monetary policy by the Federal Reserve, and heightened geopolitical uncertainty. Against this backdrop, global investors have generally reduced exposure to emerging and frontier markets while reallocating capital toward developed markets and defensive assets. This trend may persist in the near term before gradually moving toward a more balanced equilibrium.

Foreign selling in Vietnam has been driven by several factors, including exchange rate pressures, uneven market and a broader rotation of capital toward safe-haven assets. Relative to Vietnam, markets such as Taiwan and South Korea have attracted stronger investor interest, supported by compelling AI-related investment themes, stronger earnings momentum, and quicker share price appreciation. These dynamics have contributed to significant fund redemptions from Vietnam-focused strategies, prompting several active managers to reduce their allocations or exit the market entirely. At the same time, the sharp outperformance of Vingroup-related stocks, often perceived by investors as disconnected from broader market fundamentals, has contrasted with weakness across much of the market. This divergence has resulted in meaningful underperformance for many actively managed funds benchmarked to Vietnam equities, further weighing on investor sentiment and reinforcing foreign selling pressures.

Some relief to be seen by the end of the year with FTSE EM disbursement. Vietnam's upcoming FTSE Emerging Market inclusion in Sep-26 may be one of the market's liquidity most important medium-term catalysts heading into FY27. Per our preliminary HSC estimates, passive inflows tracking FTSE indices could reach roughly USD1bn following official inclusion. However, this figure could be materially higher depending on the actual level of fund deployment and portfolio allocation at the time. As such, we may revise our estimates once greater clarity on actual disbursements emerges. More importantly, FTSE Russell's own estimates suggest potential active inflows could eventually amount to USD5–6bn over time, significantly larger than the passive component.

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Figure 6: Estimated flow to Vietnam equity market following FTSE upgrade, selected passive funds

USDmn	Total AUM	Vietnam weight	Inflows expected to be allocated
Funds tracking FTSE EM All Cap	161,174	0.329%	530.3
Funds tracking FTSE EM	16,644	0.192%	32.0
Funds tracking FTSE Global All Cap	1,039,900	0.034%	353.6
Funds tracking FTSE All World	150,100	0.020%	30.0
Total	**1,367,818**		**945.8**
Tranche One (Sep 2026) - 10%			*94.6*
Tranche Two (March 2027) - 20%			*189.2*
Tranche Three (June 2027) - 35%			*331.0*
Tranche Four (Sep 2027) - 35%			*331.0*

Source: HSC Research

While active funds are unlikely to return aggressively in the near term given the still-challenging global macro environment, we believe foreign investor positioning toward Vietnam could gradually improve as the market upgrade timeline becomes clearer and more tangible.

Importantly, foreign ownership across the market has already declined to a record low of below 14% of total shares outstanding, compared with a historical average of approximately 18-19%. This figure includes strategic holdings, which likely account for around 7-8% of total shares outstanding and are generally not actively traded. As a result, the pool of foreign-held free-float shares has narrowed considerably, suggesting that incremental foreign selling pressure may become increasingly limited from current levels. Combined with improving market fundamentals, new wave of IPOs and growing visibility on the upgrade story, this could help foreign flows gradually move toward a more balanced footing over time.

Figure 7: Foreign ownership in HSX

At a historical low currently



Source: FiinPro, HSC Research

Figure 8: 1Q26 net profit growth, Vietnam listcos

%	Growth y/y	Growth q/q
VN - all shares	**35.3**	**-1.1**
Large cap	*36.4*	*-0.2*
Mid cap	*23.8*	*-5.1*
Small cap + micro-cap	*38.1*	*-31.5*
VN Index	**49.9**	**4.0**
VN30 Index	48.0	4.5
HSC - all coverage	**59.5**	**0.9**
HSC - HoSE	61.9	1.4
HSC - Large cap	60.2	0.6
HSC - Mid cap	24.4	-10.2

*Notes: **Micro-cap -** < VND100bn; **small cap -** from VND100bn to below VND1tn; **mid cap** - from above VND1tn to VND10tn; **large cap** - above VND10tn.*
Source: HSC Research

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Figure 9: VN Index P/E trailing (excluding Vin-trio (x))

A deep discount, at 11.7x (-1 SD)



Vin-trio includes VIC, VHM, VRE.
Source: Bloomberg, HSC Research

Figure 10: Consensus VNI P/E forward (excluding Vin-trio (x))

Our fwd. VNI at 10.4x, also at -1 SD, in-line with consensus



Vin-trio includes VIC, VHM, VRE.
Source: Bloomberg, HSC Research

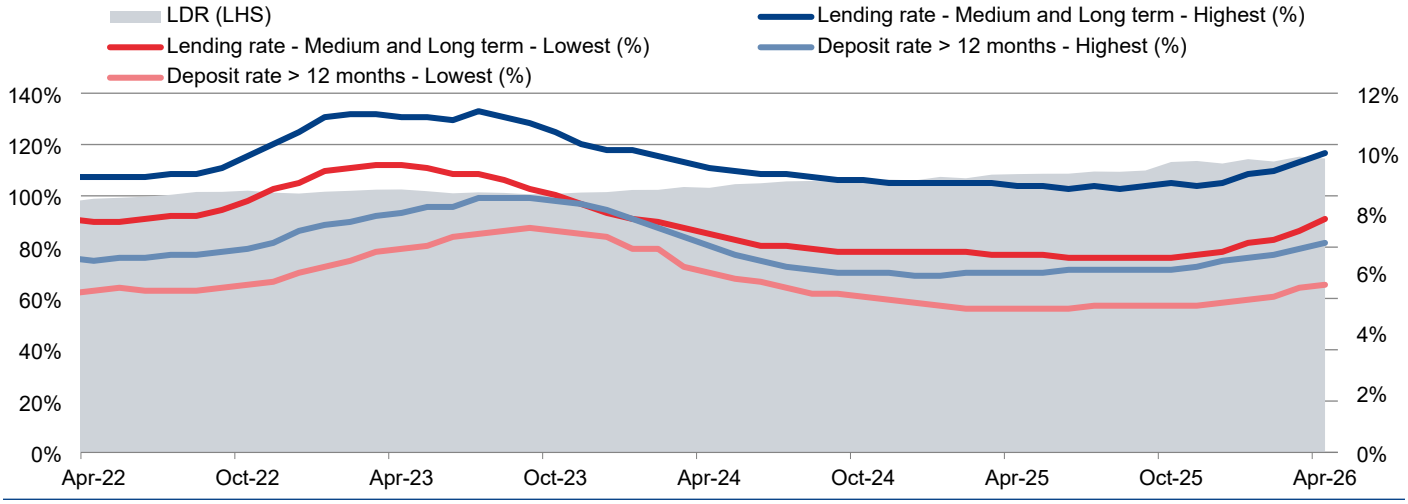
Valuations: Undemanding with decent earnings growth but liquidity remains key overhang until resolved

Valuations remain broadly undemanding, on the back of strong expected earnings growth. VN Index earnings rose 49.9% y/y and 4.0% q/q in 1Q26, bringing the market's trailing P/E down to 13.6x, slightly below the five-year average of 14.1x. Excluding the Vingroup complex, valuations appear even more attractive, with trailing P/E at 11.7x and forward P/E at 10.3x, compared with 12.8x for the broader market (per Bloomberg).

Broad market lags amid liquidity constraints. Despite resilient corporate earnings and increasingly attractive valuations, stronger market participation has yet to materialize. Average daily trading value has declined to its lowest level since mid-February 2026. Concerns surrounding global volatility, domestic liquidity conditions, the interest-rate trajectory, and slower-than-expected public investment disbursement continue to weigh on sentiment and limit the market's ability to sustain a meaningful breakout.

Figure 11: System-wide LDR and interest rate movements, Vietnam

Tighter liquidity conditions are driving both deposit rates and lending rates higher



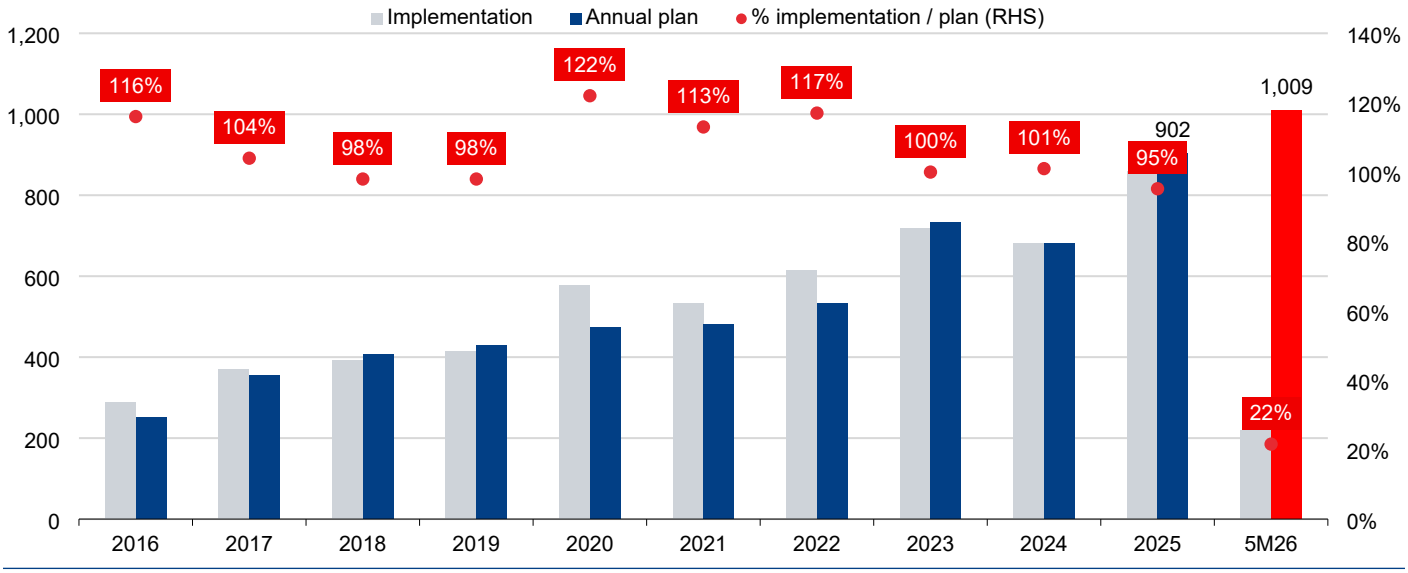
Source: SBV, FiinPro, HSC Research

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Figure 12: Vietnam public investment (VNDtn)

Only 22% of the annual plan has been disbursed in 5M26

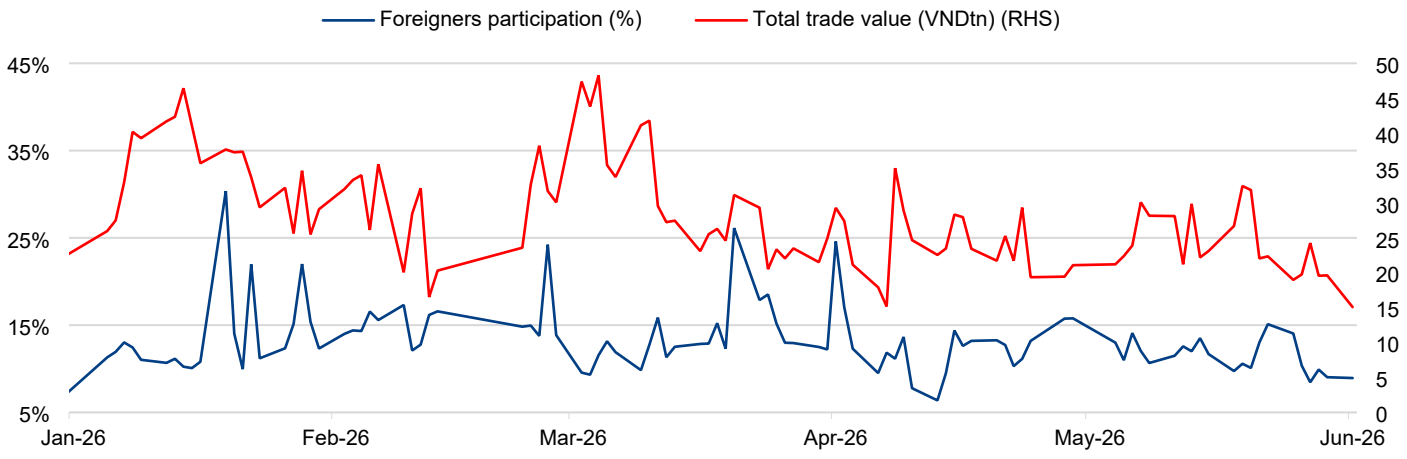


Source: MoF, HSC Research

Among these factors, domestic liquidity remains a key overhang and is increasingly evident in retail investor behavior. Based on our channel checks, retail investors have been reallocating capital toward alternative asset classes, particularly bank deposits and gold, resulting in a noticeable decline in participation in the equity market. This shift reflects a preference for capital preservation and lower-risk assets amid ongoing uncertainty.

Figure 13: Foreign investor participation and market liquidity, Vietnam

Market liquidity remains subdued, while foreign investors continue to post steady net selling



Source: FiinPro, HSC Research

As a result, persistent foreign selling has been compounded by weakening domestic retail participation, creating a challenging liquidity backdrop for the broader market. Consequently, while the headline VN Index has been supported by the strong performance of the Vingroup-related stocks, the broader market has remained subdued, with many sectors and stocks failing to fully reflect their underlying earnings growth and valuation appeal.

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Our conclusion: Stronger 2026 earnings and easing energy prices from 4Q26 will improve market conditions

In our view, the key catalyst for a broader market recovery will be the ability of listed companies to deliver solid earnings through 2Q26 and 3Q26. Investors are increasingly focused on the sustainability of earnings growth, particularly given lingering concerns over liquidity conditions and the macroeconomic outlook. While 1Q26 earnings were robust, the economic impact of the Iran conflict is likely to become more visible in subsequent quarters. The conflict in Iran triggered a broad-based commodity and energy shock, with supply disruptions and logistics constraints pushing up prices across oil, metals, and agricultural commodities. As a result, margin pressure may intensify in 2Q26, particularly for downstream, manufacturing, and energy-intensive sectors. This remains a key risk that investors will monitor closely during the upcoming earnings season.

Overall, while valuation support remains compelling, a sustained improvement in market performance will likely require confirmation that earnings growth remains intact through 2Q26-3Q26. If corporate results continue to surprise positively and energy prices remain on a moderating trend, investor confidence could improve meaningfully. Combined with gradually improving liquidity conditions, stronger public investment execution, a stabilization of external risks, and growing visibility around Vietnam's expected market upgrade in September 2026, the VN Index could enter a re-rating phase supported by stronger earnings visibility, improving sentiment, and renewed capital inflows.

Capital markets outlook: MSCI upgrade in sight, plus IPOs

FTSE EM upgrade should be a turning point for market reforms and laying the groundwork MSCI EM upgrade

Beyond the flow arithmetic, the upgrade elevates Vietnam's standing in the eyes of global institutional investors and lays the groundwork for engagement with larger index providers, most notably MSCI.

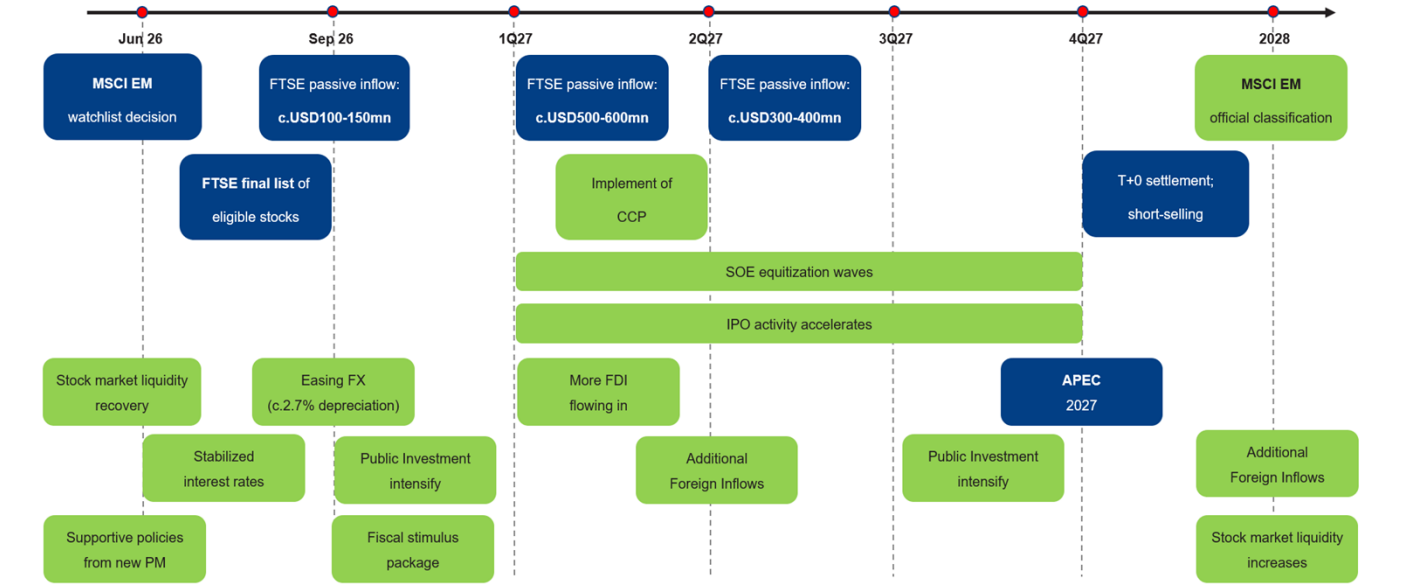
Vietnam's stock market has formally (1) satisfied nine out of 18 market accessibility measures for MSCI EM classification as well as (2) passed all the bars of size and liquidity. Notably, the implementation timeline for CCP mechanism has also been brought forward, with authorities now targeting deployment in 1H27 versus the previous expectation of 2H27. Together with ongoing foreign ownership limit reforms and improvements in market infrastructure, the pathway toward MSCI Emerging Market status by the end of the decade is becoming progressively more visible.

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Figure 14: Key milestones on Vietnam's market

A roadmap of regulatory reform, index inclusion, and institutional deepening positions



Notes: Blue = confirmed events; green = our expectations.
Source: HSC Research

Figure 15: Vietnam's path to MSCI Emerging Market status

Historically, ex-frontier markets stayed on MSCI watchlist for 1 - 3 years before the official classification



Source: MSCI, HSC Research

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Figure 16: MSCI Emerging Market: Market accessibility requirements (1/2)

Vietnam currently has 9 that are satisfied and 9 that are on track

	Criterion	Status	Notes on Vietnam
Openness to foreign ownership			
1	Investor qualification requirements	Satisfied	No QFII/licensed investor system required. Foreign institution registration process (via VSDC e-trading code) is straightforward and non-discretionary.
2	Foreign ownership limit (FOL) level	On track	HoSE FOL rose to 46% (Apr 2026) driven by 100% FOL large-cap listings. >10% of market is still restricted in conditional/sensitive sectors.
3	Foreign room level	On track	Improving as more large caps open full foreign room. Some strategic blue chips (banks, telecoms, consumers) remain near or at FOL ceiling.
4	Equal rights to foreign investors	On track	English disclosure improved markedly post-Cir.08/2026. Corporate governance and minority shareholder protection are partly sub-EM standard.
Ease of capital inflows / outflows			
5	Capital flow restriction level	Satisfied	No restrictions on equity capital inflows or outflows. Dividend and principal repatriation permitted.
6	FX market liberalization level	On track	Sole outstanding criterion. No offshore USD/VND deliverable market. SBV controls FX; limited hedging instruments. Commercial bank FX hedging under discussion: positive signal, not yet implemented.
Efficiency of operational framework: *Market entry*			
7	Investor registration & account setup	On track	Process streamlined under Cir.08/2026 but still involves multi-document requirements. Operationally burdensome vs. EM peers.
Efficiency of operational framework: *Market organization*			
8	Market regulations	On track	Cir.08/2026 significant upgrade: settlement discipline tightened, foreign access rules clarified. Not all regulations available in English; some ambiguity remains.
9	Information flow	Satisfied	Upgraded in MSCI 2025 review. Phased mandatory English disclosure from Jan 2025; regulators and listed companies now broadly disclosing in English.
Efficiency of operational framework: *Market infrastructure*			
10	Clearing and settlement	On track	NPF (non-prefunding) mechanism fully operational 2025. DVP functional. CCP on track for 2027.
11	Custody	Satisfied	Multiple global custodians operational (HSBC, Citi, Deutsche Bank). Efficient asset safekeeping; broker access to investor accounts adequately restricted.
12	Registry / Depository	Satisfied	VSD (Vietnam Securities Depository) is a well-functioning central depository and registry. No registration at issuer level.
13	Trading	Satisfied	KRX-based trading system upgraded. Competitive broker landscape including global names. Dual account structure available for fund managers; full omnibus framework is in progress.
14	Transferability	Satisfied	Upgraded in MSCI 2024 review. Off-exchange transactions and in-kind transfers are now permitted without regulatory pre-approval.
15	Stock lending	On track	Regulatory framework exists but stock lending is not an established market practice. CCP implementation (late 2026/early 2027) expected to enable proper infrastructure.
16	Short selling	On track	VN30 index futures expanded in 2025-2026, broadening hedging tools. Short selling is limited in practice; not yet an established mechanism vs. EM standard.
Availability of investment instruments			
17	Availability of investment instruments	Satisfied	No restrictive data-licensing clauses that would prevent ETF creation or external index construction. Vietnam's exchange data terms are open.
Stability of institutional framework			
18	Stability of institutional framework	Satisfied	Stable free-market track record; no history of targeted capital controls against foreign equity investors. Government reform commitment consistently and sustained.

Source: MSCI, HSC Research

Figure 17: MSCI Emerging Market status: Size and liquidity requirements (2/2)

Entry requirement: Minimum three companies meeting all requirements over the past eight index reviews

Criterion	Status	Notes on Vietnam
Company size: Full market cap ≥ USD2,964mn	Strong pass	Seven stocks on HSX passed*
Security size: Float market cap ≥ USD1,482mn	Strong pass	Seven stocks on HSX passed*
Security liquidity: 15% AVTR**	Strong pass	Seven stocks on HSX passed*

*Note: *HSC Research estimates VIC, VHM, TCB, HPG, FPT, VNM and MWG pass all bars; **annual value traded ratio.*
Source: MSCI, HSC Research

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After several slow years, 2027 could be the biggest IPO window in decades

This situation applies to all private enterprises, FDI companies, and state-owned enterprises (SOEs). This opportunity is not merely a function of market cycles; rather, it reflects a series of structural improvements in the legal framework, market infrastructure, and policy support mechanisms that have been put in place between 2024 and 2026.

Figure 18: Major IPO/fund raising deals from 2025 to 2027

New momentum from Decree 245



Source: HSC Research

Notably, Law No. 68/2025 on the Management and Investment of State Capital in Enterprises, together with the implementing decrees expected to be issued in 2026, establishing a new legal foundation for SOE equitization and divestment. The reforms aim to grant greater autonomy to state capital representatives such as SCIC, HFIC, and other state capital management agencies, shifting the mindset from managing public assets toward investing and operating state capital on a commercial basis.

Alongside SOEs, the FDI sector is also facing a potentially transformative opportunity. Decree 245/2025 has significantly streamlined listing procedures for foreign issuers, reducing the timeline from IPO completion to listing from 90 days to 30 days, allowing the use of international credit ratings, and eliminating several administrative layers.

However, despite more than two decades having passed since Vietnam first allowed FDI enterprises to list on the domestic stock market, the number of listed companies with foreign ownership exceeding 50% remains limited. The primary constraint has not been administrative procedures, but rather the ownership structure of most FDI enterprises in Vietnam, many of which are subsidiaries of multinational corporations with limited need to raise capital domestically. To foster a genuine wave of FDI IPOs, Vietnam will likely need to move further by accelerating IFRS adoption, continuing to liberalize foreign ownership limits in non-sensitive sectors, and considering targeted tax and listing incentives similar to those implemented in Singapore and Malaysia to reduce the costs associated with pre-IPO restructuring.

The bond market will be recovering stronger in 2027. From a broader capital market perspective, the outlook for 2027 is further supported by the gradual recovery of the corporate bond market following several years of adjustment. Enhanced regulations on disclosure, collateral requirements, and the use of proceeds have

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helped restore investor confidence, while the value of defaulted bonds has fallen significantly compared with the crisis period of 2022-23. Although bond maturities remain elevated, particularly within the real estate sector, the current trend suggests that capital is increasingly flowing back toward issuers with stronger credit profiles, transparent collateral structures, and exposure to infrastructure, utilities, and manufacturing.

Global uncertainties are the key risk factor

Elevated global interest rates, geopolitical tensions, and cautious international capital flows may continue to create short-term volatility. However, Vietnam's strong macroeconomic fundamentals, robust corporate earnings growth, improving sovereign credit outlook, and the powerful catalyst of the FTSE upgrade are creating a rare and favorable backdrop for capital market development. If the government maintains its reform momentum, continues to strengthen the legal framework for equitization and market development, and if enterprises proactively improve governance standards and transparency, then the 2027-28 period could mark Vietnam's most significant IPO cycle since the listing wave of 2017-18, signaling a strong resurgence of both the private sector and state-owned enterprises in the capital markets.

Local politics are stable, and new technocratic PM

Domestically, the most important development is the appointment of former State Bank Governor Le Minh Hung as Prime Minister, a move widely viewed as broadly positive by both local and foreign investors at a time when Vietnam's macro stability framework is increasingly critical.

Figure 19: Key initiatives by PM Le Minh Hung since his tenure

Across all sectors

Date	Direction	Impact area
8 Apr	Reaffirmed **>10%** average annual **GDP growth** (2026-31)	Economy
9 Apr	Direct the **SBV to stabilize** deposit and lending **rates**	Money market
	Target to eliminate 334k substandard homes and build 102k+ social housing units	Property market
	Directive **resolve bottlenecks** for approximately **1,500 projects**	
	Rollout of the 2026-30 socio-economic and medium-term public investment plan	Economy
13 Apr	Streamline administrative procedures and reduce business conditions	Private sector
14 Apr	Provide annual public free health check-ups	
15 Apr	Proposed three key cooperation priorities on energy security at PM Takaichi Sanae's expanded AZEC summit	Energy
16 Apr	Chaired **meeting with 52 major US firms** on trade and strategic cooperation	Trade
17 Apr	Direct the Ministry of Home Affairs to implement **salary policy reforms**	Social welfare
	Mandate streamlines public service units and **accelerates local government reorganization** by 2Q26	Administration
21 Apr	Plan to **raise the taxable revenue threshold** for household businesses **to VND1bn/year**	Private sector
29 Apr	Directed 8 resolutions cutting and simplifying administrative procedures across 14 ministries	Private sector
4 May	Development of digital infrastructure, national systems, and digital economy regulatory sandboxes	Digital
	Target >110,000 social housing units completed in **2026**	Property
	Directed MoIT to ensure energy security, **cut power use by 3% in 2026**, and **reduce peak load** by **3,000MW**	Energy
5 May	Restructured US trade task force under Deputy PM Pham Gia Tuc to adapt to US tariff and trade policy shifts	Trade
11 May	Directed MoJ to finalize legal system strategy to 2045, and complete civil registry database integration by May-26	Digital
25 May	Chaired a **working session** on **rental housing development in Hanoi**	Property
1 June	Signed Decision No. 967/QĐ-TTg on restructuring national pharma development steering committee	Pharmaceutical

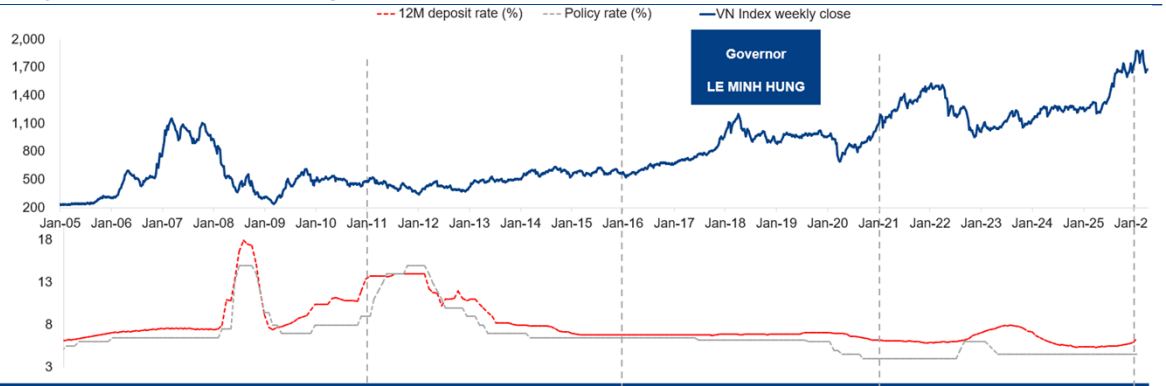
Source: Press release, HSC Research

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His track record at the central bank points to a governing style anchored in prudence, institutional discipline, and risk control. During his tenure, inflation stability and bad debt resolution consistently remained at the center of policymaking, helping preserve both variables within safe ranges. At the same time, key growth engines including credit, FDI, exports, and GDP continued to expand on a steady, if not overheated, trajectory, reinforcing a historically stable FX backdrop.

Figure 20: VN Index & key macro indicators through SBV Governors



	2006 – 2010	2011 – 2015	2016 - 2020	2021 – 2025
VN Index gain *(Avg. p.a.)*	10.5%	2.5%	12.6%	10.5%
Credit growth *(Avg. p.a.)*	35.5%	14.9%	12.4%	15.0%
NPL	3.1%	4.9%	1.7%	4.6%
FX reserve / Avg. monthly import *(x)*	3.2	2.2	3.2	2.9
VND depreciation	-22.9%	-15.6%	-2.9%	-13.7%
CPI *(Avg. p.a.)*	10.9%	7.8%	3.2%	3.0%
FDI growth *(Avg. p.a.)*	N/A	5.9%	7.1%	7.6%
Export growth *(Avg.)*	18.3%	17.8%	11.9%	11.3%
Trade balance *(USDbn; Avg. p.a.)*	-12.0	-2.1	+8.3	+18.0
GDP growth *(Avg. p.a)*	6.3%	5.9%	6.0%	6.2%

Source: FiinPro, CEIC, NSO, HSC Research

More importantly, this policy framework suggests that while growth may not be engineered for short-term breakout acceleration, it is likely to follow a more durable and sustainable medium-term path.

On Vietnam's sole active growth driver amidst global turbulence, we expect public investment disbursement, anchored by a VND1,000tn (USD38.2bn) target, to gain meaningful execution momentum from 2H26 onward as post-provincial merger administrative bottlenecks clear and the newly formed cabinet begins to assert its mandate.

History offers a compelling blueprint. Across regional peers, large-scale national infrastructure programs have consistently served as the demand foundation for sustained equity re-ratings. Notably:

- Malaysia's 9th 'Malaysia Plan' (USD54bn in today's money) catalyzed a 78% rally in the KLCI between mid-2005 and 2007;
- China's fixed-asset investment boom, growing above 20% annually and exceeding USD1.0tn by 2006, underpinned a 330% surge in the Shanghai Composite between 2004 and 2007; and
- more recently, India's USD1.4tn National Infrastructure Pipeline under Modi 2.0 supported a sustained multi-year bull run in the NIFTY 50 from 2019 to 2024, with government capex expanding above 20% annually between 2020 and 2023.

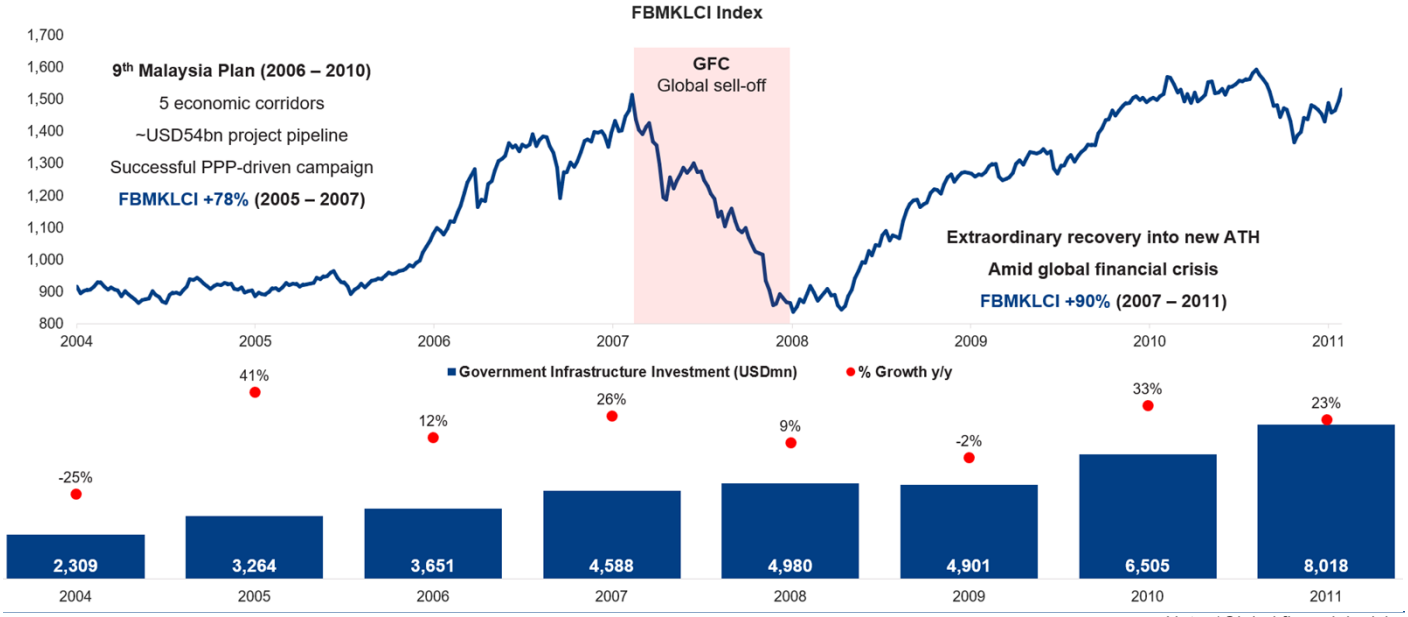
In each case, equity markets re-rated well ahead of broader private sector recovery, and we see Vietnam's trajectory as consistent with this pattern.

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Figure 21: Malaysia's government spending vs. stock market performance

Strategically planned infrastructure investment completely offset stock market losses during global downturn (GFC* 2008)

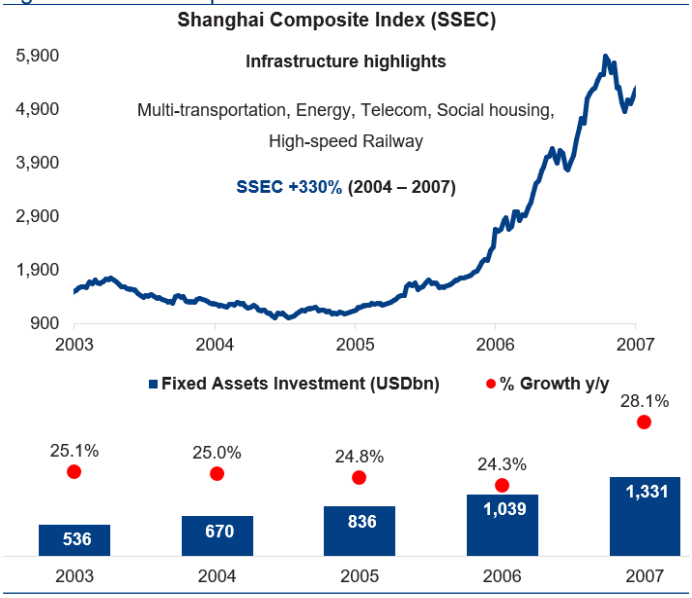


*Note: *Global financial crisis.*

Source: Bank of Negara Malaysia, Bloomberg, HSC Research

Figure 22: China's government spending vs. stock market performance

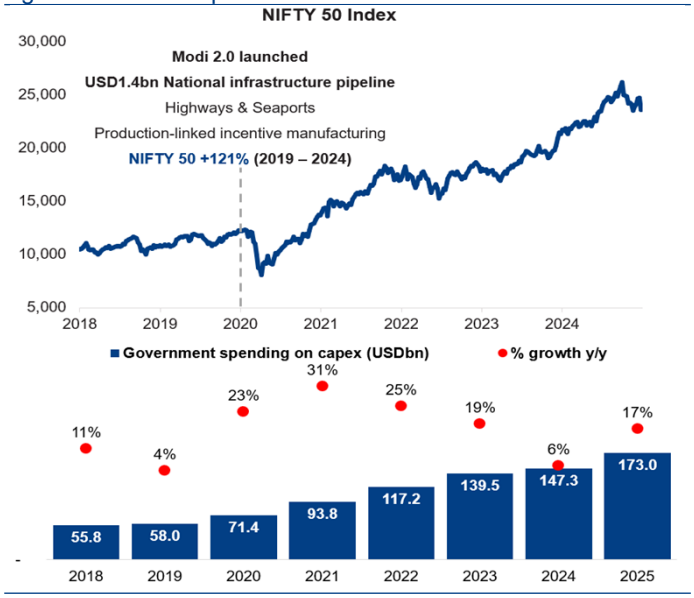
Stronger infrastructure outlays have historically translated into significant market upside



Source: National Bureau of Statistic of China, HSC Research

Figure 23: India's government spending campaign vs. stock market performance

Stronger infrastructure outlays have historically translated into significant market upside



Source: Government of India, CEIC, HSC Research

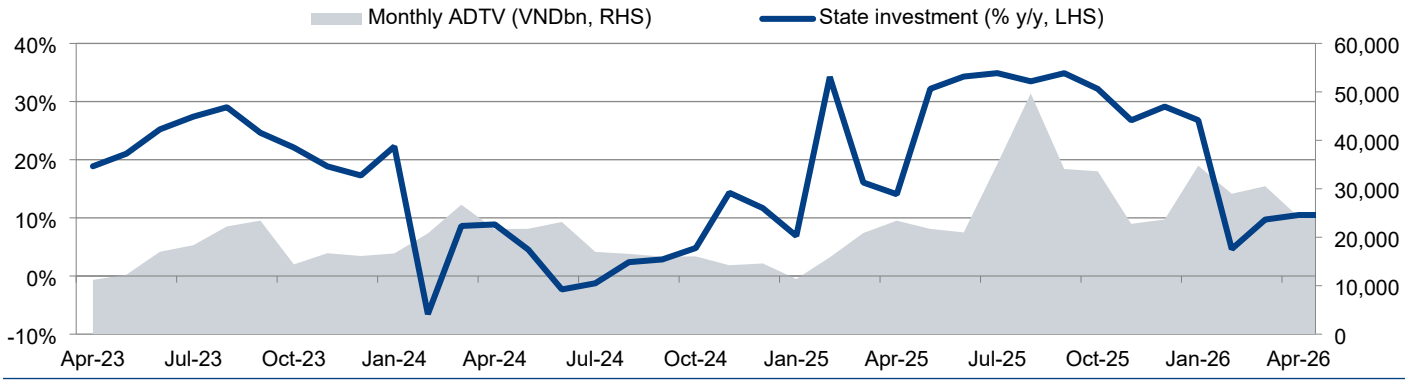
Per our observations, Vietnam's equity market liquidity has historically exhibited a meaningful relationship with public investment disbursement cycles. Periods of accelerating disbursement have generally coincided with improving market turnover as government spending filters through the economy, supporting corporate earnings, contractor cash flows, employment, and broader business confidence.

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Figure 24: Vietnam state investment and VN Index liquidity dynamics

Accelerating investment boosts liquidity by improving market sentiment



Source: FiinPro, CEIC, HSC Research

While the relationship is neither immediate nor perfectly linear, the trend has been sufficiently consistent to suggest that public investment serves as an important anchor for domestic risk assets. As disbursement momentum strengthens from 2H26 onward, we believe the resulting improvement in economic activity could help attract sidelined capital back into equities, reinforcing the market re-rating process well before a full-fledged private sector recovery materializes.

Macro environment seeing light at the end of the tunnel

While many of the market's near-term concerns remain valid, we believe the macro backdrop should gradually shift from deterioration toward stabilization. Several of the key headwinds that dominated investor sentiment through 1H26, including elevated global tensions, tight domestic liquidity conditions, sluggish public investment disbursement, and external policy uncertainty, should soon be easing. Although none of these issues have been fully resolved, the direction of change appears increasingly broadly positive.

Importantly, equity markets typically begin to re-rate before macroeconomic indicators fully recover. As liquidity conditions improve, fiscal spending gains traction, and external risks become more manageable, investor focus is likely to shift from downside protection toward earnings durability and growth opportunities.

In the following section, our macro team examines the key variables that could shape Vietnam's economic trajectory through FY27, including growth, inflation, interest rates, exchange rates, trade dynamics, and liquidity conditions.

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2026-27 economic outlook: A shift to investment led growth

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- The global narrative has shifted from tariffs to energy security as disruptions in the Strait of Hormuz keep oil prices elevated and reinforce a higher-for-longer rates.
- Despite a more challenging backdrop, VN remains one of Asia's fastest-growing economies; our forecasts project GDP growth of 7.6% this year and 8.0% in each of 2027-28 – strong though mildly below government targets.
- Vietnam is transitioning toward a more investment-led growth model, supported by public investment, a revival of build-transfer (BT) projects, private-sector national champions, and resilient FDI inflows – though inflation, energy security, and US trade risks remain key challenges.

From tariffs to energy: Vietnam's growth story remains intact

The dominant risk has shifted from trade tariffs to energy given disruptions to oil supplies. Even if the US-Iran war calms, damaged energy infrastructure is likely to keep oil markets tight, while a higher-for-longer global rate environment continues to weigh on emerging market currencies. We believe VN is transitioning toward a more investment-led growth model, supported by record public investment, renewed BT projects, stronger domestic demand, and the emergence of private-sector national champions alongside traditional FDI-driven growth. In our view, VN is not attempting to replicate Korea's *chaebol* model outright; rather, policymakers appear to be cultivating a group of domestic "national champions" capable of complementing FDI by accelerating infrastructure development and mobilizing capital on a scale previously dependent on the state. Several risks warrant close monitoring re. VN's widening trade deficit, high inflation (vs gov't targets), and heavy reliance on imported energy. Also, while concerns over tariffs have faded, future US actions under Section 301 remain a risk, particularly for labor-intensive export sectors.

Our central message remains unchanged: Vietnam remains one of the strongest long-term growth stories in Asia. VN is expected to remain one of the fastest-growing economies globally; we project solid GDP growth of 7.6% in 2026 and 8% in each of 2027-28 (mildly below the government's ambitious targets). The focus will be sustaining high growth while containing inflation and preserving stability. Notably, achieving the government's development objectives will require not only higher levels of investment but also improvements across a variety of measures.

Figure 25: HSC macroeconomic forecasts

We expect GDP growth to moderate to 7.6% this year, with CPI seen at 4.7%

	2023	2024	2025E	2026F	2027F	2028F
Currency (VND: USD) (at YE)	24,265	25,480	26,300	27,000	27,500	27,800
GDP annual growth rate (%)	4.98	7.04	8.02	7.60	8.00	8.00
GDP (USDbn)	433	476	514	540	572	616
GDP per capita (USD)	4,316	4,702	5,026	5,235	5,491	5,861
12M average inflation (y/y %)	3.3	3.6	3.3	4.7	4.2	4.1
Policy interest rate (%)	4.50	4.50	4.50	4.50	4.50	4.50
Overnight interbank rate (%)	0.5	4.0	1.8	4.0	4.0	4.0
Government bond 10Y (%)	2.2	2.8	3.8	4.4	4.5	4.6
FX reserves (USDbn)	90	81	83	78	85	95
Balance of trade (USDbn)	28.4	24.9	20.0	2.2	5.2	7.1
Current account to GDP (%)	6.0	6.4	6.4	-0.9	0.3	0.5
Public debt to GDP (%)	36.9	37.0	36.8	37.6	39.3	40.9
Gov't budget deficit (% of GDP)	2.9	2.8	3.6	4.3	5.1	5.2
Credit to GDP (%)	133	136	145	150	154	158
Credit growth (y/y %)	13.8	15.1	19.0	14.0	13.5	13.0
Imports (y/y %)	-9.2	16.7	19.4	18.7	10.0	14.3
Exports (y/y %)	-4.6	14.4	17.0	14.2	10.5	14.5
FDI disbursement (USDbn)	23.2	25.4	27.6	30.0	31.9	34.5
Annual manufacturing prod'n (%)	3.6	9.8	10.5	10.0	9.5	10.0
Annual nominal retail sales (%)	9.4	9.0	9.2	12.0	13.0	13.0

Source: HSC Research

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Vietnam economic outlook 2026-27

The global economy has entered a more challenging phase amidst Middle East conflicts and consequent disruptions of energy supplies, leading to higher oil prices, renewed inflationary pressures, and weaker global growth prospects. Against this backdrop, Vietnam is expected to remain one of the fastest-growing economies in Asia, with growth increasingly supported by stronger retail sales, a record recovery in tourism, rising public investment, and resilient FDI inflows, particularly into technology and electronics manufacturing. At the same time, Vietnam is pursuing a more investment-led growth model, supported by a USD315bn public investment program, a revival of BT projects, and greater participation of large domestic conglomerates in infrastructure development. Exports should continue to benefit from supply chain diversification and AI-related demand, risks remain re. widening trade deficits and the possibility of additional US tariffs under Section 301 investigations.

Global context

The global outlook has deteriorated sharply following the outbreak of war in the Middle East on 28 February 2026. The closure of the Strait of Hormuz, coupled with severe damage to critical oil and gas infrastructure in a region central to global energy supply, triggered an unprecedented energy crisis. The strait is a strategic shipping route that handles around 20% of the world's oil and liquefied natural gas supply.

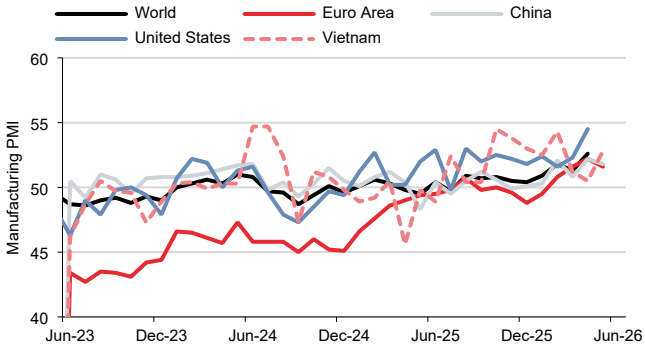
Although the US and Iran reached a tentative deal to extend a ceasefire in April, by 60 days and launch further talks on Tehran's nuclear program, the two sides have yet to reach a comprehensive agreement to end the months long conflict.

Even if a peace agreement is eventually reached, oil supply and prices are unlikely to stabilize quickly given the extensive damage to the region's energy infrastructure. Fatih Birol, Executive Director of the International Energy Agency, said it could take up to two years to restore a significant share of disrupted oil and gas production.

Latest PMI survey data (Figures 2-3) suggest that the war in the Middle East continued to weigh on global growth. The drag was most evident in the services sector, where activity remained among the weakest levels seen over the past year. In contrast, global manufacturing output accelerated to its fastest pace since Jul-21, led by consumer goods producers. However, much of the strength reflected precautionary stockpiling amid concerns over supply disruptions and further price increases, effectively front-loading demand and likely at the expense of slower growth later in the year. Combined with higher energy and shipping costs, these supply-demand imbalances also drove manufacturing input costs to their sharpest increase since Jun-22.

Figure 26: Manufacturing PMIs

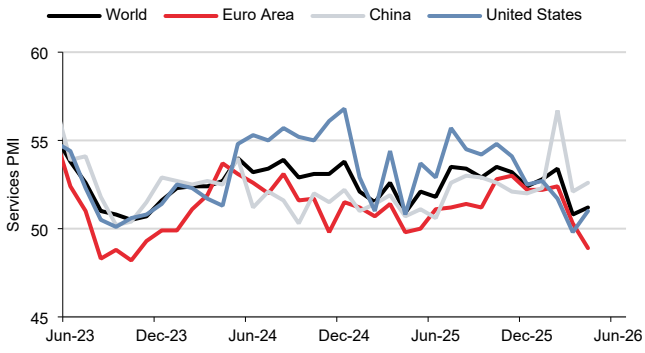
Global manufacturing output accelerated to its fastest pace since Jul-21, led by consumer goods producers



Source: CEIC & HSC Research

Figure 27: Services PMIs

The services activity remained among the weakest levels seen over the past year



Source: CEIC & HSC Research

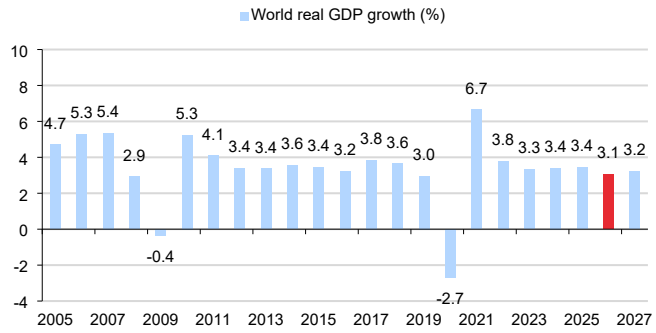
Although uncertainty surrounding US trade policy has eased somewhat, the energy crisis is expected to weigh heavily on global activity, with global growth projected to slow to 3.1% in 2026, below both the pre-pandemic average and the estimated 3.4% pace in 2025 (Figures 28-29).

