



KEEP IT UP

From series "Outlook 2022"

CONTENTS

A. LOGISTICS INDUSTRY: Maintain growth momentum with positive trade activity expectations	7
I. In 2021: Recovering as international trading activities surged.....	8
1. Seaport services: The growth momentum of freight through seaports slowed down due to the outbreak of COVID-19 in the third quarter (+2.1% yoy)	8
2. Maritime transportation services: Benefiting significantly from rapidly rising freight rates while being under pressure of high fuel price	9
2.2. International maritime shipping services: Local logistics firms benefited little from rising international freight rates	11
2.3. The performance of shipping companies grew strongly thanks to the rapid increase in freight rates... 12	
3. Warehouse & logistics services: The demand to store goods spikes as supply chains are congested	12
II. Outlook 2022: Maintaining the growth momentum	13
1. Seaport services: Container cargo expected to be the growth driver	13
2. Maritime shipping services: Expecting decreasing freight rates & Risks from rising oil prices.....	15
3. Warehouse & logistics services: Expectedly stable freight rate thanks to balance of supply and demand 16	
III. UPDATES ON LISTED LOGISTICS COMPANIES	17
B. WOOD INDUSTRY – Positive growth expected from rising W&WP demand in key export markets	18
I. IN 2021 – Impressively rising demand for imported wood products in the US was the main driver of the Vietnamese’s W&WP export value growth	19
1. Vietnamese’s W&WP export value grew strongly in 2021 despite the outbreak of COVID-19 in the 3 rd quarter	19
2. Prices of both domestic and imported raw wood materials rose sharply in 2021	21
3. Vietnamese wood processing industry facing higher number and frequency of anti-dumping lawsuits in 2021.....	21
4. The Vietnamese listed wood processing companies’ 9-month update	22
II. OUTLOOK 2022– Maintaining the growth momentum of export value thanks to expected recovery in residential construction value	23
1. 2022 W&WP export value forecast to reach USD 16.1 billion (+8.8% yoy).....	23
2. Prices of raw wood materials expected to keep rising in 2022	25
III. UPDATES ON LISTED WOOD PROCESSING COMPANIES	25
C. FISHERIES INDUSTRY – Export output expects positive growth.....	27
I. IN 2021: Recovery stalled in the third quarter	28
1. The pace of recovery affected by the 4th wave of COVID-19 pandemic.....	28
2. Profits are greatly pressured by increasing input material costs and transportation costs	31
3. Update the business results of fisheries companies	33
II. OUTLOOK 2022 – POSITIVE GROWTH	33
1. Consumption demand in export markets is expected to continue to grow	33
2. Shipping costs continue to remain high	35

III. UPDATES ON LISTED FISHERIES COMPANIES	35
D. INSURANCE INDUSTRY – Economic recovery supports growth momentum	37
I. INSURANCE INDUSTRY 2021 – Growth slowed down due to the 4th disease outbreak.....	38
1. Vietnam insurance industry maintains a positive growth rate in 10M2021	38
2. Gross loss ratio increased slightly due to impact of the 4 th COVID-19 outbreak.....	40
3. Investment value increased sharply and shifted to assets with higher profitability.....	41
4. Update business results of insurance companies in 9M2021	42
II. OUTLOOK 2022 – Recovery of pre-epidemic growth rate	44
1. Premiums is forecasted to grow strongly when economy recovers.....	44
2. Deposit interest rates are expected to increase, supporting profits from investment activities	45
3. Amending some legal documents is expected to support insurance industry growth from 2022	46
III. UPDATES ON LISTED INSURANCE COMPANIES	48

ACRONYMS

FDI	Foreign Direct Investment
AKCA	American Kitchen Carbinet Alliance
ISA	Department of the Insurance Supervisory Authority
IAV	Insurance Association of Vietnam
WHO	World Health Organization
SBV	The State Bank of Vietnam
VASEP	Vietnam Association of Seafood Exporters and Producers
DWT	Deadweight Tonnage
TEU	Twenty-foot Equivalent Unit

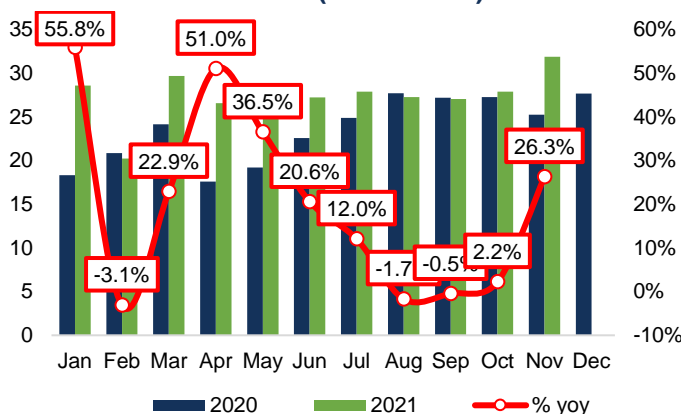
PREFACE: VIETNAM'S IMPORT-EXPORT MAINTAIN STRONG GROWTH IN 2022

By the end of 2020, international economic organizations have positive forecasts for recovering strongly of Vietnam's economy in 2021, thanks to the good results in the control of the COVID-19 pandemic. Vietnam's 2021 GDP growth is forecasted by the World Bank (World Bank), Asian Development Bank (ADB) or international credit rating agency S&P Global Ratings, respectively 6.8%, 6.1% and up to 11.2%. In 1H 2021, Vietnam's economy grew strongly, while many regions in the world were heavily affected by new variants such as Beta, Alpha.

In 1H 2021, Vietnam's GDP growth reached 5.64%; total value of export turnover of goods reached 154 billion USD, increasing by 29% yoy. The growth driver was (1) The recovery of export to key markets, (2) The good control of the COVID-19 pandemic, and (3) The strong recovery of economic activities and consumption. As a result, the enterprises operating in the manufacturing-export sector of Vietnam recovered positively, such as wood processing, seafood exports, textiles, etc.

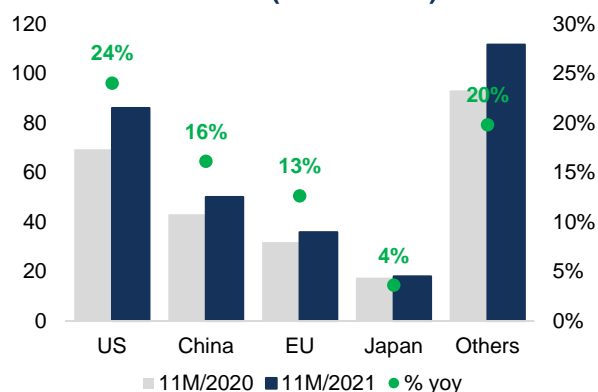
- **US:** After a period of being heavily affected by the COVID-19 pandemic, thanks to rapid vaccine roll-out, the US economy gradually recovered positively, creating conditions to promote strong growth for Vietnam's key export products.
- **China:** Exporting to the China market recorded a positive recovery, but still faced difficulties from the Chinese government's tightening of import control measures. This partly affected the speed of recovery in exports to this market.
- **European:** Although the control of COVID-19 pandemic in the EU is gradually positive, the growth of export value to this market is still relatively low compared to other key markets. Meanwhile, in 2021, the majority of major goods exported to the EU market have not yet enjoyed a significantly reduced preferential tax rate from the EVFTA Agreement.

Vietnam's export value by month in 2020 and 2021 (billion USD)



Sources: General Statistics Office of Vietnam(GSO), FPTs Research

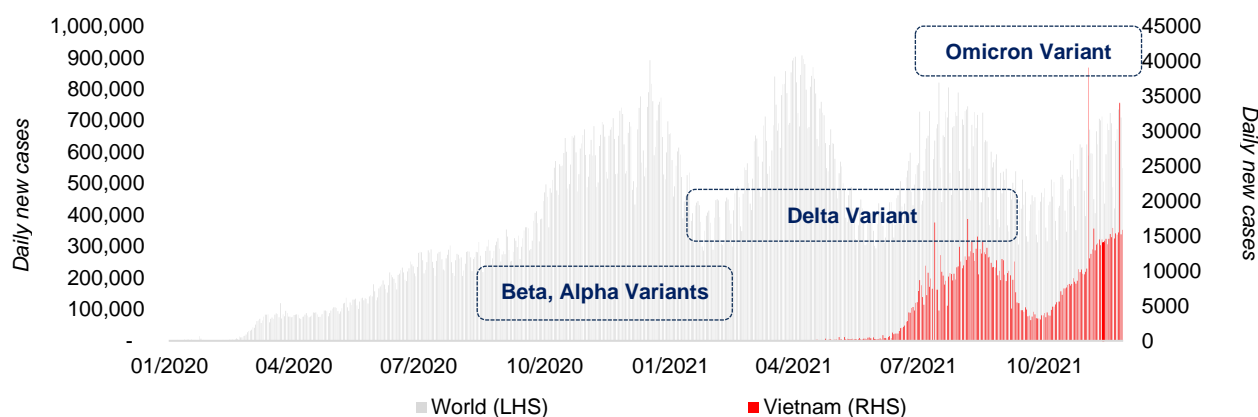
Vietnam's export value by market in 11M/2021 (billion USD)