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Figure 28: World real GDP growth

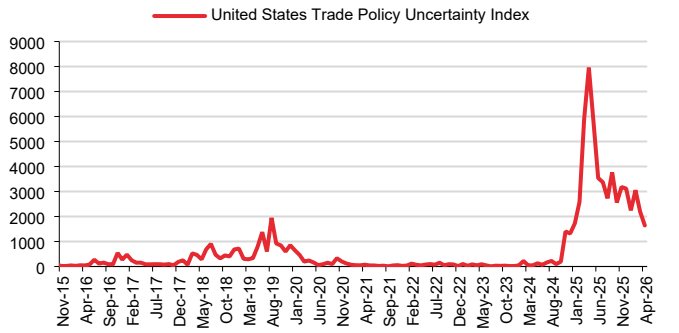
Global growth is projected to decline to around 3.1% in 2026



Source: IMF & HSC Research

Figure 29: US trade policy uncertainty

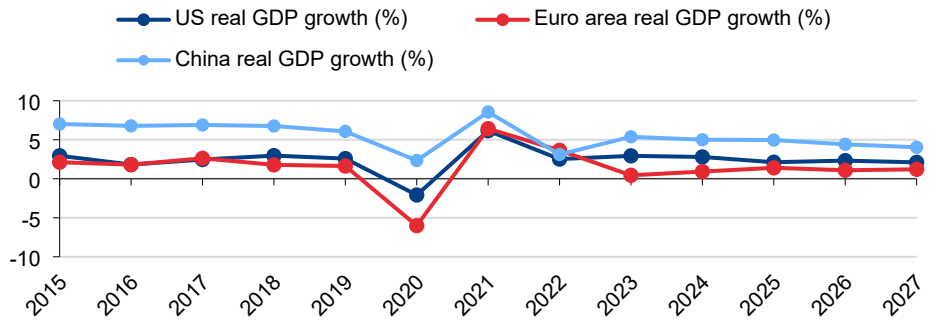
Uncertainty surrounding US trade policy has eased



Source: CEIC & HSC Research

Figure 30: Large economies' real GDP growth

The US economy is projected to grow by 2.3% in 2026, up from 2.1% last year, supported by fiscal stimulus and the lagged effects of monetary easing in 2025



Source: IMF & HSC Research

In the US, the economy is projected to grow by 2.3% in 2026, up from 2.1% last year (Figure 30), supported by fiscal stimulus and the lagged effects of monetary easing in 2025, although higher trade barriers since Apr-25 continue to weigh on activity. The mild negative impact from the war, given the US's status as a net energy exporter, is expected to be partly offset by the rebound in economic activity in 1Q26 following the end of the 2025 federal government shutdown, alongside stronger than expected productivity growth and related spillover effects. While the ruling related to the International Emergency Economic Powers Act (IEEPA) could reduce tariff revenues, its impact on the fiscal balance and economic activity is expected to remain relatively limited. US growth is projected to remain solid at 2.1% in 2027, supported by near term tax incentives, including corporate investment incentives under the One Big Beautiful Bill Act (OBBBA).

In the Euro area, growth is projected to slow from 1.4% in 2025 to 1.1% in 2026 before edging up to 1.2% in 2027, weighed down by the negative impact of the Middle East conflict. The conflict has further amplified the prolonged effects of elevated energy prices since Russia's invasion of Ukraine, adding pressure on the manufacturing sector. At the same time, the real appreciation of the euro against the currencies of competing exporters has eroded the region's competitiveness.

China's growth forecast for 2026 has been revised up by the IMF to 4.4% (vs. 5% in 2025), reflecting lower effective US tariff rates on Chinese goods and additional stimulus measures that help offset the negative impact of the Middle East conflict. Growth is projected to slow to 4.0% in 2027 as structural headwinds become more pronounced, including the prolonged downturn in the property sector, a shrinking labor force, declining investment returns, and weaker productivity growth.

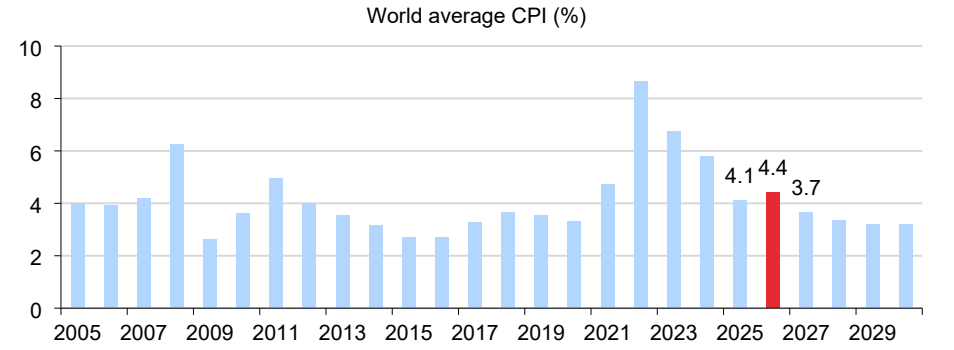
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Global inflation is projected to reaccelerate, with headline inflation rising from 4.1% in 2025 to 4.4% in 2026 before easing back to 3.7% in 2027, mainly reflecting higher energy and food prices (Figure 31).

Figure 31: Global inflation

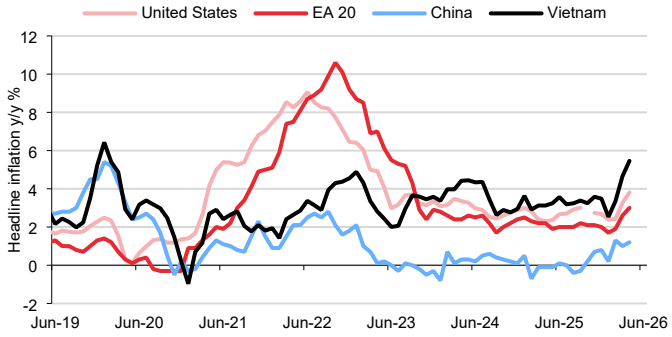
Global inflation is projected to reaccelerate, with headline inflation rising from 4.1% in 2025 to 4.4% in 2026 before easing back to 3.7% in 2027



Source: CEIC & HSC Research

Figure 32: Headline inflation

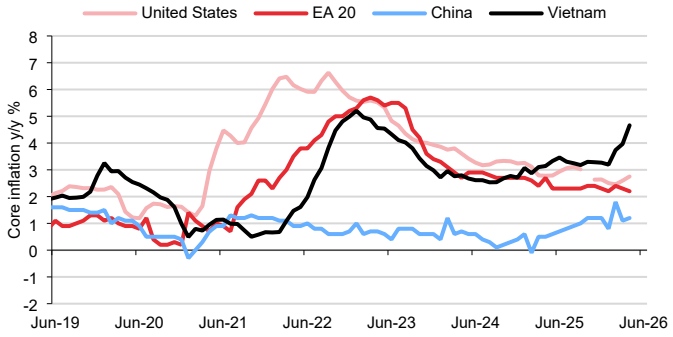
Inflation dynamics are becoming increasingly divergent across countries



Source: CEIC & HSC Research

Figure 33: Core inflation

In the US, a broadly balanced labor market is expected to help core inflation return to the Fed's 2% target in 2027



Source: CEIC & HSC Research

Inflation dynamics are becoming increasingly divergent across countries (Figures 32-33), as services inflation remains sticky due to its stronger domestic component, while country specific factors account for a growing share of overall inflation.

In the US, the gradual pass through of higher tariffs, limited spillover from rising energy prices, and moderating services inflation amid a broadly balanced labor market are expected to help core inflation return to the Fed's 2% target in 2027. Strong productivity growth is also expected to support supply driven disinflation.

US monetary policy has shifted toward a "higher for longer" stance, with the Federal Reserve keeping interest rates unchanged at 3.50-3.75%. Surging energy prices driven by geopolitical conflicts, together with persistent core inflation, have led many policymakers to consider further rate hikes rather than cuts. Meanwhile, the CME Group FedWatch tool is now pricing in a 25bps rate hike in early 2027 and rates remaining at that level throughout 2027, in contrast to the latest projections from FOMC members, which suggested the fed funds rate would decline to 3.25% by end 2027.

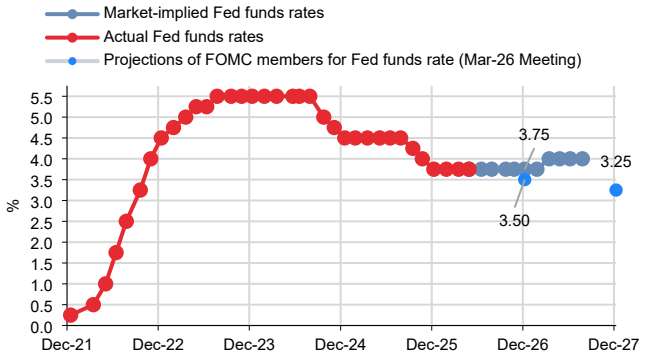
If this materializes, it could place additional pressure on the VND, which has continued to depreciate against the US dollar despite the weakening of the Dollar Index since early last year.

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Figure 34: Projections of Fed funds rate

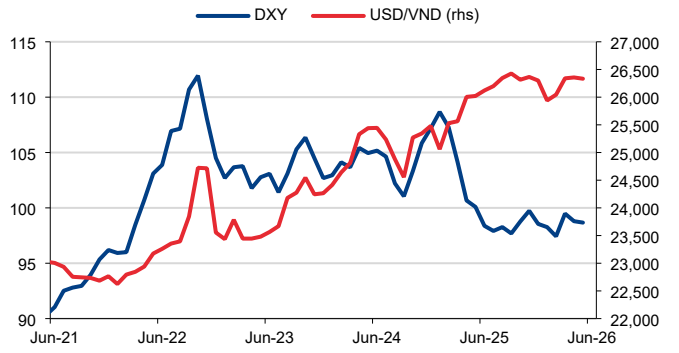
US monetary policy has shifted toward a "higher for longer" stance, FedWatch tool is now pricing in a 25bps rate hike in 2027



Source: CME Group, FOMC & HSC Research

Figure 35: The dollar's strength index (DXY) vs. VND

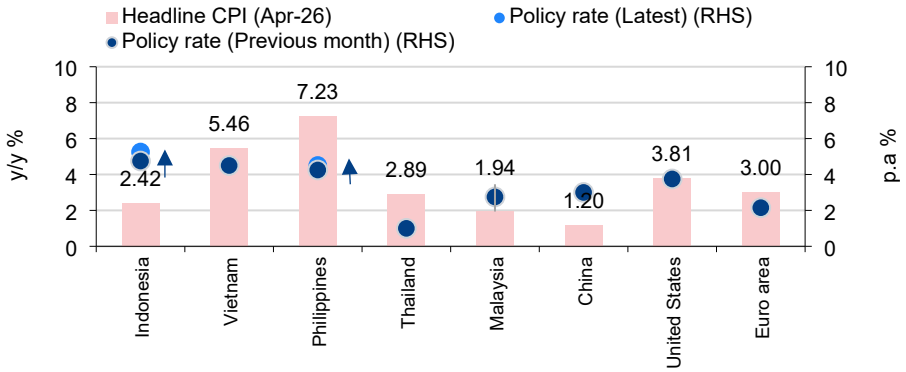
VND has continued to depreciate against the US dollar despite the weakening of the Dollar Index since early last year



Source: CEIC, Investing.com & HSC Research

Figure 36: Selected economies CPI and policy rates

A growing number of central banks have raised, or are expected to raise, policy rates



Source: CEIC& HSC Research

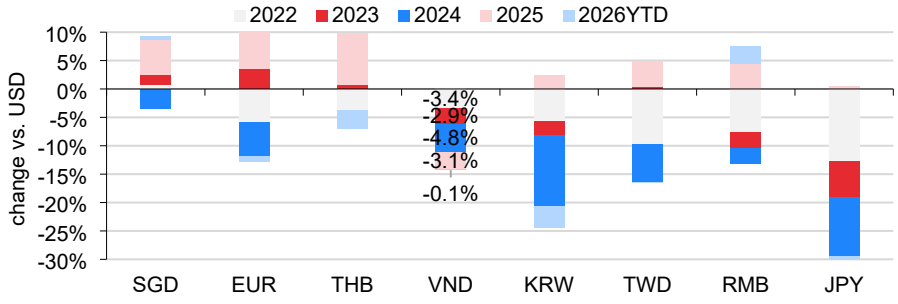
Monetary policy divergence across major economies, not only the US, is expected to persist, with a growing number of central banks either having raised or expected to raise policy rates. In the Euro area, the policy rate is projected to grow 50bps over the 2026 level. In Southeast Asia, mounting inflationary pressures have also prompted the central banks of the Philippines and Indonesia to raise policy rates.

A focus on Vietnam

Despite the economy maintaining strong growth, the VND has steadily depreciated over the past four years (Figures 37), leaving the size of the economy in USD terms broadly comparable to other countries in the region, apart from Indonesia.

Figure 37: Currencies of Vietnam's key trading partners (change vs the USD)

VND has steadily depreciated over the past four years



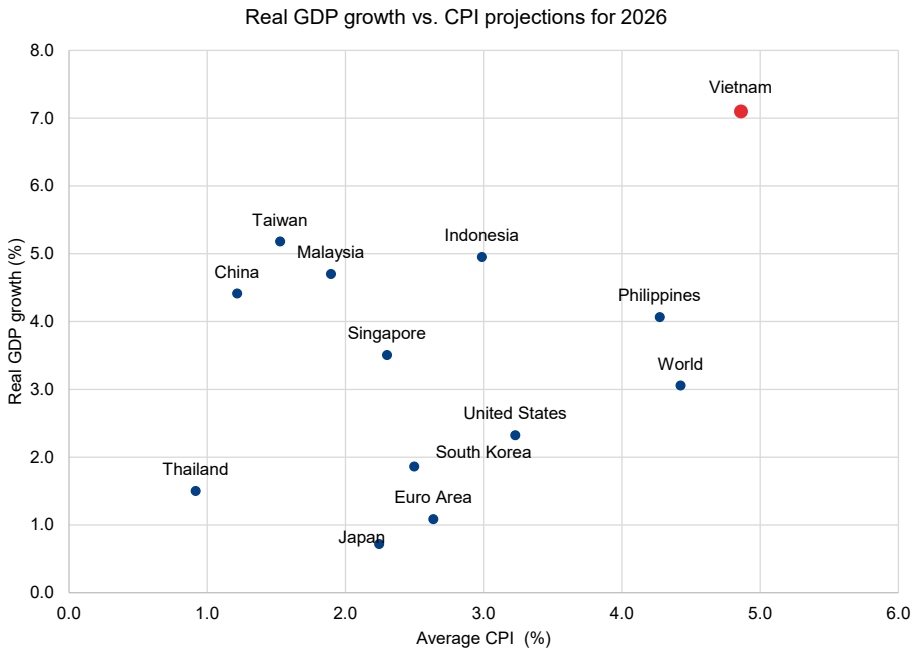
Source: CEIC, Investing.com & HSC Research

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Figure 38: Real GDP growth vs CPI projections for 2026

Compared with major trading partners, Vietnam is expected to maintain one of the strongest growth rates, albeit at the cost of also recording one of the highest inflation rates



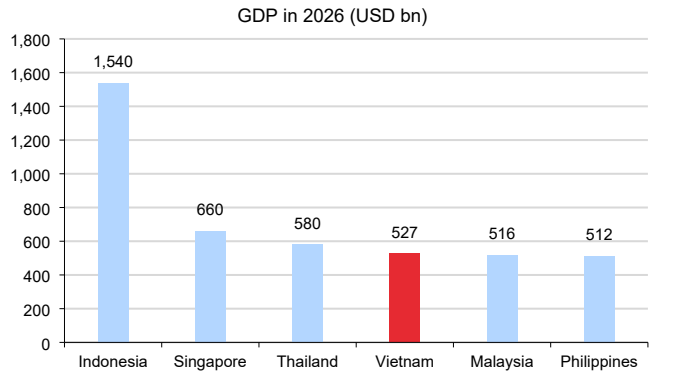
Source: IMF & HSC Research

According to the IMF, Vietnam's economic growth is projected to moderate to 7.1% in 2026 from 8.0% last year, while inflation is expected to rise to 4.9%, exceeding the government's 4.5% target. This reflects the tradeoff between maintaining a low-interest rate environment to support growth and containing rising inflationary pressures. Compared with the global economy and Vietnam's major trading partners, the country is expected to maintain one of the strongest growth rates, albeit at the cost of also recording one of the highest inflation rates (Figure 39).

Vietnam's growth rate is also projected to remain the highest in the region in next five years (Figure 40). Overall, international organizations project Vietnam's economic growth over 2026-30 to be significantly below the government's targets of 10%. This reflects the various challenges outlined above, against a backdrop of persistently subdued global economic growth.

Figure 39: Estimated GDP (2026), ASEAN economies

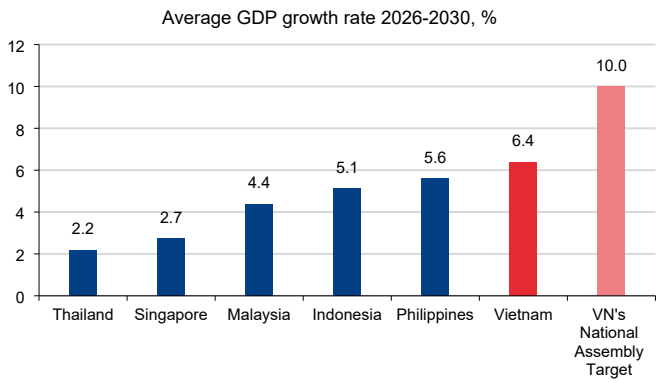
Size of Vietnam's economy in USD terms broadly comparable to other countries in the region



Source: IMF & HSC Research

Figure 40: GDP growth (2026-30), ASEAN economies

Vietnam's GDP growth is expected to be the highest in the region in next five years



Source: IMF & HSC Research

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Nevertheless, Vietnam remains committed to these targets, not only for this year but throughout the next five years. Party Chief and President To Lam told Reuters that the country's leadership fully recognizes that its growth targets are "ambitious and highly challenging," but is determined to deliver on them, with science, technology, and digital transformation serving as key growth engines.

Figure 41: Selected indicators for 2026-30 for "double-digit" growth target, Vietnam

The growth targets are "ambitious and highly challenging," but to be delivered, with science, technology, and digital transformation serving as key growth engines

No.	Indicator	Target for 2026-30
1	Average annual GDP growth rate (%)	>10.0
	Average growth of Agriculture, Forestry, and Fisheries sector (%)	3.6
	Average growth of Industry and Construction sector (%)	12.3
	In which: Average growth of Manufacturing (%)	12.4
	Average growth of Services sector (%)	9.5
2	GDP per capita by 2030 (USD)	8,500
6	Share of manufacturing in GDP by 2030 (%)	28
8	Average growth in total retail sales of goods and services (%)	14 - 15
9	Growth in export value of goods (%)	15 - 16
10	Growth in import value of goods (%)	12 - 13
11	Average growth in e-commerce sales (%)	23 - 25
13	Number of international tourist arrivals by 2030 (million arrivals)	45 - 50
16	Average total social investment as % of GDP (%)	40
17	Proportion of public investment in total social investment (%)	20 - 22
18	Ratio of state budget revenue to GDP (%)	18
19	Ratio of state budget deficit to GDP (%)	5
20	ICOR coefficient	4.5 - 4.8
21	Contribution of Total Factor Productivity (TFP) to growth (%)	>55
23	Logistics costs as % of GDP by 2030 (%)	12 - 15
24	Gross Capital Formation as % of GDP (%)	35 - 36
25	Final consumption as % of GDP (%)	61 - 62
26	Share of the Digital Economy in GDP by 2030 (%)	30
27	Share of the Green Economy in GDP by 2030 (%)	10
29	Average growth of commercial electricity (%)	11 - 12
30	Renewable energy in total primary energy supply by 2030 (%)	26.1
31	Number of enterprises active in the economy by 2030 (million)	2
32	Large enterprises participating in global value chains by 2030	20
33	Number of Special Economic Zones (SEZ) by 2030	3
34	Number of Free Trade Zones (FTZ) by 2030	5
35	Completed length of expressways (km)	1,655
36	Length of railways (km)	645
	In which: Length of urban railways (km)	200
37	Urbanization rate (%)	>50

Source: Resolution No. 25/2026/QH16 & HSC Research

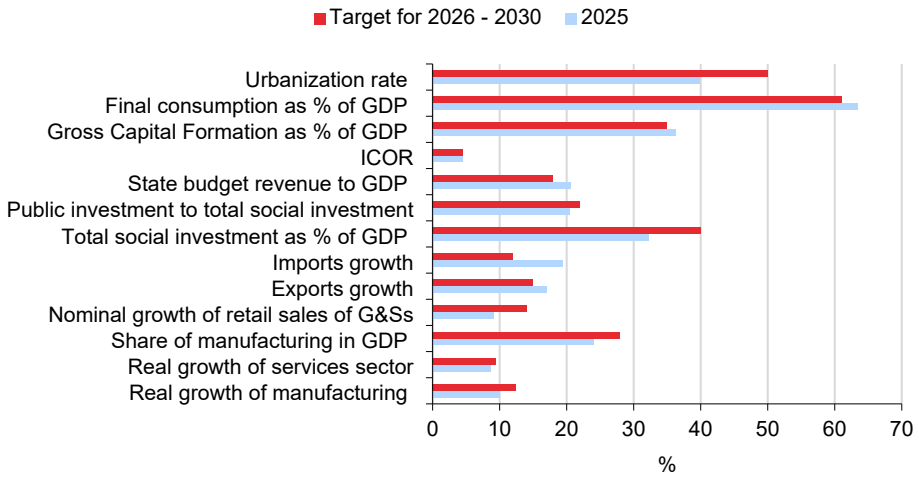
We believe that there remain several areas where further progress is needed, including raising total social investment as a share of GDP, strengthening retail sales growth, increasing manufacturing's contribution to GDP, and accelerating real growth in both the manufacturing and services sectors (Figure 42).

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Figure 42: 2026-30 indicators vs. 2025, Vietnam

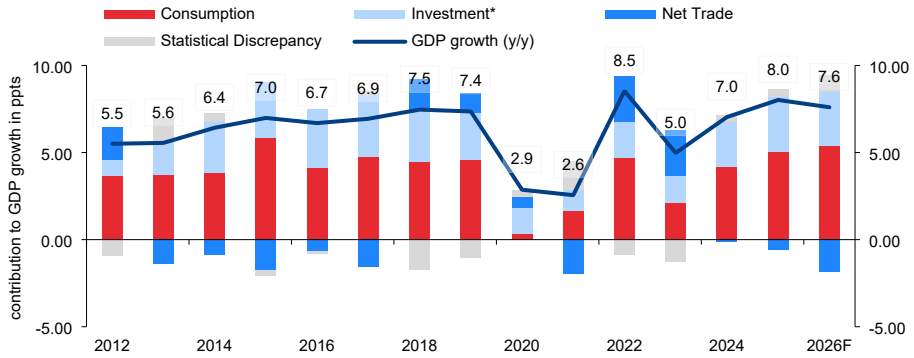
Further progress is needed in investment, retail sales, and real growth in the manufacturing and services sectors



Source: Resolution No. 25/2026/QH16, NSO & HSC Research

Figure 43: GDP forecasts, Vietnam

Real economic growth is expected to moderate slightly in 2026 to 7.6% vs. 8.0% in 2025



Source: NSO & HSC Research

Our forecasts

We keep our Vietnam GDP growth forecasts unchanged at 7.6% for 2026 and 8.0% for 2027 (see our report '*Vietnam economics outlook 2026-27: new dynamics*'). Meanwhile, our maiden forecast for 2028 also suggests GDP growth of 8.0%.

Although the trade balance recorded a USD13.8bn deficit in the first 5 months of 2026, weighing on GDP growth from the demand side, trade activity has remained stronger than we had expected, prompting us to upgrade our trade outlook. Meanwhile, retail sales have also accelerated beyond our previous forecasts. In 5M26, retail sales rose 11.2% y/y, up from 9.7% in 5M25 and already exceeded our full-year forecast of 11%. As a result, we raise our retail sales growth forecasts to 12% for 2026 and 13% for 2027, both up by 1ppt.

Part of the improvement reflects the increase in the annual tax-exempt revenue threshold for household and individual businesses from VND500mn to VND1bn, effective from 1 January 2026. In addition, the government has extended the reduction of environmental protection tax, special consumption tax, VAT and import duties on fuel products to 30 June 2026, while advancing VND8tn from the state budget to the Petroleum Price Stabilization Fund, with repayment due within 12 months.

These measures could support fuel demand, despite Vietnam's relatively limited oil reserves of around 32 days. We estimate that Vietnam consumes roughly 550,000 barrels of oil per day, with about 74% directly or indirectly reliant on imported supplies.

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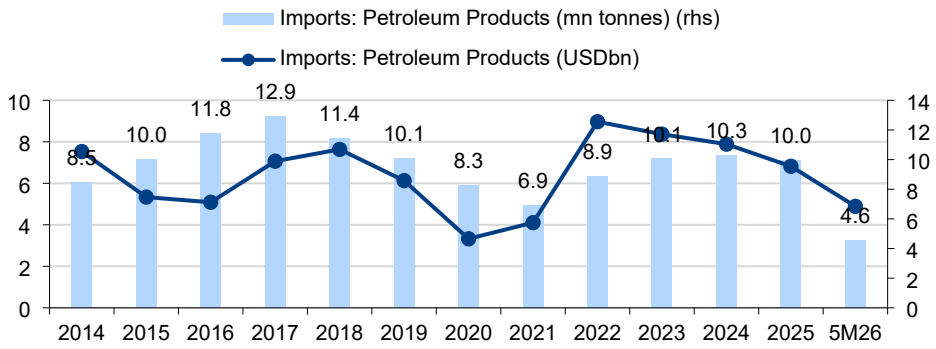
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This includes around 200,000 barrels per day of petroleum imports (Figure 44) and another 200,000 barrels per day of output from Nghi Son Refinery, which depends entirely on crude oil imported from the Middle East and is therefore exposed to disruptions in the Strait of Hormuz. The remaining 150,000 barrels per day are supplied by Binh Son Refinery, which primarily processes domestically sourced crude.

Encouragingly, a Vietnam-bound supertanker carrying 2mn barrels of crude has successfully crossed the Strait of Hormuz and resumed its voyage after receiving clearance from US authorities. This could set a precedent for subsequent shipments to Nghi Son Refinery, helping secure fuel supplies for the domestic market in the coming months. The transition to E10 biofuel from 1 June 2026, will also help significantly reduce reliance on imported fuel, while contributing to greater energy security and a more stable national energy supply.

Figure 44: Petroleum product imports, Vietnam

Vietnam imports 200,000 barrels of petroleum products daily



Source: NSO & HSC Research

Figure 45: Quarterly GDP forecasts, Vietnam

Growth is being driven by an expected recovery in retail sales and record-high public investment, partly offset by pressure from the trade balance

Growth y/y %	CPI	Retail sales	Industrial production	Exports	Imports	Public investment	Real GDP
2Q25	3.3	9.0	9.1	18.3	19.1	26.9	8.2
3Q25	3.3	10.0	9.6	18.8	20.4	34.4	8.3
4Q25	3.3	11.3	10.6	19.7	20.7	33.5	8.5
1Q26	3.5	11.5	9.0	18.6	27.2	13.7	7.8
2Q26F	5.4	10.0	8.3	16.7	22.5	22.4	6.9
3Q26F	5.0	12.3	7.7	12.5	15.6	25.0	7.1
4Q26F	5.0	13.5	9.3	10.8	13.1	48.2	8.6
1Q27F	4.5	11.3	6.3	5.1	5.3	12.4	6.8
2Q27F	3.6	12.2	10.0	12.2	11.9	13.3	8.2
3Q27F	4.3	13.7	10.3	13.3	12.0	11.7	8.3
4Q27F	4.4	14.5	9.0	9.8	9.7	27.3	8.5

Source: NSO & HSC Research

Figure 45 summarizes our quarterly GDP growth forecasts, key growth drivers, and inflation outlook. We expect inflation to peak in 2Q26 and remain relatively elevated through the second half of the year, pushing average inflation to 4.7% in 2026, above the government's 4.5% target, before moderating to 4.2% in 2027. Challenges outlined above, against a backdrop of persistently subdued global economic growth.

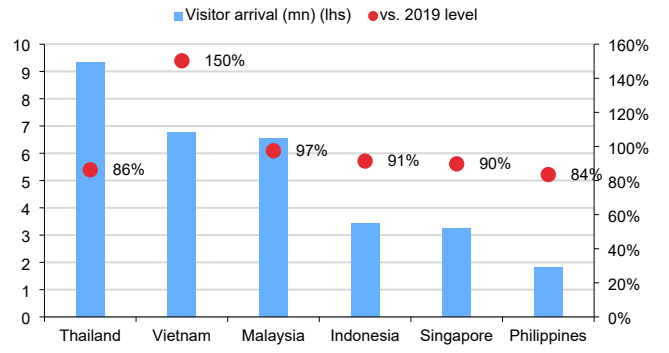
The continued recovery of the tourism sector has also been a key driver of retail sales growth. Vietnam aims to welcome 25mn international visitors in 2026, up 18% from the previous year, with tourism revenues expected to contribute around 8% of GDP, according to government estimates. Cumulatively, international arrivals reached 10.6mn in 5M26, up 14.9% y/y and equivalent to 145% of pre-pandemic (2019) levels. This represents the strongest recovery in the region, as most neighboring economies have yet to return to their pre-pandemic tourism levels. The Vietnamese government aims to attract 45-50mn international visitors annually by 2030. See Figures 46-47.

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Figure 46: 1Q26 visitor arrivals, ASEAN economies

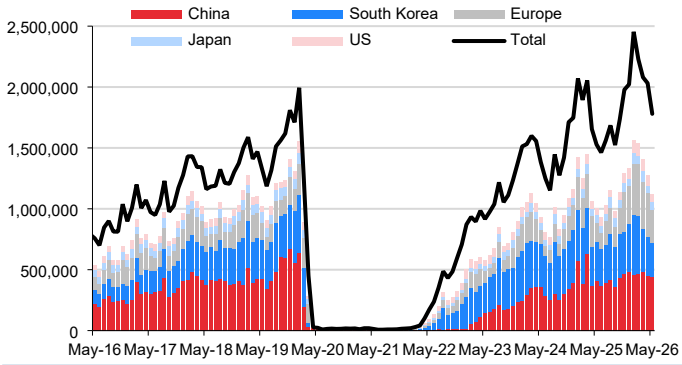
Vietnam has seen the strongest recovery in the region



Source: CEIC & HSC Research

Figure 47: Monthly intern'l visitor arrivals, selected regions

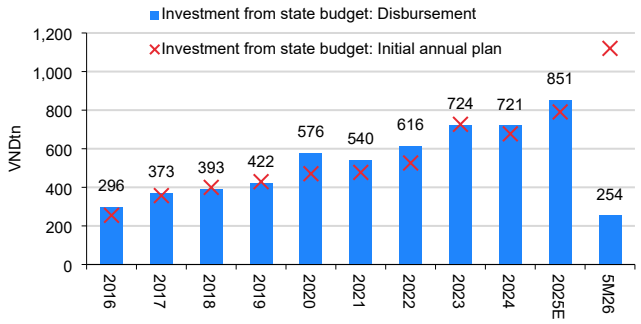
Arrivals in May grew 16.5% y/y, helping 5M26 grow 14.9% y/y



Source: NSO & HSC Research

Figure 48: Public investment disbursement, Vietnam

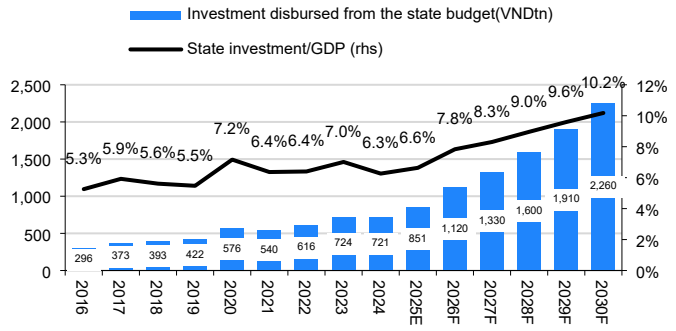
Development investment expenditure from the state budget in 5M26 was equivalent to 24% of the FY26 State budget plan



Source: MOF & HSC Research

Figure 49: Public investment as shares of GDP, Vietnam

The National Assembly has approved a medium-term public investment plan of USD315bn for 2026-30



Source: MOF & HSC Research

In recent years, public investment has emerged as a key pillar of Vietnam's economic growth, supporting infrastructure development and accelerating urbanization. Amid a challenging and uncertain external environment, the government remains committed to using public investment as a countercyclical growth driver, with the goal of raising the ratio of total social investment to GDP from 32.3% in 2025 to 40% by 2030. Reflecting this commitment, the National Assembly has approved a medium-term public investment plan of USD315bn for 2026–2030, equivalent to 2.7x the estimated disbursement during the previous five-year period. For 2026 alone, planned public investment spending amounts to VND1,120tn under the Ministry of Finance's Decision No. 4035, representing an increase of more than 30% compared with the estimated disbursement in 2025.

After years of inactivity, Vietnam's build transfer (BT) model is gradually making a comeback under a renewed legal framework. Law No. 57/2024 reinstated BT projects, followed by Decree 257/2025 and Decree 312/2026, which clarified implementation and payment mechanisms, while Resolution 16/2026 further addressed legacy bottlenecks. The framework allows private developers to finance and build public infrastructure in exchange for land use rights or other public assets, helping mobilize additional capital beyond the state budget.

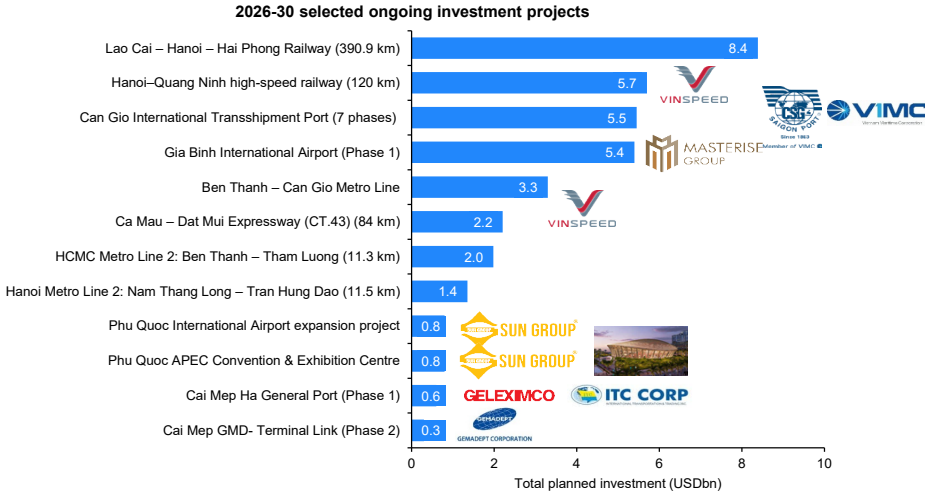
Major infrastructure projects currently being implemented in Vietnam, with a combined value of roughly USD100bn, are summarized in Figure 50. These projects also reflect the growing participation of private-sector developers, including VinSpeed, Masterise, and Sun Group, in the country's infrastructure development agenda. Notably, by using BT to accelerate infrastructure development and crowd in private capital, Vietnam could enhance capital efficiency and help mitigate the rise in ICOR as investment rates increase over the coming years (Figure 51).

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Figure 50: Selected ongoing infrastructure investment projects (2026-30), Vietnam

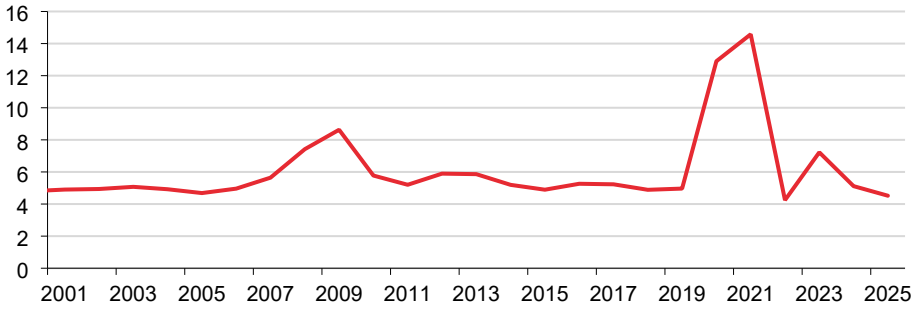
Growing participation of private-sector developers, including VinSpeed, Masterise, and Sun Group, in the country's infrastructure development agenda



Source: HSC Research

Figure 51: Incremental capital to output ratio (ICOR), Vietnam

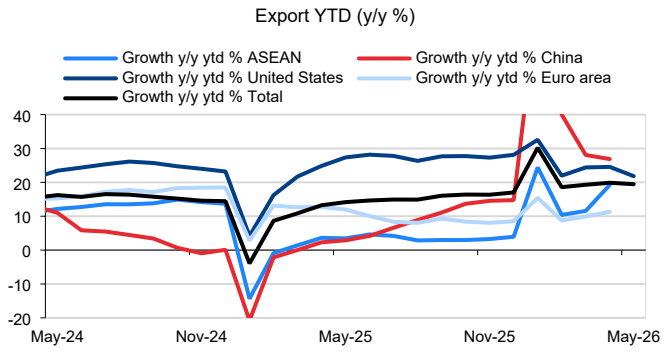
ICOR reflects how much investment capital is required for the economy to generate an additional unit of GDP growth



Notes: Incremental capital to output (ICOR) is calculated as the ratio of gross fixed capital formation to GDP divided by real GDP growth
Source: HSC Research

Figure 52: Export growth by key markets, Vietnam

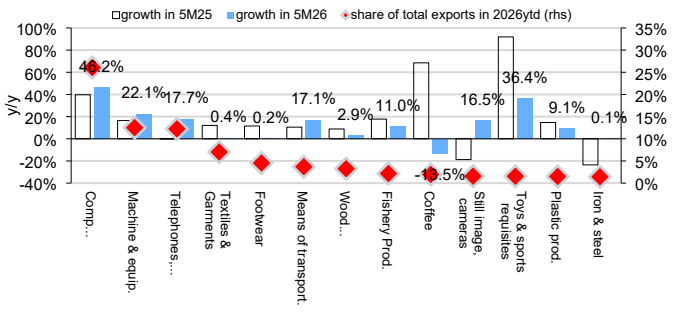
Exports rose 19.5% y/y in 5M26, led by a 21.8% y/y increase in shipments to the US



Source: NSO & HSC Research

Figure 53: Export growth by key products, Vietnam

Key drivers for growth computers and electrical products, telephones and machinery



Source: NSO & HSC Research

Moving to trade, we note that exports expanded 19.5% y/y in 5M26, supported by robust demand from the US, where shipments rose 21.8% y/y and accounted for 32% of total exports. Computers and electronic products, telephones, and machinery

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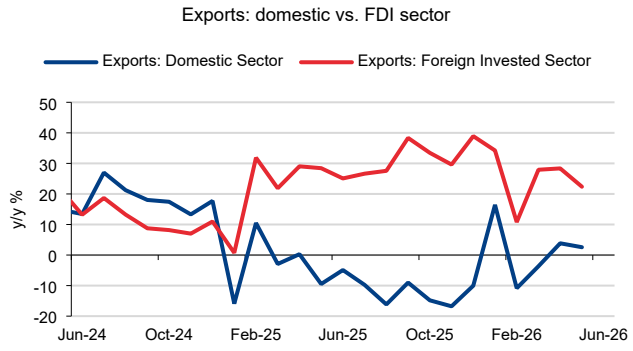
remained the key growth engines, collectively contributing around half of Vietnam's export turnover.

The uneven composition of export growth suggests that labor-intensive industries, such as textiles, footwear, and furniture, which are largely dominated by domestic firms, continue to face challenges. Export momentum has been driven primarily by FDI manufacturers in the electronics and machinery sectors, benefiting from surging global demand for AI-related products. In 5M26, exports from the domestic sector rose just 2.5% y/y, accounting for 20% of total exports, while the FDI sector (including crude oil) expanded 24.7% y/y to USD172.16bn, representing 80% of total export turnover.

The trade picture has also become less rosy, with the trade deficit widening sharply to USD13.8bn in the 5 months of the year. Vietnam has now recorded its 6th consecutive month of trade deficits, reflecting rising imports of computers and electronic components, as well as oil and petroleum products.

Figure 54: FDI vs. domestic sector exports, Vietnam

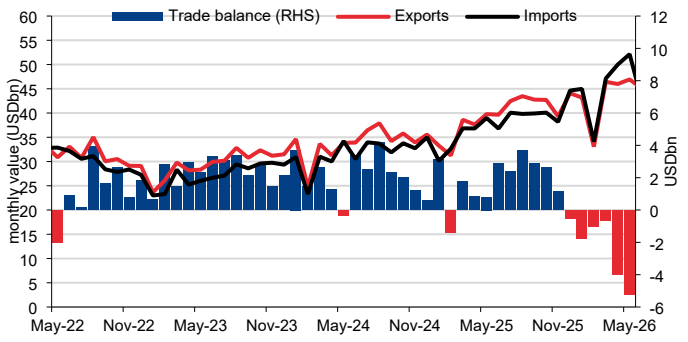
Export momentum has been driven primarily by FDI manufacturers in the electronics and machinery sectors



Source: NSO & HSC Research

Figure 55: Trade balance, Vietnam

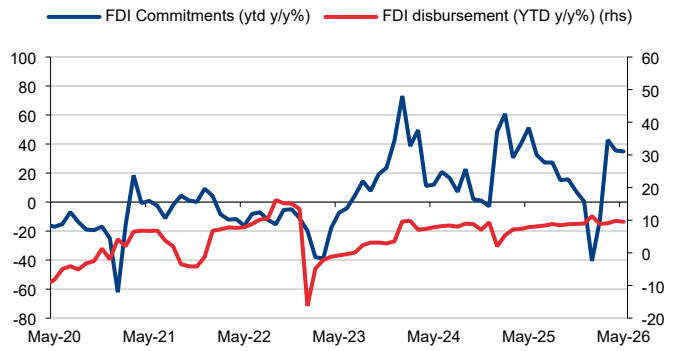
The trade picture has also become less rosy, with the trade deficit widening sharply to USD13.8bn in the first 5 months of the year



Source: NSO & HSC Research

Figure 56: FDI commitments vs. disbursement, Vietnam

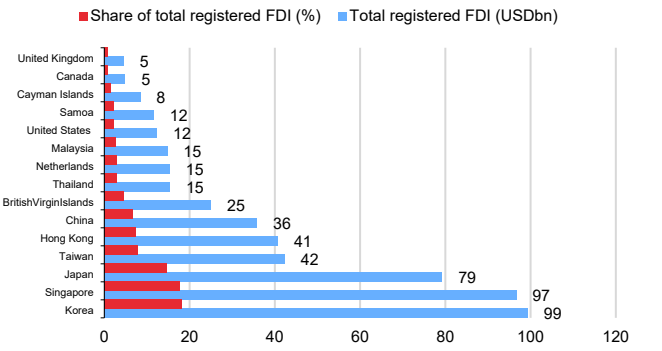
Disbursed FDI reached a record USD9.75bn, up 9.6% y/y, while commitments rose 34.9% y/y to USD24.8bn, a record high



Source: NSO & HSC Research

Figure 57: FDI commitments, key economies

South Korea remained the largest source of committed FDI, followed by Singapore, Japan, Taiwan, Hong Kong, and China



Source: NSO & HSC Research

Nevertheless, Vietnam continues to benefit from ongoing supply chain diversification and a policy focus on attracting large-scale, high-tech, and ESG-compliant investments. With US tariffs having had only a limited impact on technology and electronics products so far, foreign investors have continued to expand their presence in Vietnam. In 5M26, disbursed FDI reached a record USD9.75bn, up 9.6% y/y, while commitments rose 34.9% y/y to USD24.8bn, also a record for the period. South Korea remained the largest source of committed FDI, followed by Singapore, Japan, Taiwan, Hong Kong, and China. Cumulative pledged FDI has now exceeded USD540bn, roughly equivalent to Vietnam's estimated GDP in 2026.

Overall, we forecast FDI disbursements and commitments to increase by 8.6% and 6.2%, respectively, in 2026, following respective growth of 9.0% and 0.5% in 2025.

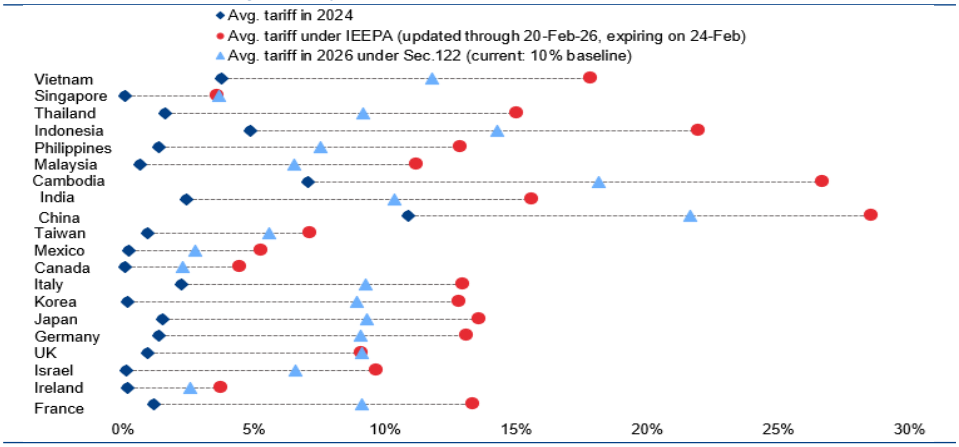
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Although tariffs are apparently no longer the primary concern raised by investors, our forecast of about 10% export and import growth in 2027 reflects a cautious view that Vietnam could face higher US tariffs under Section 301 than the current measures imposed under Section 122. Vietnam recorded the second-largest trade surplus with the United States in 1Q26, behind only Taiwan.

Figure 58: Average US tariff rates, key counties

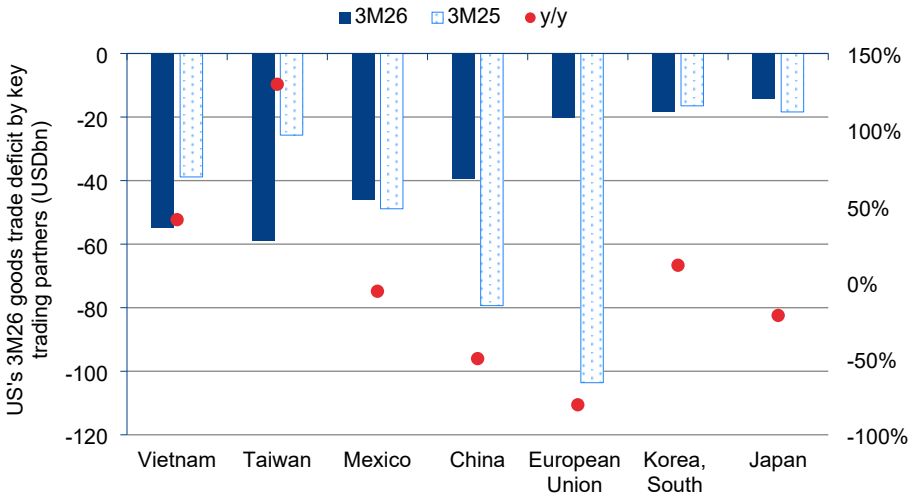
Section 122 tariffs are generally much lower compared to IEEPA reciprocal tariffs



Source: White House, USTR & HSC Research

Figure 59: US goods trade balance, key US trading partners

By March, Vietnam was the second-largest source of US trade deficit (USD54.8bn, up 41.1% y/y), raising the risk of S.301 tariffs



Source: BEA, HSC Research

The United States has launched a third trade investigation into Vietnam, focusing on intellectual property protection and enforcement practices and their impact on US commerce. The probe could pave the way for additional tariffs on Vietnamese exports, with US Trade Representative Jamieson Greer expected to consult President Donald Trump should further action be deemed necessary. Vietnam is already subject to two separate Section 301 investigations related to alleged excess manufacturing capacity and forced labor.

Following legal challenges to tariffs imposed under the IEEPA framework, and with Section 122 measures potentially expiring unless extended by Congress, the Trump administration is facing a narrowing set of legal avenues for imposing new tariffs (Figure 60). Should Vietnam become subject to Section 301 tariffs, labor-intensive sectors such as textiles and furniture could be particularly vulnerable, as similar

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products were among the most heavily targeted during the first Trump administration's trade actions against China (Figure 61).