Sources: GSO, FPTs Research

Vietnam's export activities achieved positive signals in 1H 2021, thanks to the recovery of consumption of key export markets. However, in the third quarter of 2021, Vietnam faced the 4th most severe wave of the COVID-19 pandemic, due to the rapid spread of the Delta variant, the business operation faces a series of difficulties. As a result, the value of Vietnam's exports in Q3 2021 reached only 81 billion USD, increasing by 3% yoy, while normally this is the most active exporting period of the year. In 9M.2021, Vietnam export value decreased to 19% yoy, reaching 241 billion USD.

Global situation of COVID-19 pandemic



Sources: FPTs Research

The impact of the 4th outbreak on the economy also indirectly had a negative impact the growth rate of Vietnam's insurance industry. The acceleration in the first 6 months of the year was slowed down, the total insurance premium revenue grew only 16.0% yoy in 10M 2021, equivalent to the same period in 2020. Compared to the past average, the growth rate of the insurance industry is slowing down in the past 2 years. The death rate is at a high level by COVID-19, increasing the rate of claims and compensation payments, causing a significant impact to businesses in the industry, especially the life insurance sector.

By the beginning of Q4 2021, Vietnam declared basic epidemic control, gradually loosening social distancing and opening up the economy. At the same time, all provinces stepped up the speed of vaccination coverage, in order to facilitate the recovery of business activities of domestic companies. As of mid-December, Vietnam's COVID-19 vaccination rate was 55 percent of receiving two shots and more than 78 percent of receiving one shot, relatively high compared to other countries around the world.

We assess that the control of the COVID-19 pandemic plays an important role for the growth of Vietnam's economy in the next years. At the end of 2021, the appearance of the new variant Omicron continues to be a threat to the global economy. However, in outlook 2022, we expect that Vietnam's economy with experience to respond to pandemics, the increasing rate of vaccine coverage and support from Vietnam's government, manufacturing and export sectors will gradually stabilize and adapt to the "new normal" context.

Therefore, based on the above baseline scenario, we assess that the outlook for 2022:

- **Logistics industry: SUSTAINABLE GROWTH**
- **Wood industry: POSITIVE GROWTH**
- **Fisheries: POSITIVE GROWTH**
- **Insurance Industry: POSITIVE GROWTH**



LOGISTICS INDUSTRY

MAINTAINING GROWTH MOMENTUM WITH POSITIVE TRADE ACTIVITY EXPECTATIONS

Review 2021

Seaport services: Corresponding with import and export, mainly container cargo, leading the recovery in 2021 when reaching more than 23.8 million TEUs, +7.5% yoy. The pace of recovery was remarkable in deep-water port areas, recorded outstanding growth compared to the rest.

Maritime transportation services: The firm's performance grew stronger when the freight rates increased sharply even though the input fuel price VLFSO 0.5% doubled compared to the beginning of the year. Domestic logistics firms did not much benefit from the international shipping market because the market share remained low (approximately 6%).

Warehouse & logistics services: The financial results improved significantly when warehouse rental rates increased by 10-15% in big cities. An increase of about 50 - 70% during and after social distancing due to the shortage of empty containers and ships, leading to a long storage time and a significant increase in freight rates.

Outlook 2022

In 2022, we expect that the logistics industry might be able to maintain a sustainable growth rate and aligned with the import-export turnover forecast, +14.1% yoy.

Seaport services: Container cargo might continue to lead the recovery of the seaport service sector, mainly strong growth at deep-water ports.

Maritime transportation services: Freight rates are expected to decrease in the international and domestic transport markets as new vessels will gradually come into operation. However, rates are still high compared to its pre-COVID-19 level. The high level of 0.5% VLSFO input fuel price remains the main risk for shipping services providers.