Figure 60: US alternative legal avenues to impose tariffs

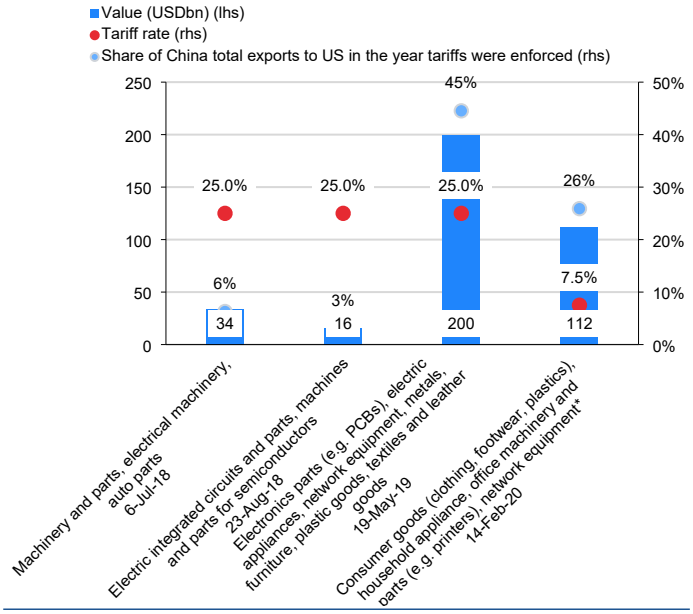
The US has launched a third trade investigation into Vietnam under Section 301

Alternative legal framework	Pros	Cons
Section 301 of the Trade Act of 1974	The US has relied on Section 301 as a tool to challenge countries engaging in "unjustifiable" or "discriminatory" trade practices. During his first term, Trump made extensive use of this authority against China.	To invoke Section 232 tariff authority, the administration must first conduct a national security investigation led by the Department of Commerce, a process that typically includes public consultation and can take several months
Section 122 of the Trade Act of 1974	The US administration can impose tariffs of up to 15% for up to 150 days, bypassing the need for any preliminary investigation.	It only provides temporary authority and will automatically expire after 150 days unless Congress approves an extension
Section 232 of Trade Expansion Act of 1962	Under both terms, Trump has aggressively leveraged Section 232 to impose tariffs on imports considered threats to national security, including steel, aluminum, autos and parts, copper, lumber, and more recently, kitchen cabinets, bathroom vanities, and upholstered furniture.	To invoke Section 232 tariff authority, the administration must first conduct investigations and hold public hearings.
Section 338 of the Tariff Act of 1930	Under Section 338, the president can impose tariffs up to 50% on imports from nations discriminating against U.S. firms, with no investigation needed and no duration cap.	Section 338 authority has never been exercised to impose tariffs

Source: HSC Research

Figure 61: Preexisting US levies on Chinese imports

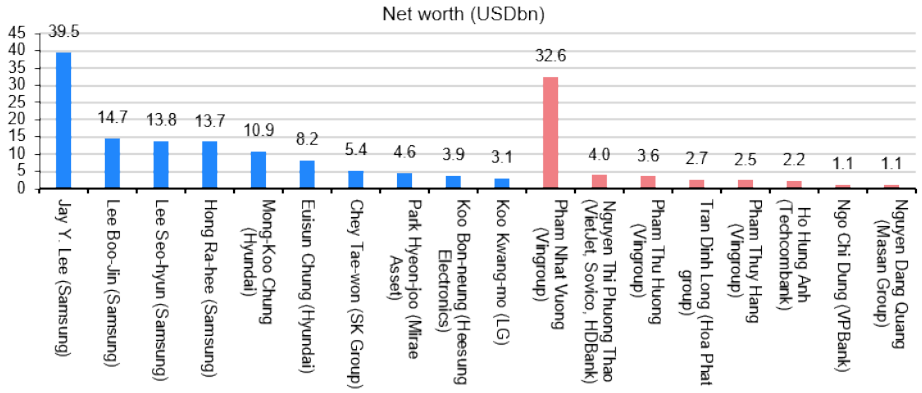
Section 301 tariffs on China under Trump's first term were implemented in four tranches



Source: USTR, UBS, White House Executive Orders & HSC Research

Figure 62: Selected Korean and Vietnamese billionaires

According to Forbes, Vietnam currently has eight US-dollar billionaires, many of whom are founders or controlling shareholders of the country's largest private conglomerates



Notes: Data as of 1 June.
Source: Forbes & HSC Research

Is VN creating its own chaebols, or is it building national champions?

Resolution 68 highlights the government's intention to foster large private-sector conglomerates capable of competing at the regional and global levels, promoting "national champions". Together with the revival of the BT framework and a broader policy shift toward mobilizing private capital for infrastructure and industrial development, this points to a potentially evolving growth model in which a handful of leading domestic groups play a more prominent role in driving investment, innovation, and capital formation. We think that the development bears some resemblance to South Korea's growth strategy during its rapid industrialization period, when chaebols such as Samsung, Hyundai, LG, and SK Group became key vehicles for executing

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national industrial priorities, expanding exports, and building globally competitive industries.

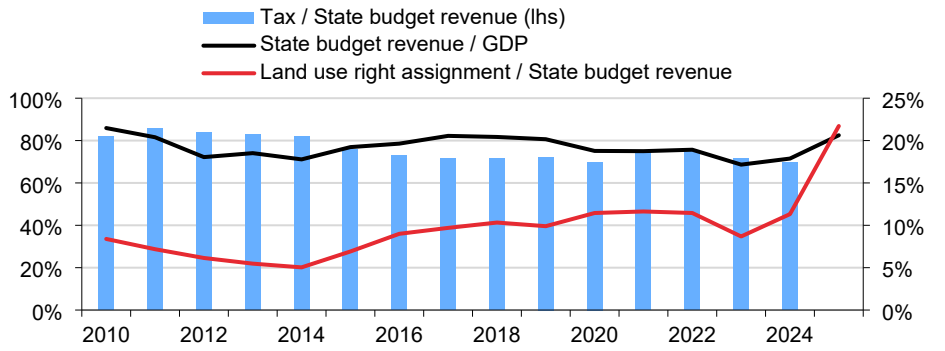
Vietnam's ambition to achieve double-digit growth over the next decade is accompanied by a target of developing 20 large enterprises participating in global value chains by 2030. Several domestic groups, including Vingroup, Sun Group, Masan Group, Techcombank, Sovico Group, THACO, and Hoa Phat Group, have already expanded beyond their original business lines into infrastructure, manufacturing, logistics, technology, finance, and real estate. Their growing involvement in strategic sectors suggests they could increasingly serve as national champions capable of complementing FDI-led growth and strengthening domestic value creation.

That said, we are skeptical that Vietnam's emerging model is unlikely to replicate the Korean chaebol system entirely. Unlike South Korea in the 1960s-1980s, Vietnam relies heavily on foreign investment, which accounts for around 80% of exports. As a result, the role of large domestic conglomerates, at this stage, may be less about dominating exports and more about accelerating infrastructure development, supporting industrial upgrading, developing national brands, and increasing the domestic share of value added within global supply chains.

The rise of these groups has also contributed to the accumulation of private wealth. According to Forbes, Vietnam currently has eight US-dollar billionaires, many of whom are founders or controlling shareholders of the country's largest private conglomerates. Regardless, their emergence highlights the growing pool of private capital available to support Vietnam's next phase of economic development.

Figure 63: State budget revenue, Vietnam

Land-related revenues are an increasingly important source of government income



Source: CEIC, NSO & HSC Research

We note that land-related revenues have become an increasingly important source of government income, rising from 11% of total state budget revenues in 2024 to 22% in 2025, equivalent to around 4.5% of GDP (Figure 63). This share is likely to remain elevated as Vietnam targets an urbanization rate of more than 50% over the next five years, up from roughly 40% in 2025. More broadly, the combination of rising land revenues, the revival of BT projects, and increasingly ambitious urban master plans suggests that land value capture could become a more important source of infrastructure financing in Vietnam over the coming decade.

Against this backdrop, both Hanoi and Ho Chi Minh City have recently unveiled urban development plans with a 100-year vision, reflecting increasingly ambitious aspirations for urban transformation and economic growth.

In Hanoi, a consortium comprising Dai Quang Minh, Thaco group, and Hoa Phat has proposed the Red River Landscape Boulevard project, with an estimated investment value of VND855tn (USD32bn). If implemented successfully, projects of this scale could significantly transform the urban landscape of Vietnam's two largest cities over the next 10-20 years and support the next phase of urbanization.

However, their execution will depend not only on financing capacity, but also on the effective management of land acquisition, compensation, resettlement, and livelihood

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restoration for affected communities. The sheer scale of these projects therefore raises important questions regarding implementation feasibility, execution risks, and the ability of local authorities to balance rapid urban development with social and economic sustainability.

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Financials: Rate cycle favors insurance, pressures banks & brokers

- Banks: Liquidity is the key constraint, pressuring credit growth, NIM, & asset quality, but earnings resilience remains intact. We expect FY26–28 net profit growth of 14.6%/19.1%/20.5%, on tight OPEX control & disciplined provisioning.
- Brokers: Market liquidity remains soft, with only gradual improvement expected toward late 2026. Still, covered brokers are expected to deliver a 16.1% 3Y earnings CAGR, supported by resilient margin lending and investment income.
- Insurance: Low penetration, rising participation from bank-backed insurers, long-term funding demand, & higher rates should support growth/earnings. We expect covered insurers' net profit to grow 36% in FY26, and 15–16% in FY27–28.
- Preferred Financials picks: ACB, CTG, VCB, MBB, HDB, VPB, TCX, and BVH.

Banks: Mind the funding gap, as liquidity headwinds persist

Liquidity remains tight as credit growth outpaces deposits, while SBV/State Treasury support appears near its practical limit. Elevated funding costs, limited lending-rate pass-through, and asset-quality risks should weigh on credit growth and NIM. Still, covered banks should deliver solid FY26–28 net profit growth of 14.6%/19.1%/20.5%, supported by cost control and provisioning discipline. We prefer CTG, ACB, VCB defensively; TCB, VPB, HDB for higher growth; and MBB for a balanced profile.

Brokers: Selective value amid soft liquidity

The VN Index hit a high in May, but the rally was narrow and liquidity was soft, with Apr–May ADTV at VND28tn. We expect only gradual improvement toward late 2026 and forecast ADTV to grow at an 8.3% CAGR over FY25–28. Covered brokers should post 16.1% earnings CAGR, supported by margin lending and investment income. We maintain Buy on TCX, VCI, SSI and Hold on VND; TCX and VCI are top picks.

Insurance: Improving structural story

We are more constructive on insurance, though remain cautious. Non-life remains resilient, while life should recover from 2H26. Low penetration, bank-backed insurers emergence, long-term funding demand, and higher rates should support growth and earnings. We upgrade BVH to Add and make it our top pick.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		P/B (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2026F	2027F	2026F	2027F	2026F	2027F
Asia Commercial Bank	ACB	25,100	Buy	-	32,600	-	29.9	7.18	6.05	1.19	1.04	2.79	4.50
Bank for Inv't & Dev't of VN	BID	41,700	Add	-	46,500	-	11.5	9.65	8.85	1.49	1.30	0	0.96
Bao Viet Holdings	BVH	69,700	Add	-	75,600	-	8.46	12.7	10.8	1.89	1.72	2.15	3.86
VietinBank	CTG	33,850	Buy	-	48,300	-	42.7	6.42	5.65	1.25	1.06	1.48	1.48
HD Bank	HDB	24,900	Buy	-	33,000	-	32.5	5.99	4.79	1.36	1.09	2.01	2.01
LPBank	LPB	50,900	Sell	-	24,900	-	(51.1)	13.4	13.3	3.07	2.64	5.89	1.96
Military Commercial Bank	MBB	24,650	Buy	-	31,800	-	29.0	6.47	5.40	1.20	1.00	4.06	0
Military Insurance Corporation	MIG	18,250	Add	-	20,200	-	10.7	9.95	8.36	1.33	1.23	2.74	4.72
Maritime Comm. JSB	MSB	14,300	Add	-	15,800	-	10.5	7.04	7.04	0.91	0.81	0	0
Orient Commercial JSB	OCB	11,550	Buy	-	14,700	-	27.3	6.88	6.01	0.80	0.71	0	0
PVI Holdings	PVI	77,700	Hold	-	79,200	-	1.93	11.9	11.2	2.00	1.83	2.96	4.01
SSI Securities Corporate	SSI	27,000	Buy	-	33,000	-	22.2	14.8	13.1	1.68	1.59	3.70	3.70
Sacombank	STB	66,600	Reduce	-	61,000	-	(8.41)	17.0	8.28	1.84	1.52	0	0
TechcomBank	TCB	31,900	Buy	-	44,500	-	39.5	7.51	6.27	1.16	1.01	2.19	3.13
Techcom Securities	TCX	40,300	Buy	-	52,900	-	31.3	17.4	13.5	2.26	2.00	1.24	1.86
Tien Phong Comm. Bank	TPB	15,600	Buy	-	19,800	-	26.9	5.46	4.85	0.89	0.77	3.21	3.21
VietcomBank	VCB	61,600	Buy	-	75,600	-	22.7	13.4	11.9	1.85	1.66	0.79	1.33
Vietcap Securities JSC	VCI	24,350	Buy	-	31,100	-	27.7	15.4	14.2	1.44	1.35	2.05	2.46
Vietnam International Bank	VIB	15,800	Buy	-	20,000	-	26.6	6.48	6.08	1.03	0.92	5.70	3.80
VNDirect Securities	VND	17,150	Hold	-	16,900	-	(1.46)	13.9	13.0	1.21	1.15	2.92	2.92
Vietnam Prosperity Bank	VPB	26,450	Buy	-	36,800	-	39.1	7.25	5.71	1.09	0.93	1.89	1.89

Share prices as of 2 June 2026.
Source: Companies, FactSet, HSC Research

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Banks: Liquidity headwinds persist, mind the funding gap

System liquidity remains tight despite elevated rates, as credit growth continues to outpace deposit growth and liquidity support from SBV and the State Treasury appears to be approaching its limit. With funding costs staying elevated, CASA ratios declining, and banks having limited room to pass on higher costs amid policy guidance to keep lending rates reasonable, we expect more moderate credit growth and rising NIM pressure. Asset quality also remains a key watchpoint, given higher lending rates, slower real estate liquidity, and macro uncertainties. Despite these headwinds, covered banks are expected to deliver solid net profit growth over FY26-28 of 14.6%/19.1%/20.5%, respectively, supported by tighter OPEX and controlled provisioning. We prefer CTG, ACB, and VCB for defensive exposure; TCB, VPB, and HDB for higher-growth, higher-risk exposure; and MBB for a more balanced profile combining resilience and growth; all are rated Buy.

Liquidity remains tight despite elevated interest rate

LDR continues to reach new highs

System LDR reached a new high. Banking-system LDR climbed to 115% in April, as credit growth continued to run ahead of deposit growth. The credit-deposit gap has widened materially since late FY22, suggesting that higher deposit rates have not been sufficient to restore funding balance.

Pressure is broad-based across banks. Pure LDR and adjusted LDR increased at most covered banks in 1Q26, with several private banks already operating at elevated levels. Funding structures also show rising reliance on non-deposit sources: SOCBs have increasingly used State Treasury deposits, while private banks have relied more on valuable papers and interbank funding.

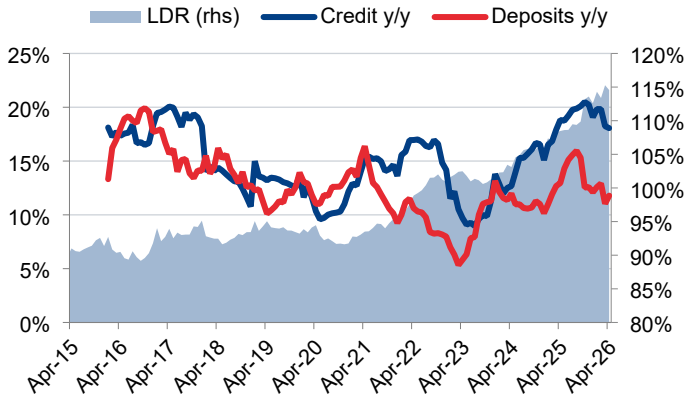
Cash leakage added temporary stress. Cash in circulation rose from an average level of below 10% to a peak of 12% in Feb-26, likely reflecting higher cash holdings after the new tax law on household business took effect. We view this as a temporary factor that should gradually reverse as cash returns to the banking system.

Deposit rates have risen, but liquidity has not improved

Deposit competition remains intense. Quoted 12M deposit rates are now around 6% for both SOCBs and private banks, up nearly 150bps from the trough, while 3M rates at private banks are around 4.4%, up roughly 170bps. Effective rates through digital channels, negotiated deposits, and structured products are higher than listed rates, with 12M rates reaching 6.8% at SOCBs and more than 8% at some private banks. Overall, current deposit rates are around FY19 levels, but still 100-150bps below the FY22 peak.

Figure 64: System LDR, VN banking sector

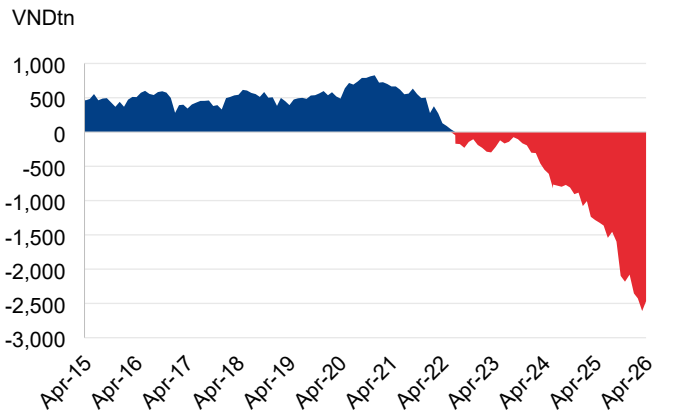
LDR climbed to 115% in April



Source: SBV, HSC Research

Figure 65: Credit-deposit gap, VN banking sector

The gap between credit and deposits has widened materially

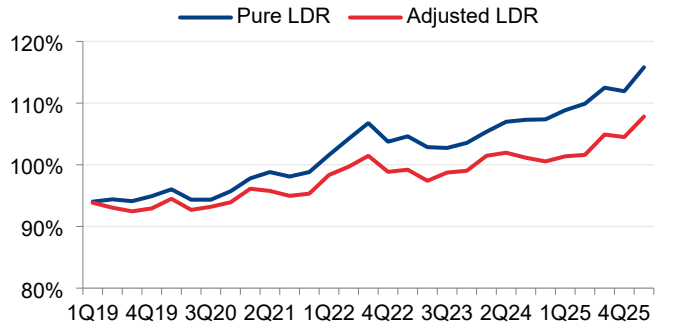


Source: SBV, HSC Research

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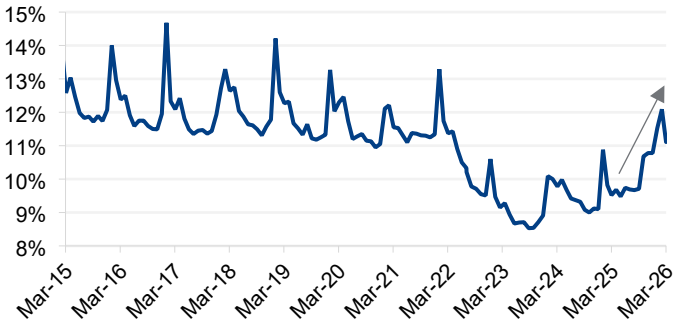
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Figure 66: LDR and adjusted LDR, HSC covered banks
Pure LDR and adjusted LDR increased at most covered banks



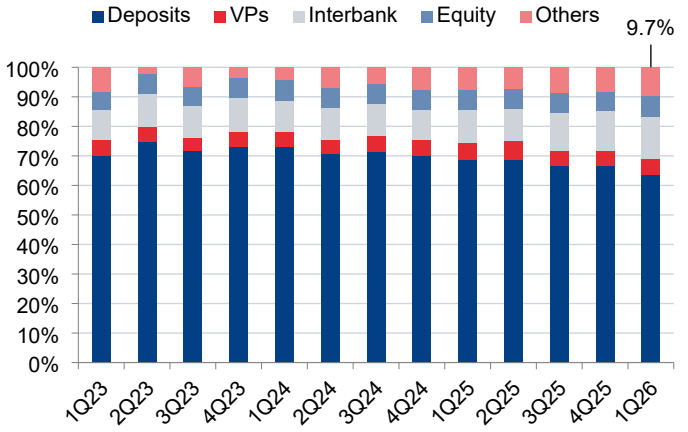
Note: Adjusted LDR = Credit / (Deposits + VPs, excluding crossholdings).
Source: SBV, HSC Research

Figure 67: Cash in circulation, VN banking sector
Cash in circulation has risen since Oct-25, coinciding tighter tax enforcement on household businesses



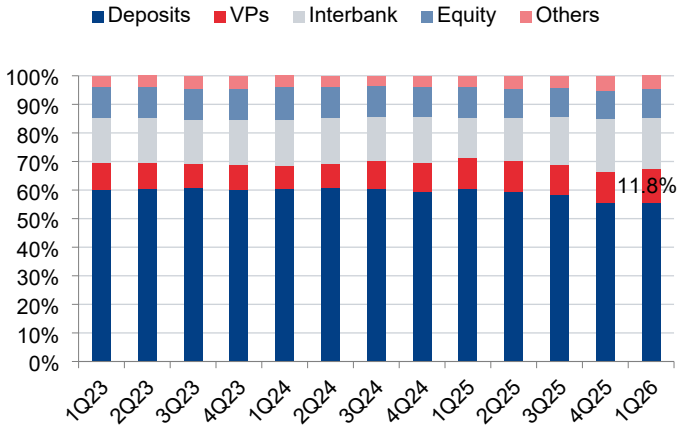
Source: SBV, HSC Research

Figure 68: Funding structure, SOCBs
SOCBs have increasingly relied on State Treasury deposits (included in 'Others')



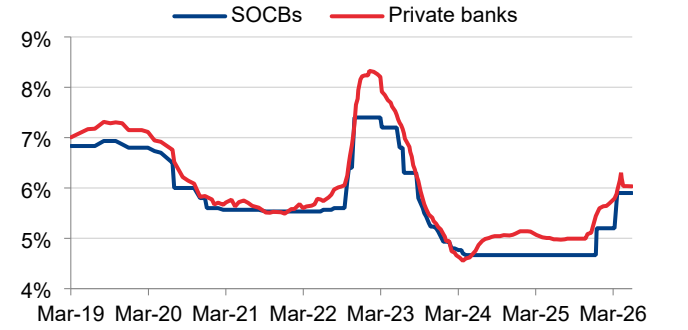
Source: Company data, HSC Research

Figure 69: Funding structure, private banks
Private banks also employed greater use of VPs and interbank funding



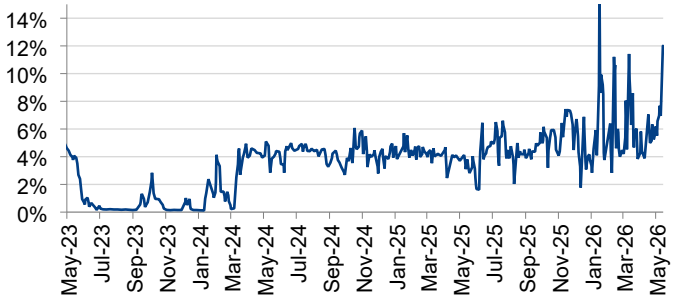
Source: Company data, HSC Research

Figure 70: Avg. 12M quoted deposit rate, 18 major VN banks
12M quoted deposit interest rate had risen since Oct-25 but dipped slightly this Apr after SBV's rate-cut request



Source: Company data, HSC Research

Figure 71: Overnight interest rate, VN banking sector
ON rate has stayed above 5% since 2Q24



Source: Company data, HSC Research

Headline rate cuts have limited impact. Following SBV's early-April directive to lower rates, banks cut quoted deposit rates by up to 50bps for longer tenors. However, SOCBs mainly cut less popular 24M+ tenors, while implicit rates and preferential

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products remain competitive. Given that liquidity has not improved materially, we see a risk that deposit rates may rise again if credit demand remains strong.

Interbank rates confirm tight liquidity. Interbank rates also highlight tight liquidity conditions. Overnight rates remained elevated at around 6%, approximately 100bps higher than previous levels, with intermittent spikes, especially around month-end and month-begin when banks have to report prudential ratios and reserves.

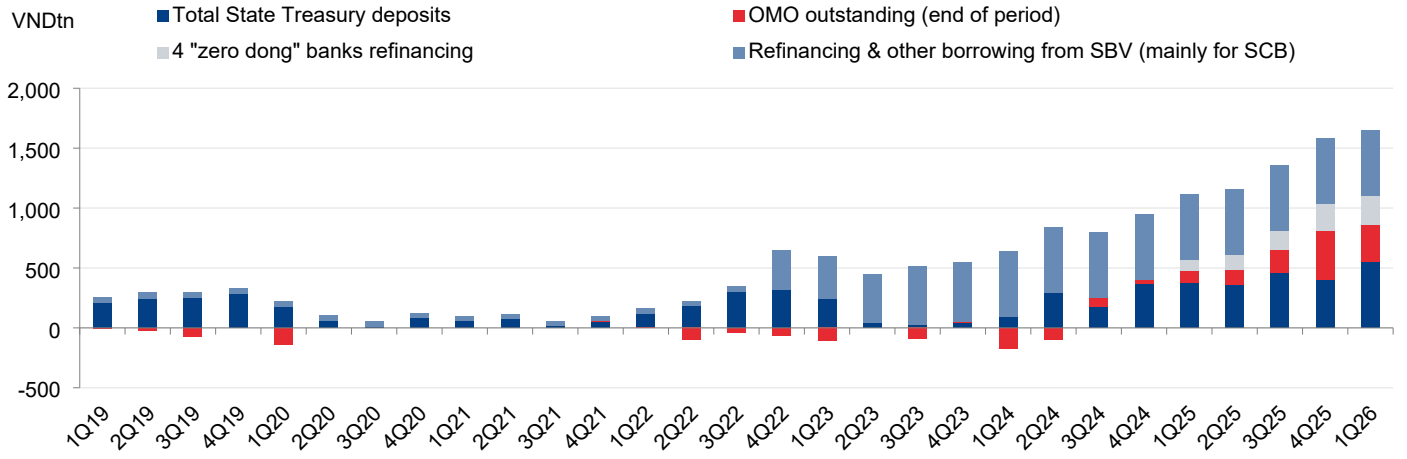
Liquidity support maybe reaching its limit

Liquidity support is already at record levels. Based on our estimates, Total liquidity support from SBV and the State Treasury is estimated at around VND1,600tn, including State Treasury deposits at the Big 3, elevated OMO balances, and refinancing linked to bad-debt transfers to the four zero-dong banks.

Banks need to rely more on their own funding capacity and less on SBV-driven liquidity support. Despite this support, the liquidity gap remains large and is likely being filled by bank equity, offshore borrowings, and customer-held bonds/CDs. With total support broadly flat over the last two quarters, banks will likely need to depend more on their own deposit franchise and balance-sheet discipline.

Figure 72: Total liquidity support, VN banking sector

Liquidity support has reached an unprecedented level



Source: SBV, Company data, HSC Research

Policy direction: Safeguarding stability

SBV is prioritizing stability over broad easing. SBV's policy stance remains focused on system stability and keeping interest rates at acceptable levels, rather than pursuing broad-based monetary easing. Officials have also reiterated that GDP growth should rely more on fiscal policy than monetary policy. Key policy directions include controlled credit growth, preventing an interest-rate race, moving toward stricter liquidity regulation, and providing only limited temporary liquidity support. Against a backdrop of rising inflation pressure, limited monetary headroom, and still-ambitious GDP growth targets, SBV has limited scope for an aggressive policy shift in either direction.

Credit quotas remain a policy tool. SBV has maintained its system-wide credit growth target at 15%, with flexibility to adjust based on macro conditions, risk developments, and liquidity. Real estate credit remains tightly controlled, except for social housing and industrial parks, to avoid overheating and reduce systemic risk.

Deposit competition is being contained through administrative measures. Another key objective of SBV is to keep interest rates at acceptable levels and prevent a deposit-rate race. To achieve this, SBV has relied on administrative guidance and credit-quota controls, under which banks that raise deposit rates too aggressively may face lower credit quotas. This approach should help limit excessive funding-cost

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competition, although its effectiveness may be constrained if underlying liquidity conditions remain tight.

Liquidity rules are strictening and moving toward Basel III. SBV's draft circular to replace Circular 22 points toward stricter liquidity management aligned with Basel III. The credit-to-funding ratio, or CDR, is the most immediate pressure point, as it broadens credit exposures while tightening the funding base by excluding interbank cross-funding. Banks with high reliance on interbank funding, cross-held CDs and bonds, or thinner equity buffers are likely to face greater pressure. Please see our detailed report: A stricter liquidity framework emerges. In the short term, funding pressure is likely to become more visible as banks prepare to comply with the new rules, even if the final circular provides a multi-year implementation roadmap for the broader Basel III-aligned requirements.

Circular 08 offers only near-term relief. Circular 08/2026 allows banks to add back 20% of State Treasury term deposits to the deposit base when calculating LDR. The benefit mainly accrues to SOCBs, but the system-level impact is modest at around 0.7% of total deposits. This does not change the broader direction toward stricter liquidity management.

Sector key operating trends & 1Q26 performance

Results were solid but below forecast. Aggregate PBT rose 18.4% y/y in 1Q26, completing 22.0% of our previous FY26 forecast. However, results were slightly below expectations due to weaker NIM and trading income, partly offset by tight OPEX control. **NIM weakness was widespread.** Eleven out of 14 covered banks came in below our 1Q26 forecasts, while two were in line and one beat. LPB, STB, and TPB were the biggest disappointments. CTG and VCB were rare bright spots, showing q/q NIM improvement.

Figure 73: 1Q26 earnings and key performance indicators, HSC covered banks

Relative outperformers, in our view, were CTG, VCB, VPB

	PBT		% HSCF	Credit	Funding	Adjusted	NIM		NPL	Credit cost	ROA	ROE
	1Q26	y/y		YTD	YTD	LDR	1Q26	q/q				
ACB	5,368	16.8%	22.9%	3.2%	0.9%	98.0%	2.79%	-16bps	0.97%	0.39%	1.7%	17.7%
BID	8,572	15.6%	22.1%	2.5%	-0.2%	99.6%	1.96%	-54bps	1.76%	0.92%	1.0%	18.7%
CTG	11,139	63.3%	21.2%	1.8%	0.3%	102.9%	2.81%	14bps	1.03%	1.53%	1.4%	22.4%
HDB	6,107	14.0%	22.4%	8.0%	11.9%	87.5%	3.88%	-119bps	2.60%	0.88%	2.0%	24.9%
LPB	2,826	-11.0%	18.3%	2.9%	2.0%	98.4%	2.67%	-71bps	1.84%	0.78%	2.0%	24.6%
MBB	9,628	14.8%	22.9%	3.3%	0.6%	102.8%	3.80%	-26bps	1.42%	1.25%	2.0%	21.4%
MSB	1,890	15.9%	23.8%	3.8%	0.6%	94.5%	3.31%	-4bps	2.66%	0.95%	1.6%	14.4%
OCB	1,224	37.0%	21.0%	2.6%	4.8%	93.5%	2.92%	-26bps	4.27%	0.97%	1.4%	12.8%
STB	2,106	-42.7%	20.7%	0.1%	-2.8%	98.1%	2.77%	29bps	6.86%	1.29%	0.6%	7.7%
TCB	8,870	22.6%	22.5%	3.6%	-2.0%	104.4%	3.70%	-54bps	1.09%	0.48%	2.3%	15.9%
TPB	2,106	-0.1%	20.9%	2.7%	-3.3%	97.9%	2.92%	-34bps	1.85%	0.70%	1.6%	18.4%
VCB	11,803	8.7%	23.0%	4.8%	0.7%	103.0%	2.86%	13bps	0.62%	0.58%	1.5%	16.3%
VIB	2,803	15.8%	28.2%	1.1%	6.5%	110.0%	2.94%	-17bps	2.94%	1.25%	1.4%	16.6%
VPB	7,921	57.9%	20.0%	10.2%	11.8%	129.0%	5.36%	-35bps	3.58%	3.09%	2.2%	16.7%
Aggregate	**89,902**	**18.4%**	**22.0%**	**3.6%**	**1.5%**	**102.3%**	**3.06%**	**-22bps**	**1.91%**	**1.14%**	**1.5%**	**18.1%**

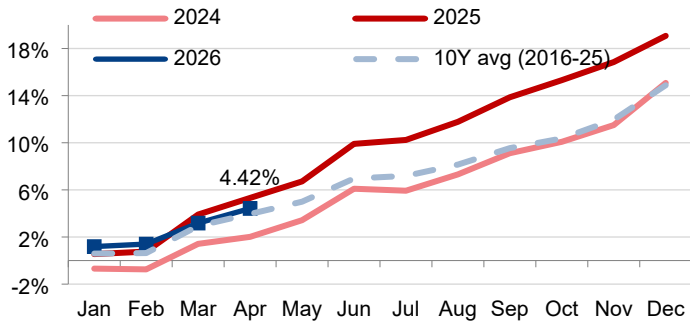
Source: Company data, HSC Research

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Figure 74: Credit growth YTD, VN banking sector

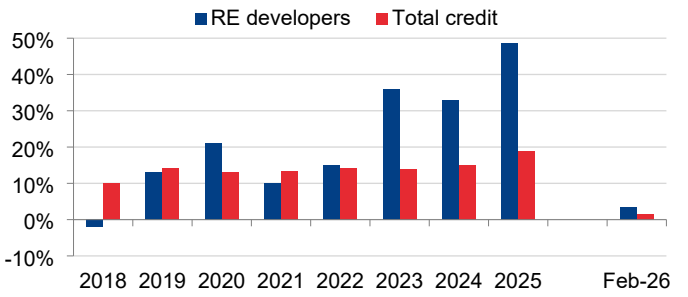
Credit growth reached 4.42% at end April, slightly below 2025's level but in line with 10Y average trend



Note: Quarterly quota does not apply to VCB, MBB, VPB and HDB.
Source: Company data, HSC Research

Figure 75: RE credit vs total credit growth YTD, Vietnam

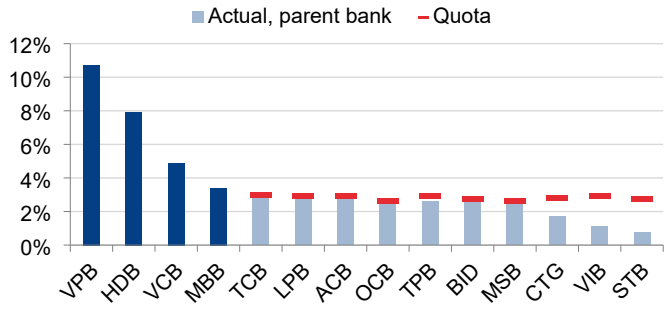
Credit to RE developers outpaced system growth…



Source: Company data, HSC Research

Figure 76: Parent bank credit growth YTD, HSC covered banks

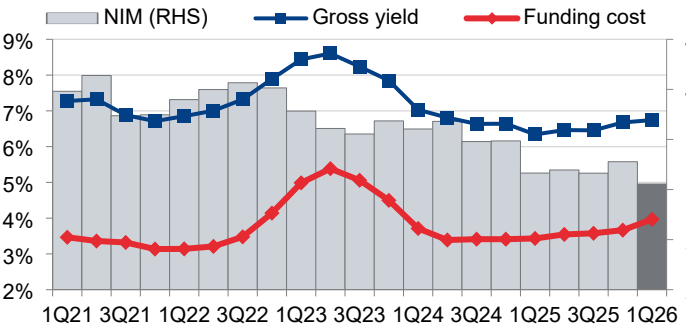
Most banks exhausted 1Q credit quota



Note: Quarterly quota does not apply to VCB, MBB, VPB and HDB.
Source: Company data, HSC Research

Figure 77: Quarterly NIM breakdown, HSC covered banks

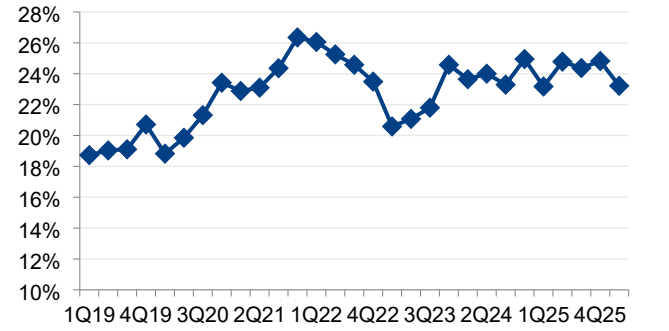
NIM was off by 22bps q/q in 1Q26 to 3.06%, reflecting strong COF pressure while asset repricing lagged behind



Source: Company data, HSC Research

Figure 78: CASA ratio, HSC covered banks aggregate

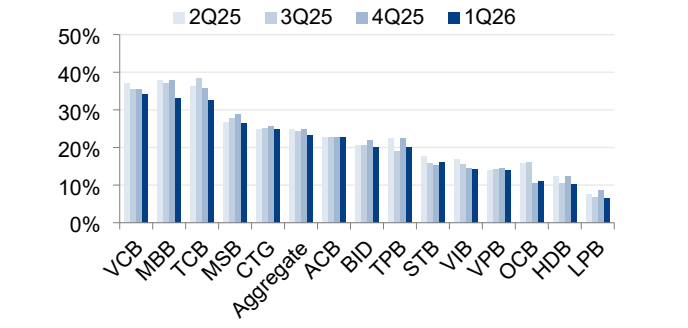
CASA ratio fell 1ppt to 23% in 1Q26 vs past 8-quarter average of c.24



Note: Quarterly quota does not apply to VCB, MBB, VPB and HDB.
Source: Company data, HSC Research

Figure 79: CASA ratio last 4Qs, HSC covered banks

VCB, MBB, and TCB maintained their leading positions



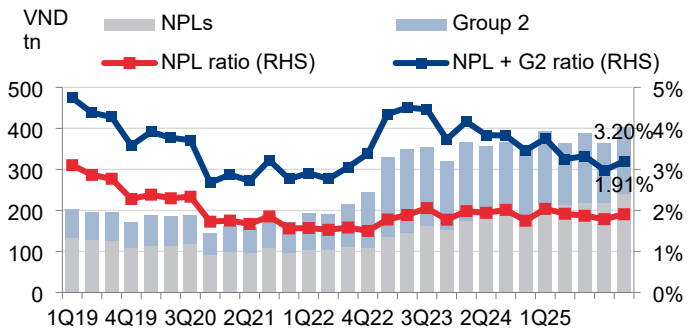
Source: Company data, HSC Research

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Figure 80: NPL and Group 2 loans, HSC covered banks

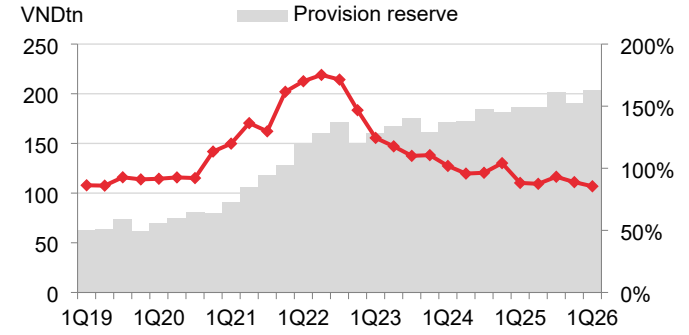
NPL ratio inched up q/q but remained at a manageable level



Note: We include net VAMC bond as NPLs
Source: Company data, HSC Research

Figure 81: Provision buffer, HSC covered banks

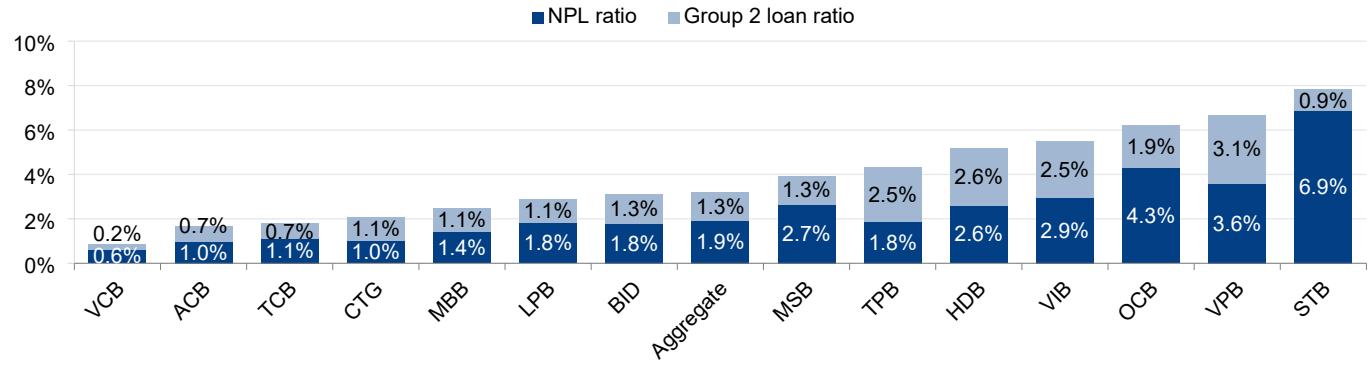
LLR declined slightly in 1Q26



Source: Company data, HSC Research

Figure 82: NPL (VAMC bond included) and Group 2 ratio, HSC covered banks

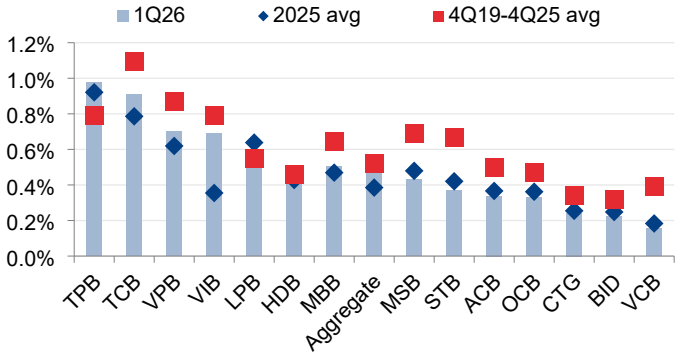
VCB, ACB, and TCB have lowest NPL ratio



Source: Company data, HSC Research

Figure 83: NFI/average assets, HSC covered banks

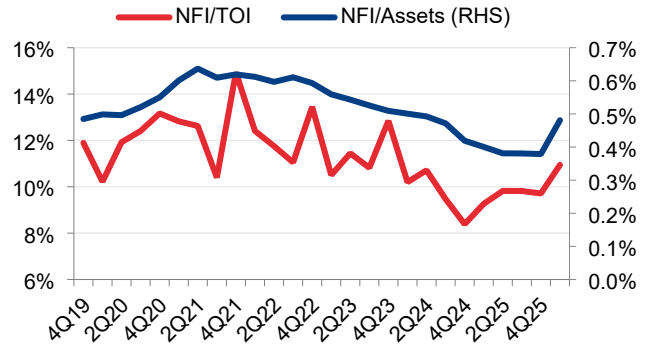
TCB and VPB saw biggest improvements in core fee income, driven by insurance and credit-related fees



Source: Company data, HSC Research

Figure 84: NFI as % of TOI and avg. assets, HSC covered banks

However, NFI/TOI and fee efficiency is bottoming out



Source: Company data, HSC Research

Earnings outlook: 14.6% growth in FY26, ~19-20% in FY27-28

Overall, we reduce our FY26-28 forecasts to reflect lower credit growth and rising NIM pressure, as funding costs remain elevated and CASA ratios continue to decline. Banks also have limited room to fully pass on higher funding costs, given continued guidance from the government and SBV to keep lending rates reasonable. Asset quality remains a key watchpoint, with higher lending rates, slower real estate liquidity, and macro uncertainties weighing on repayment capacity. In this environment, we prefer banks with stronger funding advantages, resilient CASA buffers, well-developed

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ecosystems, and lower real estate exposure. Overall, banks are likely to tighten OPEX control and manage provisioning more actively to offset softer topline growth.

Credit growth slows but remains positive. We now forecast covered banks' credit growth at 15.5%/18.0%/15.4% in FY26-28, down from FY25's 20.0% growth. Deposit growth is forecast at 13.4%/19.9%/16.7%, implying that funding pressure remains most visible in FY26 before improving gradually.

NIM recovery is delayed. We forecast aggregate NIM of 3.10%/3.18%/3.27% in FY26-28, compared with 3.16% in FY25. This reflects higher deposit costs, lower CASA, and limited ability to fully pass funding costs to borrowers due to policy guidance on lending rates.

Operating discipline should cushion earnings. We forecast CIR to improve from 31.5% in FY25 to 30.1%/29.4%/28.6% in FY26-28, while OPEX/average credit declines to 1.64%/1.60%/1.56%. Banks are likely to rely more on cost control to offset softer topline growth.

Asset quality remains manageable in the base case. We forecast NPL ratio, VAMC included, at 1.79%/1.66%/1.57% in FY26-28, with LLR at 92%/93%/93%. Credit cost is expected at 1.11%/1.07%/1.05%, suggesting manageable provisioning, though thinner buffers leave less room for downside surprises.

Net profit growth remains healthy. Covered banks are expected to deliver net profit growth of 14.6%/19.1%/20.5% in FY26-28, implying a 3-year CAGR of 18.1%. Private banks are forecast to grow faster than SOCBs, with FY26-28 net profit growth of 16.5%/22.1%/22.5% versus 11.8%/14.4%/17.3% for SOCBs.

Growth leaders are higher-beta names. HDB, STB, and VPB are expected to deliver the strongest FY26 net profit growth. However, STB's high CAGR is partly low-base driven, while HDB and VPB also carry higher funding and real estate-related risks.

Figure 85: Operating metrics, HSC covered banks

SOCBs and ACB, VIB have the lowest exposure to real estate sector

	SOCBs			Privates										
	BID	CTG	VCB	MBB	VPB	TCB	ACB	STB	HDB	LPB	VIB	TPB	MSB	OCB
CAR	9.0%	10.3%	11.7%	11.6%	14.3%	14.6%	12.3%	9.2%	16.7%	11.8%	12.0%	13.7%	12.5%	12.6%
NPL	1.8%	1.0%	0.6%	1.4%	3.6%	1.1%	1.0%	6.9%	2.6%	1.8%	2.9%	1.8%	2.7%	4.3%
G2	1.3%	1.1%	0.2%	1.1%	3.1%	0.7%	0.7%	0.9%	2.6%	1.1%	2.5%	2.5%	1.3%	1.9%
LLR	86.9%	167.2%	253.4%	92.2%	52.8%	129.4%	114.0%	53.2%	50.0%	69.6%	43.1%	68.4%	51.6%	53.0%
RE & construction exposures	6.5%	8.8%	13.2%	16.3%	29.3%	33.2%	5.2%	14.0%	25.5%	15.2%	8.0%	19.9%	24.2%	27.9%
CIR	32.0%	24.9%	32.5%	24.9%	21.7%	28.3%	32.0%	45.2%	26.0%	30.1%	31.6%	45.9%	34.5%	37.1%
OPEX/Average credit	1.1%	1.2%	1.6%	1.5%	1.7%	1.8%	1.6%	2.2%	1.7%	1.6%	1.9%	2.8%	2.4%	1.9%
NIM	2.0%	2.8%	2.9%	3.8%	5.4%	3.7%	2.8%	2.8%	3.9%	2.7%	2.9%	2.9%	3.3%	2.9%
NIM minus credit cost	1.0%	1.3%	2.3%	2.5%	2.3%	3.2%	2.4%	1.5%	3.0%	1.9%	1.7%	2.2%	2.4%	2.0%
ROA 12M	1.0%	1.4%	1.5%	2.0%	2.2%	2.3%	1.7%	0.6%	2.0%	2.0%	1.4%	1.6%	1.6%	1.4%
ROE 12M	18.7%	22.4%	16.3%	21.4%	16.7%	15.9%	17.7%	7.7%	24.9%	24.6%	16.6%	18.4%	14.4%	12.8%
PBT grt.	15.6%	63.3%	8.7%	14.8%	57.9%	22.6%	16.8%	-42.7%	14.0%	-11.0%	15.8%	-0.1%	15.9%	37.0%
Credit grt.	2.5%	1.8%	4.8%	3.3%	10.2%	3.6%	3.2%	0.1%	8.0%	2.9%	1.1%	2.7%	3.8%	2.6%
Deposit & VP grt.	-0.2%	0.3%	0.7%	0.6%	11.8%	-2.0%	0.9%	-2.8%	11.9%	2.0%	6.5%	-3.3%	0.6%	4.8%

Source: Company data, HSC Research

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Figure 86: Key assumptions, HSC covered banks aggregate

Key changes are lower credit growth and lower NIM

		Old forecast			New forecast		
	FY25A	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
P&L growth							
NII	9.4%	21.9%	19.6%	17.9%	15.5%	17.8%	18.1%
NFI	11.4%	16.9%	17.2%	15.6%	19.8%	15.5%	16.3%
TOI	11.6%	17.6%	18.3%	17.3%	13.2%	16.5%	17.3%
OPEX	8.9%	11.3%	15.6%	14.7%	8.2%	14.0%	13.9%
Provision	5.6%	25.9%	15.2%	15.5%	16.9%	13.5%	14.0%
PBT	15.9%	18.3%	21.2%	19.5%	14.9%	19.2%	20.5%
Net profit	15.8%	18.0%	21.3%	19.5%	14.6%	19.1%	20.5%
Key ratios							
Credit growth	20.0%	18.0%	18.9%	15.5%	15.5%	18.0%	15.4%
Deposit growth	15.1%	17.9%	20.1%	16.7%	13.4%	19.9%	16.7%
NIM	3.16%	3.23%	3.33%	3.41%	3.10%	3.18%	3.27%
NFI/Average assets	0.38%	0.38%	0.38%	0.38%	0.39%	0.39%	0.40%
CIR	31.5%	29.8%	29.1%	28.5%	30.1%	29.4%	28.6%
OPEX/Average credit	1.78%	1.67%	1.63%	1.60%	1.64%	1.60%	1.57%
NPL formation, VAMC incl	1.42%	1.15%	1.16%	1.12%	1.10%	1.07%	1.05%
NPL ratio, VAMC incl	1.79%	1.70%	1.62%	1.55%	1.79%	1.66%	1.57%
LLR	89%	93%	93%	94%	92%	93%	93%
Credit cost	1.11%	1.17%	1.14%	1.12%	1.10%	1.07%	1.05%
ROA	1.54%	1.53%	1.60%	1.66%	1.50%	1.56%	1.64%
ROE	18.1%	18.0%	18.4%	18.8%	17.5%	17.7%	18.3%

Source: Company data, HSC Research

Figure 87: Net profit growth, HSC covered banks

Bank HDB, STB, VPB are expected to deliver strongest FY26 growth

	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F	3Y CAGR
ACB	25.0%	42.5%	17.2%	4.6%	-6.9%	14.9%	18.8%	20.4%	18.0%
BID	51.1%	72.1%	18.2%	16.9%	19.0%	3.3%	12.9%	12.6%	9.5%
CTG	3.0%	19.1%	18.6%	27.4%	36.5%	18.4%	13.5%	14.5%	15.4%
HDB	42.5%	28.0%	30.0%	26.7%	29.5%	27.7%	25.2%	24.4%	25.7%
LPB	58.8%	52.5%	23.5%	74.5%	17.5%	-0.4%	0.7%	20.1%	6.4%
MBB	53.7%	37.7%	18.3%	9.5%	18.3%	14.6%	19.9%	25.7%	20.0%
MSB	100.6%	14.4%	0.6%	18.8%	2.0%	12.7%	0.0%	12.9%	8.3%
OCB	24.6%	-20.3%	-5.9%	-3.9%	26.4%	11.5%	14.4%	14.1%	13.3%
STB	27.2%	47.8%	53.1%	30.7%	-41.1%	24.3%	105.3%	32.7%	50.2%
TCB	46.5%	11.6%	-10.7%	19.5%	17.5%	19.0%	19.7%	19.8%	19.5%
TPB	37.7%	29.6%	-28.7%	36.0%	21.9%	7.1%	12.6%	15.4%	11.6%
VCB	18.8%	36.4%	10.5%	2.4%	4.0%	12.7%	16.5%	23.6%	17.5%
VIB	38.1%	32.1%	1.1%	-15.9%	1.1%	13.7%	6.5%	12.9%	11.0%
VPB	12.6%	55.0%	-45.1%	58.2%	52.0%	20.7%	27.0%	25.3%	24.3%
Total	**30.4%**	**33.5%**	**5.1%**	**17.5%**	**15.8%**	**14.6%**	**19.1%**	**20.5%**	**18.1%**
SOCBs	**19.1%**	**39.2%**	**14.8%**	**13.3%**	**18.2%**	**11.8%**	**14.4%**	**17.3%**	**14.5%**
Privates	**37.6%**	**30.3%**	**-0.6%**	**20.4%**	**14.2%**	**16.5%**	**22.1%**	**22.5%**	**20.3%**

Source: Company data, HSC Research

Recommendations and top picks

We remain selective rather than broadly bullish. We maintain a selective stance on the banking sector. In the near term, the best-positioned banks are those with stronger deposit franchises, more resilient CASA, lower reliance on high-cost funding, and more moderate real estate exposure. These characteristics should help protect NIM and asset quality as liquidity remains tight and lending-rate flexibility remains constrained by policy guidance.

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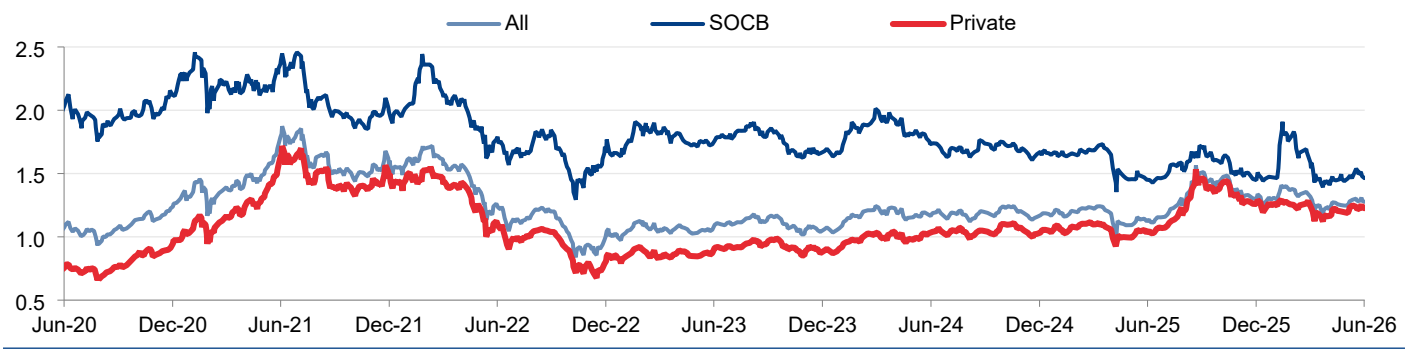
CTG and VCB are better positioned on funding strength. We prefer CTG and VCB in the current environment due to their strong deposit franchises, large customer bases, policy relevance, and better ability to manage funding costs. Both banks also showed early signs of NIM stabilization in 1Q26, suggesting that stronger funding franchises may help protect margins as liability-side pressure persists.

MBB and ACB provide stronger resilience among private banks. MBB screens well on growth capacity, ecosystem depth, and CASA resilience, while ACB offers a more conservative risk profile, lower real estate sensitivity, and stronger asset-quality positioning. These attributes make both names relatively better positioned in a tighter liquidity and higher-rate environment.

HDB, TCB, and VPB offer higher growth with higher risk. HDB, TCB, and VPB offer stronger earnings-growth potential, while risks appear increasingly reflected in current valuations. These banks share some common strengths, including developed ecosystems, strong CAR, and high ROA, but they also carry higher real estate exposure. VPB and HDB have greater balance-sheet growth capacity, which should support stronger earnings flow-through but may also increase funding pressure. TCB, meanwhile, benefits from strong fee-generating capacity, resilient CASA, and ongoing diversification away from real estate toward infrastructure-related lending. At current valuations, we believe these names offer a more balanced risk-return profile for investors willing to tolerate higher cyclical and funding risk.

Figure 88: 1Y rolling fwd P/B, HSC covered banks

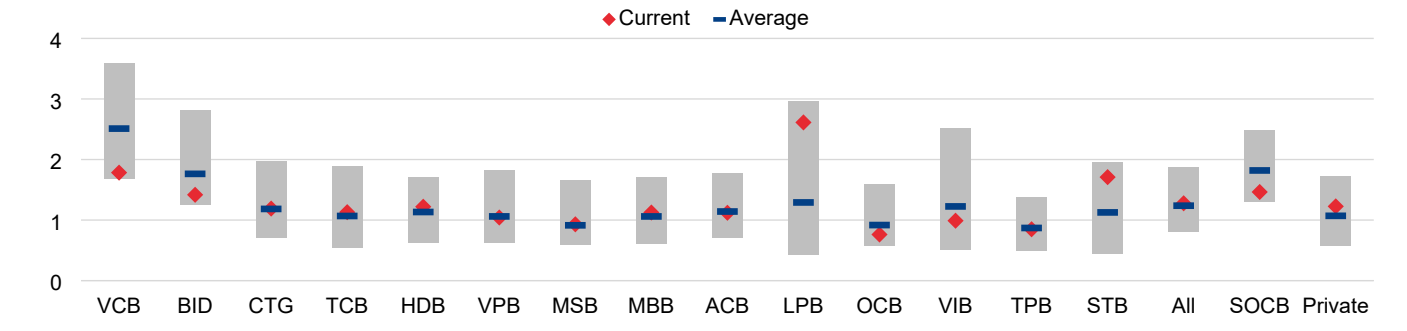
Covered banks now trade at P/B of 1.25x



Source: Market data, HSC Research

Figure 89: 1Y rolling forward P/B (x) comparison, HSC covered banks

VCB and BID trade well below while LPB and STB trade well above historical average



Source: Market data, HSC Research

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Figure 90: Comparables, HSC covered banks

Top picks include both the strong growth HDB, MBB, TCB, VPB and the safer bet ACB, CTG, VCB

	Current		Target		P/B (x)		P/E (x)		ROE			EPS growth		PB at TP (x)	
VND	price	Rating	price	Upside	FY26	FY27	FY26	FY27	FY26	FY27	FY28	FY26	FY27	FY26	FY27
ACB	25,100	Buy	32,600	29.9%	1.19	1.04	7.3	6.1	17.5%	18.1%	19.1%	14.9%	18.8%	1.54	1.35
BID	41,700	Add	46,300	11.0%	1.49	1.30	11.3	9.9	14.3%	14.1%	13.9%	-3.7%	14.4%	1.65	1.44
CTG	33,850	Buy	48,300	42.7%	1.25	1.06	7.0	6.2	19.2%	18.5%	17.9%	19.4%	13.7%	1.78	1.51
HDB	24,900	Buy	33,000	32.5%	1.36	1.09	6.0	4.8	24.2%	25.3%	25.3%	25.0%	25.2%	1.80	1.45
LPB	50,900	Sell	24,900	-51.1%	3.07	2.64	13.4	14.0	23.5%	20.3%	20.9%	-0.4%	-4.3%	1.50	1.29
MBB	24,650	Buy	31,800	29.0%	1.20	1.00	7.0	5.8	18.8%	18.7%	19.4%	14.6%	19.9%	1.55	1.29
MSB	14,300	Hold	15,800	10.5%	0.91	0.81	7.0	7.0	13.9%	12.2%	12.2%	12.7%	0.0%	1.01	0.89
OCB	11,550	Buy	14,700	27.3%	0.80	0.71	6.9	6.0	12.4%	12.5%	12.6%	11.5%	14.4%	1.02	0.90
STB	66,600	Reduce	61,000	-8.4%	1.84	1.52	17.9	8.7	11.0%	19.1%	20.5%	18.1%	105.3%	1.69	1.39
TCB	31,900	Buy	44,500	39.5%	1.16	1.01	7.5	6.3	16.5%	17.2%	17.8%	19.0%	19.8%	1.62	1.41
TPB	15,600	Buy	19,800	26.9%	0.89	0.77	5.5	4.9	17.4%	17.0%	16.9%	7.4%	12.6%	1.13	0.97
VCB	61,600	Buy	75,600	22.7%	1.85	1.66	14.6	12.9	14.0%	13.6%	14.9%	9.1%	12.9%	2.28	2.03
VIB	15,800	Buy	20,000	26.6%	1.03	0.92	6.6	6.2	16.5%	15.7%	15.8%	14.0%	6.5%	1.31	1.16
VPB	26,450	Buy	36,800	39.1%	1.09	0.93	7.2	5.7	16.0%	17.5%	18.4%	20.7%	27.0%	1.51	1.29
Sector				**19.9%**	**1.37**	**1.17**	**8.9**	**7.5**	**16.8%**	**17.1%**	**17.5%**	**13.4%**	**20.4%**	**1.53**	**1.31**
SOCB				**25.5%**	**1.53**	**1.34**	**11.0**	**9.7**	**15.8%**	**15.4%**	**15.6%**	**8.3%**	**13.7%**	**1.90**	**1.66**
Private banks				**18.3%**	**1.32**	**1.13**	**8.4**	**6.9**	**17.1%**	**17.6%**	**18.1%**	**14.8%**	**22.3%**	**1.42**	**1.22**

Note: Data as of 2 June.
Source: HSC Research

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Brokers: Selective value amid soft liquidity

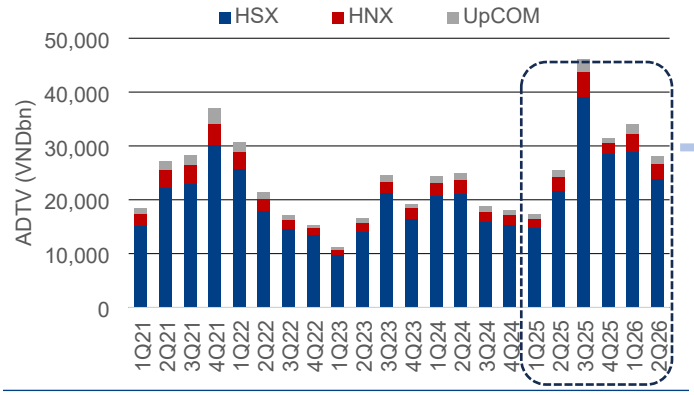
The VN Index reached a new all-time high of 1,928 in mid-May, though the rally was driven mainly by Vingroup-related stocks. Broader participation remained muted, with ADTV softening to VND28tn in Apr–May amid lingering liquidity and sentiment headwinds. We expect these pressures to ease only gradually toward late 2026, while potential catalysts will need time to rebuild investor confidence. As such, we forecast ADTV to grow at 8.3% CAGR over FY25-28 period. For brokers' earnings, we estimate coverage profit CAGR to be 16.1%, backed by resilient margin lending and solid investment arm. With valuations near historical averages, we maintain Buy ratings on TCX, VCI, and SSI, and Hold on VND. TCX and VCI are our top picks.

VN Index recovery led by VIC, but liquidity remained modest

The VN Index retraced to 1,863 on 29 May from a new all-time high of 1,921 in mid-May after recovering strongly from the late March trough of 1,662. On a YTD basis, the VN Index was up 4.4%, led primarily by Vingroup-related stocks. Market liquidity remained resilient on a cumulative basis, with 5M26 ADTV reaching c.VND31.7tn, although trading activity softened to around VND28tn in Apr–May amid higher interest rates, persistent foreign outflows, and prolonged US-Iran geopolitical tensions.

Figure 91: Quarterly ADTV, Vietnam

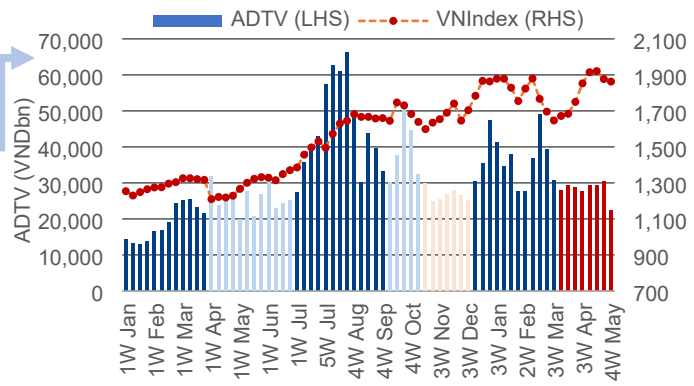
ADTV grew 51% y/y from low base to VND31.7tn in 5M26…



(*) 2Q26 data is counted from 2 Apr to 29 May
Source: HSX, HSC Research

Figure 92: Weekly ADTV, Vietnam

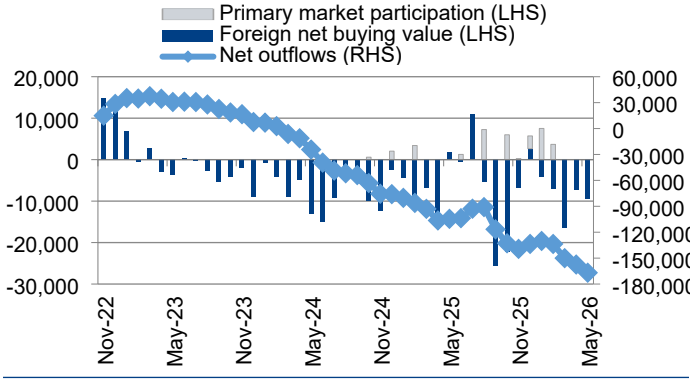
…but remained weak in Apr-May



Source: HSX, HSC Research

Figure 93: Foreign buying/selling value, Vietnam

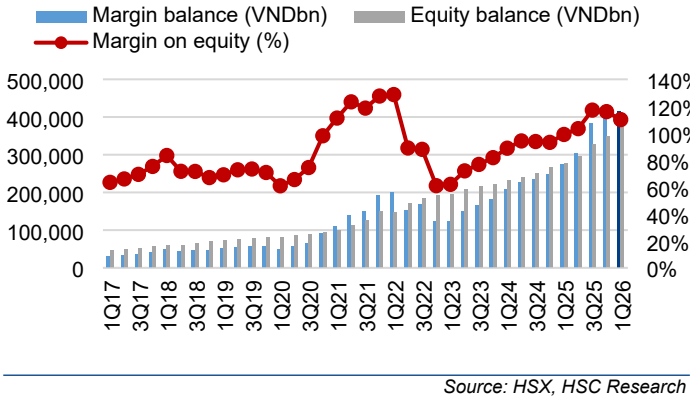
Foreign investors have remained net sellers in the secondary market, although they have stayed active in primary-market deals



Source: HSX, HSC Research

Figure 94: Margin lending vs. equity, Brokers sector

Margin lending balance went up to VND415tn as of end-1Q26, while margin on equity ratio eased to 110%



Source: HSX, HSC Research

Tailwinds are emerging, but headwinds still dominate in near term

Looking ahead, we see four supporting factors, (1) easing US-Iran tensions, (2) FX stabilization, (3) Fiscal stimulus execution, and (4) FTSE EM inclusion inflows.

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However, these catalysts will likely take time to restore investor confidence, while the main headwinds — tight liquidity and elevated interest rates — are unlikely to fade quickly. This asymmetry leads us to take a more cautious view on the ADTV outlook

Figure 95: Market headwinds & tailwinds analysis, FY26-28

Our assessment gears towards headwinds than tailwinds as headwinds will have a heavier & longer impact on market sentiment

Factor	Status	Fundamental impact	Horizon	Impact on market sentiment
Headwinds				
Elevated deposit rate	Commercial banks hiked their deposit rates constantly to improve deposit mobilization and reduce marginal reliance on short-term interbank funding. Despite SBV's governor urge to adjust rates downward, the deposit rates maintained at high bases due to prolonged tightened banking liquidity condition. Higher deposit yields draw liquidity back from alternative assets into the formal banking system, partly posing evaporation in equity market liquidity. It also pushed up lending rates that will impact corporates' profit.	High	Long	**High**
Tightening liquidity	While deposit rates have been raised several times, the liquidity condition remains tightened due to persistent gap between credit & deposit. Overnight interbank rates have retreated from elevated 1Q26 levels to around 6–8% in Apr–May, but still a high base compared to 2025.	High	Long	**High**
Foreign net selling	Foreign investors sold VND43tn in 5M26. On top of that, the selling momentum didn't slow down though FX situation alleviated	High	Long	**Medium**
Narrowed market breadth	The concern of investors on domino-effect from Vingroup family stocks volatility is higher than ever when this stock group accounted for 30% of VN Index market cap.	Medium	Short	**Medium**
Tailwinds				
Easing US-Iran tension	Geopolitical risk around the Strait of Hormuz has eased from its peak but remains fragile. A tentative ceasefire and ongoing peace negotiations have reduced immediate escalation concerns, although sporadic incidents and disrupted shipping flows continue to keep energy prices volatile. For Vietnam equities, a sustained easing in oil prices and shipping risks would help reduce imported-inflation and FX concerns, supporting a gradual improvement in investor sentiment	High	Short	**Medium**
Fiscal stimulus execution	VND1,280tn pipeline remains on schedule. Faster state capital disbursement should support market liquidity while improving earnings visibility for construction, materials, industrials, and selected real estate names.	Medium	Long	**Medium**
FX stabilization	USD/VND retraced to mid-26,000s from 28,000 stress levels, supported by offshore fundraising by Vietnamese financial institutions and resilient FDI disbursement (USD7.4bn in 4M26, up 9.8% y/y).	High	Long	**Low**
FTSE EM inclusion inflows	on 8 April, FTSE Russell officially confirmed Vietnam's inclusion in its Emerging Markets indices, with 23 large-cap stocks to be phased into the basket from September 2026 across four tranches. We estimate total passive inflows of approximately USD946mn, with the first tranche of USD95mn arriving in September 2026	Medium	Long	**Low**
Overall		**Headwinds should still outweigh tailwinds in near term**		

Source: Company data, HSC estimates

Margin lending resilient, but spreads remain under pressure

The rising interest-rate environment in the banking sector has started to feed through to brokers' funding costs. Sector-wide funding costs rose 80bps q/q to 6.6% in 1Q26, while margin lending rates increased by a more modest 30bps q/q to 10.5%. As a result, the sector-wide margin spread narrowed by 50bps q/q to 3.9%, from 4.2% in 4Q25. Repricing has been slow, as brokers face softer market liquidity and intensifying competition in margin lending.

Despite higher margin rates and the VN Index correction in February–March, sector-wide margin lending balances remained resilient, rising 2% q/q to VND415tn at end-1Q26 from VND406tn at end-4Q25. The increase was mainly driven by: (1) stronger margin-for-holding demand from institutional clients and major corporate shareholders; and (2) a VND7tn q/q increase in VCK's margin book, which accounted for most of the sector-wide net increase of VND9tn. This partly reflected the migration of leveraged positions from external financing channels into VCK's formal margin lending book.

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The sector's margin-to-equity ratio declined to 110% at end-1Q26, from 116% at end-4Q25, but remained above 99% at end-1Q25..

FY26-28 ADTV and earnings outlook

We revise down our FY26–28 ADTV forecasts by approximately **8% per annum on average**. Our revised base case assumes ADTV of **VND30.7tn in FY26** (+3% y/y), **VND34.3tn in FY27** (+12% y/y), and **VND37.8tn in FY28** (+10% y/y), implying a **three-year CAGR of 8.3%**. This still represents healthy growth off the high FY25 base, but better reflects a more challenging near-term market environment.

Figure 96: Actual and forecast yearly market turnover, Vietnam

We cut our FY26-28 ADTV estimate by 8% per year on average; 3Y ADTV CAGR was reduced to 9%

VNDbn	2025	Old forecasts			New forecasts		
		2026F	2027F	2028F	2026F	2027F	2028F
Bear case					**28,309**	**32,273**	**35,500**
Growth y/y					-5%	12%	10%
Base case	**29,799**	**32,779**	**37,696**	**43,351**	**30,693**	**34,377**	**37,814**
Growth y/y	42%	10%	15%	15%	3%	12%	10%
Bull case					**32,779**	**37,368**	**41,105**
Growth y/y					10%	12%	10%

Source: Company data, HSC forecasts

While ADTV estimates are revised down, brokerage income estimate revision is minor to corporates' earnings mix where investment & margin lending dominate. Overall sector earnings CAGR in FY25-28 is expected at 16.1%.

Figure 97: Actual and forecast profit before tax growth, Brokers coverage

Overall sector CAGR in FY25-28 seen at 16.1%

VNDbn	2025A	HSC forecasts		
		2026F	2027F	2028F
SSI	**5,083**	**5,695**	**6,439**	**7,119**
Growth y/y	43%	12%	13%	11%
VCI	**1,629**	**2,192**	**2,386**	**2,656**
Growth y/y	50%	35%	9%	11%
VND	**2,508**	**2,524**	**2,686**	**3,002**
Growth y/y	20%	1%	6%	12%
TCX	**7,108**	**8,048**	**10,325**	**12,802**
Growth y/y	48%	13%	28%	24%

Source: Company data, HSC forecasts

Valuation and recommendations

We cut our TPs for SSI by 6% to VND33,000 (20% upside), VCI by 12% to VND31,100 (26% upside), and VND by 12% to VND16,900 (0% upside), while broadly maintaining our TP for TCX at VND52,900. Our revised TPs imply FY26 P/E multiples of 18.7x for SSI, 19.7x for VCI, 13.3x for VND, and 22.8x for TCX. With 20–26% upside, we maintain our Buy ratings on SSI, VCI, and TCX, while downgrading VND to Hold. TCX remains our top pick in the sector, offering the most compelling combination of earnings visibility, return quality, and valuation relative to its own history.

Figure 98: Comparables, HSC Brokers coverage

VND	Current price	Rating	Target price	P/E (x)		ROE		EPS growth		P/E at TP (x)
				FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	FY26F
SSI	27,000	**Buy**	**33,000**	15.3	13.6	12.2%	12.4%	7.5%	12.7%	18.7
VCI	24,350	**Buy**	**31,100**	15.4	14.2	8.8%	9.8%	18.1%	8.5%	19.7
VND	17,150	**Hold**	**16,900**	13.5	13.8	9.3%	8.5%	5.3%	-2.4%	13.3
TCX	40,300	**Buy**	**52,900**	17.4	13.5	13.8%	15.7%	13.3%	28.3%	22.8
Sector				**15.4**	**13.8**	**11.0%**	**11.6%**	**11.0%**	**11.7%**	**18.6**

Note: Price data on 2 June
Source: Company data, HSC Research

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Insurance: Underpenetrated sector, improving earnings tailwinds

We turn more constructive on Vietnam's insurance sector, while keeping near-term assumptions prudent. Non-life insurance remains resilient, with premium growth of around 10% and an improving combined ratio. Life insurance is still in transition after new product rollouts, but recovery should resume from 2H26. Structurally, we see insurance as the next pillar of Vietnam's financial ecosystem, supported by low penetration, rising bank-backed insurer participation, and demand for long-term funding. We expect non-life premiums to grow 11% annually over the next three years, while life premiums should remain flat in FY26 before recovering by 12% annually in FY27–28. Rising interest rates should also support earnings, especially for life insurers such as BVH. For our covered names, we expect strong double-digit earnings growth. We upgrade BVH to Add and make it our top pick, while maintaining Add on MIG and Hold on PVI.

Sector performance update

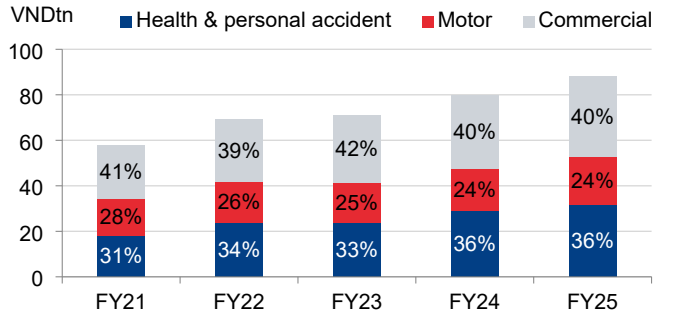
Non-life insurance: Resilient growth, but still lagging nominal GDP growth

Non-life premium growth slowed to around 10% in FY25 from 12.4% in FY24, slightly below our 11% forecast and mildly disappointing given strong GDP growth. By product, health & personal accident remained stable and continued to outperform motor and commercial lines.

Within our coverage, PVI and BVH retained their no. 1 and no. 2 positions, while MIG slipped one place to 5th. The sector-wide combined ratio improved as expected, supported by the absence of major typhoon losses and a healthier product mix, with motor declining as a share of total premiums.

Figure 99: Non-life premium by product, Sector

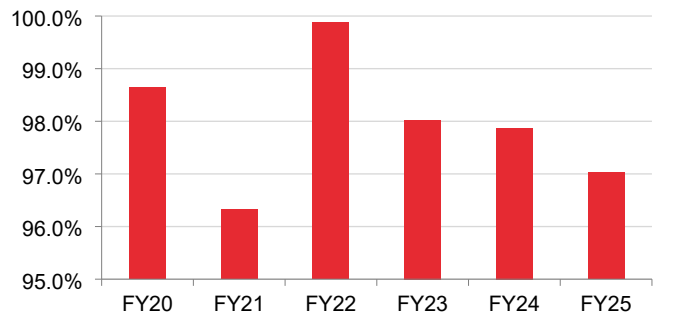
Resilient growth, but motor product underperformed



Source: IAV, Market data, HSC Research

Figure 100: Combined ratio, Sector

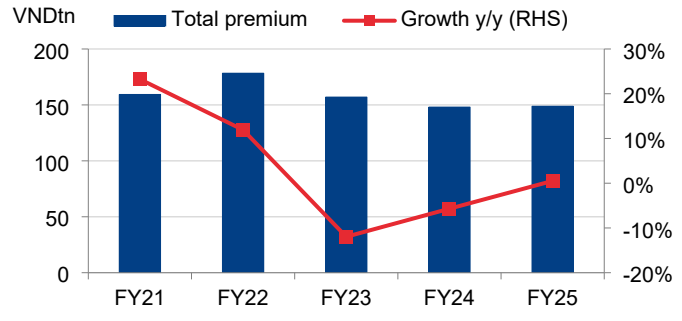
Combined ratio has improved for three consecutive years



Source: IAV, Market data, HSC Research

Figure 101: Total life premium, Sector

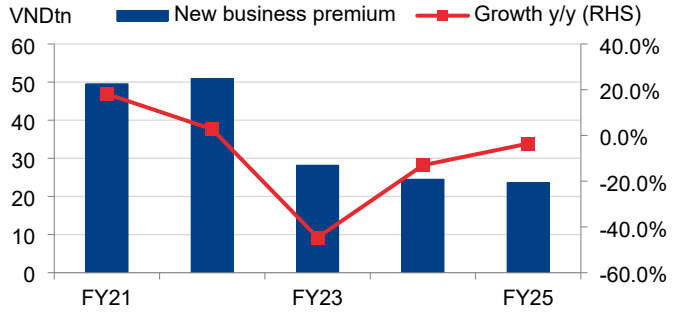
Life premium growth turned positive in FY25...



Source: IAV, Market data, HSC Research

Figure 102: New business premium, Sector

…but new business premium remained under pressure



Source: IAV, Market data, HSC Research

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Life insurance: One more transition year before recovery

The life insurance sector showed encouraging signs of recovery in FY25 after the 2022 crisis, with total life premium growth turning positive again. However, momentum weakened from 3Q25, when insurers rolled out new products to comply with the revised Insurance Law. The new product structure is more transparent but less sales-friendly in the short term. At the same time, tighter sales procedures and stricter bancassurance rules have lengthened the sales process..

We expect the sector to stay soft for a short period of time before gradually recovering from 2H26, once the sales force and customers become more familiar with the new products. Overall, we see the current weakness as a transition issue rather than a structural deterioration.

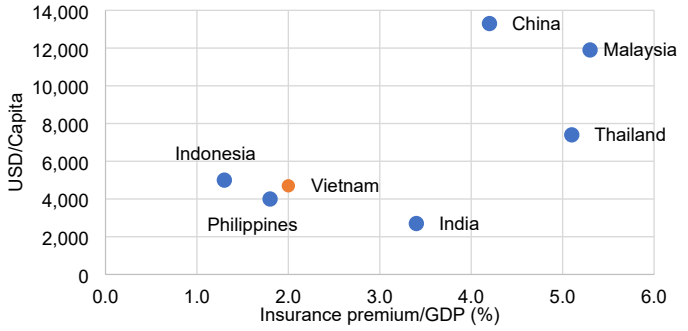
Insurance as the next pillar of Vietnam's financial ecosystem

Vietnam's insurance sector remains underpenetrated compared with regional peers, implying ample room for long-term growth as income levels rise, financial awareness improves, and distribution channels expand. The recent entry of bank-backed insurers could become an important catalyst, given banks' large customer bases, strong distribution networks, and deeper customer relationships.

Beyond premium growth, higher insurance penetration should also expand insurers' AUM, allowing the sector to become a larger source of long-term institutional capital. This role is increasingly important as Vietnam enters a new investment cycle, supported by rising public investment and large infrastructure needs.

Figure 103: FY24 penetration rate, Vietnam vs peer

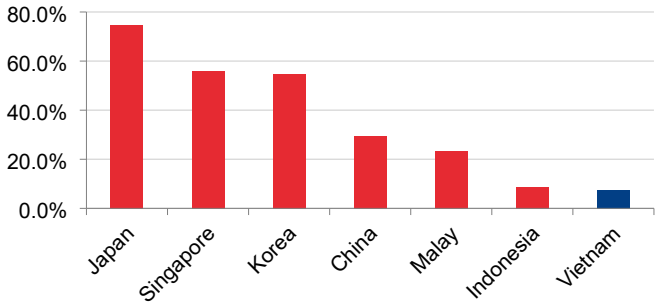
Vietnam has significant potential to enhance penetration rate



Source: Gallagher Re, HSC Research

Figure 104: Total asset to GDP, selective countries

Contribution of insurers' investment remains small



Source: Gallagher Re, HSC Research

Rising interest rates: A near-term earnings tailwind

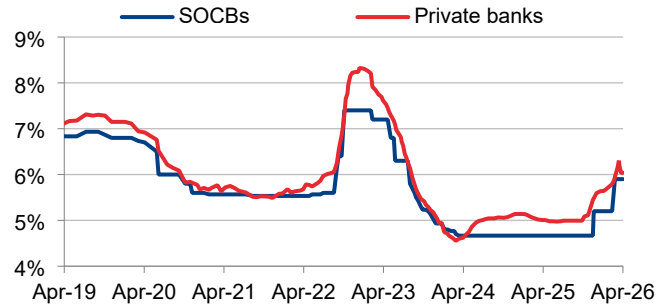
Rising interest rates should provide a near-term tailwind for insurers through higher investment income, with life insurers such as BVH benefiting more meaningfully. Higher government bond yields could also lift the technical rate, reducing reserve pressure and supporting earnings after several years of weak life profitability. However, the impact is not entirely positive: a sharp rate increase could create macro and market stress, weaken consumer sentiment, and pressure premium growth, partly offsetting the benefit from higher investment returns.

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Figure 105: Avg. 12M quoted deposit rate, 18 major banks

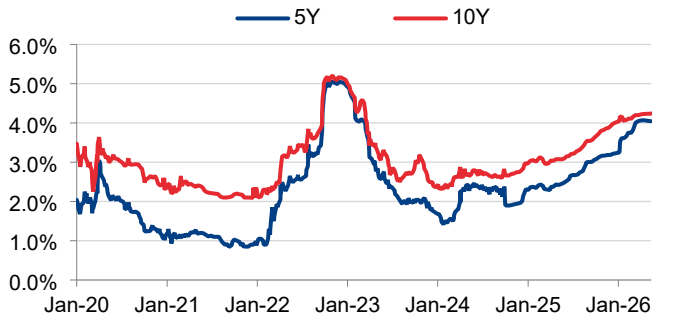
12M quoted deposit interest rate had risen since Oct-25 but dipped slightly this Apr after SBV's rate-cut request



Source: Market data, HSC Research

Figure 106: Government bond yield

Gbond yields are trending higher...



Source: Market data, HSC Research

FY26-28 outlooks

Regarding the sector outlook, we expect non-life premiums to grow by around 11% annually, while life premiums should remain flat in FY26 before recovering by nearly 12% annually from FY27.

For our covered names, we expect solid earnings growth: BVH's net profit is forecast to grow 37% in FY26 and around 18% annually in FY27–28, driven by investment asset expansion and higher yields; PVI's net profit is forecast to grow 39% in FY26, supported by higher retention rates, provision reversals, and investment income, before slowing in FY27–28; and MIG's PBT is forecast to grow 19% annually in FY26–27 and 10% in FY28, supported by top-line acceleration and underwriting margin improvement, though equity exposure may add earnings volatility.

Figure 107: Earnings forecasts, covered insurers

BVH is expected to deliver strongest earnings growth in the next three years

		Forecast			Change y/y		
	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Net profit							
BVH	2,918	3,992	4,677	5,551	36.8%	17.2%	18.7%
PVI	1,052	1,459	1,597	1,755	38.6%	9.5%	9.9%
MIG	305	365	434	472	19.5%	19.1%	8.7%
Total	4,276	5,815	6,708	7,779	36.0%	15.4%	16.0%

Source: HSC Research

Upgrade BVH to Add; maintain Add for MIG and Hold for PVI

In addition to our earnings revisions, we roll forward our valuation basis from end-FY26 to mid-FY27 for all three covered insurers. BVH is now our preferred pick, supported by strong earnings growth, the greatest benefit from rising interest rates, and potential upside from lower reserve provisions. We upgrade BVH from Hold to Add with a TP of VND75,600. We maintain Add on MIG with a TP of VND20,200, as it enters a better cycle with higher underwriting margins and moderate top-line growth. For PVI, despite its strong fundamentals and leading market position, we view its valuation as fair and maintain Hold with a TP of VND79,200.

Figure 108: Target price and rating, covered insurers

Upgrade BVH to Add; maintain Add for MIG and Hold for PVI

	Rating	Current price	TP	Upside	FY26 FW P/B at TP	FY26F ROE	Note
BVH	Add	69,700	75,600	8.5%	2.05	15.4%	Benefit the most from rising interest rate
PVI	Hold	77,700	79,200	2.0%	2.04	16.9%	Strong growth expected in FY26, followed by a slowdown from FY27
MIG	Add	18,250	20,200	10.7%	1.48	13.2%	Entering a new growth phase, with top-line acceleration and margin improvement

Note: Price data is at 2-Jun
Source: HSC Research

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Consumer: A bright outlook ahead

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- We maintain a positive view on the consumer sector, expecting aggregate net profit to grow 26% in FY26. Retail remains the most attractive segment, with earnings projected to grow 33% in FY26, underpinned by cyclical recovery, market share consolidation, operating leverage, and formalization of the retail landscape. MWG, MSN and PNJ are our top picks.
- The fertilizer sector continues to benefit from high urea prices and we favor both DCM and DPM for their attractive valuations, strong balance sheets and scope for higher dividends. In the Fishery sector, we like ANV due to dual growth drivers from pangasius and tilapia, and cheap valuation.
- In T&G, we prefer TNG, backed by visible order flow and strong execution amid softer global demand and macro uncertainty.

Core consumer: Retail to outperform; top picks MWG, MSN, PNJ

Following strong 1Q26 results, we raise our FY26 aggregate net profit growth forecast for our consumer coverage to 26%, from 16% previously and expect the sector to grow at a 3Y net profit CAGR of 18% over FY26-28. Retail names are expected to remain the key earnings drivers, with FY26 net profit growth of 33%, supported by cyclical recovery, market share gains, operating leverage, and industry formalization. Valuations look undemanding with average FY26 P/E of 13.6x and FY27 P/E of 11.6x. Our top picks are MWG, MSN, and PNJ.

Agri.-related, T&G, Health Care: Top picks DCM, DPM, ANV, TNG

In Fertilizers, we favor DCM and DPM for their attractive valuations, strong balance sheets, solid cash generation, and scope for higher dividends. In Fishery, pangasius fundamentals remain supportive, while tilapia and shrimp face near-term challenges. ANV remains our preferred pick, supported by dual growth drivers from pangasius and tilapia and a compelling valuation.

The Textiles & Garment sector is expected to see slower growth in FY26 amid softer global demand and macro uncertainty. We prefer TNG, backed by visible order flow and strong execution.

In Health Care, rising API costs are likely to pressure pharmaceutical companies' margins in the near term despite a favorable long-term regulatory backdrop. We downgrade IMP and DHG to Hold from Add. We maintain Hold on TNH.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2026F	2027F	2026F	2027F	2026F	2027F
Nam Viet Corporation	ANV	21,100	Buy	-	31,100	-	47.4	5.28	4.70	3.71	3.28	4.74	4.74
BAF Vietnam Agriculture JSC	BAF	34,500	Hold	-	37,200	-	7.83	14.9	10.4	9.87	8.11	-	-
PetroVietnam Ca Mau Fert.	DCM	38,750	Buy	-	49,600	-	28.0	7.51	8.24	4.07	4.23	3.87	3.87
Digiworld Corp	DGW	39,400	Buy	-	59,000	-	49.7	12.8	10.5	8.91	7.15	1.27	2.54
DHG Pharmaceutical JSC	DHG	94,000	Hold	-	98,000	-	4.26	13.5	13.5	10.2	10.1	7.45	7.45
PetroVietnam Fert. & Chem.	DPM	25,150	Buy	-	32,400	-	28.8	9.35	10.00	4.34	4.48	5.96	5.96
Sao Ta Foods JSC	FMC	34,900	Add	-	42,000	-	20.3	6.10	5.72	6.05	5.42	5.73	5.73
FPT Retail	FRT	127,700	Buy	-	176,500	-	38.2	18.1	13.3	11.7	8.99	0	0
Imexpharm Corp.	IMP	45,900	Hold	-	47,100	-	2.61	20.2	19.4	12.2	12.0	1.09	1.09
Masan Consumer Corporation	MCH	132,500	Hold	-	133,200	-	0.53	22.5	20.4	19.6	17.7	3.77	3.77
Masan Group	MSN	73,200	Buy	-	114,200	-	56.0	14.2	10.7	9.58	7.87	-	-
Mobile World Inv't Corp.	MWG	77,900	Buy	-	109,500	-	40.6	12.4	10.5	9.77	8.46	2.57	2.57
Phu Nhuan Jewelry	PNJ	65,000	Buy	-	100,000	-	53.8	9.67	8.42	7.49	6.47	3.08	3.08
Quang Ngai Sugar	QNS	47,400	Hold	-	50,200	-	5.91	7.51	6.62	6.88	6.09	8.44	8.44
Sabeco	SAB	47,000	Buy	-	61,500	-	30.9	12.4	11.6	10.5	9.57	10.6	10.6
Thanh Cong Text. Garment	TCM	20,700	Hold	-	22,286	-	7.66	12.7	13.3	4.95	4.96	2.30	2.30
Thien Long Group	TLG	48,700	Add	-	54,900	-	12.7	11.1	10.3	6.98	6.36	5.13	5.13
TNG Invest. and Trading JSC	TNG	18,600	Add	-	23,700	-	27.4	6.75	6.69	6.28	5.95	10.8	8.06
TNH Hospital Group JSC	TNH	9,530	Reduce	-	8,600	-	(9.76)	N/a	1,441	59.8	18.7	-	-
Vinh Hoan Corp.	VHC	57,800	Buy	-	71,000	-	22.8	8.34	7.43	6.64	5.92	5.19	5.19
Viet Nam Dairy Products	VNM	58,600	Add	-	70,600	-	20.5	13.3	12.5	9.23	8.52	7.42	7.42

Share prices as of 2 June 2026.
Source: Companies, FactSet, HSC Research

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Core consumer: Retailers outperformance to continue

We increase sector net profit growth forecast to 26%, from 16% previously, and expect the sector to grow at a 3Y net profit CAGR of 18% over FY26-28. Retail names are expected to remain the key outperformers, with earnings growth of 33% in FY26 and 23% in FY26-28, driven by cyclical recovery, market share gains, operating leverage, and industry formalization. Meanwhile sector valuations look undemanding with average FY26 P/E of 13.4x and FY27 P/E of 11.5x. Our top picks are MWG, MSN, and PNJ. Key catalysts include MWG's strong double-digit earnings growth, supported by market share gains and improving operating efficiency at DMX alongside BHX's profitable scale-up; MSN's earnings uplift from MHT's turnaround and the solid performance of its consumer-retail ecosystem; and PNJ's ability to further expand market share amid ongoing industry consolidation.

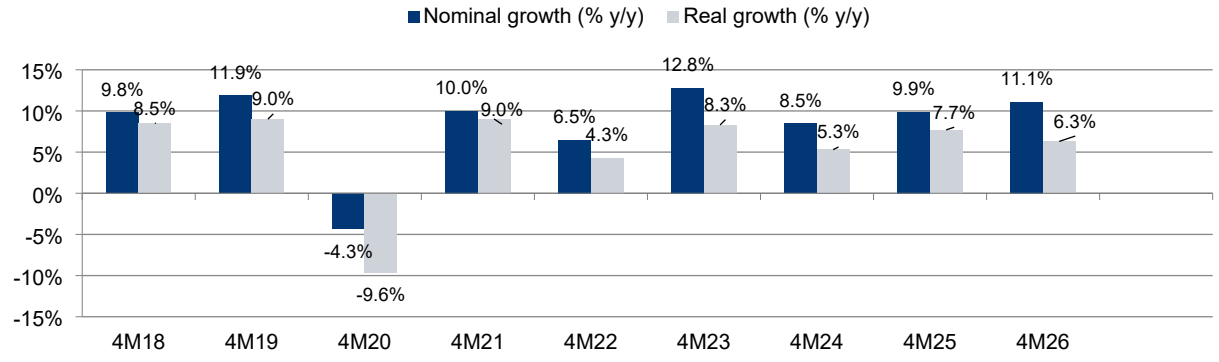
Domestic consumption: Recovery gaining momentum

In 4M26, Vietnam's retail sales of goods and services grew steadily by 11.1% y/y (or 6.3% in real terms) to VND2.54 quadrillion, reflecting resilient domestic demand despite a more challenging macro environment. Growth was broad-based across both goods and services, with goods sales rising 11.1% y/y and accounting for 76% of total turnover. Service-related segments also remained robust, supported by tourism and consumer spending, as accommodation and catering revenue increased 13.4% y/y while travel services grew 12.1% y/y.

Reflecting stronger-than-expected consumption recovery and higher CPI forecasts of 4.7% for 2026 and 4.2% for 2027, our macro team recently revised up its nominal retail sales growth forecasts to 12% and 13% for 2026 and 2027, respectively, from 11% and 12% previously. We also forecast 13.5% growth in 2028, underscoring our positive view on the medium-term consumption outlook.

Figure 109: 4M26 retail sales growth, Vietnam

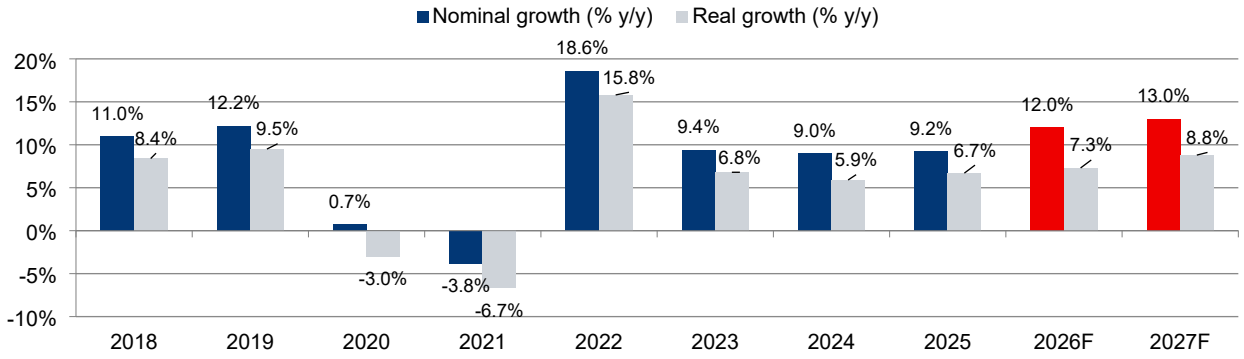
Up 11.1% y/y in 4M26, an improvement from 9.9% in 4M25



Source: NSO

Figure 110: FY26-27 retail sales growth forecasts, Vietnam

We forecast retail sales to recover by 12% in 2026



Source: NSO, HSC Research estimates

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1Q26 results: Staples strong, retail even stronger

We categorize our core consumer coverage into two main segments: consumer staples (VNM, SAB, MCH, and QNS) and retailers (MWG, FRT, DGW, and PNJ). MSN and TLG are discussed separately as standalone names.

The consumer staples group posted strong 1Q26 results, with combined net sales and net profit increasing 19% y/y and 33% y/y, respectively. Revenue growth far exceeded the FMCG industry's 4.3% y/y growth, indicating ongoing market share gains. Growth was driven by both ASP increases and volume expansion, supported by distribution restructuring at VNM and MCH and a favorable low-base effect at SAB. Higher ASPs, together with effective hedging, enabled most companies to expand gross margins despite continued input cost pressures.

Figure 111: Net sales, HSC-covered consumer staples

Aggregate net sales increased 19% y/y

VNDbn	1Q25	1Q26	Growth y/y
VNM	12,935	16,149	24.8%
SAB	5,811	6,457	11.1%
MCH	7,489	8,472	13.1%
QNS	2,269	2,763	21.8%
Total	**28,504**	**33,841**	**18.7%**

Source: Companies' financial statements

Figure 112: Net profit, HSC-covered consumer staples

Aggregate net profit increased 33% y/y

VNDbn	1Q25	1Q26	Growth y/y
VNM	1,568	2,429	54.8%
SAB	793	1,185	49.4%
MCH	1,586	1,778	12.1%
QNS	392	391	0.0%
Total	**4,339**	**5,783**	**33.3%**

Source: Companies' financial statements

Figure 113: Net sales, HSC-covered retailers

Aggregate net sales grew 38% y/y

VNDbn	1Q25	1Q26	Growth y/y
MWG	36,135	46,462	28.6%
FRT	11,670	15,117	29.5%
DGW	5,519	8,500	54.0%
PNJ	9,635	17,245	79.0%
Total	**62,959**	**87,324**	**38.7%**

Source: Companies' financial statements

Figure 114: Net profit, HSC-covered retailers

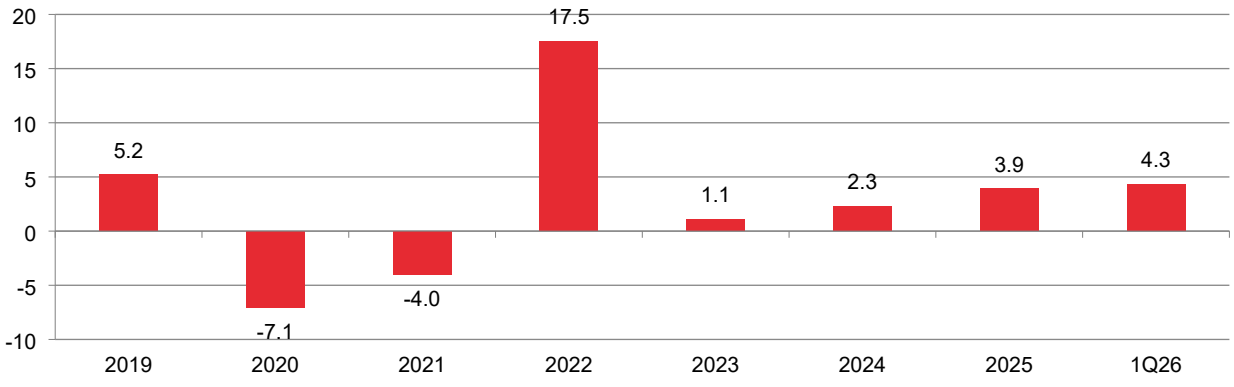
Aggregate net profit surged 87% y/y

VNDbn	1Q25	1Q26	Growth y/y
MWG	1,546	2,714	75.6%
FRT	168	287	71.1%
DGW	106	200	89.0%
PNJ	678	1,467	116.5%
Total	**2,498**	**4,669**	**87.0%**

Source: Companies' financial statements

Figure 115: FMCG revenue growth, Vietnam

Industry revenue increased moderately by 4.3% y/y in 1Q26



Source: NIQ

The retailers group (MWG, FRT, DGW, and PNJ), meanwhile, delivered even stronger 1Q26 results, with aggregate net profit surging 87% y/y. All four companies significantly outperformed our expectations, posting net profit growth of 76% y/y, 71% y/y, 89% y/y, and 117% y/y, respectively. The strong performance was driven by a recovery in consumer tech and jewelry demand, continued market share gains by leading players such as MWG, FRT, and PNJ, and improving profitability across the sector.