Warehouse & logistics services: The supply of warehouses and already-built factories meet the demand for storage of goods in 2022; hence the price might be maintained at a more stable level, which can increase slightly by 5-10% in the Southern region.

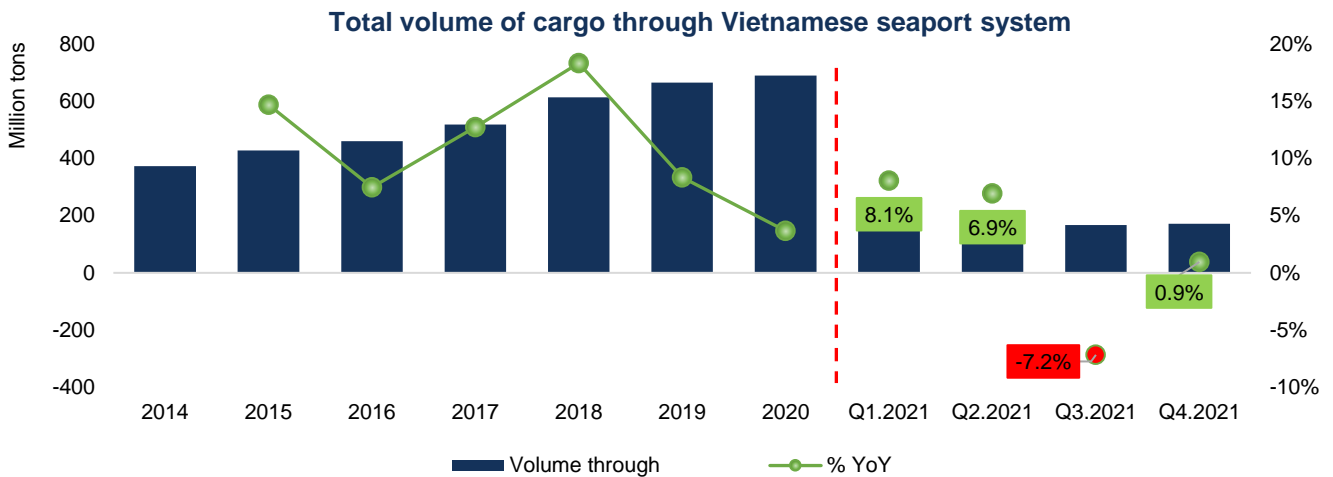
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I. In 2021: Recovering as international trading activities surged

1. Seaport services: The growth momentum of freight through seaports slowed down due to the outbreak of COVID-19 in the third quarter (+2.1% yoy)

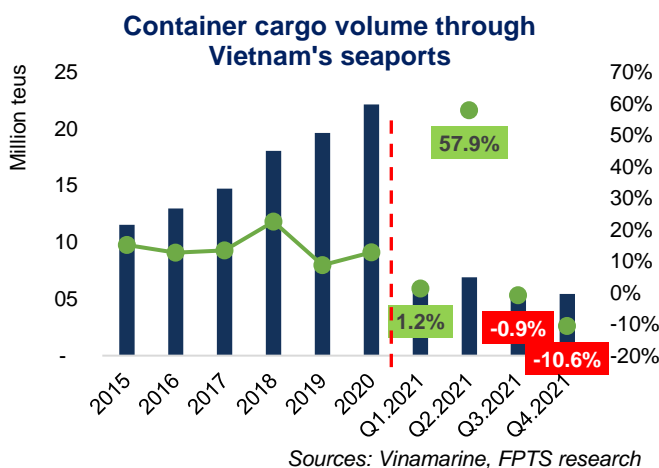


Sources: Vinamarine, FPTs research

According to estimates from the Vietnam Maritime Administration, in 2021, the total volume of cargo through the seaport system reached approximately 703 million tons, equivalent to an increase +2.1% yoy (completed 96.9% of the plan). In 6M2021, Vietnam's major trading markets recovered rapidly before the Delta variant continued to cause heavy disruption to the global supply chain, typically China (+46.6% yoy), America (+39.2% yoy) and Europe (+19.2% yoy).