Notably, aggregate retail net profit in 1Q26 was 2.5x the level recorded in 1Q24, highlighting a strong earnings recovery and substantially outperforming consumer

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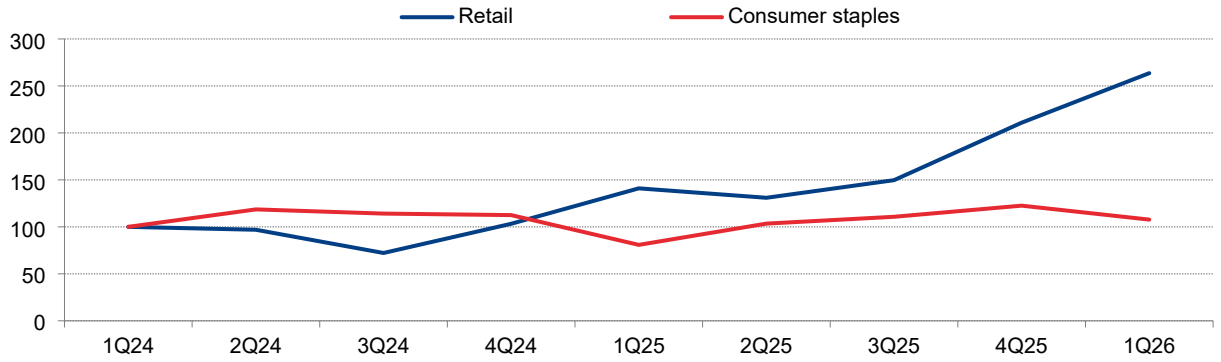
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staples, whose net profit remained largely unchanged over the two-year period. This reflects the rapid expansion and substantial business transformation undertaken by leading retailers such as MWG, FRT, and PNJ over the past few years.

Meanwhile MSN net profit soared 217% y/y to VND1,246bn, close to our projection of VND1,316bn on net sales of VND24,020bn (up 27% y/y). Strong results were driven by solid performance of all key businesses, particularly the rebound of Masan High Tech Materials.

Figure 116: Net profit index (rebased 1Q24=100), HSC core consumer coverage

After two years (from 1Q24 to 1Q26), retail net profit up 2.5x; staples broadly unchanged



Source: HSC Research estimates

Figure 117: Net profit forecasts, HSC-covered consumer staples

We look for growth of 11% in FY26, 8% in FY27 and 9% in FY28, translating into 3Y CAGR of 9.2%

VNDbn	FY25	FY26F	Growth y/y	FY27F	Growth y/y	FY28F	Growth y/y
VNM	9,410	10,314	9.6%	10,918	5.9%	11,668	6.9%
SAB	4,424	4,968	12.3%	5,294	6.6%	5,520	4.3%
MCH	6,667	7,615	14.2%	8,408	10.4%	9,538	13.4%
QNS	1,916	1,990	3.8%	2,259	13.5%	2,492	10.3%
Total	**22,417**	**24,887**	**11.0%**	**26,879**	**8.0%**	**29,218**	**8.7%**

Source: HSC Research estimates

FY26-28 outlook: Strong earnings growth continues

Consumer staples: Moderate net profit CAGR of 9.2% seen

Looking ahead, we expect a moderate recovery for the staples names, projecting net profit growth of 11% in FY26, 8% in FY27, and 9% in FY28. MCH is expected to remain the fastest growing name (with double digit growth), while VNM and SAB are expected to deliver more moderate earnings growth. Our forecasts assume that the impact of higher oil prices will be limited, as demand for staple products tends to be resilient and the sector's market leaders retain sufficient pricing power to pass through part of the cost increases to consumers, helping preserve margins.

Retailers: Strong growth outlook with 3Y net profit CAGR of 23%

Formalization reshaping the industry landscape

Ongoing government policies are accelerating the formalization of the retail sector, including stricter tax enforcement, e-invoicing requirements and intensified crackdowns on counterfeit and smuggled goods. These measures are raising compliance costs across the industry, putting increasing pressure on traditional General Trade (GT) channels such as wet markets, and small household retailers. As a result, many informal players face limited ability to adapt, reinforcing a structural shift in market share toward modern, well-established retail players.

Leading retailers positioning to capture market share gains

Against this backdrop, leading retail corporates are actively accelerating expansion and strengthening their market presence to capture a larger share of the market. MWG, FRT and PNJ are leveraging their well-organized systems, trusted brands and

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scalable operating platforms to deepen penetration across ICT-CE, pharmacy, grocery and jewelry segments. This expansion, combined with rising consumer preference for transparency and product authenticity, is expected to further consolidate market share toward leading retailers over the medium term.

We forecast retail aggregate net profit to grow at a strong double-digit pace over the next three years, increasing by 33% in FY26, 19% in FY27, and 17% in FY28, translating into 3Y CAGR of 23%.

Figure 118: Net profit forecasts, HSC-covered retailers

Projecting rapid growth of 33% in FY26, 19% in FY27 and 17% in FY28, translating into 3Y CAGR of 23%

VNDbn	FY25A	FY26F	Growth y/y	FY27F	Growth y/y	FY28F	Growth y/y
MWG	7,034	9,284	32.0%	10,922	17.6%	12,469	14.2%
FRT	795	1,201	51.1%	1,633	35.9%	2,216	35.7%
DGW	547	683	24.8%	832	21.8%	1,013	21.8%
PNJ	2,828	3,777	33.5%	4,337	14.8%	5,057	16.6%
Total	**11,204**	**14,945**	**33.4%**	**17,723**	**18.6%**	**20,754**	**17.1%**

Source: HSC Research estimates

Figure 119: FY26-28 net profit forecasts, HSC core consumer coverage

		Forecasts			Growth y/y			
VNDbn	FY25A	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	3Y CAGR
MWG	7,034	9,284	10,922	12,469	32.0%	17.6%	14.2%	21.0%
FRT	795	1,201	1,633	2,216	51.1%	35.9%	35.7%	40.7%
DGW	547	683	832	1,013	24.8%	21.8%	21.8%	22.8%
PNJ	2,828	3,777	4,337	5,057	33.5%	14.8%	16.6%	21.4%
SAB	4,424	4,968	5,294	5,520	12.3%	6.6%	4.3%	7.7%
VNM	9,410	10,314	10,918	11,668	9.6%	5.9%	6.9%	7.4%
MCH	6,667	7,615	8,408	9,538	14.2%	10.4%	13.4%	12.7%
QNS	1,916	1,990	2,259	2,492	3.8%	13.5%	10.3%	9.1%
MSN	4,108	7,823	10,368	12,362	90.4%	32.5%	19.2%	44.4%
TLG	446	469	508	573	5.0%	8.4%	12.8%	8.7%

Source: HSC Research estimates

Figure 120: Valuation comps, HSC core consumer coverage

Most stocks are cheap, trading well below their historical average 1y rolling forward P/E.

Ticker	Market cap (USDmn)	Rating	TP (VND)	Upside	FY26 P/E	FY27 P/E	1-yr rolling fwd P/E	Avg.* fwd P/E	SDs from mean*	FY26 div. yield	3Y net profit CAGR
MWG	4,256	Buy	109,500	41%	12.4	10.5	11.9	15.9	-0.7	2.6%	21.0%
FRT	842	Buy	176,500	38%	18.1	13.3	16.4	28.3	-1.4	0.0%	40.7%
DGW	343	Buy	59,000	50%	12.8	10.5	12.2	17.2	-1.5	1.3%	22.8%
PNJ	1,279	Buy	100,000	54%	9.7	8.4	9.2	12.0	-1.3	3.1%	21.4%
SAB	2,287	Buy	61,500	31%	12.4	11.6	12.1	15.2	-1.2	10.6%	7.7%
VNM	4,699	Add	70,600	20%	13.3	12.5	13.4	14.5	-1.1	7.4%	7.4%
MCH	6,638	Hold	133,200	1%	22.5	20.4	21.7	19.7	0.4	3.8%	12.7%
QNS	564	Hold	50,200	6%	7.5	6.6	7.7	6.6	1.0	8.4%	9.1%
MSN	4,103	Buy	114,200	56%	14.2	10.7	13.0	37.7	-0.9	0%	44.0%
TLG	180	Add	54,900	13%	11.1	10.3	11.2	9.3	1.1	5.1%	8.7%
Average				**31%**	**13.4**	**11.5**	**12.9**	**17.6**	**-0.6**	**4.2%**	**19.6%**

*Notes: *Based on last 3Y data for MWG, MSN, SAB, VNM, DGW; from beg-21 for PNJ, TLG, QNS; from beg-24 for MCH; from May-24 for FRT*
Source: HSC Research estimates

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Figure 121: Share price performance, HSC core consumer coverage

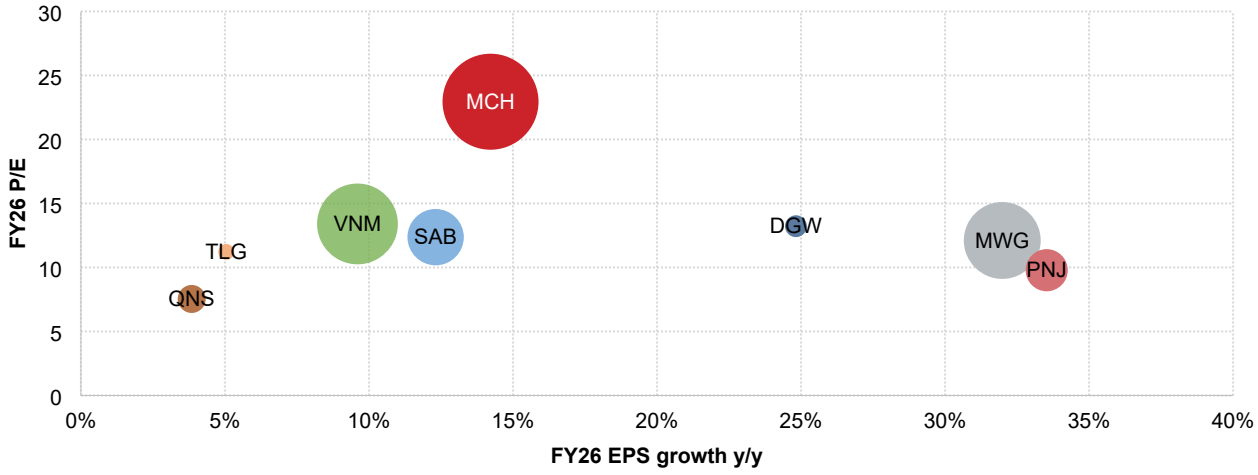
Share prices have declined 11% on average over the past three months, creating an attractive accumulation opportunity.

	1M share price performance	3M share price performance	12M share price performance	1M vs VN Index	3M vs VN Index	12M vs VN Index
MWG	-8.2%	-13.4%	29.5%	-6.8%	-12.4%	-7.1%
FRT	-13.7%	-24.4%	-3.2%	-12.2%	-23.4%	-39.9%
DGW	-7.2%	-17.1%	21.4%	-5.7%	-16.1%	-15.3%
PNJ	-4.8%	-21.7%	28.0%	-3.3%	-20.6%	-8.7%
SAB	-0.7%	-0.4%	6.0%	0.7%	0.6%	-30.7%
VNM	-3.8%	-12.0%	12.4%	-2.3%	-10.9%	-24.3%
MCH	-2.9%	-6.0%	30.9%	-1.4%	-5.0%	-5.8%
QNS	3.6%	0.9%	9.7%	5.1%	2.0%	-27.0%
MSN	-4.7%	-6.6%	17.9%	-3.2%	-5.6%	-18.8%
TLG	-2.8%	-6.7%	8.0%	-1.3%	-5.7%	-28.7%
Average (simple)	**-4.5%**	**-10.8%**	**16.0%**	**-3.0%**	**-9.7%**	**-20.6%**
VN Index	**-1.5%**	**-1.1%**	**36.7%**	**0.0%**	**0.0%**	**0.0%**

Note: Data as of 2 June 2026.
Source: HSC Research estimates

Figure 122: P/E vs EPS growth, HSC core consumer coverage

Consumer stocks are attractively valued relative to their earnings outlook. MSN, MWG and PNJ offer the most compelling growth-to-valuation trade-off, and VNM, SAB, and QNS offer more defensive exposure with lower valuation risk.



*Note: *Bubble sizes are scaled by market capitalization.*
Source: HSC Research

Top picks: MWG, MSN, and PNJ

MWG: Strong outlook remains intact; Buy

We maintain our solid view on MWG. At DMX, we expect high double-digit earnings growth, supported by improving store economics and market share gains, underpinned by several key competitive advantages, including its broad product portfolio with exclusive offerings, expanding and differentiated after-sales, financing and incremental sales contribution from the "Super App". Meanwhile, BHX appears to have reached a scalable and sustainable operating model, and we expect the chain to continue expanding rapidly with further profitability gains in the coming years.

We expect MWG's net profit to grow 32% in FY26, and 21% on average during FY25A-28F. Off 13% in the past 3M, MWG now trades on a 1Y rolling fwd P/E of 11.9x, 0.7 SD below its historical mean and on a discount to peers on key metrics – attractive, in our view. We rate MWG Buy, with a TP of VND109,500, implying 41% upside.

MSN: FY26 profit set to double; Buy

For FY26, we expect MSN net profit to double on the significant turnaround of MHT, the recovery of MCH, higher contribution from TCB, strong growth of WCM and PLH. For the forecast period FY26-28, we forecast strong 3Y net profit CAGR of 44%.

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MSN's earnings outlook is increasingly supported by multiple growth engines. While MHT is expected to drive the majority of MSN's earnings growth over FY26-27, the group earnings are supported by broad-based strength across all key businesses, including MCH's return to double-digit growth, WCM's accelerating profitability, MML's improving earnings on WCM's integration and stronger operational efficiency, and TCB's stable earnings contribution.

Valuation has become more attractive, trading at 1Y rolling fwd. P/E of 13.0x, 0.9 SD below its mean of 37.7x (based on data since May-23). On an FY26 P/E of 14.2x, its premium over peers has narrowed significantly to 8%, versus much higher levels historically. We rate MSN Buy TP of VND114,200, suggesting 56% upside.

PNJ: Solid medium-term outlook; Buy

1Q26 results came strong, with net sales rising 79% y/y to VND17,245bn and net profit jumping 117% y/y to VND1,467bn, beating our forecast by 22%. We expect growth to remain solid in the coming quarters, albeit at a more moderate pace as the high base effects and demand normalization gradually temper momentum. We believe PNJ will continue gaining market share, supported by tighter control of the gold market, which has been benefiting large players who comply with the law. We forecast net profit to grow 34% y/y in FY26, followed by 15% y/y growth to in FY27 and 17% y/y in FY28.

PNJ is now trading cheaply on a 1Y rolling fwd. P/E of 9.2x (based on our estimates), 23% (or 1.3 SDs) below its average of 12x (based on data since Jan-21). Meanwhile, it is also trading on FY26 P/E of 9.7x, 34% below its regional peers' average of 14.8x. We rate PNJ Buy, with a TP of VND100,000 that suggests 54% upside.

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Agriculture-related consumer names: ANV top pick

The near-term outlook for our ag-related consumer names (including fisheries, ferts, and livestock) reflects strong revenue growth but margin pressure from rising input costs, with livestock (BAF), in particular, facing profitability headwinds despite volume and ASP growth, fisheries showing mixed earnings trends (pangasius supportive, tilapia and shrimp weaker), and fertilizer producers (DCM, DPM) standing out as key beneficiaries with resilient margins and stable earnings growth. We like fertilizers given discounted valuations, strong balance sheets, robust cash flows, and 22-24% upside alongside potential dividend increases. Fish exporter ANV offers compelling upside (39%) supported by dual growth drivers from pangasius and tilapia and attractive valuation (5.3x forward P/E), positioning it as a selective opportunity despite broader sector headwinds.

Pressure from input cost inflation

The agriculture universe under our consumer team coverage includes fisheries (VHC, ANV, and FMC), agricultural chemicals (DCM and DPM), and livestock (BAF). The outlook for these is characterized by a divergence between revenue growth and margin pressure, driven primarily by rising input costs linked to higher energy prices and global supply disruptions. Details:

- In fisheries, the outlook is more mixed: pangasius benefits from tightening global whitefish supply and improving prices, supporting a stable earnings outlook, while tilapia faces near-term pricing pressure from high inventories in key export markets and weak demand, and shrimp continues to face structural headwinds from high anti-dumping duties and subdued restocking demand. Across the sector, rising input costs – including feed (up 10-15%), fingerlings (up 53% y/y), logistics, and interest rates – are constraining margins and dampening supply expansion, although this is partially offset by expected price recovery in 2H26.
- In contrast, fertilizer producers (DCM and DPM) are relative beneficiaries, with higher ASPs fully offsetting cost increases and earnings forecasts maintained, implying solid 3-year net profit CAGRs of 8.8% and 13.8%, respectively.
- In livestock, BAF is likely to deliver strong sales growth, supported by higher volumes, ASPs, and improved operating efficiency; however, rising farming and funding costs are expected to weigh on profitability.

Overall, while revenue growth remains robust across several segments, profit growth in the broader agriculture sector is increasingly constrained by cost inflation, with earnings visibility hinging on the balance between input cost pressures and output price recovery, while fertilizers stand out as the key area of margin resilience.

Fisheries: Pangasius outlook remains supportive while tilapia and shrimp face near-term headwinds

The near-term outlook appears strong for pangasius, as its cost competitiveness and tightening global whitefish supply are increasing the appeal of substitute species such as pangasius, despite export prices remaining near two-year lows. Meanwhile, rising farming costs, driven by higher fingerling, feed, energy, and financing expenses, are constraining supply. Together with improving farm-gate prices, this could support a recovery in pangasius prices in 2H26 and partially offset cost pressures, particularly for integrated players such as VHC and ANV.

Meanwhile, tilapia benefits from tariff advantages and low market share in the US, suggesting longer-term growth potential, although near-term pricing may face pressure from high inventories and weak demand.

In contrast, shrimp continues to face headwinds from elevated anti-dumping duties and excess inventories, keeping restocking demand subdued. Sector earnings growth remains moderate, with projected 3-year net profit CAGRs of 9.9% for VHC, 9.7% for ANV, and 6.6% for FMC.

Top pick: ANV (Buy, VND31,100)

ANV is supported by dual growth drivers from pangasius (30-35% of exports) and tilapia (~30%), as well as structural advantages over China in tilapia, and is currently

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trading at an attractive 1-year forward P/E of 5.3x (0.4 SD below its historical average), with 47% upside to its target price.

Meanwhile, VHC benefits from ~30% exposure to the US market under a favorable 10% tariff regime, supporting sales growth, and trades at 8.0x forward P/E (1.1 SD relative to its historical average), with 23% upside. Finally, FMC continues to improve operational efficiency through higher in-house farming, supporting resilient earnings growth, and trades at 5.9x forward P/E (1.7 SD below its historical average), with 20% upside to its target price.

Figure 123: FY26-28 net profit forecasts, HSC ag-related consumer coverage

Fertilizer companies are likely to see sharp earnings growth this year due to ongoing geopolitical tensions, while rising costs are weighing on margins for fishery and livestock companies despite solid revenue growth

VNDbn	2026F	Growth y/y	2027F	Growth y/y	2028F	Growth y/y	3Y CAGR
Fisheries							
VHC							
Revenue	14,028	16.7%	15,359	9.5%	16,946	10.3%	12.1%
Net profit	1,555	9.7%	1,747	12.3%	1,881	7.7%	9.9%
ANV							
Revenue	7,889	13.5%	8,649	9.6%	9,498	9.8%	11.0%
Net profit	1,066	6.7%	1,197	12.2%	1,321	10.4%	9.7%
FMC							
Revenue	8,599	5.1%	9,210	7.1%	9,864	7.1%	6.4%
Net profit	374	7.2%	399	6.6%	423	6.1%	6.6%
Aggregate fisheries							
Revenue	30,516	12.4%	33,218	8.9%	36,308	9.3%	
Net profit	2,995	8.3%	3,342	11.6%	3,625	8.5%	
Fertilizers							
DCM							
Revenue	23,003	35.6%	23,766	3.3%	23,766	0.0%	11.9%
Net profit	2,732	42.7%	2,491	-8.8%	2,469	-0.9%	8.8%
DPM							
Revenue	20,495	23.7%	20,655	0.8%	20,655	0.0%	7.6%
Net profit	1,830	70.4%	1,711	-6.5%	1,581	-7.6%	13.8%
Aggregate fertilizers							
Revenue	43,498	29.8%	44,421	2.1%	44,421	0.0%	9.8%
Net profit	4,562	52.6%	4,202	-7.9%	4,050	-3.6%	10.7%
Livestock							
BAF							
Revenue	8,257	63.9%	11,201	35.6%	11,986	7.0%	33.5%
Net profit	702	454.2%	1,013	44.4%	959	-5.3%	96.4%

Source: HSC Research

Figure 124: Valuation comps, HSC ag-related consumer coverage

VND	Price	Rating	TP	Upside	1-yr rolling forward P/E	Historical avg. P/E	Short term outlook
Fisheries							
ANV	21,100	Buy	31,100	47.4%	5.3	8.1	Market conditions are likely to become more favorable for pangasius, with price increases likely to offset rising farming costs. Tilapia still offers room for growth, while shrimp continues to face challenges due to high AD tax
FMC	34,900	Add	42,000	20.3%	5.9	8.9	
VHC	57,800	Buy	71,000	22.8%	8	10.1	
Fertilizers							
DCM	38,750	Buy	49,600	28.0%	8.1	11.2	We expect ASP increases should largely offset higher gas costs, coupled with secured domestic gas supply and the ability to ramp up exports amid weak domestic demand
DPM	25,150	Buy	32,400	28.8%	9.9	16.2	
Livestock							
BAF	34,500	Hold	37,200	7.8%	6.8	8.2	Strong revenue growth on higher operation efficiency while net profit growth is constrained by higher farming costs

Source: HSC Research estimates

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Fertilizers: Near-term earnings solid underpinning by ongoing geopolitical disruptions

Middle East disruptions- particularly damage to energy infrastructure and the near halt of shipping through the Strait of Hormuz- have materially tightened global fertilizer supply, with ~30% of traded volumes affected and 55-60% of regional urea capacity potentially offline, suggesting constraints could persist through at least 2027. Urea prices have risen above USD850/ton (up 80% since the US-Iran war commenced), though still below prior peaks due to pre-secured demand, moderate gas price increases, and partial trade rerouting.

Fertilizer prices are expected to rise nearly 60% y/y and remain above USD550/ton before easing in 2027 as exports normalize and new supply comes online, although risks remain skewed to the upside if disruptions persist beyond 3Q26 alongside elevated energy prices.

While higher gas-linked input costs may weigh on margins, recent ASP increases should largely offset these pressures. Both companies remain relatively insulated, underpinned by secured domestic gas supply and the ability to ramp up exports amid weak domestic demand. Our projections imply a 3-year net profit CAGR of 8.8% for DCM and 13.8% for DPM.

Top picks: DCM (Buy, VND49,600) and DPM (Buy, VND32,400)

Both DCM and DPM maintain strong balance sheets, with net cash positions of VND5.4trn (VND10,181/share) and VND4.8trn (VND7,116/share), respectively. This is supported by robust operating cash flow generation (~VND1.4trn for DCM and ~VND1.5trn for DPM) and consistently high payout ratios (above 50% for DCM and over 70% for DPM over the past five years). Together, these factors provide ample capacity to sustain and potentially increase dividend distributions, and we expect both companies to raise dividends in line with stronger FY26 earnings

DCM and DPM trade at discounted valuations (7.5x/9.3x FY26 P/E, ~1.2 1.3 SDs below historical averages) and offer 28-29% upside to our revised target prices, supporting our Buy ratings.

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Textiles & Garments: Diverging performance & pressured margins

Vietnam T&G exports increased modestly 1.5% y/y in 4M26, with growth concentrated in select markets rather than broad based recovery. We expect the industry to post low single digit growth at 2.5% y/y in FY26, underpinned by subdued consumer demand on heightened global macro uncertainty. Under this backdrop, sales of T&G comps likely continue to diverge across the industry – players with advantages of production, customer relationships and ESG compliance are better positioned to secure stable order flows. On the margin front, we expect an upcoming pressure across the industry as material input costs have recently risen on recent macro developments. We rate TNG Add, with a TP of VND23,700, and TCM Hold even after recent share price weakness.

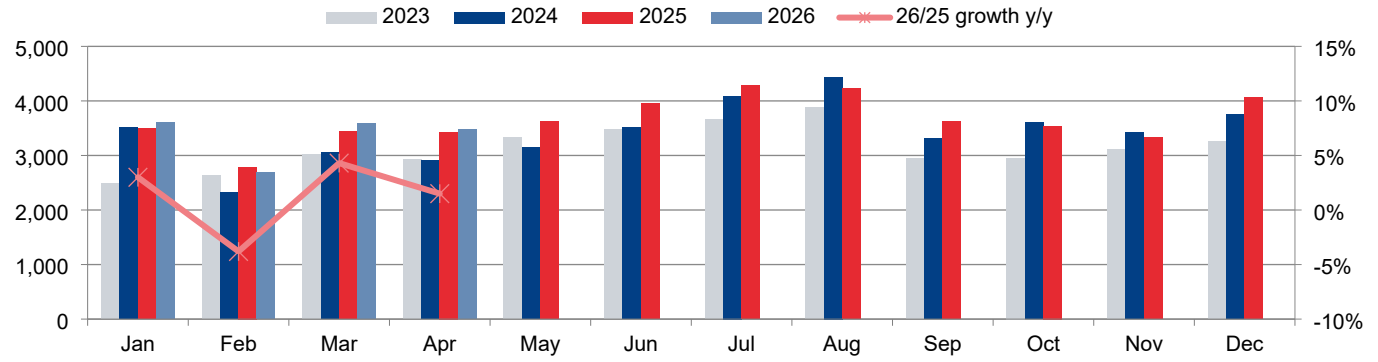
4M26 export results: Weak as anticipated

In 4M26, total Vietnam's textile and garment (including garment, fabric and yarn) exports reached USD13.4bn, up a modest 1.5% y/y, reflecting a weak start to the year but broadly in line with our expectations. By market, the US remained Vietnam's largest export destination, accounting for 45% of total T&G export value, with shipments rising 3.0% y/y to USD5.3bn. The key bright spot was the EU, the second-largest market, where exports grew a stronger 11.1% y/y to USD1.48bn.

Other markets delivered mixed performance. Exports to Japan and Korea both recorded negative growth, while shipments to CPTPP markets (excluding Japan) were broadly flat y/y. In contrast, exports to China grew 11.9% y/y. Overall, the data underscores a challenging demand backdrop, with growth concentrated in select markets rather than broad-based recovery.

Figure 125: Total monthly T&G export value (USDmn), Vietnam

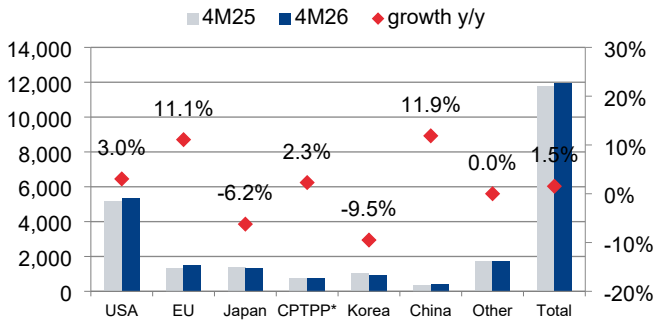
In 4M26, Vietnam total T&G (including garment, fabric and yarn) export turnover grew modestly 1.5% y/y to USD13.4bn



Source: GSO

Figure 126: Vietnam T&G export by market in 4M26 (USDmn)

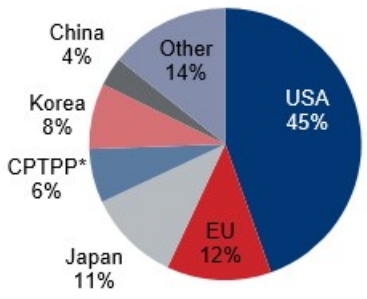
Positive growth was seen in the US, EU and Korea



Note: CPTPP countries exclude Japan.
Source: GSO, HSC Research estimates

Figure 127: Vietnam T&G export value by market, 4M26

USA dominates with 45% of the export value



Source: GSO, HSC Research estimates

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Outlook: Sales likely continue to diverge among the industry; margins are under pressure on higher input costs

We maintain our view that the textile and garment (T&G) industry is likely to deliver low single-digit growth of 2.5% in FY26, driven by ongoing macro volatility and tariff uncertainties that continue to weigh on discretionary consumer demand. That said, performance is expected to become increasingly divergent across players. Companies with clear competitive advantages – such as scaled production platforms, strong customer relationships and credible ESG credentials – are better positioned to secure stable order flows.

On the earnings front, we are concerned about an upcoming pressure on profit margins across the industry. ASPs remain under constraint amid intensifying competition and subdued end-demand, while the cost environment is becoming less favorable. Recent macro developments have pushed up material, energy and freight costs, directly impacting upstream input cost environment. Raw materials typically account for 50-60% of COGS, with the remainder largely comprising labor and outsourcing costs. Although some of the increase in material input costs can be passed through to customers, we expect industry margins to remain under pressure through FY27.

Figure 128: Recent forecast revisions, HSC T&G coverage

We recently revised down net profit forecasts for both TNG and TCM

		New forecast			Revision			Growth y/y		
	FY25A	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
TNG										
Net sales	8,699	9,866	10,601	11,218	3.6%	3.2%	2.7%	13.4%	7.5%	5.8%
Net profit	393	433	436	504	-3.1%	-13.2%	-7.8%	10.2%	0.6%	15.8%
TCM										
Net sales	3,644	3,724	3,853	4,020	-0.2%	-1.2%	Maiden	-1.2%	2.2%	3.5%
Net profit	269	240	226	245	-4.8%	-14.3%	Maiden	-10.8%	-5.8%	8.4%
Aggregate										
Net sales	12,343	13,591	14,455	15,238	2.6%	2.0%	Maiden	10.1%	6.4%	5.4%
Net profit	662	673	662	750	-3.7%	-13.6%	Maiden	1.7%	-1.7%	13.2%

Source: HSC Research

Figure 129: Valuation comps, HSC T&G coverage

TNG is cheaper and offering stronger earnings growth

VND	Price	Rating	TP	Upside	1-yr rolling forward P/E	Historical avg. P/E
TNG	18,600	Add	23,700	27.4%	6.7	8.1
TCM	20,700	Hold	22,286	7.7%	12.3	17.7
Average					**9.5**	**12.9**

Source: HSC Research estimates

Recommendations: Add on TNG, Hold on TCM

TNG: Solid order backlog; Add

In the near term, we continue to expect positive growth for TNG, supported by strong order visibility from key customers and proven execution capability despite a mixed industry backdrop. However, rising material and labor costs remain our key concern, as sustained input cost inflation could begin to pressure margins from FY27. While TNG can partially pass through higher costs to customers, we believe pricing power remains limited in order to preserve order volumes.

TNG is now trading on a 1-yr rolling forward P/E of 6.7x (based on our estimates), 1.3 SDs below its average of 8.1x (data since May-23). Meanwhile, TNG is trading on respective FY26 and FY27 P/Es of 6.8x and 6.7x, which is cheap compared to peers, in our view. In addition, TNG offers an attractive dividend yield of around 11% in FY26. We rate TNG Add with a TP of VND23,700.

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TCM: Subdued outlook, TP recently cut 20%; Hold

In the near term, we see the outlook for TCM as challenging. We view the fabric segment as the key revenue driver, supported by resilient domestic demand, while the core garment segment remains under pressure across TCM's major export markets amid weak demand from its customers.

TCM is now trading on a 1-yr rolling forward P/E of 12.3x (based on our estimates), 1.7 SDs below its average of 17.7x (data since May-23). However, TCM is trading on respective FY26 and FY27 P/Es of 12.7x and 13.3x, which is expensive compared to peers, in our view. We rate TCM Hold with a TP of VND23,400.

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Health Care: Fair value at best

The pharmaceutical sector faces near-term margin pressure from rising API costs following the Iran conflict, although long-term growth remains supported by favorable regulatory reforms. We therefore downgrade IMP and DHG to Hold from Add, reflecting short-term earnings headwinds. For TNH, earnings are likely to remain under pressure as TNH Lang Son enters its ramp-up phase following its 2Q26 opening, resulting in higher start-up and operating costs. We therefore maintain our Reduce rating on TNH.

Pharma outlook: Short-term headwinds from rising input costs…

Since the escalation of the Iran conflict, active pharmaceutical ingredient (API) prices have generally trended upward, although the impact has been uneven across molecules. The increase has been driven mainly by higher oil prices, rising freight costs, and supply-chain disruptions, particularly along key shipping routes such as the Strait of Hormuz. However, the market has yet to see a broad-based API price spike, with petrochemical-linked APIs, including paracetamol, appearing more exposed to cost pressure.

Most pharmaceutical companies have already stockpiled APIs and other raw materials, such as packaging, through 3Q26. Meanwhile, visibility on selling price hikes remains limited. As a result, we expect some pressure on gross profit margins to emerge from late 2026 and continue throughout 2027.

…but long-term fundamentals look intact, helped by ongoing policy support

Over the longer term, the Vietnamese pharmaceutical industry remains being supported by ongoing regulatory reforms that enhance transparency, market discipline, and domestic manufacturing capabilities. Notably:

- The implementation of **Decree 90/2026** strengthens enforcement against the sale of prescription drugs through OTC channels, encouraging more compliant and professional distribution practices.
- Meanwhile, The Ministry of Health is finalizing **amendments to Circular 20/2022**, aimed at expanding the list of medicines covered by health insurance. The proposed revision would add 84 new pharmaceutical and biological products, which should support demand growth in the ETC channel.
- In addition, **the draft replacement of Circular 03/2024** is expected to significantly broaden the list of domestically manufactured drugs eligible for procurement preference to 263 from 93 previously, benefiting local manufacturers with EU-GMP-standard facilities.

Recommendations: IMP and DHG recently cut to Hold; TNH Reduce

IMP: Higher logistics and packaging costs may pressure margins from late 2026, with no planned price hikes. We recently cut our FY26-27 net profit forecasts by 6-13% and now expect earnings growth of 8% in FY26, 4% in FY27, and 9% in FY28; we also cut our TP 12% to VND47,100. Hold.

DHG: We forecast net profit growth of 11% in 2026, followed by flat earnings in FY27, as we expect API-related pressure to emerge from late this year; this follows our recent cuts of 16% and 22% for FY26-27, respectively. We also recently cut our TP 17% to VND98,000. Hold.

TNH: Following a substantial 1Q26 loss ahead of the opening of hospital owner-operator xxx TNH Lang Son hospital in 2Q26, we expect earnings to remain under pressure. We now forecast a FY26 net loss of VND89bn, versus our previous forecast of a slight VND2bn profit. We also recently cut our FY27 net profit forecast to VND1bn (from VND47bn), despite raising our revenue forecast to VND891bn (growth of 27% y/y). For FY28, we expect earnings to recover to VND66bn on net sales of VND1,068bn (up 20% y/y). We recently also cut our TP by 22% to VND8,600. Reduce.

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Figure 130: Earnings forecast revisions, HSC covered Health Care companies

We recently revised down FY26-27 earnings forecasts in aggregate by 19% and 22%, respectively

		FY26F		Growth		FY27F		Growth		FY28F	Growth
VNDbn	FY25A	Old	New	y/y	Revision	Old	New	y/y	Revision	Maiden	y/y
IMP	349	402	377	7.9%	-6.3%	452	392	4.1%	-13.2%	428	9.2%
DHG	852	1,121	942	10.6%	-16.0%	1211	942	0.0%	-22.2%	1,019	8.2%
TNH	-91	2	-89	N/m	-38.1x	47	1	-101.2%	-97.8%	66	63.1x
Total	**1,110**	**1,525**	**1,230**	**10.8%**	**-19.4%**	**1,710**	**1,335**	**8.6%**	**-21.9%**	**1,513**	**13.3%**

Source: HSC Research estimates

Figure 131: Valuation comps, HSC covered Health Care companies

IMP and DHG are expensive, trading above its historical average 1Y rolling forward P/E

VND	Price	Rating	TP	Upside	1-yr rolling forward P/E	Historical avg. P/E
IMP	45,900	Hold	47,199	2.8%	19.0	18.9
DHG	94,000	Hold	98,000	4.3%	13.5	13.2
TNH	9,530	Reduce	8,600	-9.8%	N/M	N/M
Average					**16.3**	**16.1**

Source: HSC Research estimates

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Real Estate: Navigating challenges

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- We believe VN's RE market is entering a new supply upcycle, supported by more project approvals, easing legal bottlenecks, and the potential revival of BT projects. However, s-t demand remains checked by tight liquidity and high interest rates, while increasing construction costs and competition are likely to pressure margins.
- We remain cautious on the IP sector due to rising global uncertainty and surging construction costs tempering investor appetite. Construction and Retail Real Estate and Realtors, however, remain exciting.
- We favor NLG for long-term residential picks and suggest PDR and TCH for a short-term play on the BT theme and earnings catalysts. We like IDC, SIP and PHR as top picks for IP and the leading CTD for the construction sector.

Residential property: Exciting opportunities but funding is key

We see a new supply upcycle here, driven by the government's increasingly pro-growth approach to resolving legal bottlenecks and accelerating project approvals. The anticipated revival of BT projects should also open new land bank acquisition channels, benefiting large developers with strong execution capabilities, government relationships, and experience in infrastructure-linked developments. Demand conditions, however, remain challenging amid tight liquidity and elevated interest rates. Combined with rising construction costs and intensifying competition from a larger supply pipeline, we expect margins and cash flow across the sector to remain under pressure. We therefore prefer developers with strong balance sheets, proven execution, and available inventory targeting real end-user demand. Our top pick is NLG, while for higher-risk / higher-reward opportunities we like PDR as a potential BT/BT beneficiary and TCH on the back of expected earnings acceleration.

IP developers: Back to "wait and see" stance

We see a more cautious phase for the sector as rising global uncertainty and surging construction costs temper investor appetite. SIP and IDC both remain good long-term buys, driven by robust IP pipelines, proven execution, and steep valuation discounts. Meanwhile, we like PHR for its likely near-term land compensation catalysts.

Other RE sectors

We are broadly positive on realtors and construction companies as direct beneficiaries of a strengthening property market, with solid earnings growth expected over the next 12 months. We prefer DXS over CRE given its stronger foothold in the Southern market, where liquidity is set to improve most, and we continue to favor CTD on its record-high backlog and upward-trending GPM.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		P/B (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2026F	2027F	2026F	2027F	2026F	2027F
Becamex IDC	BCM	53,300	Add	-	60,500	-	13.5	32.9	24.2	2.17	1.95	-	-
Century Land JSC	CRE	7,900	Add	-	8,900	-	12.7	20.9	35.1	0.62	0.64	-	-
Coteccons Construction JSC	CTD	70,000	Buy	-	104,762	-	49.7	10.4	8.10	0.77	0.72	2.09	2.09
Bluemarq Group JSC	DXG	12,850	Buy	-	16,667	-	29.7	68.9	9.17	1.13	1.01	-	-
Dat Xanh Services	DXS	7,500	Buy	-	11,000	-	46.7	13.5	11.6	0.65	0.61	-	-
IDICO Corporation - JSC	IDC	42,900	Buy	-	52,200	-	21.7	6.47	6.50	1.89	1.66	8.04	8.04
Kinh Bac City Development	KBC	29,850	Add	-	35,000	-	17.3	20.2	12.4	1.07	0.99	-	-
Khang Dien House	KDH	22,950	Buy	-	32,300	-	40.7	20.3	15.2	1.31	1.21	0	0
Nam Long Investment Corp	NLG	26,050	Buy	-	39,700	-	52.4	16.9	13.1	0.96	0.91	1.92	1.92
Novaland Group	NVL	14,200	Add	-	18,000	-	26.8	14.5	10.2	0.67	0.63	-	-
Phat Dat Real Estate	PDR	15,250	Add	-	19,200	-	25.9	58.5	14.0	1.18	1.09	-	-
Phuoc Hoa Rubber JSC	PHR	68,500	Buy	-	86,000	-	25.5	6.96	5.73	1.88	1.52	4.38	4.38
Sai Gon VRG Invest. Corp.	SIP	50,800	Buy	-	88,000	-	73.2	9.15	8.37	1.79	1.53	3.52	3.52
Hoang Huy Investment F. Serv	TCH	15,000	Add	-	20,000	-	33.3	4.25	3.67	0.75	0.61	0.32	0.32
Viglacera	VGC	42,100	Add	-	50,500	-	20.0	9.39	8.78	1.98	1.79	6.09	6.09
Vinhomes	VHM	150,800	Hold	-	163,400	-	8.36	9.95	9.36	2.06	1.69	0	0
Vincom Retail	VRE	31,000	Buy	-	40,600	-	31.0	16.0	11.9	1.39	1.24	-	-

Share prices as of 2 June 2026.
Source: Companies, FactSet, HSC Research

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Residential: From tightening to proactive support

We believe Vietnam's real estate market is entering a new supply upcycle, supported by accelerating project approvals, easing legal bottlenecks, and the potential revival of BT projects. However, demand remains constrained by tight liquidity and elevated interest rates, while rising construction costs and increasing competition from new supply are likely to pressure margins. We therefore prefer developers with strong execution, healthy balance sheets, and exposure to real end-user demand. Our top pick is NLG. For higher-risk opportunities, we favor PDR on the BT/BT theme and TCH for its earnings growth potential.

A new supply upcycle is seen, driven by policy support

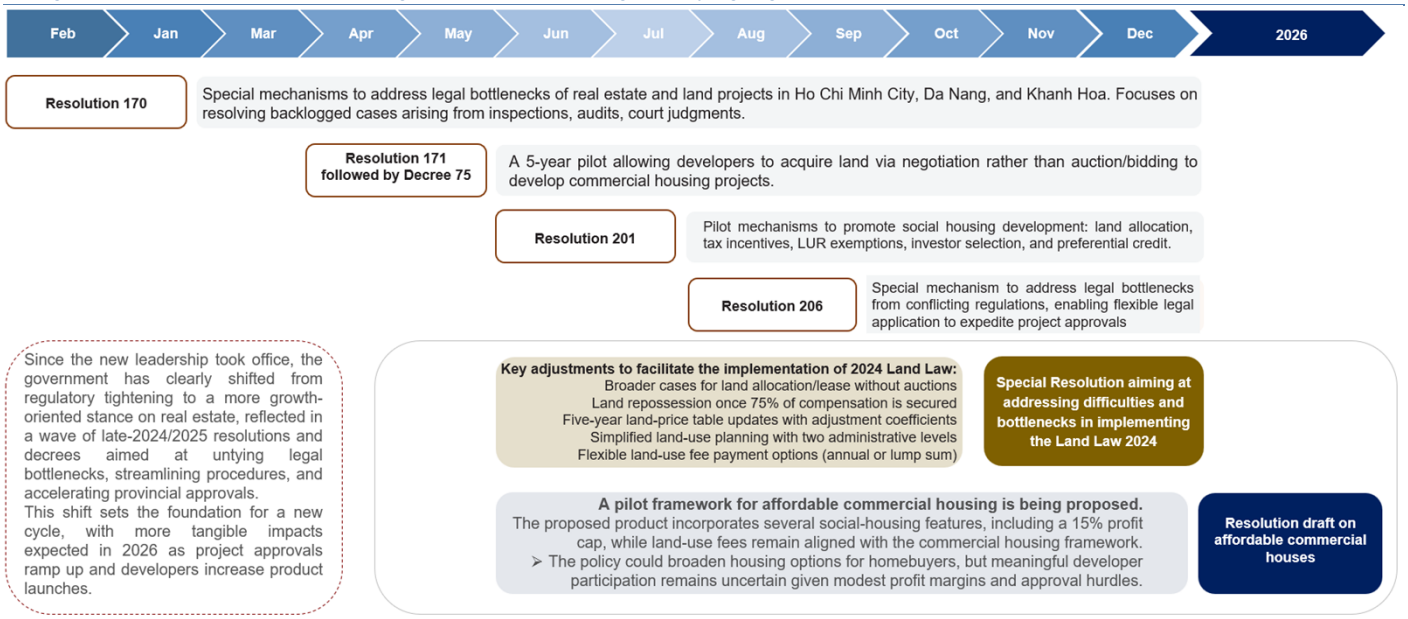
We believe Vietnam's real estate market is entering a new supply upcycle, driven by the government's shift toward a more "pro-growth" and pragmatic policy stance focused on untying legal bottlenecks.

In the latest Conclusion of the 2nd Plenary Session on the 2026–30 Socio-Economic Development Plan, the government strongly emphasized unlocking land resources as a key economic growth driver. Key missions in 2026 that have impacts to the real estate sector include a comprehensive revision of the Land Law targeted for completion in 2026, the completion of revised land-use planning approvals by end-2Q26, and the resolution of legal hurdles for projects currently under inspection or audit by 3Q26. In our view, these measures could help restart stalled projects and inject much-needed supply back into the market.

Meanwhile, the National Assembly is moving forward with revisions to the critically important Land Law, followed by the Housing Law and the Real Estate Business Law which could be expected to be passed in 2027. Historically, major changes to the legal framework have often marked the beginning of a new property upcycle in Vietnam, and we believe the current phase could follow a similar pattern.

Figure 132: Regulatory documents issued in 2025 until now on real estate sector

The government issued a series of legal documents aiming at untying legal knots



Source: HSC research

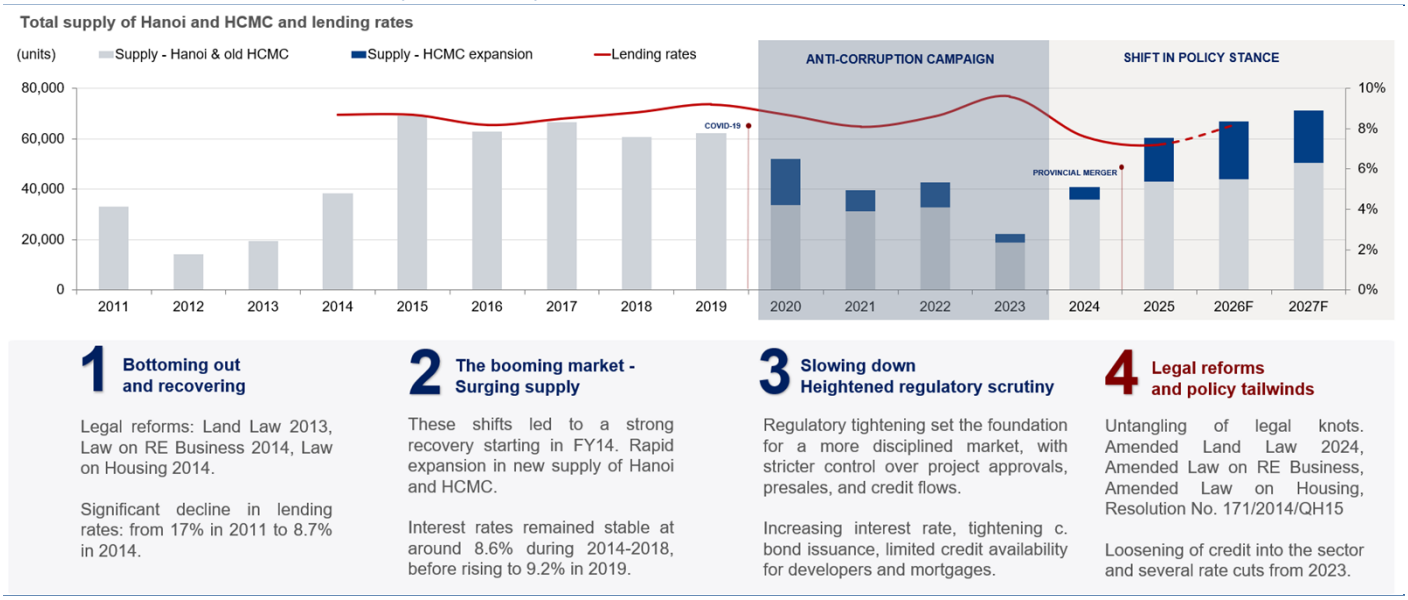
The government is also expected to revive public-private partnership (BT) models, which have largely been dormant in recent years. This could broaden land bank acquisition channels and particularly benefit large-scale developers with strong execution capabilities, established relationships with authorities, and the expertise required to originate, structure, and deliver infrastructure projects under the BT framework.

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Figure 133: Total supply of HCMC and Hanoi and lending rates

We expect market to enter a new upcycle in supply



Source: HSC Research

Significant headwinds weighing on demand this year

On the demand side, however, we are seeing significant headwinds stemming from tightening liquidity condition of the banking system and elevated interest rates. Specifically, according to our banking team, deposit growth has continued to lag credit expansion, suggesting that liquidity conditions in the banking system remain constrained. As of 1Q26, system-wide credit growth reached approximately 3-4%, while deposit growth was only around 0.6-1.0%. Looking back, credit growth accelerated to roughly 19% in 2025, significantly outpacing deposit growth of 11-15%, further tightening liquidity across the banking sector.

This is consistent with our discussions with developers, many of whom reported ongoing difficulties in securing bank financing due to limited credit quotas and tighter liquidity conditions. As a result, access to funding remains a key challenge for the property sector despite the broader recovery in credit demand.

Mortgage rates continued to edge up

Compared to the same period last year, mortgage rates across the banking system have increased by an additional 350-600bps y/y. Most banks are now offering fixed rates for 12-24 months in the 9.5-12.5% range, with extreme cases reaching as high as 13.5-14.0% at major state-owned lenders. Assuming a standard 3.5-4.5% margin, floating mortgage rates now range from 12.0-15.0%, a sharp escalation from the 9.0-11.0% levels seen a year ago. We expect these prohibitively high costs, coupled with the erosion of consumer purchasing power, to weigh heavily on homebuyer demand throughout the remainder of the year.