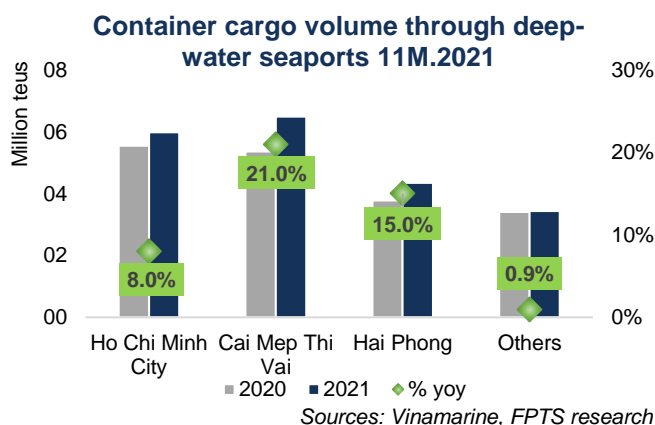
However, the wave of the pandemic in the third quarter slowed down the growth momentum due to the difficulties in processing cargo both domestically and internationally. In the third quarter, the two largest provinces in the South, which were Ho Chi Minh City and Binh Duong, where large-scale production zones are located, accounting for more than 25% of the share of import-export turnover, have been severely affected by the COVID-19, resulting in decelerating global trade and seaports activities, recorded a decline of -7.2% yoy.

1.1 Container throughput led the recovery



According to estimates from the Vietnam Maritime Administration, by the end of 2021, container throughput reached more than 23.8 million TEUs, +7.5% yoy. Container cargo accounts for 35% of the freight structure. The seaport system was heavily impacted by the epidemic wave in the third quarter, directly affecting the cargo processing capacity at the port, especially in the Ho Chi Minh City area. The shortage of empty containers caused ships to delay shipping, which affected the movement of goods, especially at international seaports such as Hai Phong and Cai Mep Thi Vai.

1.2. Deep-water ports maintained remarkable growth momentum compared to the rest

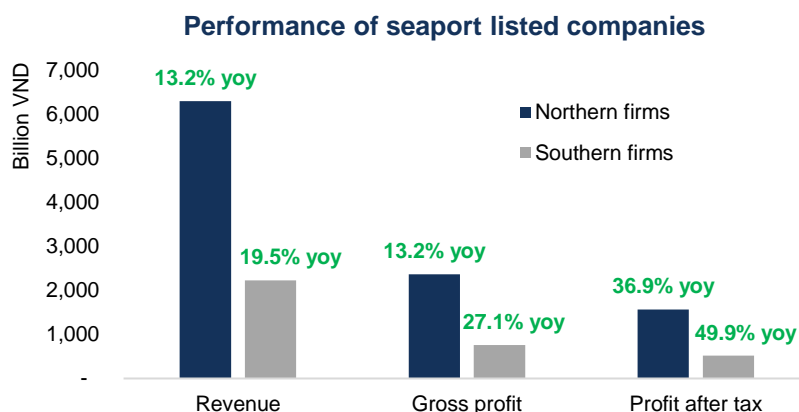


The deep-water ports maintained an impressive growth rate compared to the others. Specifically, Cai Mep Thi Vai recorded the freight through reaching more than 6.5 million TEUs, +21.0% yoy, Hai Phong (including Lach Huyen) also reached more than 4.4 million TEUs, +15.0% yoy. The main factors that boosted these two regions to maintain impressive growth rates were that (1) It is possible to serve super-weighted vessels of about 124,000 - 200,000 DWT and (2) Developed as the two main global trading destinations of Vietnam.

At the peak of the pandemic in the third and fourth quarters, a sharp decline in production output caused the growth to shrink, recording a decline of -4.6% in the third quarter and -12.4% in the fourth quarter. However, in 2021, container goods still recorded positive growth in the context of the pandemic is still negatively impacting production and operational activities.

1.3 The performance of seaport service enterprises improved

The financial results of seaport firms experienced positive growth after a fluctuated year under the impact of covid-19. In 9M.2021, the revenue and gross profit of seaport enterprises recovered slightly when import and export activities grew beyond expectations. In addition, after-tax profit recorded significant increases of 36.9% and 49.9% yoy in the Northern and Southern regions, respectively.