Recent data continue to show a clear divergence in mortgage pricing, though the "floor" for rates has shifted upward. The State-owned banks (SOCBs) have largely vacated their role as low-cost leaders; BIDV and VietinBank are now quoting fixed rates at the top end of the market (12.0-13.5%). While Agribank maintains a lower headline rate of 6.3%, this is paired with exceptionally strict appraisal criteria and cautious credit screening, effectively limiting access for the average borrower. Private lenders such as TCB and MBB remain relatively more competitive with promotional entry rates of 8.5-9.5%, though the subsequent floating rates at these institutions – now peaking at 15.0% – represent a significant "rate shock" risk for borrowers. Foreign banks, specifically HSBC and Shinhan Bank, remain the most attractive tier, offering rates of 5.5-8.1%, yet they maintain conservative LTV ratios (70%) and stringent eligibility requirements.

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Figure 134: Mortgage rates of some banks in Vietnam

Most banks are now offering fixed rates for 12-24 months in the 9.5-12.5% range

Bank	Promotional pate (p.a.)	Promotional period (months)	Post-promotional rate	Max tenor (years)	Max LTV
State-owned banks (Big 4)					
Agribank	8%/8.5%/9.8%	6/12/18	Floating	40	(Max VND5bn)
BIDV	9.7%/10%/**13.5%**	6/12/18	Floating	30	100%
Vietcombank	9.6%/9.6%	6/12	Floating	30	100% (Max VND50bn)
VietinBank	12.0%	24	Floating	20 - 35	70% - 100%
Commercial banks					
Techcombank	5.99%-12.99%	24	**~15.0%**	35	90%
PVcomBank	3.99%	3	**12.0%**	25	85%
MB Bank	6%/9.5%	12/24	Floating	35	80%
VIB	7.8%/11.4%	6/24	Floating	30	85%
ACB	6.9%/12%	3/12	Floating	15	100%
HDBank	> 7.8%	3/6	Floating	50	(Min VND0.5bn)
VPBank	6.9%-12.3%	Variable	Floating	35	100% (Max VND20bn)
Sacombank	7.49% - 12.0%	Variable	Floating	30	100%
LPBank	11.0%-**15.0%**	3	Floating	35	100%
Foreign banks					
HSBC	5.5%/8.99%	6/60	Base + 0.75%	25	70% (Max VND12bn)
Shinhan Bank	7.95%/8%/8.1%	12/24/36	Floating	30	70%
Woori Bank	7.2%/8.7%	6/36	Floating	30	80%

Note: Data as of Mar-26.
Source: HSC compiles

To counter elevated floating mortgage rates of 10-14% in Vietnam, we see Vinhomes (VHM) having launched aggressive developer subsidy schemes to stimulate property demand. Key initiatives include the "5-Year No Interest Worries" policy, which provides homebuyers with low fixed rates ranging from 3.3% to 7.8% and caps the floating rate at 9% for the final two years of the term. Details:

- **Fixed rates:** 3.3% (first 18 months), 5.3% (next 24 months), and 7.8% (following 36 months).
- **Interest cap:** For the final two years, the floating rate is capped at 9%. VHM commits to covering any market excess above this cap.

Furthermore, VHM is introducing a unique "Gold-to-Property" conversion scheme for buyers using gold to purchase properties. This scheme provides an integrated exit strategy, allowing participants to either finalize the property transfer or exercise a gold-linked cash-out option upon maturity. Details:

- **Tenure & return**: Offers 3-year (2% annual return) or 5-year (10% total return) options to receive a cash payout based on the prevailing gold price at the time of exit.
- **Minimum entry**: Requires a gold quantity equivalent to at least 50% of the property value.
- **Risk management**: Volatility is managed through gold price insurance and long-term supply partnerships with major financial institutions.

We believe with mortgage rates remain elevated; demand will remain sub-due this year. This couple with increased supply due to relaxing approvals discussed above might lead to developers either cutting their prices or offer heavy promotions to push sales. Risk is to the downside of our pre-sales forecasts if market demand turns out to be weaker than expected under the impact of high interest rates, especially given that market absorption in the past 24 months is more driven by investment demand than real demand.

Surging construction material and labor costs

Construction cost inflation has accelerated sharply since 1Q26, led by sand, stone, and asphalt. **Specifically,** Sand and stone prices surged 68% y/y and 32% y/y, respectively, while asphalt prices rose 6% y/y, with all three posting significant month-

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on-month increases in Mar-26. This suggests the impact of higher diesel and transportation costs stemming from the Middle East conflict has begun to flow through to construction materials. At the same time, labor costs have risen sharply amid Vietnam's infrastructure and residential construction boom, further squeezing margins. **Increasing construction costs will put further pressure on margins of developers.**

Figure 135: Price of key construction materials

Sand, stone, and asphalt – the largest inputs for IP site leveling and infrastructure – are the worst hit

Material	1Q26	Growth y/y	Growth q/q	Mar-26	Growth m/m
Cement (VND/kg)	1,937	9.0%	7.0%	2,028	7.2%
Steel (VND/kg)	15,724	4.7%	6.1%	16,033	2.2%
Construction sand (VND/m³)	**806,606**	**68.2%**	**5.4%**	**876,512**	**13.4%**
Construction stone (VND/m³)	**438,393**	**32.2%**	**9.4%**	**502,940**	**23.3%**
Asphalt (VND/kg)	**16,219**	**6.2%**	**10.7%**	**19,264**	**31.7%**
Brick (VND/unit)	1,570	7.7%	7.7%	1,732	15.5%
Floor tile (VND/m²)	573,310	1.8%	1.8%	591,791	4.9%

Source: Institute of Construction Economics

Figure 136: Actual and forecast presales, HSC residential developers' coverage

VNDbn	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F
VHM	128,200	87,000	103,900	205,300	267,795	246,294	163,832
KDH	2,305	3,423	583	5,198	4,858	8,608	18,508
NLG	10,052	3,977	5,204	11,850	12,885	18,874	21,616
DXG	687	37	0	13,205	6,934	8,867	12,883
NVL	47,200	524	290	0	2,692	15,078	32,312
PDR	0	0	639	694	260	545	9,574
TCH	1,147	2,523	5,550	12,740	10,194	12,924	4,085
Total	**189,590**	**97,483**	**116,166**	**248,986**	**305,618**	**311,190**	**262,810**
Growth y/y							
VHM	62.5%	-32.1%	19.4%	97.6%	30.4%	-8.0%	-33.5%
KDH	488.0%	48.5%	-83.0%	791.5%	-6.5%	77.2%	115.0%
NLG	69.7%	-60.4%	30.9%	127.7%	8.7%	46.5%	14.5%
DXG	-83.0%	-94.6%	-100.0%	100.0%	-47.5%	27.9%	45.3%
NVL	-36.7%	-98.9%	-44.7%	-100.0%	100.0%	460.0%	114.3%
PDR	0.0%	0.0%	100.0%	8.6%	-62.5%	109.6%	1656.7%
TCH	100.0%	120.0%	120.0%	129.5%	-20.0%	26.8%	-68.4%
Total	**15.7%**	**-48.6%**	**19.2%**	**114.3%**	**22.7%**	**1.8%**	**-15.5%**

Source: HSC Research estimates

Presales and earnings: Strong FY26, on Vinhomes bulk sales

We anticipate that developers under our coverage will ramp up project launches in the upcoming periods as they benefit from streamlined regulatory approvals and improved market sentiment, although developers remain cautious in the near term. We are forecasting that aggregate presales of six developers in our coverage will record solid growth of 22.7% y/y in FY26 to VND306tn. However, this performance is largely bifurcated: while we expect Vinhomes to outperform significantly on the back of strong bulk sales, other developers may see a decline in presales due to softer absorption amid tightening credit.

Looking ahead to the FY27-28 period, we forecast presales to rise modestly by 1.8% y/y in FY27 to VND311tn before declining by 15.5% in FY28 to VND263tn. This shift is driven by improving regulatory conditions which should allow a strong increase in supply from other developers; conversely, we currently have limited visibility regarding Vinhomes' ability to maintain its previous growth trajectory in these later years.

Overall, we forecast aggregate presales to grow by a CAGR of 1.8% over the FY25A-28F period. Stronger presales are expected to translate into stronger earnings for developers, with aggregate earnings forecasted to grow by 51.5%, 11.9%, and 24.0% to VND70tn, VND79tn, and VND97tn in the FY26-28 period, respectively.

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Figure 137: Actual and forecast net earnings, HSC residential developers' coverage

VNDbn	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F
VHM	28,831	33,371	31,801	41,895	62,276	66,159	79,072
KDH	1,102	716	810	1,053	1,271	1,694	3,764
NLG	556	484	518	701	747	965	2,128
DXG	215	176	253	229	237	1,777	2,640
NVL	2,162	606	-6,455	1,744	2,185	3,121	5,676
PDR	1,137	684	155	515	256	1,066	58
TCH	246	744	855	194	3,220	3,728	4,035
Total	**34,249**	**36,781**	**27,937**	**46,331**	**70,192**	**78,510**	**97,372**
Total - ex NVL	**32,087**	**36,175**	**34,392**	**44,587**	**68,007**	**75,389**	**91,696**
Total - ex NVL, VHM	**3,256**	**2,804**	**2,591**	**2,692**	**5,731**	**9,230**	**12,625**
Growth y/y							
VHM	-25.7%	15.7%	-4.7%	31.7%	48.6%	6.2%	19.5%
KDH	-8.3%	-35.0%	13.1%	30.0%	20.7%	33.3%	122.2%
NLG	-48.1%	-12.9%	7.0%	35.3%	6.6%	29.2%	120.5%
DXG	-81.4%	-18.1%	43.8%	-9.5%	3.5%	649.8%	48.6%
NVL	-32.9%	-72.0%	-1165.2%	N/m	25.3%	42.8%	81.9%
PDR	-39.0%	-39.8%	-77.3%	232.3%	-50.3%	316.4%	-94.6%
TCH	-38.6%	202.4%	14.9%	-77.3%	1559.8%	15.8%	8.2%
Total	**-28.3%**	**7.4%**	**-24.0%**	**65.8%**	**51.5%**	**11.9%**	**24.0%**
Total - ex NVL	**-27.9%**	**12.7%**	**-4.9%**	**29.6%**	**52.5%**	**10.9%**	**21.6%**
Total - ex NVL, VHM	**-42.8%**	**-13.9%**	**-7.6%**	**3.9%**	**112.9%**	**61.1%**	**36.8%**

Source: HSC Research estimates

Valuation and recommendations

Residential developers in our coverage are currently trading at an average discount of 44.4% to RNAV, notably wider than 3Y average of 35.9%. This deepening discount reflects the market's heightened sensitivity to the liquidity constraints and rising interest rate environment previously discussed.

Among our coverage, we favor NLG as a long-term investment idea given its solid fundamentals, healthy balance sheet and strategic exposure to real demand. This position effectively insulates the company from broader market headwinds, as evidenced by the solid VND2tn in presales achieved in 1Q26 despite a challenging credit environment. Furthermore, we expect the company to continue benefiting from the government's ongoing efforts to accelerate legal approvals.

For the near term, we also view PDR and TCH as attractive investment ideas stemming from their aggressive strategic pivots and potential for significant scaling of their landbanks. PDR is effectively leveraging its legal expertise as a competitive moat, actively involving itself in significant BT projects in HCMC (particularly its involvement in 1,000-bed oncology hospital project). At the same time, TCH is solidifying its presence in the Hai Phong market, which we expect the company to record significant earnings growth in the coming periods, underpinned by handover activity at its key Green River and New City II projects, and recently secured the Lot 1.14/CTHH-01 project in the North Cam River area (3.25 ha).

Figure 138: Valuation and recommendation, residential property developers

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		P/B (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Bluemarq Group JSC	DXG	12,850	Buy	-	16,667	-	29.7	35.7	71.2	1.01	1.15	-	-
Khang Dien House	KDH	22,950	Buy	-	32,300	-	40.7	28.7	24.5	1.33	1.39	0	0
Nam Long Investment Corp	NLG	26,050	Buy	-	39,700	-	52.4	19.4	18.0	1.04	1.00	1.92	1.92
Novaland Group	NVL	14,200	Add	-	18,000	-	26.8	N/a	18.2	0.73	0.70	-	-
Phat Dat Real Estate	PDR	15,250	Add	-	19,200	-	25.9	72.6	29.0	1.21	1.21	-	-
Hoang Huy Investment F. Servi	TCH	15,000	Add	-	20,000	-	33.3	11.7	70.4	0.75	0.95	0.82	0.32
Vinhomes	VHM	150,800	Hold	-	163,400	-	8.36	19.5	14.8	3.06	2.60	0	0

Closing prices as of 2 June
Source: HSC research

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Realtors: DXS our top pick, with 47% upside

We view the current market slowdown as a reset rather than a structural downturn. Zooming out, we believe the property market remains in a multi-year growth cycle, and this correction has driven valuations down to attractive levels, creating compelling entry opportunities, particularly in real estate brokers, which have historically been among the first to benefit when the market rebounds. In the meantime, brokers are pursuing their own strategies to navigate these headwinds, positioning themselves to capture growth as soon as the market recovers. DXS remains our top pick among realtors.

Short-term headwinds, multi-year recovery phase intact

Heading into 2H26, we expect persistently elevated interest rates (floating mortgage rates of 12-15% in 1Q26) and cautious buyer sentiment to continue weighing on absorption.

That said, we view this as short-term softness within a longer-term growth story, as the property market remains in a multi-year growth cycle. This view is underpinned by three structural drivers: a meaningful supply expansion ahead, supported by strong policy tailwinds; demand gradually shifting toward genuine end-users; and faster infrastructure linking Hanoi and HCMC with surrounding satellite areas, creating new growth corridors, improving access to suburban markets, and supporting a more sustainable phase of growth.

Against this backdrop, real estate brokers remain among the first to benefit from a market recovery.

Riding out the soft patch

Currently, both DXS and CRE remain focused on the key markets HCMC and Hanoi, distributing condominium projects from reputable developers - the segment attracting the strongest demand, alongside selective exposure to suburban low-rise products supported by infrastructure development, to navigate the near-term headwinds.

We see DXS holds an advantage for both short to longer-term growth, supported by (1) its nationwide brokerage network and (2) DXG's project pipeline in HCMC, Binh Duong, and Dong Nai, which provide DXS a stable source of distribution products with compelling growth stories driven by infrastructure development. We are more cautious on CRE, given continued pressure on brokerage margins and subdued transaction activity.

DXS top pick, 47% upside

DXS remains our top pick among realtors, supported by its diversified product portfolio, strong presence in key markets such as Hanoi and HCMC, and greater exposure to end-user demand, which should help the company weather near-term headwinds and capture a recovery in transaction activity as market liquidity gradually improves. Looking ahead, any improvement in market conditions, particularly in liquidity, credit availability and interest rate stability, could support a recovery in transaction activity and drive a valuation rerating. DXS is now trading on a 1-yr rolling fwd. P/E of 15.6, below its 2Y avg. of 17.6x, and on a 1-yr rolling fwd. P/B of 0.65x, below its 3Y avg. of 0.74x. We have a Buy rating for DXS with VND11,000 TP upside 47%.

Figure 139: Valuation and recommendation, HSC realtors coverage

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		P/B (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Century Land JSC	CRE	7,900	Add	-	8,900	-	12.7	87.2	52.2	0.65	0.64	-	-
Dat Xanh Services	DXS	7,500	Buy	-	11,000	-	46.7	30.6	12.6	0.72	0.69	-	-

Closing price as of 2 Jun-26
Source: HSC research

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Industrial park developers: Back to “wait and see” stance

We believe the sector is entering a more cautious phase as heightened global uncertainties and rising construction costs weigh on near-term investor sentiment. Over the longer term, however, we think are broadly positive on the outlook, which looks to be supported by improving legal approvals, accelerating infrastructure development, and resilient FDI inflows, underpinned by Vietnam’s continued attractiveness as a manufacturing and investment destination. We favor PHR for its tangible near-term catalysts from land compensation. For longer-term exposure, SIP and IDC remain our preferred picks, supported by strong industrial park pipeline growth, proven execution, healthy balance sheet and attractive valuations.

Looking ahead: More caution + a resurgence of "Wait-and-see" sentiment

Following the April 2025 reciprocal tariffs, industrial park (IP) investors entered a "wait-and-see" phase, halting expansions through early 3Q25. Renewed foreign direct investment (FDI) interest only rebounded after the August 2025 tariff resolution, creating pent-up demand that fueled stellar results in 4Q25 and 1Q26. Moving into FY26, the sector is shifting back toward investor hesitancy rather than continued growth, primarily driven by (1) rising global instability and (2) surging construction material costs.

Global uncertainty halts expansion

While 1Q26 committed FDI hit a headline-grabbing five-year high of USD15.2bn (up 42.9% y/y), we believe these figures overstate true industrial leasing momentum for two reasons:

- **Pipeline clearing:** The 1Q26 spike largely reflected a one-off release of a "pre-war" pipeline negotiated 6–12 months ago, finalized after the Aug 25 tariff resolution but before early 2026 geopolitical shocks. It represents backlog clearing rather than broad-based acceleration in new demand.
- **Deteriorating flow composition:** Additional registered capital plunged 55.2% y/y to USD2.3bn, signaling that existing tenants are hesitant to scale operations. Meanwhile, the 136.2% jump in newly committed capital (USD10.2bn) was heavily skewed by a few mega-utility and infrastructure deals (e.g., Huynh Lap LNG at USD2.2bn and KBC’s AI center at USD2.0bn) rather than broad manufacturing.

Crucially, Apr committed FDI growth moderated to -4.5% y/y (compared to +145.7% y/y in Mar), confirming that foreign investors are resuming a "wait-and-see" stance amid ongoing geopolitical tensions.

Surging construction costs shock supply and demand

Nationwide construction material inflation accelerated sharply from 1Q25, with site leveling and infrastructure inputs (which dominate Phase 1 stack and account for 30–40% of total IP development costs) experiencing massive single-month spikes in March 2026 as Middle East-linked diesel and transport shocks filtered through. This causes:

- **Supply-side impacts:** Margins are severely eroded. Actual labor wages are nearly three times higher than regulated unit pricing assumptions due to the infrastructure and residential boom. Because the Ministry of Construction dictates that lumpsum and fixed-price contracts can only be adjusted under force majeure, developers must absorb most of this cost inflation themselves. Consequently, project rollouts are slowing; IDC, for example, is shifting to a phase-by-phase infrastructure strategy to manage capital exposure rather than full-scale upfront development.
- **Demand-side impacts:** Double-digit cost increases have invalidated initial client CAPEX assumptions. Investors are delaying expansion decisions to recalibrate budgets or shifting toward ready-built factories (RBF) and warehouses (RBW) instead of greenfield projects.

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IP developers providing cautious FY26 targets

Reflecting slower leasing conversion and selective expansion behavior, most covered listed developers have guided cautious FY26 earnings targets, prioritizing stability until cost and geopolitical volatility ease.

Figure 140: FY26 company guidance, HSC IP developers' coverage

Most industrial park developers under our coverage guided cautious earnings targets in FY26

	Revenue			PBT/NPAT			Delivered land (ha)		
VNDbn	FY25A	FY26 co. target	Growth y/y	FY25A	FY26 co. target	Growth y/y	FY25A	FY26 co. target	Growth y/y
SIP	8,596	5,940	-30.9%	1,467	874	-40.4%	29	60	109.1%
PHR	1,795	2,276	26.8%	497	762	53.4%	N/m	N/m	N/m
IDC	8,588	9,474	10.3%	2,918	2,903	-0.5%	81	100	23.0%
VGC	13,315	15,300	14.9%	2202	1820	-17.3%	139	125	-10.1%
KBC	6,687	10,000	49.5%	2,208	3,000	35.9%	122	200	63.9%
BCM	6,953	10,230	47.1%	3,525	3,883	10.1%	N/m	N/m	N/m
Total	**45,934**	**53,220**	**15.9%**	**12,817**	**13,242**	**3.3%**	**371**	**485**	**30.8%**

Source: Company data, HSC Research estimates

Figure 141: Actual and forecast net profit, HSC IP developers coverage

Aggregate net profit is forecast to grow at a 3Y CAGR of 16.8%

VNDbn	FY25A	FY26F	Growth y/y	FY27F	Growth y/y	FY28F	Growth y/y
SIP	1,323	1,345	1.7%	1,469	9.2%	1,640	11.6%
PHR	478	1,334	179.1%	1,619	21.4%	1,494	-7.7%
IDC	1,932	2,188	13.3%	2,179	-0.4%	2,647	21.5%
VGC	1403	2,010	43.3%	2,151	7.0%	2,609	21.3%
KBC	2,104	1,388	-34.0%	2,264	63.1%	5,119	126.1%
BCM	3,501	1,677	-52.1%	2,278	35.8%	3,619	58.9%
Total	**10,741**	**9,942**	**-7.4%**	**11,960**	**20.3%**	**17,128**	**43.2%**

Source: HSC Research

Earnings estimates

Overall, we forecast aggregate FY26 earnings for the six IP developers under our coverage to decline 7.4% y/y; reflecting a more conservative sector outlook. KBC and BCM are expected to be the major drags, with projected drops of 34.0% and 52.1% y/y, respectively.

Exceptions are PHR and VGC, which are forecast to grow y/y by 179.1% and 43.3%, respectively, but mostly on other segments' operating results rather than the core IP leasing segment. While PHR is expected to growth bottom line on land compensation payment from VSIP, VGC is expected to see rebound in earnings of construction material segment.

Over FY25A-28F, we project an average net profit CAGR of 16.8% for the group, with PHR leading (46.2%) and BCM lagging (1.1%).

Top picks

For long-term exposure, we continue to favor SIP and IDC, given their strong execution track records, high-quality industrial park portfolios, and strategic land banks in Southern Vietnam – the key beneficiary of ongoing FDI inflows and the China+1 trend. Both companies also maintain sizeable cash balances, providing additional earnings support through higher net financial income.

Meanwhile, PHR is our preferred near-term pick, supported by tangible land compensation catalysts from the VSIP III and Bac Tan Uyen 1 projects. As a leveraged play on rubber-to-industrial land conversion, the company offers strong earnings visibility and significant upside despite the sector's cautious near-term outlook. Over the longer term, we also see substantial growth potential from industrial park development, supported by PHR's large rubber land bank and its ability to efficiently develop new IP projects under the current legal framework.

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Figure 142: Valuation comps, HSC IP developers' coverage

Industrial Park developers in our coverage are currently trading at an average discount of 37.9% to RNAV, notably wider than 3Y average of 15.4%.

VND	Rating	Current price	Target price	Upside to TP	Fwd RNAVPS	Discount to fwd RNAV	3Y avg. discount	1Y rolling fwd P/E	3Y avg. rolling fwd P/E	SDs from avg.
SIP*	Buy	50,800	88,000	73.2%	125,728	59.6%	46.4%	9.2	12.0	-1.3
PHR	Add	68,500	86,000	25.5%	86,000	20.3%	21.6%	6.7	14.0	-1.9
IDC*	Buy	42,900	52,200	21.7%	74,571	42.5%	27.7%	6.6	7.9	-0.8
VGC	Add	42,100	50,500	20.0%	71,312	41.0%	20.0%	9.4	12.3	-0.8
KBC	Add	29,850	35,000	17.3%	58,259	48.8%	41.5%	16.7	21.3	-0.5
BCM*	Add	53,300	60,500	13.5%	84,800	37.1%	27.5%	29.5	29.6	-0.1
Avg.				**19.6%**		**37.9%**	**15.4%**			

*Notes: Closing price as of 2 Jun-26; *average discount and rolling fwd. P/E since our initiation, which is less than 3 years.*
Source: HSC Research estimates

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Retail RE: VRE's aggressive mall rollout outpaces peers

The retail real estate sector remains well-supported by robust demand, as international brands continue to enter and scale up their operations in Vietnam. This dynamic is encouraging mall developers to expand their footprints to capture the growing appetite for leasing space. VRE stands out with an aggressive rollout of seven malls over FY25-27, outpacing its peers. We expect this pipeline to anchor VRE's earnings growth in the years ahead and see room for a further upward re-rating. We maintain a Buy rating on VRE, with a TP of VND40,600.

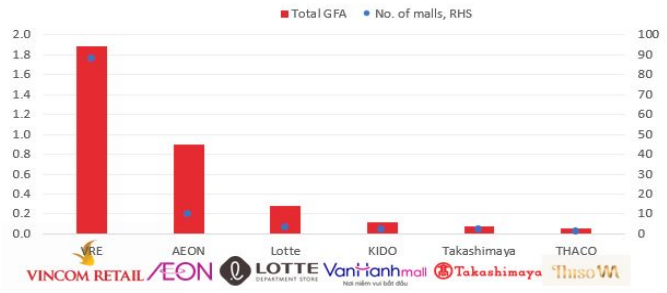
Vietnam Retail real estate competitive landscape

We expect retail leasing activity in Vietnam to stay buoyant. Demand is broadening beyond traditional CBD malls into fringe districts and gateway cities, and this widening footprint is likely to gather pace, a tailwind that should play to the advantage of well-positioned developers like VRE.

VRE stands out as the clear front-runner, scaling faster than any peer with seven malls launched in FY25-27 and a further four lined up for FY26-27, leaving its closest rivals well behind.

Figure 143: Total GFA (mn sqm) and number of malls (RHS)

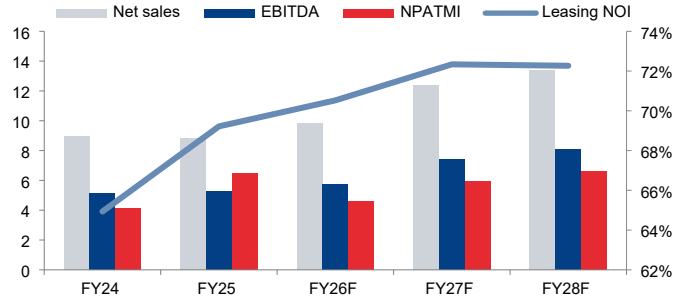
VRE is the leading player, significantly outpacing competitors



Source: HSC Research estimates

Figure 144: Financial performance, VRE

FY25-28F net earnings forecasts call for a 3Y CAGR of 10.1%



Source: HSC Research estimates

Figure 145: New mall pipeline, VRE

Project	Total GFA (sqm)	Location	Projected opening
Mall pipeline			
VCP Wonder Park	27,000	Hanoi	FY26
VMM Green City	70,000	Tay Ninh	FY27
VMM Ha Long Xanh	110,000	Quang Ninh	FY27
VCP Lang Van	40,000	Da Nang	FY27
Shophouse pipeline			
Vinhomes Golden Avenue	24,200 sqm, ~280 units	Quang Ninh	FY27
Vinhomes Royal Island	85,600 sqm, ~1,000 units	Hai Phong	FY27

Source: HSC Research estimates

Figure 146: Valuation and recommendation, VRE

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		P/B (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Vincom Retail	VRE	31,000	Buy	-	40,600	-	31.0	17.2	10.9	1.68	1.46	-	-

Closing price as of 2 Jun-26
Source: HSC Research

VRE: Solid pipeline for earnings growth

We have a Buy rating with TP of VND40,600 for VRE. we see VRE's fundamentals remain solid, with FY26-28 prospects underpinned by healthy occupancy, four new mall openings, and two shophouse projects. With earnings momentum building from FY27 onward, we see scope for further upward re-rating. VRE now trades on a 36.2% discount currently, vs its 43.2% 3Y avg, and on a 1-yr rolling fwd. P/E of 11.8x currently, vs. its 3Y average of 10.7x – not dear given prospects, in our view.

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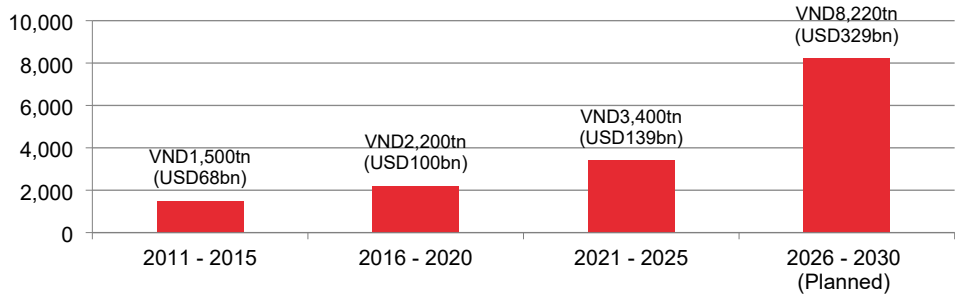
Construction: CTD loaded and ready

We maintain a positive outlook on Vietnam's construction sector, supported by an accelerating residential real estate recovery, standardizations in public-private frameworks, and an unprecedented public investment super-cycle. While surging raw material prices and aggressive bidding competition present near-term headwinds to gross profit margins (GPM), robust and high-quality order backlogs will filter out predatory undercutting. Large-scale, financially disciplined contractors – such as CTD – with vertical integration capabilities remain the definitive structural winners of this cycle.

Residential recovery meets the infrastructure boom

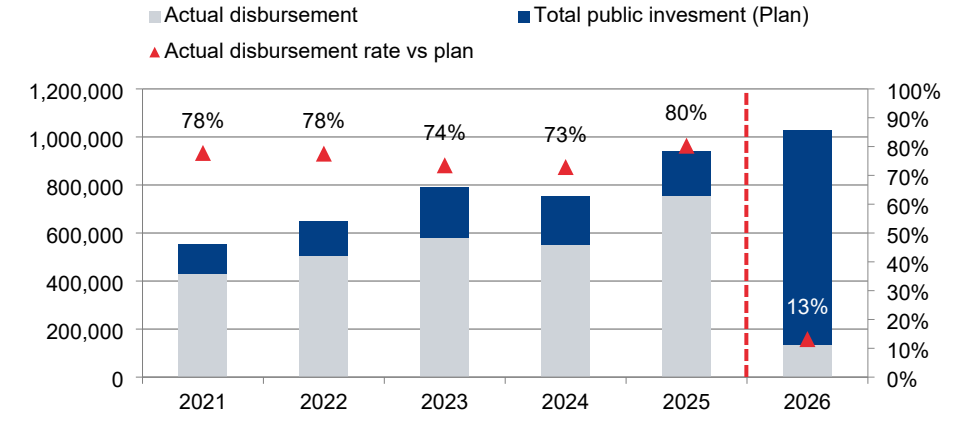
Two demand engines are firing simultaneously: A residential supply surge driving new launches up 110% y/y in HCMC and 104% y/y in Hanoi, and a public investment super-cycle committing VND8,220tn over 2026-30, nearly 2.4x the prior cycle. Their compression into the 2026-28 execution window creates the most concentrated backlog opportunity the sector has seen in over a decade, but also its most demanding test of margin discipline.

Figure 147: Medium-term public investment by government term (VNDtn), Vietnam



Source: GSO, National Assembly

Figure 148: Public investment disbursement: Actual vs. Target, VNDbn



Source: baochinhphu, GSO, MOF

As discussed above, we expect launches of developers to significantly increased on the back of government shifting to "pro-growth" stance and moving toward supportive legal approvals.

Meanwhile, the 2026-30 public investment scales to a historic VND8,220tn, spearheaded by a record FY26 allocation of VND1,008tn (~7.85% of GDP), which substantially dwarfs the funding caps of all previous years. While the mid-May disbursement rate reflects a typical slow initial run-rate, robust 1Q26 growth (+45% y/y) confirms that execution will be heavily back-loaded into H2, driving an aggressive acceleration in large-scale infrastructure spending.

To amplify this push, Law No. 57/2024/QH15 and Decrees 257/312 have reintroduced a disciplined Build-Transfer (BT) framework to open up more public projects.

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Consequently, infrastructure development is no longer solely reliant on state budget, but is now powerfully augmented by private sector capital.

Over the next five years, we expect this synergy between direct public spending and private-backed BT mechanisms to channel a colossal volume of infrastructure projects directly into the structural backlogs of contractors.

Supply headwinds: Material procurement and bidding dynamics

Input cost volatility remains the primary near-term risk for construction margins. Raw material cost balance index up to 32.4% and is projected to climb to 52.9% in 2Q26. Currently, 70.1% of construction firms cite elevated material pricing – driven primarily by infrastructure-led spikes in construction sand (up 68.2% y/y) and construction stone (up 32.2% y/y) – as their toughest operational hurdle

While new contract bids are being adjusted upward to reflect these higher input costs, overall sector gross margin recovery will continue to lag behind top-line revenue acceleration as contractors work through the backlog signed before the spike in material prices.

That said, the pass-through mechanism is more nuanced: Ministry of Construction guidance permits contract adjustments for material cost surges, though lump-sum and fixed-price contracts remain adjustable only under force majeure conditions – effectively requiring project owners to absorb a greater share of input inflation and providing contractors partial relief.

CTD: An essential name to have for construction exposure

An improving construction outlook strongly favors the industry leader, CTD, supported by its record-high backlog of VND65.5tn as of end-March 2026, which we expect to be recognized over the next 18-24 months. We also view its recent expansion into infrastructure construction positively, as it broadens CTD's addressable market and positions the company to benefit from Vietnam's accelerating infrastructure investment and larger-scale projects.

Meanwhile, CTD's increasing proportion of cost-sharing contracts helps mitigate raw material inflation risks by passing a portion of cost increases to project owners. In addition, the integration of M&E and facade businesses has already supported gross margin expansion to 4.5% in 3QFY26. While margin recovery is progressing, we believe it will take time for earnings growth to fully reflect the strength of the backlog.

The company also maintains a net cash position, providing financial flexibility and a competitive advantage in a rising interest rate environment. Combined with a strong balance sheet and healthy operating cash flow generation, CTD remains well positioned to capitalize on the expanding construction cycle. The stock is currently trading at on a 1-yr rolling fwd P/E of 10.2x, 0.9 SD below its average of 19.2x in the last 3Y. Buy for 50% potential upside.

Figure 149: Valuation and Recommendation, CTD

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		P/B (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2024F	2025F	2024F	2025F	2024F	2025F
Coteccons Construction JSC	CTD	70,000	Buy	-	104,762	-	49.7	16.3	9.97	0.83	0.81	1.34	1.33

Closing price as of 2 Jun-26
Source: HSC research

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Conglomerates: Exciting opportunities; funding is key

We note Vingroup's improving operational results and opportunities across multiple segments, notably EVs, infrastructure, energy, and real estate. VinFast maintained strong delivery momentum in 1Q26, while Vinhomes continued to report robust contracted sales and growth in unbilled revenue. Based on our sketches, we expect that VIC will return to 'core' profitability in 2027 from a 'core' loss in 2026, with core earnings expected to further grow more strongly in 2028. Up 3.5x in the past 12M and outperforming relative to the VNI by 2.2x, VIC now trades at a sharp premium to our RNAV, significantly above its 3Y average discount of 45%. We no longer have a rating nor TP on VIC.

Improved operational results in key segments

VHM is experiencing a strong acceleration in presales, driven by robust bulk-sale momentum, with bulk transactions accounting for 80% of total presales in 1Q26. We expect upcoming launches of several large-scale projects, including Vinhomes Hai Van Bay, Vinhomes Green Ha Long, and Vinhomes Saigon Park in 2026, together with continued bulk-sale activity at the early stages of these developments, to sustain strong presales growth over the coming quarters.

Meanwhile, VinFast continues to deliver solid volume growth, supported primarily by resilient domestic EV demand. While 1Q26 profitability was weaker than expected, the planned deconsolidation of manufacturing assets should reduce debt, depreciation, and interest expenses, partially offset by a manufacturing service fee payable to the new production partner. Although near-term losses and elevated CAPEX are likely to persist, refinancing risks appear manageable. Key milestones to watch include VinFast's ability to scale sales in strategic export markets and convert ongoing investments into sustainable profitability.

Beyond its core businesses, VIC is expanding into transportation infrastructure and renewable energy. Through Vinspeed (10%-owned), the group has begun developing high-speed rail projects connecting central Hanoi with Quang Ninh and central HCMC with Can Gio. It has also announced a renewable energy pipeline exceeding 1.7GW, led by the Hon Trau Wind Power Plant and Lai Chau Floating Solar Project. While these initiatives could unlock significant long-term growth opportunities, they are also highly capital intensive.

VIC's total debt rose to VND357.8tn at 1Q26 (up 44.4% y/y), pushing net debt-to-equity to a record 1.8x.

Improving trajectory toward core profitability in FY27

We expect a large core loss this year, followed by a return to core profitability in each of FY27-28y. The improved outlook is driven by revenue recognition from Vinhomes' mega-projects as well as narrowing losses at VinFast. While we remain positive on the path toward core profitability in FY27, the group's substantial capital requirements for manufacturing expansion in export markets, new ventures such as renewable energy and infrastructure projects, and significant debt servicing obligations amid rising interest rates suggest that maintaining committed credit lines and disciplined cash flow management will remain essential.

Valuation and recommendation

VIC shares are up 26% over the past 3M and 3.5x over the past 12M, driven partly by improved investor sentiment toward (1) supportive policies for its EV and real estate segments and (2) potential participation in large-scale infrastructure projects. The stock now trades at a substantial premium to RNAV, significantly higher than its 3-year average discount of 45.4%. We no longer maintain a rating or TP on VIC due to our inability to accurately value several of its new businesses under current disclosure and other constraints. While we remain positive on many of the company's long-term opportunities, we note that the current low free float and ownership structure may influence trading patterns and limit broader market participation.

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Industrials: Capturing restructuring opportunities

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- Amid rising global volatility and trade protectionism, we favor materials companies with strong domestic demand exposure, which helps stabilize operations and reduce reliance on export markets.
- Surging fuel costs driven by Middle East tensions are reshaping transportation industry dynamics. While higher fuel prices pressure most operators, they also create opportunities for selected players.
- Our top picks for the Material sector are HPG and DHC, supported by strong domestic demand exposure. Furthermore, we like GMD and PVT in the transportation sector, given GMD's resilient business model and PVT benefitting from elevated freight rates.

Materials: Growth powered by domestic demand

Vietnam is entering a favorable growth cycle driven by accelerating public investment, large-scale infrastructure projects and a recovery in the real estate market, providing a solid demand foundation for domestic-oriented materials producers. Unlike export-dependent businesses that remain exposed to external uncertainties and trade barriers, companies focused on the local market are better positioned to deliver stable earnings growth and benefit directly from Vietnam's long-term urbanization and infrastructure development trends.

Transportation: Rising fuel prices reshapes the industry

Fuel expenses account for a significant portion of operating costs for most transportation companies. The recent surge in oil prices driven by Middle East tensions has increased cost pressure across the sector, particularly for airlines and road transportation operators. However, we believe selected companies remain well positioned to navigate this challenging environment.

Top picks are HPG, GMD, PVT, DHC

Our top pick in the Materials sector is HPG (Buy, TP VND36,000), which benefits from accelerating public investment, infrastructure development and the recovery of the real estate sector. Besides this, we also favor DHC (Buy, TP VND46,400) as an attractive small-cap opportunity which benefits from the paper supply shortages. In Transportation, our top picks are GMD (Buy, TP VND94,000) and PVT (Buy, TP29,800). We favor GMD for its resilient business model, strong competitive edges and high growth supported by expansion pipelines. Meanwhile, PVT is one of the few transportation companies that could benefit from geopolitical tensions and supply chain disruptions, which strongly supported tanker freight rates.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2026F	2027F	2026F	2027F	2026F	2027F
Airports Corp. of Vietnam	ACV	43,400	Hold	-	43,500	-	0.23	16.3	45.0	11.0	8.90	0	0
Binh Minh Plastics JSC	BMP	135,500	Add	-	153,000	-	12.9	9.54	9.76	5.50	5.54	10.3	9.96
Duc Giang Chemicals Group	DGC	45,700	Hold	-	49,600	-	8.53	9.13	8.62	8.87	8.71	6.56	6.56
Dong Hai Ben Tre JSC	DHC	36,350	Buy	-	46,400	-	27.6	7.71	7.43	7.07	6.52	2.75	2.75
Da Nang Rubber JSC	DRC	12,200	Reduce	-	13,300	-	9.02	12.2	9.67	7.83	6.89	4.10	8.20
Gemadept	GMD	73,300	Buy	-	94,000	-	28.2	15.3	13.7	13.4	11.2	2.02	2.02
Hai An Transport and Steve.	HAH	53,400	Add	-	62,400	-	16.9	7.89	8.76	4.06	4.20	5.62	5.62
Hang Xanh Motors	HAX	9,950	Add	-	11,900	-	19.6	11.6	6.31	7.17	5.27	5.03	10.1
Hoa Phat Group	HPG	23,700	Buy	-	36,000	-	51.9	8.01	7.16	6.27	4.92	2.11	2.11
Hoa Sen Group	HSG	12,100	Reduce	-	11,200	-	(7.44)	19.0	16.6	8.86	8.71	4.13	4.13
Vietnam Airlines	HVN	21,100	Hold	-	22,400	-	6.16	21.8	9.65	8.76	5.30	0	0
Nam Kim Steel	NKG	13,600	Reduce	-	12,600	-	(7.35)	32.2	22.9	11.0	9.79	0	0
Phu Tai JSC	PTB	39,700	Add	-	47,700	-	20.2	7.17	6.66	5.55	5.20	6.30	6.30
PetroVietnam Transport	PVT	21,550	Buy	-	29,800	-	38.3	7.94	7.99	3.22	3.01	4.64	4.64
SCSC Cargo Service	SCS	51,100	Add	-	57,000	-	11.5	6.56	8.38	3.17	3.94	11.7	9.78
VN Engine & Agri. Machinery	VEA	34,600	Add	-	40,200	-	16.2	6.97	7.99	17.2	19.8	14.6	13.3
Vietjet Aviation	VJC	170,100	Sell	-	119,700	-	(29.6)	36.0	30.4	22.0	19.6	0	0
Viettel Post	VTP	65,700	Add	-	74,200	-	12.9	19.8	16.3	16.0	13.4	2.28	3.04

Share prices as of 2 June 2026.
Source: Companies, FactSet, HSC Research

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Materials: Riding the domestic growth cycle

We remain positive on the Materials sector, driven by strong domestic demand from accelerating public investment, infrastructure development and the recovery of the real estate market. Our top pick is HPG, which is well positioned to benefit from Vietnam's construction growth cycle, supported by its dominant domestic market position and favorable trade protection measures. We also favor DHC as an attractive small-cap opportunity, benefiting from strong domestic packaging paper demand and limited new industry capacity additions.

Steel: Strong domestic demand drives earnings growth

Global steel production in 4M26 declined 2% y/y to 613.3mn tonnes, mainly due to rising global trade protectionism, which led to lower steel output across many countries, particularly China.

However, Vietnamese companies recorded strong steel sales volume growth, up 14.6% y/y to 9.4mn tonnes. Of which, construction steel sales volumes reached a record high at 3.97mn tonnes, up significantly by 22.4% y/y and is the key beneficiary from public investment and high residential construction growth. Meanwhile, hot rolled coil (HRC) sales volumes rose strongly by 23.6% y/y to 2.4mn tonnes thanks to effective trade protections against Chinese products.

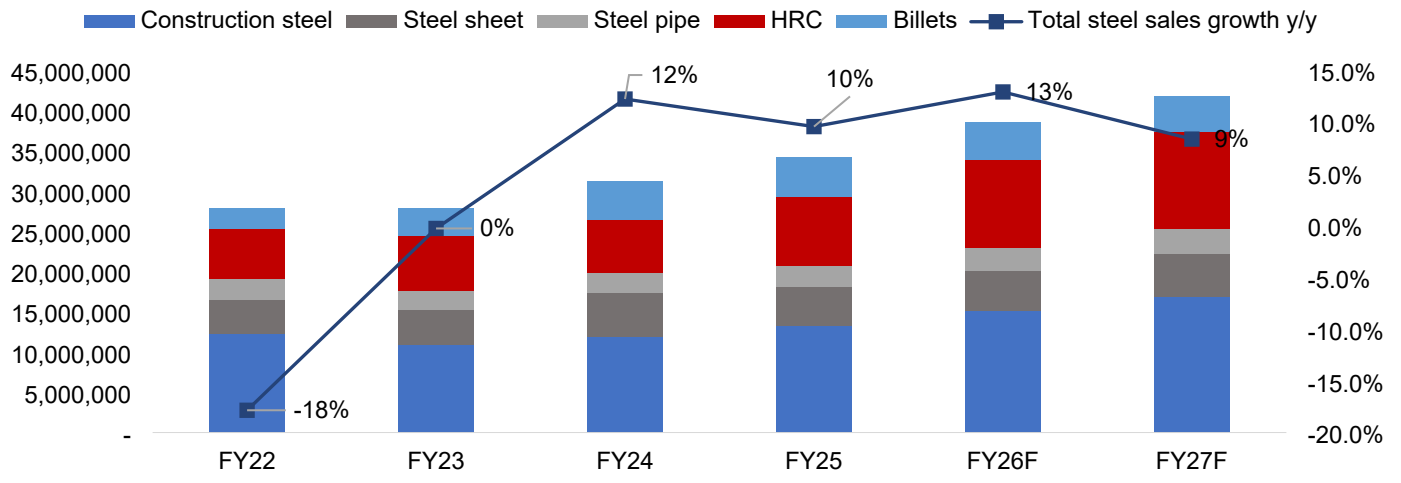
We expect strong FY26 domestic steel demand, supported by accelerating public investment disbursement and robust construction demand from real estate projects. In addition, following the imposition of anti-circumvention duties of 27.83% on imported Chinese HRC products, HRC sales volumes will continue to grow strongly in the coming periods. Accordingly, we forecast Vietnam steel sales volumes to grow 12.9% y/y in 2026, accelerating from 9.5% growth in 2025.

As the leading producer of construction steel and HRC in Vietnam, HPG is a key beneficiary of strong domestic construction demand and anti-dumping measures imposed on imported Chinese products. The commissioning of the Dung Quat Steel Complex 2 last year is expected to drive strong volumes growth in FY26–28. With exports accounting for only 9% of total sales volume in 1Q26, HPG faces limited risks from rising global protectionism and instead benefits from Vietnam's trade protection measures on imported HRC.

In contrast, other listed steel companies under our coverage, including HSG (Reduce, VND11,200) and NKG (Reduce, TP VND12,600) were significantly affected by rising global protectionism and recorded sharp earnings declines in 1Q26 of 43% and 66% y/y respectively due to lower export volumes.

Figure 150: Steel sales volumes (tonnes), Vietnam

Solid steel sales volumes growth



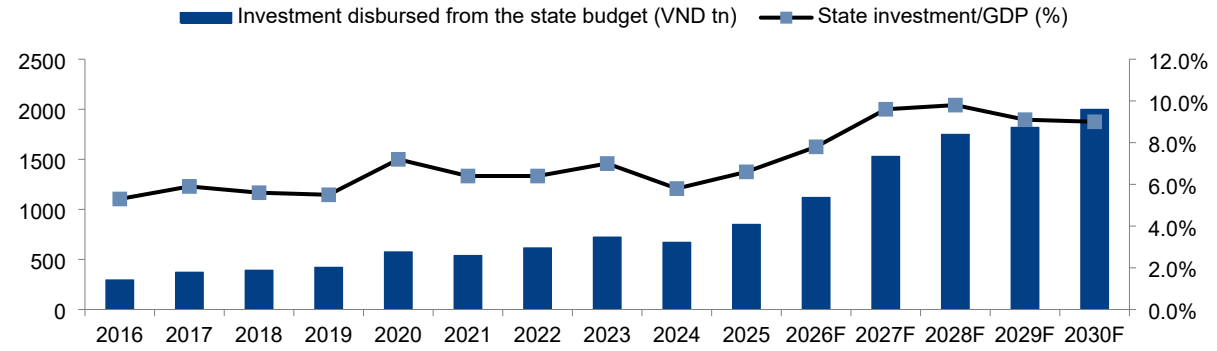
Source: VSA, HSC Research

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Figure 151: Public investment, Vietnam

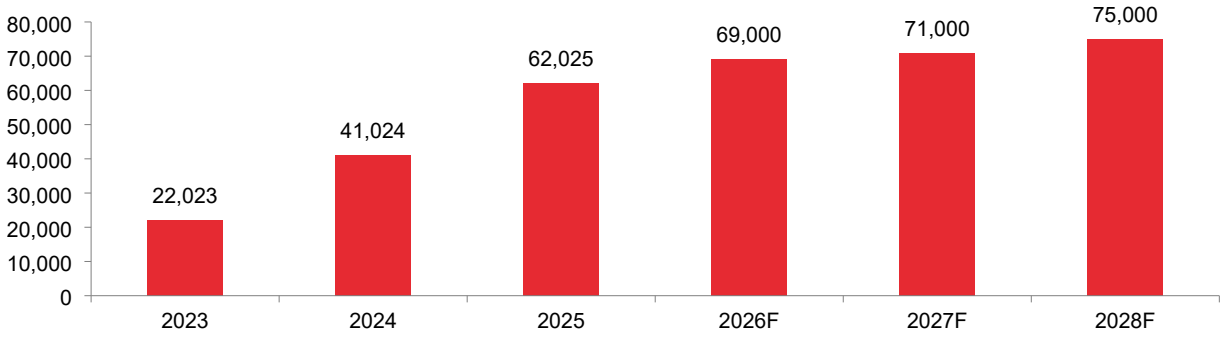
Strong public investment to support GDP growth will push steel demand in the coming years



Source: HSC Research

Figure 152: Hanoi & HCMC condominium supply forecast

Strong growth in FY26 condominium supply will support domestic steel demand



Source: CBRE

Paper: Favorable supply squeeze amid solid demand setup

We maintain our forecasts for Vietnam packaging paper consumption to grow 11% y/y to 6.9mn tonnes in FY26, supported by persistent capacity shortage of 287,000 tonnes, narrower than FY25's 327,000-tonne gap, but still favorable; resilient export volumes as 4M26 distortions normalize; and continued e-commerce growth driving structural demand.

The capacity shortage is forecasted to narrow y/y vs. 327,000 tonnes seen in FY25 helped by added capacity expected in 2H26, including 350,000 tonnes/annum from Cheng Loong (a Chinese FDI company) (to 1.05mn tpa) and 300,000 tonnes/annum from GDT (a Vietnamese JV of three small players in Nam Dinh Province).

The earnings backdrop for large industry players is particularly attractive in the near term. Middle East-driven freight inflation flows through to OCC landed costs with a lag, while domestic supply tightness gives producers room to raise ASP ahead of the cost pass-through. The result is a spread expansion window through 1H26 that we expect to translate into meaningful earnings upside for well-positioned players like DHC. Even as input costs normalize in 2H26, the underlying supply tightness should continue to support ASP, leaving the sector with a structurally healthier profit margin profile than in prior cycles.

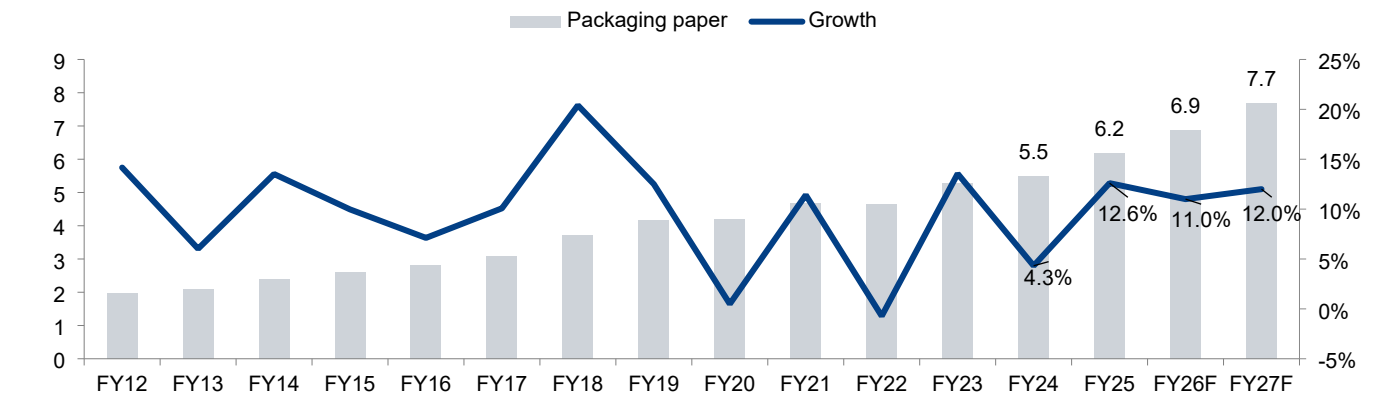
FY26 presents a highly favorable combination of sustained demand, supply discipline, and robust pricing power. We view the sector as entering a multi-quarter window of earnings expansion. **DHC (Buy, TP VND46,400)** is exceptionally well-positioned to capture the most attractive returns during this cycle, supported by its full capacity utilization, disciplined input cost management, and a clear pipeline for longer-term capacity expansion.

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Figure 153: Actual and projected packaging paper consumption (mn tonnes), Vietnam

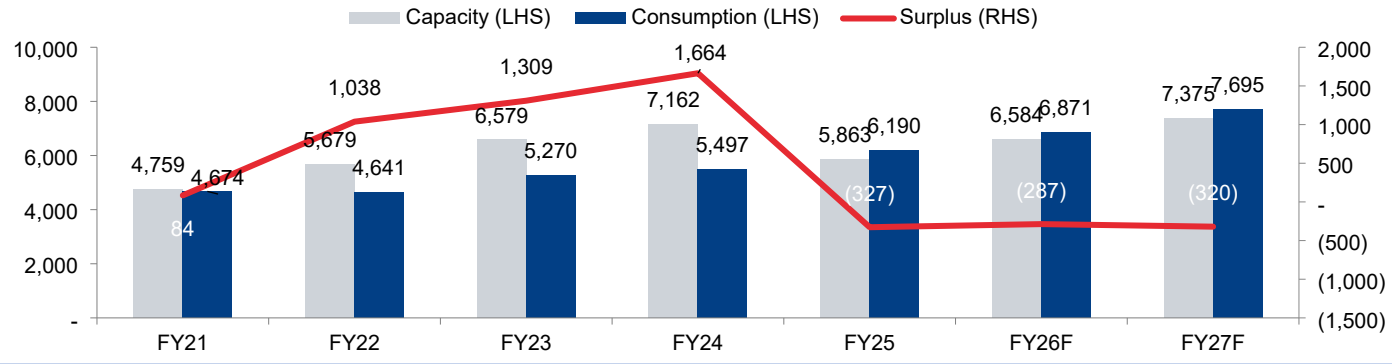
We forecast FY26-27 consumption to grow 11-12% y/y on the strength of e-commerce industry and agriculture exports normalizing



Source: VPPA, HSC Research

Figure 154: Actual and projected packaging paper supply-side metrics ('000 tonnes), Vietnam

Vietnam turned to capacity shortage from FY25



Source: VPPA, HSC Research

Plastic pipe: Input cost pressures but attractive dividend yield

Plastic pipe companies enjoyed a downward cycle for PVC resin between FY22 and FY25. BMP benefited from margin expansion as ASP remained relative inelastic even during periods of extreme input volatility.

However, the favorable cost trend is reversed this year due to the geographical shock. The US-Iran tension has sent PVC resin price 40% higher YTD. As raw materials typically account for 70% of production cost, the surge in PVC resin price will likely impact near-term earnings of players in the sector. However, over the long-term, the sector outlook is helped by boosted public investment and a increased real estate supply. In this sector, we like **BMP (Add, TP VND153,000)**, one of the market leaders with attractive dividend yield of around 10% over the FY26-28F period.

Wood: Sustaining solid growth in FY26

Vietnam's wood & wooden product (W&WP) export revenue grew 3% y/y in 4M26 to USD4.3bn and rose 9% y/y in Apr-26, demonstrating resilience despite global uncertainty surrounding the Middle East conflict. Global buyer sentiment also appeared to improve following the removal of reciprocal tariffs in March. We maintain our FY26 forecast for Vietnam's W&WP exports at USD18bn (up 5% y/y).

The US remained Vietnam's largest export destination for W&WP in 4M26, accounting for 50% of total export value, although exports to the market declined 6% y/y to USD2.7bn. In contrast, China emerged as the fastest-growing market, with export value surging 50% y/y in 4M26 to USD846mn.

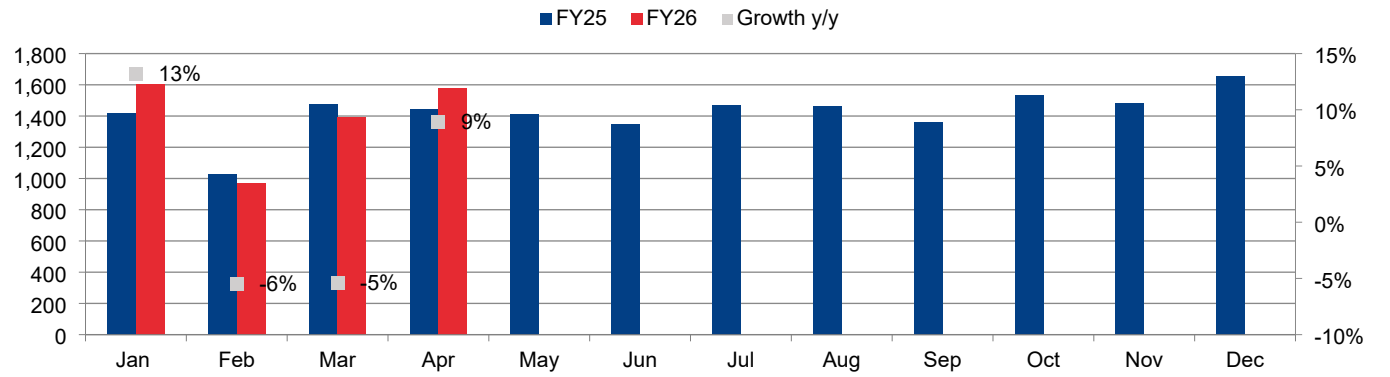
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Our coverage **PTB (Add, TP 40,200)** still sees solid demand from the US market for wood export pre-order pipeline through end-3Q26, and stated intent to pass costs through is constructive.

Figure 155: Total export of wood & wooden products (W&WP), Vietnam

Vietnam's W&WP exports grew 4% y/y to USD4.3bn in 4M26



Source: CEIC data, HSC Research

Chemicals: Stringent oversight on mining operations

Since late FY25, the governent has tightened control over the mining operations of national resouces. **DGC (Hold, TP VND49,600)**, Vietnam's leading player in phosphorus-based value chain, is our only covered name in this sector. At the moment, the company's outlook is weakened following investigations into its violations, including causing environmental pollution, illegally exploiting natural resource and violating accounting regulations resulting in serious consequences. We expec DGC's earnings to stumble this year by 37% to VND1.9tn, followed by modest growth of 6% and 8% in FY27 and FY28 on the assumptions that its two mining sites (No. 19B and 25) are permanently suspended, causing DGC to purchase 100% of its apatite ore demand (vs. 80% self-sourcing as previous). The increase in Vietnam's P4 export tarifff (to 10% from beg-FY26 and 15% from beg-FY27, vs. 5% in FY25) would also pressure margin of this products over the forecasted period. At this time, we only factor in financial consequences of VND1tn for DGC's violations, while normal operations are expected to continue without disruption.

Top picks are HPG and DHC

HPG (**Buy, TP VND36,000**) remains our top pick. HPG offers an attractive risk-reward profile, supported by resilient earnings with low export exposure, strong earnings growth thanks to high domestic demand and capacity expansion, together with cheap valuation.

We expect FY26 net profit will come to VND25tn (up 62% y/y). Excluding one-off incomes from selling stake in a residential project, core FY26 net profit will grow 35% y/y to VND21tn, driven by strong growth of construction steel and HRC and better profit margins. For FY27, we forecast core/net profit of VND28tn (up 12% y/y in net profit and 33% y/y in core profit). The core earnings growth will come from higher utilization rates of Dung Quat Steel Complex with construction and HRC volumes growth (up 11% and 20% y/y respectively). For FY28, we expect net profit will grow 13% y/y to VND31.5tn. Then 3Y net profit CAGR will be strong at 27%. HPG is trading at 1Y rolling fwd. P/E of 8.1x vs. its 3Y average of 12.5x (since Jan-23).

DHC (Buy, TP VND46,400): we also favor the stock as an attractive small-cap opportunity. The company derives the majority of its sales from the domestic market and the paper supply shortages will likely support the company's sales and profit margins. Furthermore, the upcoming Giao Long No.3 factory, expected to commence operations in 2027, provides additional growth potential through capacity expansion. DHC is trading at 1Y rolling fwd. P/E of 8.0x vs. its 3Y average of 9.1x (since Jan-23).

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Transportation: Navigating fuel cost pressures

Rising fuel prices are reshaping the transportation industry, as fuel costs account for a large share of operating expenses for most transportation companies. While higher fuel prices create margin pressure across the sector, geopolitical disruptions also create opportunities for selected transportation companies. Our top picks are GMD, given its resilient business model and limited exposure to fuel costs, and PVT, which stands to benefit from elevated freight rates and its ongoing fleet expansion strategy.

Seaports: Solid outlook on strong trade performance

Vietnam's container volume rose 12% y/y in 4M26 to 9.2mn TEUs, helped by strong trading activities (exports/imports up 20.1% & 29.5% y/y over the same period). We expect Vietnam's trade performance to remain robust, with export-import growth projected at 10–15% over FY26–28F.

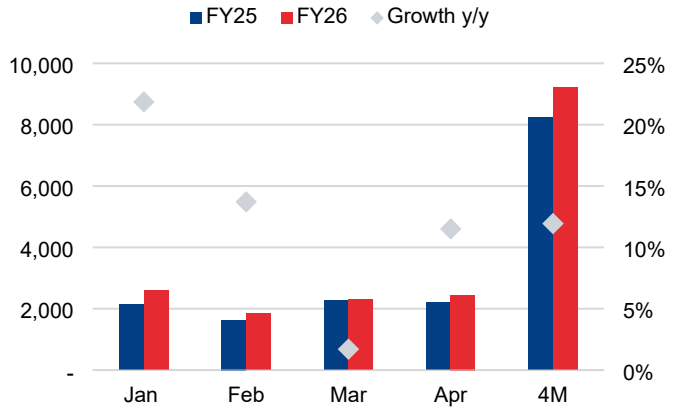
This outlook is underpinned by Vietnam's deep integration into global supply chains, reflected in its extensive network of new-generation FTAs, including CPTPP, EVFTA, and UKVFTA. In addition, continued Government efforts to establish comprehensive strategic partnerships, currently with 15 countries, alongside an expanding manufacturing base and Vietnam's growing attractiveness as a high-quality FDI destination, particularly for export-oriented production, should continue to support trade momentum over the medium term. The solid trade growth will continue to support Vietnam's port throughput volume.

For the FY26-27 outlook, we expect throughput volume of Vietnam's key terminals will continue to grow strongly by 9%/8% y/y to 28.7mn/31.0mn TEUs in respective years.

Besides, on 31 Dec-25, the Ministry of Construction officially approved a 10% increase in floor handling charges at deep-water ports, effective from 1 Feb-26. GMD's Gemalink deep waterport will be benefited from the regulation changes. Together with capacity expansion of Gemalink phase 2 (operation from 4Q27) and phase 3 (operation from 4Q28), we expect GMD (Buy, TP VND94,000) will deliver solid 3Y net profit CAGR of 17% in the FY25-28F period thanks to higher handling fees and volumes growth.

Figure 156: Monthly container volume (TEUs), Vietnam

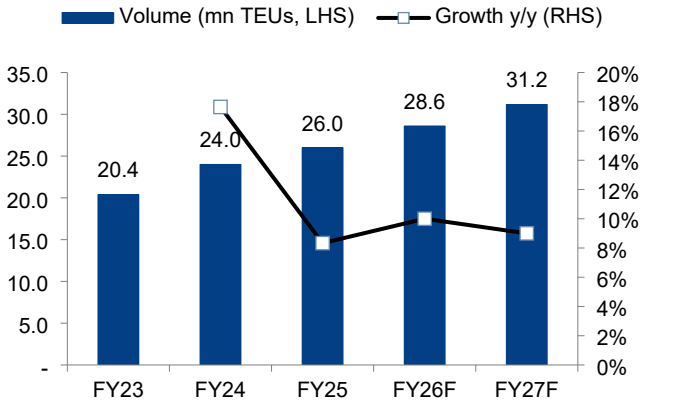
Vietnam's container vol. grew 12% y/y in 4M26 to 9.2mn



Source: VPA

Figure 157: Container vol. forecasts (TEUs), Vietnam

We forecast VN's container vol. to grow 10%/9% in FY26/27



Source: VPA, HSC Research

Shipping: Benefits from higher freight/charter rates

Tensions in Middle East have prompted global carriers to cancel their plan to resume the Red Sea route, while the strait of Hormuz, a choke point accounting for 20% of the global oil supply and 4% of the global container volume is closed, adding further disruption to the global shipping industry.

Container freight rates and tanker rates both experienced uptrend, and tanker rates have seen much stronger surge. This has benefited shipowners like the oil transporter PVT (Buy, VND29,800) and the container shipping HAH (Add, VND62,400).

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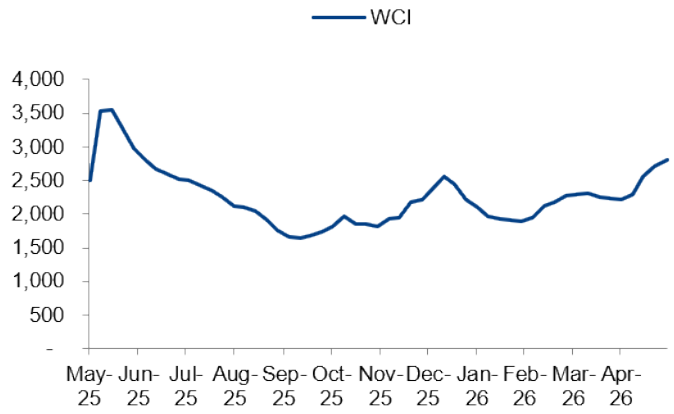
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However, fuel costs (VLSFO) remains the key risks. For ships that are chartered out, charterers have to bear the fuel costs while for ships that are self-operated, the risk is exposed to shipowners. We prefer PVT over HAH thanks to PVT's higher proportion of chartered out ships (c.60-70%, vs. 50% of HAH) and stronger surge in tanker rates, vs. container freight rates.

At the moment, the US and Iran have reached tentative agreement to reopen the strait of Hormuz and extend a ceasefire. Tanker rates might soften from the recent rally, though likely remains at high level compared to pre-war as the Strait of Hormuz will likely to be fragile and costly war risk premiums will likely still be applied even post-war. This could result in strong tonne-mile demand from route shifts in oil transportation, as importers from Asia and Europe might continue to choose to import oil from the US to ensure safety despite longer distance. Therefore, we expect tanker rates will continue to be strong even post the Middle East tensions.

Figure 158: World Container Index

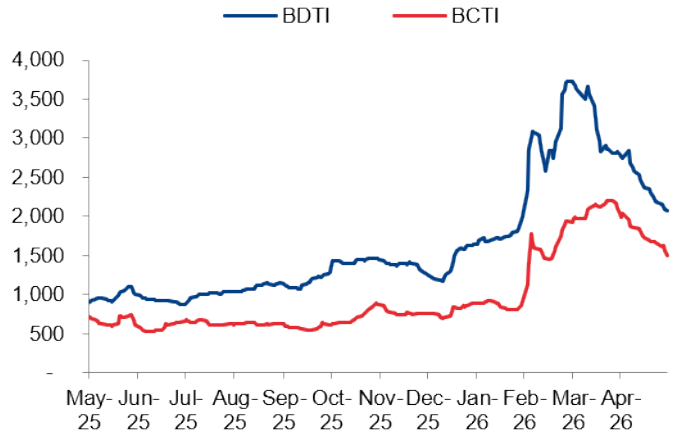
WCI has risen by 26% YTD



Source: Bloomberg

Figure 159: Baltic Dirty & Clean Tanker Index

BDTI and BCTI have surged by 57% and 99% YTD



Source: Bloomberg

Delivery: Surging fuel costs pressuring near-term earnings

The sector is currently impacted by a surge in DO (diesel oil) price due to the geographical shock. Following the start of the US-Iran tension on 28 Feb-26, oil prices have jumped, leading to a surge in retail DO and gasoline price in the domestic market in March, but then quickly cool down thanks to support from the price stabilization fund. At the moment, the DO price has declined by c.40% from a peak of VND44,000 per liter in early-April to around c.VND27,000 per liter currently, but still over 40% higher than the pre-war price of c.VND19,000 per liter. Currently, the retail price of DO is being supported by around VND5,000 per liter through the price stabilization fund.

We note that most of delivery players' truck fleet run on DO. Therefore, the surge in DO price is an external shock that is hardly absorbed by passing on to clients due to competition in the sector. Delivery players have applied fuel surcharges since mid-Mar of 10-15%; however, that only helps partially compensate for the input jump. Therefore, near-term earnings are under pressure, with fuel costs remaining the key risk.

Over the long-term, the sector is expected to see solid teen-plus revenue growth, driven by e-commerce. In this sector, we like **VTP (Add, TP VND74,200)** thanks to its strong position in both traditional delivery and smart border logistics.

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Autos: Policy & energy concerns drive EV adoption

We continue to see structural headwinds in the gasoline-versus-EV price war, reinforced by energy security concerns linked to the Middle East conflict and ongoing policy support for EV adoption. Given continued sector uncertainty, we maintain our conservative stance on VEA (Add, TP VND40,200) and HAX (Add, TP VND11,900), both of which remain highly exposed to industry headwinds.

The escalation of the Middle East conflict in early 2026 has strengthened Vietnam's EV policy direction, with recent measures explicitly citing energy security as a key driver. The policy framework is increasingly supportive: Decision 876/QĐ-TTg targets 50% of urban vehicles running on electric or green energy by 2030 and 100% by 2050; the 0% first-registration fee for BEVs remains in place through Feb-2027; and hybrids and biofuel vehicles benefit from SCT rates set at 70% of ICE equivalents from Jan-2026. The proposed Apr-2026 SCT revision would extend EV incentives further, keeping SCT at 3% through 2030 before increasing to 11% in 2031, likely accelerating EV purchases into 2029–30.

Low-emission zone (LEZ) implementation is also gaining momentum. Hanoi plans to launch Phase 1 in Jul-2026 within Ring Road 1, covering 11 central streets in Hoan Kiem district and restricting gasoline motorbikes during weekend tourism hours. Phase 2 (2027–29) would expand coverage to nine wards inside Ring Road 1, with stricter fossil-fuel restrictions from 2030.

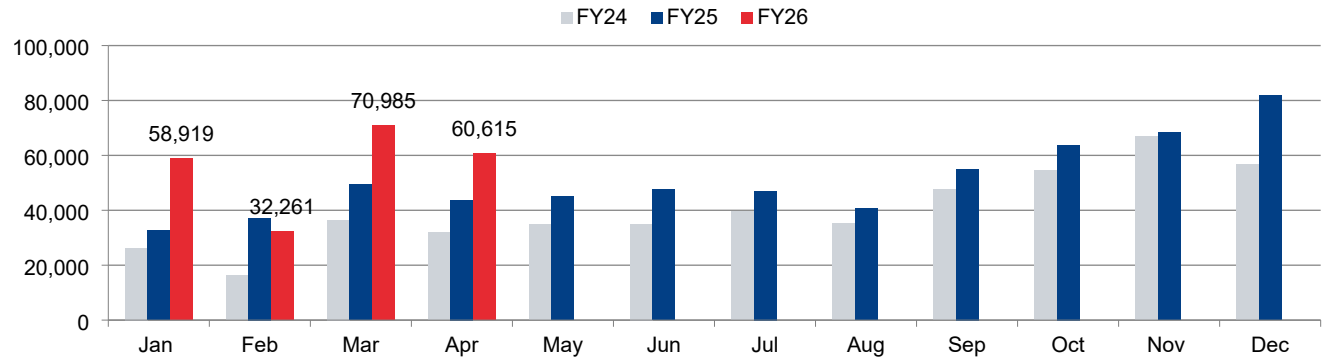
Charging infrastructure is emerging as the next policy focus. The Ministry of Construction is preparing a national EV charging-station plan for submission in 3Q26, based on a "socialization" model that leverages private capital through PPPs and other investment mechanisms. The plan is expected to address grid connectivity, electricity tariffs, land use, technical standards, and safety requirements.

We believe the regulatory environment is increasingly favorable for pure EV manufacturers and ecosystem players with established products and charging networks. VinFast stands out as the key domestic beneficiary, holding 35% market share and operating 95% of the country's charging stations as of 4M26.

The intense EV competition continues to pressure OEM and dealer profitability. Vietnam's automotive production capacity is projected to reach 1.5mn units annually by 2027, while current factory utilization remains only 30–40%, indicating a structurally oversupplied market. Although EV and hybrid demand is growing, supply expansion has outpaced demand, driving continued price cuts. We expect this imbalance to persist through FY26, with the greatest margin pressure falling on legacy ICE-focused players that are slower to transition toward EV and hybrid segments.

Figure 160: Monthly new auto sales volume, Vietnam

The total auto market grew 37% y/y to 223,195 units in 4M26



Source: VAMA, Hyundai Thanh Cong, Vietnam Register, VinFast, HSC Research

Aviation: Strong demand but hiked expenses darken outlook

The aviation sector continues to benefit from robust travel demand, particularly from the sustained recovery in international traffic. Visitor arrivals to Vietnam reached 8.8mn in 4M26, up 15% y/y and 47% above pre-pandemic levels. However, despite a

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favorable demand outlook, rising oil prices are emerging as a major challenge for airline profitability in 2026.

For international routes, airlines are generally able to mitigate part of the fuel cost pressure through fuel surcharges and fare adjustments. In contrast, domestic routes remain subject to airfare caps, limiting carriers' ability to fully pass through higher fuel costs to passengers. As a result, domestic route profitability is likely to come under significant pressure if oil prices remain elevated.

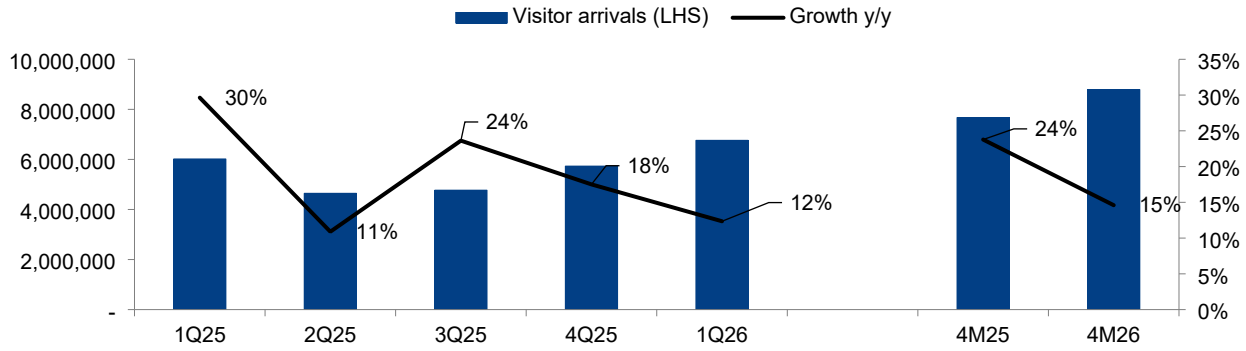
Airline earnings have yet to fully reflect this headwind. In 1Q26, profitability remained largely supported by the typical one-month lag between jet fuel costs and global oil prices. However, we expect the impact of higher fuel prices to become increasingly visible from 2Q26 onward, significantly eroding profit margins and potentially pushing airlines into losses, particularly in 2Q26.

Meanwhile, although ACV (Hold, TP VND43,500) is not directly exposed to hiked fuel cost, its near-term earnings outlook is also becoming less favorable. We expect depreciation and interest expenses to increase sharply following the commencement of operations at Long Thanh International Airport (LTIA) at the end of 2026. While we remain positive on ACV's long-term traffic growth prospects driven by LTIA, near-term profitability is likely to face significant pressure. We forecast net profit to decline 64% y/y to VND4.2tn in 2027 as traffic utilization at LTIA is still in the ramp-up phase while depreciation and financing costs rise substantially.

Therefore, we maintain a cautious view on the aviation sector at this stage and currently do not have any stock picks within the sector.

Figure 161: Visitor arrivals to Vietnam

Solid 4M26 visitor arrivals (up 15% y/y)



Source: GSO, HSC Research

Top picks are GMD and PVT

GMD (Buy, VND94,000): we expect net profit will grow 24%/11%/17% y/y respectively in the FY26/27/28 to VND2,075bn/VND2,313bn/VND2,695bn (3Y net profit CAGR of 17% over FY25-28F).

For this year, the strong growth will be driven by the deep-water port Gemalink (65% owned), with strong volume growth (up 12% y/y to 2.2mn TEUs) and an increase in its average handling fees (following the Ministry of Construction's approval for a 10% increase in floor handling tariff of deep-water port, effective from 1 Feb-26). For FY27, earnings growth would moderate due to capacity constraint at GML, but we expect growth will accelerate in FY28 thanks to new contributions from GML Phase 2 (operation from 4Q27). The Phase 3 of Gemalink will commence operation from 4Q28. Upon completion of both phases, GMD's capacity will double to 4mn TEUs p.a, bolstering growth until at least FY30.

We like GMD given its strong competitive edges and high growth supported by expansion pipelines, together with good financial health and focus, strong experienced management team. GMD is trading at 1-yr rolling fwd. P/E of 16.9x, vs. historical average of 19.4x (data since Jan-23)

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PVT (Buy, VND29,800): we forecast net profit will grow strongly by 24% y/y this year to VND1,276bn thanks to strong tanker rates. For FY27, we expect a mild drop of 1% y/y in net profit to VND1,267bn, driven by a softening of tanker rates as we expect the Middle East tensions will gradually be resolved. For FY28, we forecast net profit will grow 8% y/y o VND1,365bn on continued fleet expansion and normalized tanker rates.

We like PVT for its leading position in Vietnam's oil transportation market. Strong support from its parent company, Petrovietnam, and other group affiliates helps maintain stable domestic transportation volumes and margins, while freight rates on contracts with Petrovietnam-related entities can be adjusted upward when oil prices rise under the cost-plus pricing mechanism. For international routes, rising charter rates of all PVT's segments are expected to support earnings growth this year.

In addition, PVT's strong financial position, low leverage and diversified fleet of 67 vessels across multiple segments—including crude oil tankers, product tankers, chemical tankers, LPG carriers and dry bulk carriers—enable the company to capture upside from stronger tanker rates while providing resilience during periods of market volatility. PVT is trading at 1-yr rolling fwd. EV/EBITDA of 3.0x, vs. historical average of 3.5x (data since Jan-21)

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Energy & Utilities: Energy security at a premium

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- Amid the US – Iran war, we identify three themes for the energy and utilities sector: Energy security, green transition, and regulatory resilience.
- We expect E&U net profit 3Y CAGR to compound at roughly 9.7% (0.1% for Utilities – Electricity, 14.2% for Oil & Gas, 13.0% for Utilities – Gas distribution and 1.9% for Utilities – Water). The slower growth rate reflects a high FY25 base, not a deteriorating outlook, as earnings quality is improving as long-term contracts and volume replace price-driven gains.
- Our top picks are POW, REE, PVS, PVD, and BWE.

Key themes

The US – Iran war has elevated energy security from a planning assumption to a real risk, especially for Asian countries. Interestingly, Vietnam's E&U sector is structurally better positioned than consensus recognizes. We identify three themes: stronger emphasis on (1) **energy security** coming from Block B domestic gas supply from 2027, LNG source diversification, and a nationwide E10 bio gasoline mandate from June 2026 reducing the reliance on imported energy; (2) **green & clean** where domestic gas and LNG acts as the transition fuel bridge, new power capacity being build out, and the DPPA mechanism to allow industrial users to purchase renewable energy directly; and (3) **resilience** thanks to regulated pass-through mechanisms, operating capacity scarcity against a delayed LNG-to-power pipeline, and monopoly concessions insulated from commodity imports for water companies. We see FY26–28 growth is volume and contract-driven (such as long-term PPAs, gas supply agreements) which improves earnings visibility. We expect E&U net profit to compound at roughly 9.7% 3Y CAGR (0.1% Utilities – Electricity; 14.2% Oil & Gas; 13.0% Gas distribution; 1.9% Water).

Utilities – Electricity: the focus is on earnings quality and capacity scarcity as over 80% of LNG-to-power projects are delayed.

Oil & Gas: Block B on track with EPCI packages 57%/88% completed, targeting first gas in 2027, O Mon I power plants targets receiving first gas 3Q27.

Gas distribution: E10 mandate from Jun 2026, fast-tracked oil reserve could help to stabilize the market, new petroleum business decrees should have positive impacts.

Water: support from provincial tariffs and industrial demand recovery. The draft law on water supply and drainage is expected to be positive for the sector.

Top picks

Utilities – Electricity: **POW**, **REE**; Oil & Gas: **PVS**, **PVD**; Utilities – Water: **BWE**.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2026F	2027F	2026F	2027F	2026F	2027F
Binh Son Refining & Petroch.	BSR	27,700	Buy	-	34,000	-	22.7	2.82	5.02	1.59	1.74	0	0
Binh Duong Water-Environ't	BWE	43,200	Buy	-	63,300	-	46.5	9.22	9.54	7.86	7.39	3.01	3.01
PetroVietnam Gas	GAS	82,200	Buy	-	120,000	-	46.0	12.0	12.3	9.23	9.12	4.87	4.87
Gialai Electricity	GEG	13,950	Buy	-	18,500	-	32.6	10.9	10.2	6.92	6.99	0	0
PetroVietnam Oil Corp.	OIL	14,600	Sell	-	11,300	-	(22.6)	84.1	29.0	157	37.8	2.40	2.40
Power Generation JSC 3	PGV	23,300	Add	-	25,300	-	8.58	13.2	9.74	6.20	5.11	7.11	3.80
VN National Petroleum Gp.	PLX	38,850	Hold	-	41,000	-	5.53	70.7	21.6	27.2	13.0	0	0
PetroVietnam Power	POW	13,550	Buy	-	16,900	-	24.7	21.0	14.8	7.24	5.97	0	0
PetroVietnam Drill. & Well	PVD	29,250	Buy	-	46,500	-	59.0	9.92	7.86	5.27	4.06	0	0
PetroVietnam Tech'l Services	PVS	37,800	Buy	-	55,000	-	45.5	9.17	9.92	6.85	7.71	1.85	1.85
Refrigeration Electrical Eng.	REE	50,500	Buy	-	68,783	-	36.2	10.6	9.94	8.49	7.81	1.72	1.72
Thu Dau Mot Water	TDM	57,900	Add	-	62,000	-	7.08	34.5	33.1	33.2	31.7	2.25	2.25

Share prices as of 2 June 2026.
Source: Companies, FactSet, HSC Research

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Utilities – Electricity: Diversification is key

Diversification is the key to navigating a sub-sector entering an execution phase: policy reform and the PDP8 grid build are widening the addressable market, but fuel-supply constraints and volatile hydrology keep single-driver bets risky, so we favor names with diversified, well-governed earnings. Aggregate net profit stays roughly flat over FY25-28, but this is a base effect, not a stall. With the rebound now in the base, the thesis shifts from headline growth to earnings quality and to names with balanced exposure across generation, grid and renewables. Our sub-sector picks are POW and REE.

Middle East risk to LNG supply

The downside of the LNG build-out is import dependence. Vietnam entered the LNG spot market in 2023, sourcing in part from Qatar and the UAE, and roughly 20% of global LNG transits the Strait of Hormuz. Renewed US – Iran war is therefore a genuine near-term risk to both the price and the availability of POW's LNG feedstock. We see FY26 exposure is manageable on four counts: the cost pass-through mechanism lets POW reflect higher fuel input in electricity tariffs; GAS, the importer, has secured its 1H26 cargoes and is diversifying sources beyond the Gulf, keeping physical supply sufficient; Nhon Trach 3 & 4 are still in first year of operation with low dispatch, so the LNG volume actually at risk this year is under control while next year LNG supply can come from a long-term supply contract with Shell; and POW's diversified fuel mix (domestic gas, coal and hydro, with new domestic supply and Block B from 2027) further dilutes import reliance. We therefore treat a Middle East supply shock as a managed near-term risk.

PDP8 execution is tracking well behind plan

The installed capacity expanded by just 3.3% per year in 2021-25 against 7.1% peak-load growth, leaving end-2025 capacity at 89,756 MW. MOIT now flags ~44,900 MW of non-renewable capacity at risk of slipping past 2030, most acutely LNG-to-power, where 80.6% (27,014 of 33,524 MW) is delayed, with only Hiep Phuoc 1 and Quang Trach 2 still on schedule. Under realistic RE timing, the North faces a ~2,000 MW peak gap as early as 2026. We notice several mitigants: the government is exploring floating power plants for peak seasons and is also weighing fast-track approval for new projects, both of which could compress lead times and cushion the near-term gap while permanent capacity catches up.

Figure 162: PDP8 implementation gap, system supply lagging demand across most source types

Installed capacity grew only 3.3%/year in 2021-25 against 7.1%/year peak-load growth

Metric	Value
Installed capacity, end-2025	89,756 MW (incl. 2,140 MW imports)
Capacity CAGR 2021-25 vs peak-load growth	3.3% vs 7.1% per year
Non-renewable capacity at risk of delay past 2030	~44,900 MW (gas/LNG, large + pumped hydro, imports)
North capacity shortfall, 2026 (peak)	~2,000 MW
LNG-to-power delayed past 2030	80.6% (27,014 of 33,524 MW)
Of which on time	Hiep Phuoc 1 (2028); Quang Trach 2 (2030)
Other sources delayed past 2030	Offshore wind 6,000 MW; large hydro ~1,000 MW; pumped storage ~4,500 MW; China imports 3,000 MW; Laos imports ~3,400 MW

Source: MOIT Report 312/BC-BCT, HSC Research

LNG-to-power and the scarcity premium

This is the sub-sector's sharpest mispricing. POW's Nhon Trach 3 and 4 (1,624 MW combined) are already up and running and dispatching, while 80.6% of the national LNG-to-power pipeline (27,014 of 33,524 MW) might slip past 2030. Set against a quantified deficit (the North ~2,000 MW short in 2026, operating LNG capacity is genuinely scarce. Policy reinforces the scarcity: the proposed increase in the minimum contracted output (Qc) guarantee for LNG plants to 75% for 15 years (from 65% for 10 years) would lift project bankability, and POW's already-operating fleet stands to be among the first beneficiaries. POW is therefore positioned against a structural gap the pipeline will not close for years.

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Reform momentum and the DPPA opening.

Decree 57/2025/ND-CP gives the direct power purchase agreement (DPPA) framework real operational form, letting large industrial users buy renewable power directly and bypass EVN's retail tariff. The first battery-integrated DPPA, Gia Lai Electricity's (GEG) Duc Hue 2 solar-plus-storage project, just reached commercial operation in 1 June, demonstrating that storage can firm up intermittent supply for a direct industrial off taker. The pull is structural: Carbon Border Adjustment Mechanism (CBAM) and Renewable Energy 100% commitments are pushing FDI manufacturers toward verifiable green power, and DPPA is the cleanest route to it. We expect the mechanism to expand the renewable market over the medium term rather than reprice it overnight.

Aggregate earnings (FY26-28)

We expect a sub-sector net profit 3Y CAGR of approximately 0.1% over FY25-28 because FY25A already captured the rebound, leaving little headline growth on top of a high base. This sits far below the FY24A-28F CAGR of 39% we published in April, but the gap is purely the base-year shift: the older window started from a depressed FY24A (which included PGV's net loss), whereas FY25A now sits inside the base.

Figure 163: aggregate net profit forecast, Utilities – Electricity

Net profit 3Y CAGR of approximately 0.1% over FY25-28, flat on a high FY25 recovery base

VNDbn	FY25A	FY26E	FY27E	FY28E	CAGR FY25-28
Aggregate net profit	10,427	8,190	9,926	10,472	0.1%

Source: HSC Research estimates

Top picks

- **PetroVietnam Power (POW):** Nhon Trach 3 and 4 with total capacity of around 1,624 MW are providing electricity while most of the competing LNG-to-power pipeline has not reached commercial operation (80.6%, 27,014 of 33,524 MW, delayed past 2030, per MOIT Report 312/BC-BCT). POW's operating fleet is positioned against a quantified structural deficit (North around 2,000 MW deficit in 2026). We see FY26 earnings as a transition year.
- **REE Corporation (REE):** best-in-class governance, a diversified and defensive earnings base spanning mechancial & electrical (M&E) contracting, power generation, water and office real estate, and continued renewable additions. Key items to watch for REE are reshuffling of the board and addition of new power projects.

Figure 164: Top picks, Utilities – Electricity

REE for governance and diversification; POW for the LNG scarcity premium

Name	Rating	TP (VND)	Key catalysts	Key risks
REE	Buy	79,100	Renewable capacity additions; M&E backlog; board-reshuffle clarity (Jul 2026)	Hydrology; M&E margin
POW	Buy	16,900	NT3&4 dispatch ramp; LNG-to-power scarcity; PDP8rev deficit	EVN merit-order dispatch; LNG import price; Middle East supply shock

Source: HSC Research estimates

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Energy – Oil & Gas: Offshore capex recovery

An offshore capex recovery, LNG infrastructure and a planned rewrite of the 2022 Oil & Gas Law drive this sub-sector. The domestic oil and gas services companies are getting lifted by higher domestic and regional exploration and production capex, especially after the US – Iran war broke out. We expect net profit to compound at 14.2% over FY25-28, led by stronger demand for steel structure fabrication and drilling day-rate upcycle. Our picks are PVS and PVD.

Offshore capex recovery and Block B O Mon

Block B is the anchor of the upstream recovery, with first gas confirmed for 2027 at the GAS AGM. We saw this project as on track: EPCI#1 at around 57%, EPCI#2 at around 88%, the FSO at around 25%, and O Mon I targets accepting first gas from Block B O Mon in 3Q27 (previously using diesel oil as the main input fuel). PVS is the marine and construction contractor on the project with the backlog build that runs through 2026-27.

Figure 165: Block B - O Mon chain progress

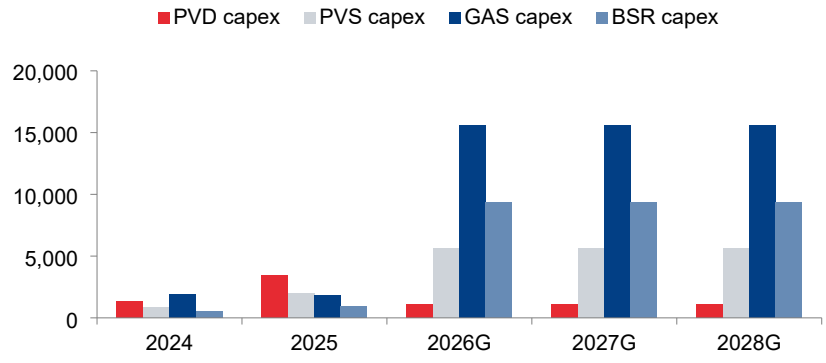
The chain is on track for first gas in 2027, with O Mon I target first gas 3Q27

Component	Status / target
EPCI#1	~57% complete
EPCI#2	~88% complete
FSO	~25% complete
O Mon I thermal power plant accepts first gas	3Q27
Block B first gas	2027

Source: MOIT report 312/BC-BCT, GAS AGM, HSC Research

Figure 166: Capex plan for companies in our coverage (VNDbn)

Increasing capex trend in the next three years



Source: companies, HSC Research estimates

Besides Block B O Mon project, there are several marginal oil and gas fields also progressing with the expected first oil/gas in the next few years, namely Lac Da Vang, Nam Du - U Minh, Thien Nga Hai Au and Su Tu Trang phase 2B. These fields are expected to offset the decline in domestic natural gas production volume, while the remaining inputs will be met by imported LNG.

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Figure 167: Oil and gas projects in Vietnam near first oil/gas

A total of 7.6 bcm/year of natural gas will be added in the next few years

Project name	First production	Expected annual output	Total reserve
Block B - O Mon	3Q27	~5 bcm gas	107-110 bcm of gas
Lac Da Vang	4Q26	30,000–40,000 barrels/day oil	100mn barrels of oil equivalent
Nam Du - U Minh	Late 2028	~0.7 bcm gas	5.6 bcm of gas
Thien Nga - Hai Au	4Q26	~0.6 bcm gas	7.43 bcm of gas
Su Tu Trang phase 2B	4Q27-1Q28	~1.29 bcm gas	17 bcm of gas
Total		**7.63 bcm of gas** **30-40k b/d of oil**	**~140 bcm of gas** **100mn barrels of oil equivalent**

Source: HSC Research

O&G Law revision, directionally positive

Vietnam plans to rewrite the 2022 Oil & Gas Law, with a draft on the 2026 legislative agenda. Three elements matter for our names. First, faster project approvals: upstream sanctioning would shift from central government to PVN, in effect cutting bureaucracy. Second, stronger legal protection for Vietnamese contractors, codifying the local-content preferences. Third, existing oil blocks opened to offshore wind and hydrogen, which is long-dated optionality for GAS using its pipeline infrastructure. Most of the upside lands on the next wave of sanctioning in future oil and gas projects rather than Block B, which is already in execution, so the additional benefit will come after 2027. We expect that this draft proposal will soon be finalized.

Figure 168: Summary of draft Oil & Gas Law (2026)

Speed up the development of new oil & gas fields

Policy	Short description	Impact on the sector	Impact on covered names
PVN gets approval power	Most decisions (contracts, field development plans, extensions, partner swaps, small field reviews, decommissioning) move from Prime Minister/MOIT to PVN directly. Less bureaucracy.	Compresses FID and project-sanction timelines across upstream; the single most material lever in the dossier.	**PVS**, **PVD**: primary beneficiaries from faster project sanctioning feeds construction backlog and rig demand. **GAS**: secondary benefit via upstream-linked gas supply projects. BSR: neutral.
Better contract rules	New contract types for small/aging/high-pressure deepwater fields; allows skipping work commitments for two specific blocks; lets neighbors merge overlapping fields; aligned with new 2025 procurement law.	Reopens marginal and complex fields previously stranded by rigid contract terms; eases activity continuity at contract roll-over.	**PVD**: more drilling programs unlocked. **PVS**: more construction and vessel opportunities from re-activated blocks. **GAS**, **BSR**: indirect via reserve replacement.
Stronger investment incentives	Fixes a broken profitability test for marginal fields (IRR < 10%); tiered tax breaks for enhanced oil recovery (squeezing more oil from aging fields); tax breaks for carbon capture; legal and tax terms locked in at contract signing	Improves project economics at the margin, especially for late-life and complex fields; underpins reserve replacement.	**PVD**: more fields become worth drilling bringing higher rig utilization. **PVS**: more construction work on aging fields and CO_2 burial projects. **GAS**: tax breaks for burying CO_2 support future low-carbon gas chain. **BSR**: neutral.
Local supply chain content & offshore energy	Faster mid/downstream permitting; waives seabed rental fees for offshore gas pipelines; mandates preference for Vietnamese contractors and workers; opens a legal path to use existing oil & gas infrastructure for offshore wind, geothermal, and hydrogen.	Protects domestic services value chain (Malaysia/Thailand/Brunei precedent); cuts midstream project friction; opens offshore-energy adjacency on existing assets.	**PVS**: biggest single positive: local-content codified in law + offshore-energy framework underpins offshore-wind fabrication ambition. **GAS**: offshore gas pipeline rental waiver + infra-sharing optionality for offshore wind/hydrogen. **PVD**, **BSR**: modest.
Carbon capture legal framework	Creates the legal basis to store captured CO_2 in depleted fields underground; allows carbon credits from this to be sold commercially; broad principles in the law, technical details in follow-on decrees.	Long-dated optionality; opens a new business line for the upstream/midstream chain tied to net-zero pathway.	**PVS**: construction and engineering work for CO_2 burial facilities. **GAS**: depleted offshore fields become potential CO_2 storage sites. **PVD**, **BSR**: limited near-term impact.

Source: HSC Research estimates

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Natural gas infrastructure, a two-speed runway

The near-term growth: GAS's Thi Vai terminal is operational, two new domestic gas sources are due by 4Q26 to cushion field depletion, and Block B adds volume from 2027. **In the medium-term** LNG-import expansion hinged on new import terminals:

- **Thi Vai LNG** expansion from 1mn to 3mn tonnes/year. Following the commercial operational dates of NT3-4 power plants, GAS is planning to upgrade the capacity of this terminal for the upcoming demand of nearby power plants.
- **Vung Ang LNG**, a North-Central LNG receiving terminal in Ha Tinh province, with provincial approval-in-principle obtained, feasibility study under preparation.
- **Son My LNG** receiving terminal, which awaits Son My 1 & 2 power plant feasibility approval before GAS can advance its own feasibility study.

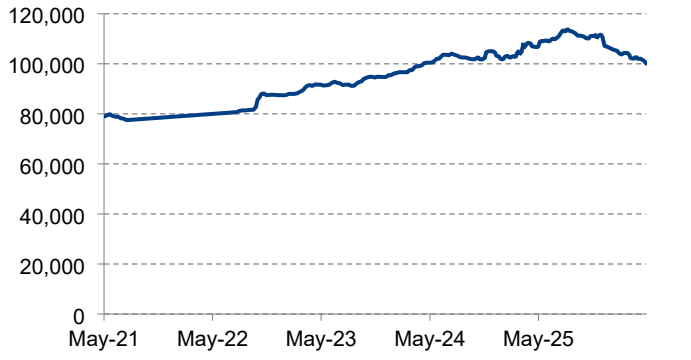
All three depend on LNG-to-power off takers that are 80.6% delayed past 2030 (MOIT Report 312/BC-BCT, 13 May 2026). We note explicitly that GAS's Hai Phong facility is a port for LPG import and distribution and should not be confused with VinEnergo's Hai Phong LNG-to-power project, which is a distinct entity and is not a GAS asset.

Day-rate upcycle in drilling

PetroVietnam Drilling and Well Services (PVD) is geared to rising Asia-Pacific jack-up day rates, regional tightness in mid-water rig supply, and Vietnam's E&P recovery. Revenue is largely day rates multiplied by utilized days against a fixed cost base, so the operating leverage on rate increases is high. We expect higher day rates from increasing demand for regional exploration & production of oil & gas fields. For comparison, looking at other type of rigs that PVD does not own, the day rates for drill ship (>7500') and semisub harsh high spec are all trending up through 2026 on the back of drilling demand in Brazil, Africa and Europe, which are insulated from the US – Iran war.