Sources: Financial statements GMD, PHP, VSC, DVP, VGR, PNP, CLL, CCT, SGP, PDN, FPTs research

2. Maritime transportation services: Benefiting significantly from rapidly rising freight rates while being under pressure of high fuel price

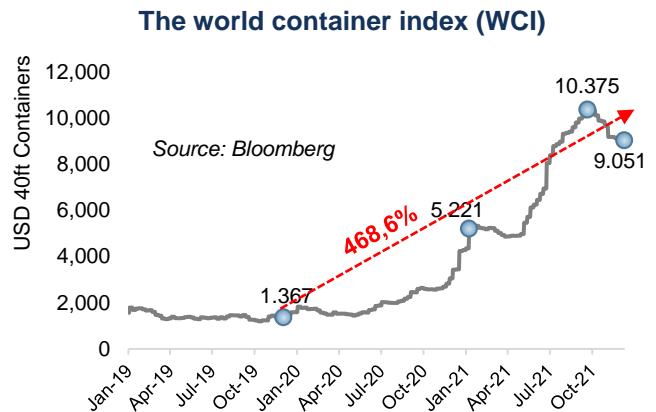
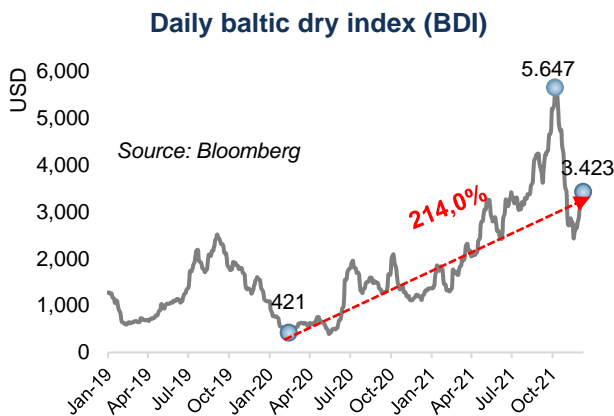
► Modest market share in international shipping competition

The domestic fleet cannot compete with foreign shipping lines in the international transport market. For transportation on international routes, domestic shipping companies have not been able to sign the shipping contracts with customers due to different factors, leading to a low and gradually decreasing market share of international transport. The market share in 2015 was 11%, falling to 6% in 1H2021. The main reasons are because (1) a large scale shipping fleet helps foreign firms to reduce the average cost per container unit. Currently, the average carrying capacity of international shipping lines is about 18,000 - 24,000 TEUs, and Vietnamese fleet is only 1,800 - 2,000 TEUs with average age of up to 15 years old while international fleets are younger, around 0-5 years old only and (2) Vietnamese fleet is outdated and lacks advanced technologies such as digitalized management of environmental and internal factors for international routes, leading to poor standards for long-distance routes.



Domestic shipping enterprises still gain from the international market, but the contribution is insignificant since the market share remains low and these firms lack competitive advantages as compared with foreign shipping lines. Shipping companies with a wide operating scale and ownership of large vessels such as Hai An (HAH), Vietnam National Shipping Lines (MVN), Vosco (VOS) or PVT (PVT) are major participants in the international market.

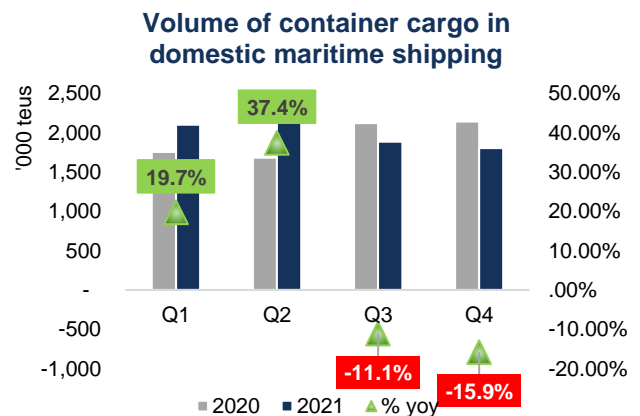
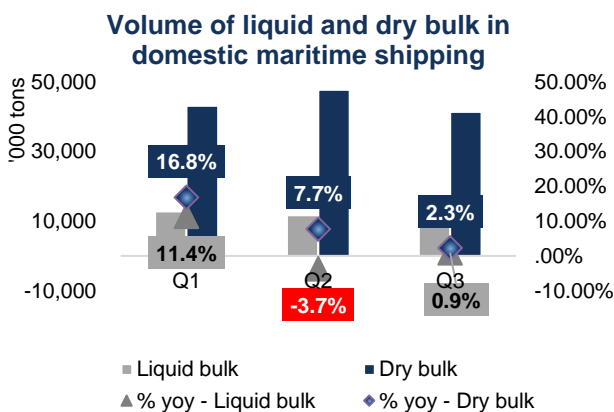
► International shipping freight rates skyrocketed