Figure 169: Average Day Rate Jack up 361-400' IC (USD/day)

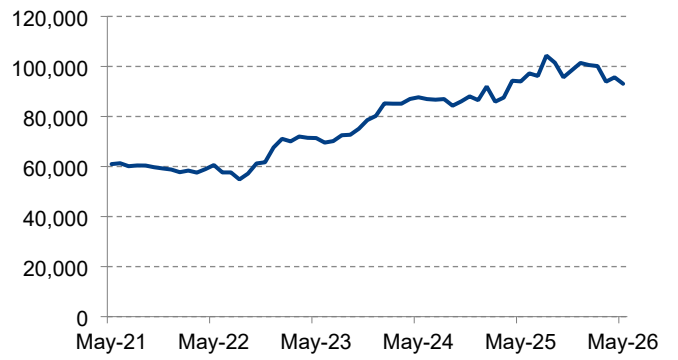
Softening due to the US – Iran war



Source: Bloomberg

Figure 170: Average Day Rate Jack up 301-360' IC (USD/day)

Picking at USD100k/day



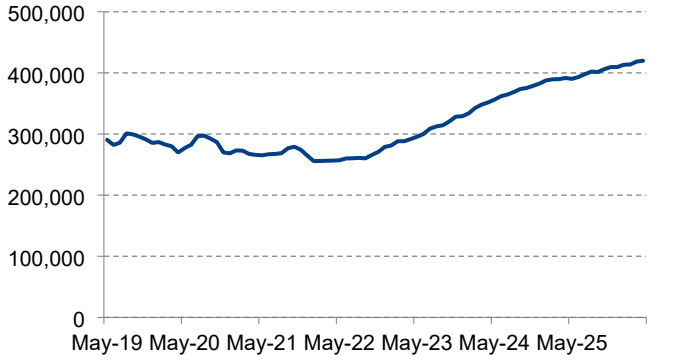
Source: Bloomberg

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Figure 171: Drill ship over 7500' day rate (USD/day)

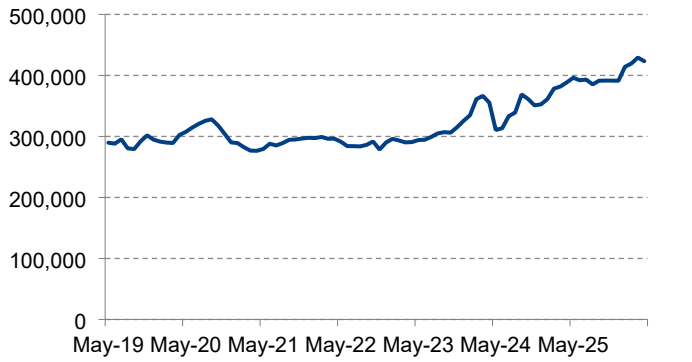
Reaching USD420k/day



Source: Bloomberg

Figure 172: Semisub Harsh High Spec day rate (USD/day)

Reaching USD430k/day



Source: Bloomberg

Refining margin volatile

BSR shows an FY26 profit spike driven by the supply chain disruptions from the US-Iran war; the sustainable earnings base is far lower, and core refining margins remain volatile against the Singapore complex. The planned O&G Law rewrite is largely non-material for BSR, sitting downstream of the upstream focus.

Figure 173: Quarterly gross profit per tonne, BSR

Strong crack spread shown in 1Q26

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Selling volume (k tonnes)	1,600	1,226	1,700	1,800	1,800	2,040	1,963	2,014	1,990
Gross profit (VNDbn)	1,256	498	-1,470	152	382	1,030	1,009	3,641	9,507
Gross profit per tonne (VNDmn/tonne)	0.78	0.41	-0.86	0.08	0.21	0.51	0.51	1.81	4.78

Source: HSC Research estimates

Aggregate earnings (FY26-28)

We expect a sub-sector net profit 3Y CAGR of 14.2%, driven by PVD (27%, on day rates), GAS (around 11%, on LNG and gas volume). BSR's FY26 spike distorts the path, so we suggest also showing the aggregate excluding BSR to reveal the underlying trajectory.

Top picks

- **PVS:** an offshore project backlog with Block B in execution and Lac Da Vang next, plus a tailwind from the planned O&G Law rewrite through faster approvals and stronger legal protection for Vietnamese contractors. Offshore-wind fabrication is optional, and FSO income provides an earnings floor.
- **PVD:** rising regional jack-up day rates plus a domestic tailwind from the O&G Law rewrite, where new contract types and better incentives for challenging fields should unlock more drillable programs on Vietnam's shelf, with PVD the local incumbent.

GAS carries the upside and the only Buy in the sub-sector but is excluded from top picks on delisting risk given its roughly 4.2% free float. We continue to flag the delisting risk.

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Figure 174: FY25A-28E net profit estimates, Energy – Oil & Gas

Net profit 3Y CAGR of approximately 14.2%, led by PVD day rates and GAS volume; BSR distorts the path

VNDbn	FY25A	FY26E	FY27E	FY28E	3Y CAGR	Key driver
GAS	11,414	16,501	16,083	15,638	11.1%	LNG and gas volume; Block B
PVS	1,821	2,108	1,949	1,983	2.9%	M&C backlog; FSO income
PVD	1,037	1,640	2,070	2,147	27.4%	Jack-up day-rate upcycle
BSR	5,186	49,184	27,604	9,176	20.9%	FY26 one-off crack spreads
Aggregate	**19,458**	**69,433**	**47,706**	**28,944**	**14.2%**	**Path distorted by BSR**
Aggregate ex-BSR	**14,272**	**20,249**	**20,102**	**19,768**	**11.4%**	**Underlying trajectory**

Source: companies, HSC Research estimates

Our top picks for the sector are PVS and PVD on the back of stronger demand for oil and gas services in Vietnam and Southeast Asia. Additionally, another tailwind is the upcoming Draft of Oil & Gas Law that supports the development of local O&G services companies.

Figure 175: top picks, Energy – Oil & Gas.

PVS and PVD carry the cycle's clearest operating leverage

Name	Rating	TP (VND)	Key catalysts	Key risks
PVS	Add	55,000	Block B M&C backlog; Lac Da Vang award; O&G Law rewrite; offshore-wind fabrication	Project-timing slippage; JV/associate income volatility; oil price
PVD	Add	46,500	Higher jack-up day rates; regional rig tightness; O&G Law new contract types	Oil price/E&P capex; contract-renewal risk; day-rate softening

Source: HSC Research estimates

Figure 176: 3M performance and rolling forward P/E

All four names have de-rated and sit below their historical forward P/E averages

Name	3M performance %	12M performance %	Rolling 1Y fwd P/E	vs historical avg.
GAS	-28.8	33.3	12.4X	0.6 SD below average
PVS	-27.4	33.9	11.8x	0.6 SD below average
PVD	-29.2	56.2	8.9x	1.2 SD below average
BSR	-16.9	149.9	3.5x	0.7 SD below average

Source: HSC Research estimates

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Utilities - Gas: E10 mandate reshapes the market

A nationwide E10 biofuel mandate from June-26 and market-share dynamics define this sub-sector. We expect net profit to compound at approximately 13.0% over FY25-28, but off a depressed FY26 base due to supply chain disruptions. There is no top pick here: Vietnam National Petroleum Group (PLX; Hold, TP VND41,000, +3%) offers limited upside and PetroVietnam Oil (OIL; Sell, TP VND11,300, −23%) looks expensive, without any near-term catalysts, while the new petroleum business decree is still pending for revision.

Key regulations

A nationwide ethanol-blend mandate reshapes the product mix and sourcing for distributors from June-26 (Circular 50/2025-TT-BCT). The change is structural for the petroleum market rather than a one-off, affecting blending logistics and supply arrangements. We believe that the biofuel mandate is benefiting large top-level distributors as they have the existing blending capacity can support higher volume vs other players.

As a reminder, Vietnam has required E5 RON92 at the pump since 2018, when unblended RON92 was gradually phased out but achieved limited success. To jumpstart the effort of reducing reliance on fossil fuels, the government mandates using E10RON95 gasoline nationwide from June 2026 while maintaining using E5RON92 gasoline until Dec-30. This circular structurally favors the top-tier distributors with built-out blending infrastructure. Smaller wholesalers facing the capex of tankage segregation and blending upgrades are likely to be squeezed, accelerating the consolidation toward the big names.

Meanwhile, the **10th draft of the new petroleum-business decree,** intended to replace Decrees 83/2014 and 95/2021, proposes a market-based pricing formula, tighter rules on cross-ownership between wholesalers and retailers, and a stricter reserve-stock regime. Final approval of this decree is the key near-term catalyst for the sector margins.

Figure 177: regulatory overview, Utilities – Gas distribution

E10 mandate reshapes the product pool from FY26, new petroleum business decree is still pending

Regulation	Date	Key summary
E10 biofuel gasoline mandate (Circular 50/2025-TT-BCT)	Effective 1 June 2026	Nationwide ethanol-blend; reshapes product mix and sourcing
Draft 10 for petroleum business decree	Pending, expected end-26	Petroleum distributors can set their own selling prices

Source: MOIT, HSC Research, HSC Research estimates

Recent regulations also support reducing petroleum retail prices. Before the US-Iran war in Mar-26, taxes accounted for around 30% of total retail petroleum prices. Right after the war, the government actively reduced the taxes on petroleum products, including VAT, special consumption tax, import taxes.

Figure 178: Summary of tax reduction for petroleum products

Reduced all the way to reduce the impact

Tax component	Pre-2026 / Jan–Mar 8 rate	Emergency rate (9 Mar – 30 Jun, 2026)
MFN import tax (RON95)	10%	0% (Decree 72)
MFN import tax (Diesel/Jet)	7%	0% (Decree 72)
Environmental protection tax (Gasoline)	2,000 VND/liter	0 VND/liter
Environmental protection tax (Diesel)	1,000 VND/liter	0 VND/liter
Environmental protection tax (Kerosene/Mazut)	600–1,000 VND/liter	0 VND/liter
VAT (Gasoline/Diesel/Aviation)	10%	Exempt (input VAT deductible)
Special consumption tax (Gasoline)	10%	0%

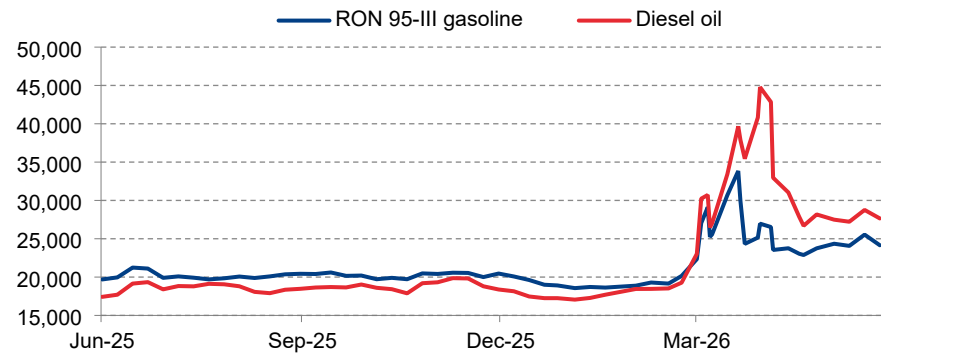
Source: HSC Research

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Figure 179: Petroleum retail price (VND/liter)

Shot up after US – Iran war but stabilized partly due to tax reductions



Source: HSC Research

Policy and SOE overhang…

As the dominant distributor, PLX can be directed by government to increase imported volumes to stabilize domestic supply during disruptions, sacrificing margin for public-policy objectives. PLX is also facing the issue of insufficient free float.

…but the sector is adapting to supply chain disruption

To mitigate surging global prices, the government has tapped the price stabilization fund (PSF) at historically elevated rates, with the PSF balance falling from ~VND5,600bn at end-3Q25 to ~VND2,600bn by 19 March. The Prime Minister subsequently approved an additional VND8.0tn (USD303.7mn) from the 2026 state budget as a temporary advance, repayable within twelve months. PSF has since been revised to VND0/liter and PSF contribution at VND500/liter for bio gasoline and VND300/liter for diesel on 28-May.

Energy-hub strategy

Both OIL and PLX are preparing for the adoption of electric vehicles in Vietnam:

- **OIL** is building energy infrastructure through EV charging (a VinFast and V-Green tie-up), PVOIL Aviation Jet A1 (targeted 4Q26). PVOIL Aviation is under development phase and not yet reflected in earnings.
- **PLX** is developing similar energy infrastructure through partnerships with Selex Motor and Xuan Cau, deploying EV charging for motorbikes and related services across its nationwide retail network. As with OIL, these are genuine structural options on Vietnam's EV adoption curve but remain pre-earnings and do not yet move the near-term profit needle.

Aggregate earnings (FY26-28)

We expect a sub-sector net profit 3Y CAGR of approximately 13.0%, but FY26 is a trough (PLX around VND711bn, OIL around VND180bn) due to supply chain disruption from the US – Iran war, with recovery expected in FY27-28.

Top picks: None

No investable pick in this sub-sector.

Figure 180: Earnings estimates, covered names in Utilities – Gas distribution

Net profit 3Y CAGR of approximately 13.0%, but off a depressed FY26 trough

VNDbn	FY25A	FY26E	FY27E	FY28E	CAGR FY25-28	Key driver
PLX	2,696	711	2,327	3,659	10.7%	FY26 inventory/associate trough; recovery FY27-28
OIL	435	180	520	860	25.6%	Thin margins; energy-hub optionality not yet in earnings
Aggregate	**3,131**	**891**	**2,847**	**4,519**	**13.0%**	**Flattered by depressed FY26 base**

Source: HSC Research estimates

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Utilities – Water: Industrial demand intact

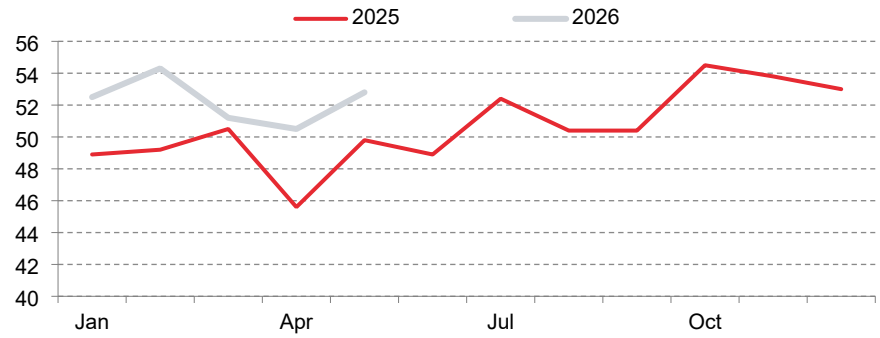
Binh Duong's FDI-driven industrial water demand underpins volume in this sub-sector. Water demand for BWE and TDM already showed early signs of recovery in 1Q26. We expect net profit to compound at a modest approximately 1.9% over FY25-28, with tariffs being the key driver while the sector is under a heavy capex cycle. Our top pick is BWE.

Volume inflection: 1Q26 confirms the demand thesis

The 1Q26 results answered one of two key questions for the sub-sector: demand is intact. BWE's standalone volume turned from -4% in FY25 to +7% y/y, and TDM logged +7.5% y/y in the same quarter, both of which are consistent with Binh Duong's industrial production recovering alongside FDI inflows. The unresolved question is tariff hike following the merger of Binh Duong and HCMC.

Figure 181: Vietnam PMI is peaking up in early 2026

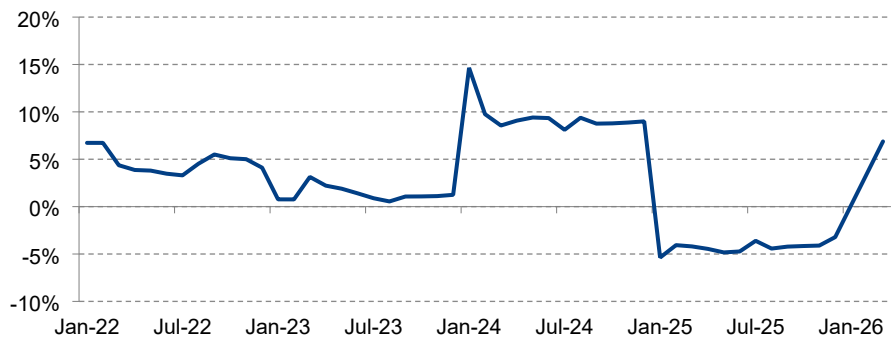
...from the low in 1H25



Source: CEIC

Figure 182: YTD sales volume growth y/y, BWE

Volume growth has been peaking up since 1Q26



Source: HSC Research estimates

Regulatory reform: Draft Law creates a path to tariff stability

The Draft Law on Water Supply and Drainage is the structural upside that the current tariff environment obscures. The government is targeting submission to the National Assembly in August 2026, with approval aimed at May 2027. The most consequential provision for investors is an automatic tariff-adjustment mechanism, modelled on the cost-pass-through used in electricity pricing, which would let operators reset tariffs when input costs rise without waiting for a one-off provincial government decision. If this mechanism survives drafting, the structural risk changes materially. The draft law also codifies monopoly concession zones in primary legislation, reinforcing BWE's franchise protection.

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Figure 183: Regulatory overview, Utilities — Water

The Draft Law on Water Supply and Drainage is the first primary law for the sector

Regulation	Date	What it does
Decree 117/2007 & amendments	2007, updated 2011	Grants each water utility an exclusive service zone: one licensed operator per area; the legal basis for BWE's monopoly concession in Binh Duong and TDM's wholesale position
Circular 44/2021/TT-BTC	Aug-21	Sets national price bands for tap-water tariffs; provincial governments approve local prices within these bands.
QCVN 01-1:2024/BYT water quality standard	Effective Jul 2025 (grace to end-2027)	Tightens mandatory water-quality testing to 89 parameters including heavy metals and organics; utilities must upgrade labs and treatment trains. Potential cost headwind for water treatment plan
Draft Law on Water Supply and Drainage	Gov't submission Aug 2026; passage target May 2027	Elevates tariff rules and franchise rights from a government decree to primary law; introduces an automatic cost-recovery adjustment mechanism; formalizes monopoly concession zones in statute

Source: HSC Research estimates

BWE: industrial demand and a monopoly concession

BWE is the sole licensed operator in its Binh Duong area, a natural monopoly whose volume tracks FDI inflows and factory utilization. With Binh Duong consistently among Vietnam's top FDI destinations, industrial water demand grows alongside factory expansion, and BWE continues to add treatment capacity to meet it. Clean water is the largest revenue line, so volume growth from new industrial connections feeds through directly, and the concession structure means competitive risk is effectively nil within the zone. The investment case rests on volume compounding, capacity additions with optionality on tariff hike.

TDM: holding-company structure

TDM earns primarily through subsidiary dividends (around 90% of net profit) rather than direct operations, so its earnings visibility is lower than a pure-play operator's. Rising interest expense from drawdown on the DN1600 pipeline weighs on FY26-27, compounding the tariff pressure. We argue that TDM should value using discount-to-RNAV method rather than DCF as most of its value comes from investment in other water supply companies.

Figure 184: Discount to RNAV, BWE

Trading at 32% discount to RNAV



Source: HSC Research estimates

Figure 185: Discount to RNAV, TDM

Trading at 8% discount to RNAV



Source: HSC Research estimates

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Aggregate earnings (FY26-28)

We expect a sub-sector net profit 3Y CAGR of approximately 1.9%, with BWE delivering modest growth of around 3% and TDM flat-to-down on the tariff cut and higher interest expense. Our key assumptions are that there is no water tariff hike and new depreciation expenses will offset growth in volume.

Top pick:

- **BWE:** has exposure to Vietnam's top FDI destination through a monopoly concession with clear volume upside. We like BWE for its aggressive capacity expansion to: (1) resolve water shortages in Tay Ninh Province; (2) upgrade its infrastructure to meet increasing demand of new IPs; and (3) provide state-of-the-art solutions to environmental problems. Key downside risks for BWE include delays in new capacity expansion and delays in future tariff approval following the provincial merger with HCMC.

Figure 186: earnings estimates, covered names in Utilities – Water

Net profit 3Y CAGR of approximately 1.9%; BWE grows modestly while TDM is flat-to-down on tariffs

VNDbn	FY25A	FY26E	FY27E	FY28E	CAGR FY25-28	Key driver
BWE	991	1,031	995	1,070	2.6%	Industrial volume; monopoly concession
TDM	210	187	194	202	-1.2%	Tariff cut + DN1600 interest expense
Aggregate	**1,201**	**1,218**	**1,189**	**1,272**	**1.9%**	Tariff-pressured

Source: HSC Research estimates

Figure 187: top picks, Utilities – Water

BWE pairs a monopoly concession with FDI-linked volume

Name	Rating	TP (VND)	Key catalysts	Key risks
BWE	Add	63,300	Binh Duong FDI volume; capacity expansion	Provincial tariff cut; FDI slowdown; capex pressure on FCF

Source: HSC Research estimates

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Technology: AI upside outweighs near-term risks

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- We view AI as a long-term growth opportunity rather than a threat to the IT services industry. Although AI is likely to drive pricing pressure on traditional outsourcing services, global IT services spending is expected to grow decently by 9% in FY26, with a shift from manpower-based to outcome-based in revenue structure.
- In the domestic market, AI will likely act as a catalyst for the monetization phase of 5G commercialization, following the infrastructure deployment phase.
- FPT is our top pick with a Buy rating and 25% upside to our VND95,400 TP. FPT looks to navigate well thanks to its AI-first strategy, evident by accelerating new signed revenue growth, sustained profitability and improved productivity. The current cheap valuation largely reflects the sector's near-term risk and uncertainty.

FY26 global IT spending shaped by gen AI and AI agents

Gartner's April revision raised its FY26 global IT spending growth forecast to 13.5% y/y to USD6.3tn in FY26, primarily driven by strong spending on data center systems and enterprise software, as hyperscalers and large enterprises continue to accelerate AI-related infrastructure investment and model deployment.

Meanwhile, IT services segment is also expected to grow decently at 9.0% y/y in FY26 to USD1.9tn, an acceleration from 6% growth in FY25, despite pressure from AI-driven pricing deflation for the conventional manpower-based model. That said, we see a shift to the outcome-based model, where adapters could grow AI-driven revenue and improve their productivity to safeguard profitability. FPT appears well positioned to benefit from this transition. Its AI/Data revenue grew 83% y/y in 4M26, significantly outpacing the 13% growth of its global IT services business, and increased its contribution to global IT services revenue to 9% from around 7% in 4M25.

AI could drive the next phase of the domestic 5G adoption

In Vietnam, FY25 was the year for 5G infrastructure buildout, led by Viettel (Vietnam's biggest telco). At the moment, 5G network has covered 91% of the total population after a year and a half since the start of the 5G commercialization (in Oct-24), a pace not seen globally. However, there remains a significant gap between deployed infrastructure and actual utilization. While 5G infrastructure is quite well developed, 5G applications in Vietnam are still relatively limited.

We expect AI and DX (digital transformation) to drive demand for 5G and thus act as the catalyst for this phase of adoption. Scaling AI requires high-performance connectivity capable of handling massive volumes of real-time data, something that previous generations of connectivity technologies were unable to deliver at a comparable level.

FPT remains our top pick

FPT remains our top pick in the tech sector with Buy rating at TP VND94,200. As AI reshapes the IT services industry, we believe FPT is well positioned to capitalize on the trend through AI monetization and productivity gains. Valuation looks attractive and the recent share price correction has substantially reflected sector risks, in our view.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2026F	2027F	2026F	2027F	2026F	2027F
CMC Corp.	CMG	28,400	Add	-	31,400	-	10.6	13.6	11.4	10.2	8.82	2.11	2.46
Viettel Construction	CTR	89,400	Add	-	95,400	-	6.71	19.4	16.8	8.20	6.80	1.68	2.24
Elcom Corp.	ELC	16,000	Add	-	19,200	-	20.0	14.9	12.9	10.3	9.29	3.13	3.13
FPT Corp	FPT	74,800	Buy	-	94,200	-	25.9	13.1	11.5	13.7	11.4	2.67	3.34

Share prices as of 2 June 2026.
Source: Companies, FactSet, HSC Research

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AI reshaping global IT service

Global IT spending is set to grow 13.5% y/y in FY26, per Gartner, continued to be driven by AI capex on data centers. Meanwhile, global IT services, set to grow by 9% in FY26, now see the traditional labor-arbitrage outsourcing model pressured by AI through pricing deflation and slower hiring demand. Big players such as FPT are pivoting toward AI/higher-value works against the challenging backdrop.

AI drives global IT spending

In its latest April report, US IT consulting firm Gartner global IT spending forecast has been revised materially upward by 3%, with the revision concentrated in AI infrastructure, software, and IaaS.

For FY26, data center systems (servers, storage, network hardware) segment is expected to surge rapidly by 55.8% y/y growth to USD788bn in FY26, from USD506bn in FY25 on the back of hyperscaler (Google, Microsoft, AWS) capex commitments to AI training and inference infrastructure. GenAI is simultaneously driving outsized gains in software, particularly in model development. Enterprise software – incl. applications, infrastructure software, SaaS ('software as a service') – is expected to advance 15.1% y/y to USD1.4tn in FY26, the second biggest chunk in global IT spending. IT services segment is also expected to grow solidly at 9.0% y/y to USD1.9tn.

Figure 188: Global IT spending forecasts, Gartner

Global IT spending is forecasted to grow 13.5% y/y to USD6.3tn in FY26, a 3% upward revision by Gartner

USDbn	FY25	*Growth y/y*	New FY26F	*Growth y/y*	Old FY26F	*New vs. Old*
Total global IT spending	**5,564**	***10.4%***	**6,317**	***13.5%***	**6,155**	***2.6%***
Devices	792	*9.8%*	856	*8.2%*	836	*2.4%*
Data center systems	506	*51.7%*	788	*55.8%*	653	*20.6%*
Software	1,254	*12.5%*	1,444	*15.1%*	1,434	*0.7%*
IT services	1,716	*6.2%*	1,870	*9.0%*	1,867	*0.2%*
Telecom services	1,296	*3.2%*	1,359	*4.8%*	1,365	*-0.5%*
% contribution						
Devices	*14.2%*		*13.6%*		*13.6%*	
Data center systems	*9.1%*		*12.5%*		*10.6%*	
Software	*22.5%*		*22.9%*		*23.3%*	
IT services	*30.8%*		*29.6%*		*30.3%*	
Telecom services	*23.3%*		*21.5%*		*22.2%*	

Source: Gartner, HSC Research

Headwinds remain, but IT services quickly adapt

The traditional IT services model — represented by companies such as FPT, TCS, Infosys, Wipro, HCL, and Cognizant — has historically relied on scalable offshore talent pools, labor-based billing models, and cost-productivity advantages vs. clients' in-house teams, especially in developed markets.

The rapid advancement of AI today is reshaping this model and accelerating the industry's transition toward more AI-enabled delivery structures. One of the key developments entering FY26 is the rise of Agentic AI, where AI systems can autonomously execute increasingly complex, multi-step business workflows across enterprises.

At the same time, the IT services sector is navigating a softer macro environment and rising investment requirements. AI engagements typically involve higher upfront costs, including GPU infrastructure, model licensing, and specialized AI talent, while enterprises remain cautious in scaling AI spending as many projects are still in pilot stages.

The inflection points of generative AI and autonomous agents in FY25-26, together with global trade headwinds coming from US-Middle East conflicts and several trade policies changes over the past year, have resulted in revenue growth slowdown and even downturns for many IT service vendors in the past few quarters.

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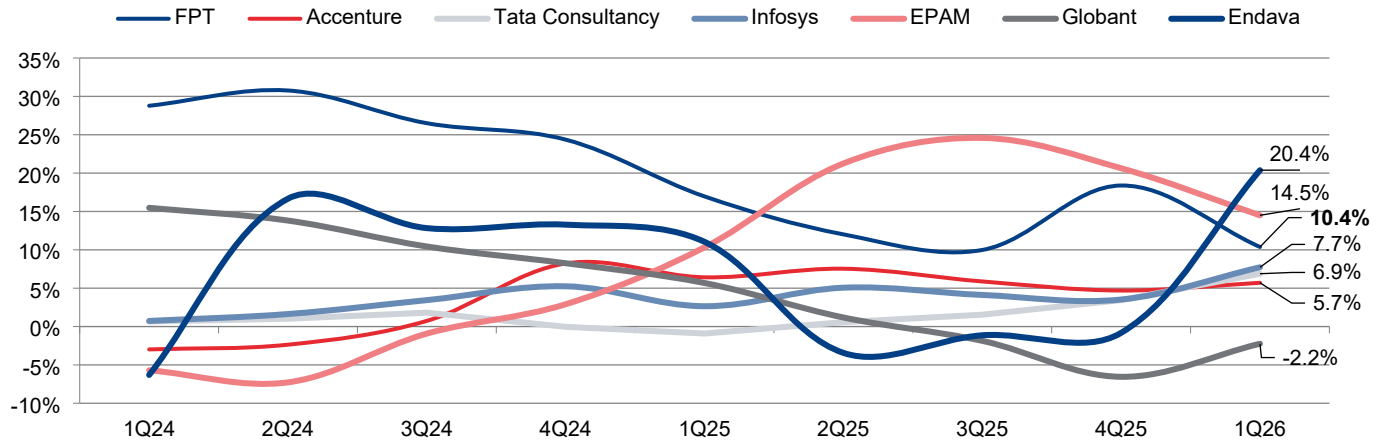
Despite these near-term challenges, major IT service vendors continue to report strong AI-related growth, suggesting the industry is adapting rather than being displaced by AI. FPT reported AI/Data revenue growth of 83% y/y in 4M26 and its AI/Data contribution to its global IT services revenue expanded to 9% from around 7% in 4M25.

Meanwhile, TCS and Accenture also highlighted growing AI contributions to revenue. Although AI revenue still comes from a relatively small base, it is becoming an increasingly important driver of future growth and service delivery models.

Overall, we believe the IT services sector is entering a multi-year transition toward AI-driven delivery models, with key focus areas including pricing, margins, enterprise adoption trends, and the ability of vendors to monetize rising AI investments over time.

Figure 189: Global IT Services vendors' revenue growth

Growth has been slowing down across the board in the past few quarters due to AI deflation



Source: Company disclosures, HSC Research

Domestic IT: Public and financial sectors lead DX adoption

We maintain our positive view towards Domestic IT demand in FY26, which is designated by the Government as the period of breakthrough action and widespread impact for Resolution 57 implementation.

Public sector: For 2026, the Prime Minister has committed to allocating USD3.6bn for science, technology, and innovation development, a step-up from USD1.0bn in 2025 reflecting the escalation from policy framework to budgetary execution.

Public demand is driven by (i) e-government and citizen services with VNeID rollout, national public service portal integration, smart city deployments; (ii) public administration reform: the salary system reform freeing up budget flexibility at state agencies, with savings being redirected into IT modernization; (iii) provincial digitalization approval of 48 municipal roadmaps creating a USD2bn pipeline for connectivity, sensor networks, and cybersecurity platforms; (iv) defense and public security tech separate budget lines under Project 06 for biometric/identity infrastructure.

In 1Q26, FPT's sales from public sector grew 50% y/y, which underscores the solid demand for DX adoption across authorities and provinces.

Private sector: Beyond the State sector's push for digital infrastructure, private enterprises, led by the highly competitive financial and banking sectors, are also expected to accelerate their capex for DX initiatives in this new phase.

With its ecosystem of IT-data center services catering a big chunk in banking and financial service clients, we expect CMG (Add, TP VND31,400) to also benefit from DX demand surging from this vertical.

Furthermore, we understand that FPT recently established a special task force composed of DX experts to approach and consult with various ministries, agencies,

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and provincial authorities regarding digital infrastructure and digital transformation within Vietnam. This initiative is expected to set the foundation for accelerated growth in FPT's Domestic IT Services segment and CMG's tech. & solutions segment in the coming period.

Data center services: AI-led supply buildout

Looking at the long-term globally, by 2030, AI is expected to represent a full 50% of all data center workloads globally. The market structure in Vietnam is also gradually shifting from fragmented, traditional colocation toward massive, AI-optimized hyperscale campuses.

While this is still in an infant stage, key players are moving to capture the pioneering advantages. Major data center developments in 2026 include: (i) Viettel's commenced construction on a hyperscale data center in HCMC's Tan Phu Trung IP, (ii) a consortium of FPT, Viet Thai, and UAE-based G42 on AI hyperscale data center, and (iii) CMG and Samsung SDS hyperscale data center in SHTP. Additionally, FPT and the Hanoi People's Committee broke ground on the Hanoi Digital Technology and Mixed-Use Park in the Tay Tuu and Phu Dien wards of Bac Tu Liem District in Feb-26 aiming to host 60,000 digital technology engineers and specialists.

Figure 190: Key AI infra. projects in FY26-30, Vietnam

Vietnam market is in early stage for AI-ready infrastructure

Operator/investor	Location	Key 2026/27 scope	Capacity/investment
Viettel	Ho Chi Minh City	Hyperscale	140 MW; 10,000 racks
G42, Viet Thai, FPT	Ho Chi Minh City	Dedicated AI hyperscale	USD1bn capex proposal
CMG, Samsung SDS	Saigon Hi-Tech Park (HCMC)	Hyperscale	USD250mn; up to 120 MW
FPT, Hanoi People's Committee	Hanoi	Hanoi Digital Technology and Mixed-Use Park	Up to VND50tn capex, 200ha

Source: local media, HSC Research

Telecom: 5G infra. is ready, AI/DX could drive the next phase of adoption

Infrastructure for 5G is ready…

Vietnam's 5G commercialization started in Oct-24 with Viettel (Vietnam's biggest telco, 100% state-owned) officially launching the network. This was followed by VNPT (Vietnam's second biggest telco, 100% state-owned) in Dec-24 and Mobifone (Vietnam's third largest telco, 100% state-owned) in Mar-25.

Led by Viettel, FY25 was the year for 5G infrastructure buildout. The government also encouraged the telcos by offering a 15% state subsidy for 5G equipment costs for those that could complete the buildout for at least 20,000 BTSs in FY25. Throughout the year, Viettel that completed the setup for 23,500 5G BTSs and was the only telco that was qualified for the state subsidy in FY25.

At the moment, Vietnam has around 40,000 5G BTSs, with Viettel account for three quarters of the total number. The remaining 5G BTSs belong to VNPT and Mobifone. 5G coverage has reached 91% of the population after only one year and a half. The Chief Economist at GSMA Intelligence described this as the fastest 5G deployment pace ever seen globally.

For this year, Viettel aims to add another 20,000 5G BTSs to bring the total number of its 5G BTSs to 50,000 units, while VNPT and Mobifone aim to have 20,000-30,000 units each. As such, Vietnam's total 5G BTSs would come to around 100,000 units, equal to the number of 4G BTSs.

So far, most of the 5G BTS setup is based on existing towers. Therefore, we haven't seen the significant increase in the number of new towers. For CTR, the number of new BTS (tower) buildout decelerated to 2,000 in FY25 (vs. 3,564 in FY24), and will further slow down to 1,000 in this year and 500 per annum from FY27.

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…but monetization has just begun

The infrastructure for 5G in Vietnam is quite ready, however, 5G applications is relatively limited. Therefore, the next phase would be for telcos to monetize from the invested infrastructure. We note that the equipment costs for 5G is 3-4 times higher than that for 4G, with an average investment costs of VND1bn per 5G BTS. Therefore, Viettel, for example, would need to invest VND50tn (nearly USD2bn) to set up 50,000 5G BTSs.

While previous network generations focus on connecting users (B2C), 5G technology powers B2B applications in manufacturing, logistics, medication, education, etc. We expect AI and DX (digital transformation) to drive demand for 5G and thus act as the catalyst for this phase of adoption.

As the AI/digital economy begins to take shape, 5G serves as a critical digital highway. Scaling AI requires stable, reliable, and high-performance connectivity capable of handling massive volumes of real-time data, something that previous generations of connectivity technologies were unable to deliver at a comparable level.

Valuation and recommendation: FPT is our top pick

FPT (Buy, TP VND94,200): FPT remains our top pick in the tech sector. We expect FY26 net profit of VND10.6tn and net sales of VND57.1tn. Then net sales and net profit growth will be 13% y/y on an apple-to-apple comparison after adjusting FY25 net profit and net sales for FOX deconsolidation. For FY27, we expect net profit of VND12.0tn, up 13% y/y. We expect the AI factory in Japan (currently running at 65% utilization rate) to break even in late FY26 and PBT margin expansion of Global IT services to be seen from FY27. For FY28, we project 13% y/y net profit growth to VND13.6tn, implying a 3Y CAGR of 13%.

FPT's share prices were corrected in the past 3M and it is trading at deep discount vs. its historical data and peers. We believe that most of the concerns over the AI headwinds on IT services industry and FPT has priced in and the current valuation is attractive. FPT is trading at 1-yr rolling fwd. P/E of 12.3x, vs. 3Y average of 18.4x. Maintain Buy rating.

CMG (Add, TP VND31,400), looking at 2026, Middle East-driven volatility has caused tightened budget and enterprise project delays across global IT vendor peers. In the meantime, rapid changes in AI while lacking actual use led to enterprises' wait and see approach. These have led us to a more cautious view of CMG's medium-term growth. Our forecasts call for a respective 17%/19%/17% growth to VND485/578/677bn for the FY3/27 to FY3/29 period (3Y CAGR: 19%).

CTR (Add, TP VND95,400) is Vietnam's leading towerco, with 12,000 BTSs by end-1Q26. However, at this stage, as telcos are focusing on 5G monetization rather than infrastructure depoyment, the pace of CTR's BTS expansion would slow down (to 1,000 units this year, and 500 units p.a from nextx year, vs. 2,000 units in FY25 and 3,564 units in FY24). CTR now seeks new growth drivers in non-telecom busineses like clean energy and social housing. 3Y net profit CAGR is forecasted at 14% over FY25-28F.

ELC (Add, TP VND19,200) is Vietnam's leading ITS (intelligent transport system) players, with extensive experience in deploying ITS for the majority of component projects of the North-South Expressway. The company will continue to benefit from Vietnam's move toward smart management of traffic and urban, though the reflection on earnings would be curbed due to its lack of bargaining power. 3Y net profit CAGR is forecasted at 7% over FY25-28F.

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Macroeconomic forecast

	2020	2021	2022	2023	2024	2025E	2026F	2027F	2028F
Currency									
Currency (VND: USD) (at YE)	23,085	22,765	23,555	24,265	25,480	26,300	27,000	27,500	27,800
Currency (VND: CNY)	3,535	3,579	3,415	3,418	3,491	3,761	4,060	4,167	4,212
GDP and employment									
GDP annual growth rate (%)	2.87	2.55	8.54	4.98	7.04	8.02	7.60	8.00	8.00
GDP (USDbn)	346	370	411	433	476	514	540	572	616
GDP per capita (USD)	3,558	3,757	4,132	4,316	4,702	5,026	5,235	5,491	5,861
Current account to GDP (%)	4.35	-2.20	0.34	5.96	6.41	6.38	-0.93	0.35	0.49
Public debt to GDP (%)	43.8	44.7	37.4	36.9	37.0	36.8	37.6	39.3	40.9
Government debt to GDP (%)	38.5	39.6	34.7	33.3	33.0	33.2	34.4	36.4	38.2
Gov't budget deficit (% of GDP)	2.7	2.5	3.1	2.9	2.8	3.6	4.3	5.1	5.2
Credit to GDP (%)	115	124	125	133	136	145	150	154	158
Disbursed FDI to GDP (%)	5.8	5.3	5.4	5.4	5.3	5.4	5.6	5.6	5.6
Unemployment rate, year-end (%)	2.37	3.56	2.32	2.26	2.22	2.22	2.60	2.50	2.50
Prices									
12M average inflation (y/y %)	3.2	1.8	3.1	3.3	3.6	3.3	4.7	4.2	4.1
CPI, year-end (y/y %)	0.2	1.8	4.5	3.6	2.9	3.5	5.1	4.5	4.3
Money and rates									
Policy interest rate (%)	4.00	4.00	6.00	4.50	4.50	4.50	4.50	4.50	4.50
Overnight interbank rate (%)	0.2	0.7	4.4	0.5	4.0	1.8	4.0	4.0	4.0
Credit growth (y/y %)	12.2	13.6	14.2	13.8	15.1	19.0	14.0	13.5	13.0
Money supply M2 (VNDtn)	12,111	13,402	14,227	15,999	17,915	20,781	23,482	26,418	29,588
Money supply M2 (y/y %)	14.5	10.7	6.2	12.5	12.0	16.0	13.0	12.5	12.0
FX reserves (USDbn)	95	107	85	90	81	83	78	85	95
VCB 12M deposit interest rate (%)	5.6	5.5	7.4	4.8	4.6	5.2	5.9	6.0	6.0
Deposit rate cap (< 6m, %)	4.0	4.0	6.0	4.75	4.75	4.75	4.75	4.75	4.75
Government bond 5Y (%)	1.2	1.0	4.6	1.9	2.4	3.3	4.2	4.3	4.4
Government bond 10Y (%)	2.0	2.9	4.8	2.2	2.8	3.8	4.4	4.5	4.6
Trade and external sector									
Balance of trade (USDbn)	19.9	3.3	12.1	28.4	24.9	20.0	2.2	5.2	7.1
Current account balance (USDbn)	15.1	-8.1	1.4	25.8	30.5	32.8	-5.0	2.0	3.0
Imports (USDbn)	263	333	360	326	381	455	540	594	679
Imports (y/y %)	3.7	26.7	8.0	-9.2	16.7	19.4	18.7	10.0	14.3
Exports (USDbn)	283	336	372	355	406	475	542	599	686
Exports (y/y %)	6.9	18.9	10.6	-4.6	14.4	17.0	14.2	10.5	14.5
External debt (USDbn)	129	140	149	142	155	169	177	188	203
External debt to GDP (%)	37.3	37.7	36.2	32.7	32.6	32.8	32.8	32.8	33.0
FDI disbursement (USDbn)	20.0	19.7	22.4	23.2	25.4	27.6	30.0	31.9	34.5
FDI commitment (USDbn)	28.5	31.2	27.7	39.4	38.2	38.4	40.8	45.0	48.0
Business & consumer									
Manufacturing PMI (year-end)	51.7	52.5	46.4	48.9	49.8	53.8	50.0	51.0	51.0
Industrial production (y/y %) (at YE)	9.5	8.7	0.2	5.8	8.8	10.1	9.0	8.0	9.0
Manufacturing prod'n (y/y %) (at YE)	13.1	10.9	0.6	7.6	10.2	10.9	10.0	9.0	10.0
Annual manufacturing prod'n (%)	4.9	6.0	8.0	3.6	9.8	10.5	10.0	9.5	10.0
Annual nominal retail sales (%)	-0.9	-9.1	19.8	9.4	9.0	9.2	12.0	13.0	13.0

Notes: The 12M average inflation is the 12M trailing average inflation of monthly headline inflation y/y using geometric mean calculation
12-month average inflation at time t0 = [(1 + y/y inflation at time t-11)x…x((1 + y/y inflation at time t0)]^(1/12)-1.
Source: Bloomberg, GSO, IMF, MoF, WB, HSC Research

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Top Picks

Ticker	HSC rating	Closing price	Target price	Upside / downside	Mkt cap (USDmn)	EPS growth 25F	EPS growth 26F	EPS growth 27F	P/E 25F	P/E 26F	P/E 27F	P/B 25F	P/B 26F	P/B 27F	Div yield 25F	Div yield 26F	Div yield 27F
Financials: Banks																	
ACB	Buy	25,100	32,600	29.9%	5,069	-6.9%	14.9%	18.8%	8.5	7.4	6.3	1.4	1.2	1.1	3.3%	2.7%	4.3%
MBB	Buy	24,650	31,800	29.0%	7,705	17.3%	14.6%	19.9%	7.6	6.6	5.5	1.5	1.2	1.0	0.9%	4.0%	0.0%
HDB	Buy	24,900	33,000	32.5%	4,788	26.1%	16.2%	25.2%	7.1	6.1	4.8	1.7	1.4	1.1	0.0%	2.0%	2.0%
VCB	Buy	61,600	75,600	22.7%	19,633	4.0%	9.1%	12.9%	14.7	13.5	11.9	2.3	1.9	1.7	0.7%	0.8%	1.3%
TCB	Buy	31,900	44,500	39.5%	8,486	16.9%	19.0%	19.7%	8.8	7.4	6.2	1.3	1.1	1.0	3.2%	2.2%	3.2%
CTG	Buy	33,850	48,300	42.7%	10,009	36.5%	18.4%	13.5%	7.6	6.4	5.7	1.5	1.2	1.1	1.3%	1.5%	1.5%
VPB	Buy	26,450	36,800	39.1%	7,966	52.1%	20.7%	27.0%	8.7	7.2	5.7	1.2	1.1	0.9	1.9%	1.9%	1.9%
Financials: Brokers																	
TCX	Buy	40,300	52,900	31.3%	4,243	38.2%	2.7%	28.3%	17.8	17.4	13.5	2.5	2.3	2.0	1.2%	1.2%	1.9%
VCI	Buy	24,350	31,100	27.7%	1,031	26.9%	18.1%	8.5%	18.3	15.5	14.3	1.2	1.4	1.4	4.1%	2.0%	2.4%
Financials: Insurance																	
BVH	Add	69,700	75,600	8.5%	1,964	41.1%	36.8%	17.2%	17.4	12.7	10.8	2.1	1.9	1.7	1.5%	2.2%	3.9%
Real Estate																	
NLG	Buy	26,050	39,700	52.4%	488	7.4%	6.5%	29.1%	18.3	17.2	13.3	1.0	1.0	0.9	1.9%	1.9%	1.9%
IDC	Buy	42,900	52,200	21.7%	545	-3.2%	13.3%	-0.4%	7.4	6.6	6.6	2.2	1.9	1.7	9.1%	7.9%	7.9%
PDR	Add	15,250	19,200	25.9%	569	150.4%	-50.4%	317.3%	29.1	58.7	14.1	1.2	1.2	1.1	-	-	-
TCH	Add	15,000	20,000	33.3%	525	-83.3%	1556.7%	15.8%	71.1	4.3	3.7	1.0	0.8	0.6	0.3%	0.3%	0.3%
SIP	Buy	50,800	88,000	73.2%	408	-1.7%	1.7%	9.3%	9.3	9.2	8.4	2.1	1.8	1.5	3.5%	3.5%	3.5%
PHR	Buy	68,500	86,000	25.5%	346	1.9%	178.9%	21.4%	19.0	6.8	5.6	2.3	1.8	1.5	3.2%	4.5%	4.5%
CTD	Buy	70,000	104,762	49.7%	286	63.5%	-4.4%	28.8%	10.2	10.7	8.3	0.8	0.8	0.7	1.3%	2.0%	2.0%
Energy & Utilities: Utilities - Electricity																	
POW	Buy	13,550	16,900	24.7%	1,205	83.5%	-25.9%	42.0%	15.6	21.0	14.8	1.1	1.1	1.0	0.0%	0.0%	0.0%
REE	Buy	50,500	68,783	36.2%	1,211	2.1%	17.1%	6.9%	12.6	10.8	10.1	1.5	1.4	1.2	1.7%	1.7%	1.7%
Energy & Utilities: Energy - Oil & Gas																	
PVD	Buy	29,250	46,500	59.0%	633	48.7%	58.1%	26.2%	16.1	10.2	8.1	1.0	0.9	0.8	0.0%	0.0%	0.0%
PVS	Buy	37,800	55,000	45.5%	699	64.4%	12.0%	-7.5%	10.5	9.3	10.1	1.3	1.2	1.1	0.2%	1.8%	1.8%
Energy & Utilities: Utilities - Water																	
BWE	Buy	43,200	63,300	46.5%	360	45.6%	4.0%	-3.4%	9.6	9.2	9.5	1.6	1.4	1.3	3.1%	3.0%	3.0%
Industrials: Transportation																	
PVT	Buy	21,550	29,800	38.3%	389	-31.3%	22.9%	-0.7%	9.9	8.0	8.1	1.1	1.0	1.0	4.6%	4.6%	4.6%
GMD	Buy	73,300	94,000	28.2%	1,169	11.1%	22.4%	11.5%	18.7	15.3	13.7	2.4	2.1	1.9	2.0%	2.0%	2.0%
Industrials: Materials - Chemicals																	
DCM	Buy	38,750	49,600	28.0%	788	56.7%	42.7%	-8.8%	10.8	7.6	8.3	1.9	1.7	1.5	3.8%	3.8%	3.8%
DPM	Buy	25,150	32,400	28.8%	649	178.5%	22.2%	-6.5%	11.4	9.3	10.0	1.5	1.4	1.3	6.0%	6.0%	6.0%
Industrials: Materials - Industrial Metals																	
HPG	Buy	23,700	36,000	51.9%	7,740	-2.6%	61.7%	11.9%	13.2	8.2	7.3	1.6	1.3	1.1	2.1%	2.1%	2.1%
Industrials: Capital Goods																	
DHC	Buy	36,350	46,400	27.6%	134	35.3%	15.9%	3.8%	9.0	7.7	7.4	1.6	1.4	1.2	2.7%	2.7%	2.7%
Consumer: Consumer Staples & Discretionary																	
MWG	Buy	77,900	109,500	40.6%	4,376	88.6%	31.3%	17.2%	16.4	12.5	10.6	3.5	3.0	2.5	1.3%	2.5%	2.5%
MSN	Buy	73,200	114,200	56.0%	4,122	100.9%	90.4%	32.5%	27.8	14.6	11.0	3.2	2.6	2.1	-	-	-
PNJ	Buy	65,000	100,000	53.8%	1,270	32.6%	33.5%	14.8%	13.0	9.7	8.5	2.5	2.1	1.7	3.1%	3.1%	3.1%
Consumer: Consumer Staples - F&B, Tobacco																	
ANV	Buy	21,100	31,100	47.4%	216	1105.8%	6.7%	12.2%	5.7	5.3	4.7	1.6	1.3	1.1	4.7%	4.7%	4.7%
Technology, Communications & Internet: Information Technology																	
FPT	Buy	74,800	94,200	25.9%	4,947	5.9%	10.0%	13.2%	14.7	13.4	11.8	3.6	3.0	2.6	2.6%	2.6%	3.3%

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Explanation of Institutional Equity Research Ratings

Buy: Expected to rise by more than 20% on an absolute basis in the next 12 months
Add: Expected to rise by between 5% and 20% on an absolute basis in the next 12 months
Hold: Expected to rise or decline by less than 5% on an absolute basis in the next 12 months
Reduce: Expected to decline by between 5% and 20% on an absolute basis in the next 12 months
Sell: Expected to decline by more than 20% on an absolute basis in the next 12 months

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