Compared to the period when there was no COVID-19 pandemic, the freight rate for chartering dry bulk has increased by approximately 214%, and the container has increased by roughly 468.6%. In November 2021, maritime freight rates cooled down compared to the peak of the year (fourth quarter) when countries such as the US and Europe have reduced the demand to store inventories for the winter. Besides, shipping lines and seaport systems also temporarily lower capacity on a large scale, causing global supply chain disruption to be more serious.

2.1. Domestic maritime transportation: freight rates increased in line with the global trend as domestic demand rose sharply during and after the social distancing period

► The volume of domestic shipping freight recovered

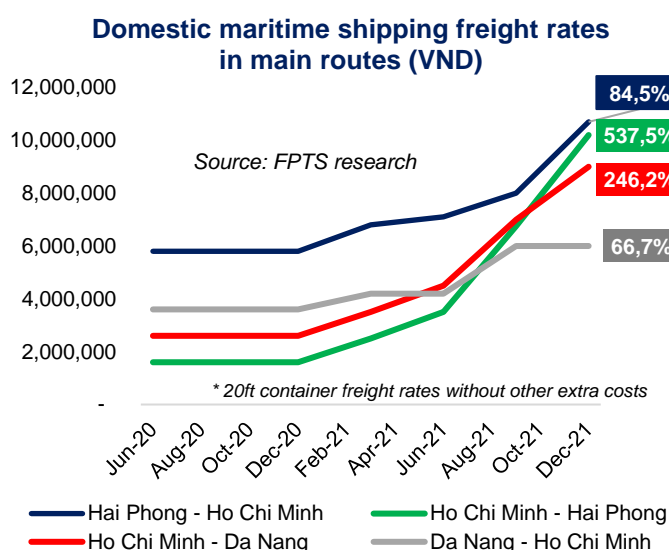


Sources: Vinamarine, FPTs research

In 9M.2021, the total volume of goods transported in domestic marine routes reached 227.4 million tons, +3.6% yoy. In which, dry and liquid cargo recovered relatively positive with 132 million tons and 35 million tons respectively, equivalent to +8.7 % and +2.8% yoy. The common point was that they recorded the strongest recovery in the first quarter, the main reason is that the level of 2020 was low as the whole country experienced the 1st COVID-19 outbreak and had to continuously keep social distancing.

For container cargo, according to estimates of Vinamarine, domestic container cargo transported achieved approximately 8.1 million teus, +5.2% yoy. That COVID-19 broke out in the third quarter and lasting into the fourth quarter caused it challenging for goods movement, recording negative growth compared to the same period, at -11.1% and -15.9% respectively. Specifically, ships arriving and departing from Ho Chi Minh City faced difficulties with disease prevention standards, and the wharfs also cut their handling capacity, causing a decrease in the productivity of cargo clearance.

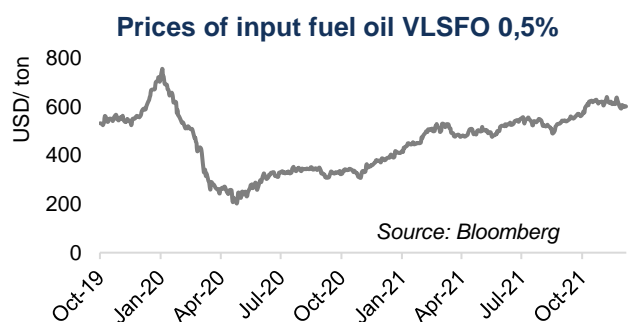
► **Freight rates increased continuously as demand for transportation rose remarkably after social distancing**



Domestic maritime shipping routes are mostly provided by local logistics firms, mainly operating on Hai Phong - Da Nang - Cai Mep - Ho Chi Minh routes. For container cargo, given a sharp increase of demand for shipping after social distancing, heavy shortage of ships and empty containers caused an imbalance between supply and demand in the short term, leading to the rapid rise of domestic freight rates. Specifically, freight rates were continuously adjusted up by local firms since January 2021, the most volatile time was during social distancing (Jun - Aug 2021) and after social distancing (Sep - Dec 2021). The greatest increases of 537.5% and 246.2% were recorded in Ho Chi Minh - Hai Phong and Ho Chi Minh - Da Nang routes respectively.

To explain, Ho Chi Minh was severely impacted by the epidemic in the third quarter. As a result, cargo departing from this region faced difficulties since ports cut down large-scale capacity to meet the disease prevention standards. This resulted in disruptions in shipping. Both activities of loading and unloading goods on/off ships made ships anchoring longer than usual.

► **Bear the risks from the high oil price**

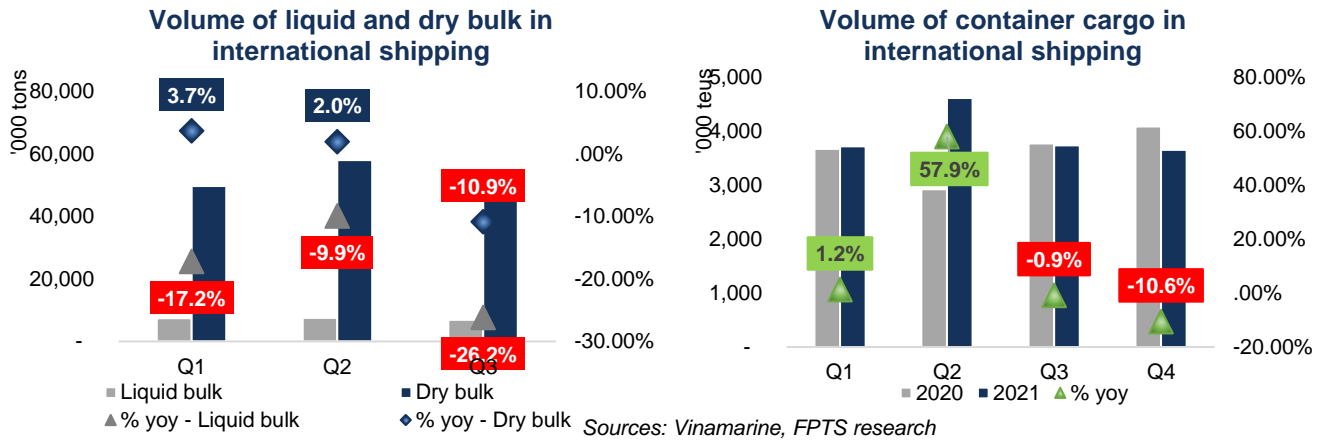


The 0.5% VLSFO oil price accounts for about 30-40% of the total costs of maritime shipping companies. Therefore, the high level of oil price created a cost burden on shipping firms, causing profits to be eroded.

Compared to April 2020, the fuel price has gone up approximately 3 times. However, the increase in freight rates nearly balance the impact of rising oil prices.

2.2. International maritime shipping services: Local logistics firms benefited little from rising international freight rates

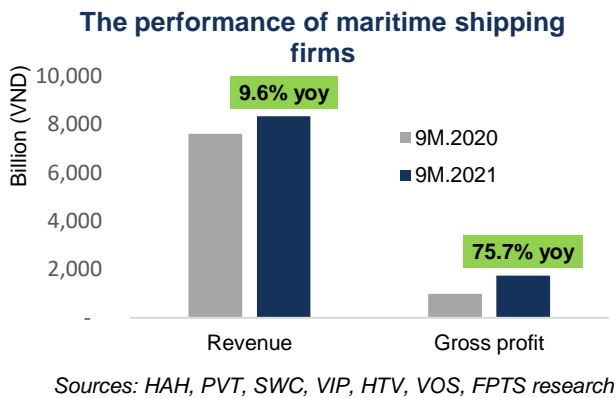
► **The recovery of dry cargo and container volumes interrupted from Q3/2021**



On the one hand, Import and export dry bulk showed no sign of recovery, reaching only 157.5 million tons in 9M2021, -2.0% yoy. In Q1 & Q2, dry goods recovered slightly before stalling due to the outbreak of COVID-19 in the 3rd quarter. Besides, while domestic production was continuously interrupted due to the pandemic, demand for gas and gasoline decreased sharply. These two sides of supply and demand combined and led to decreasing import and export of liquid bulk of more than -18.1% over the same period, at only 21.8 million tons as of the end of the third quarter of 2021.

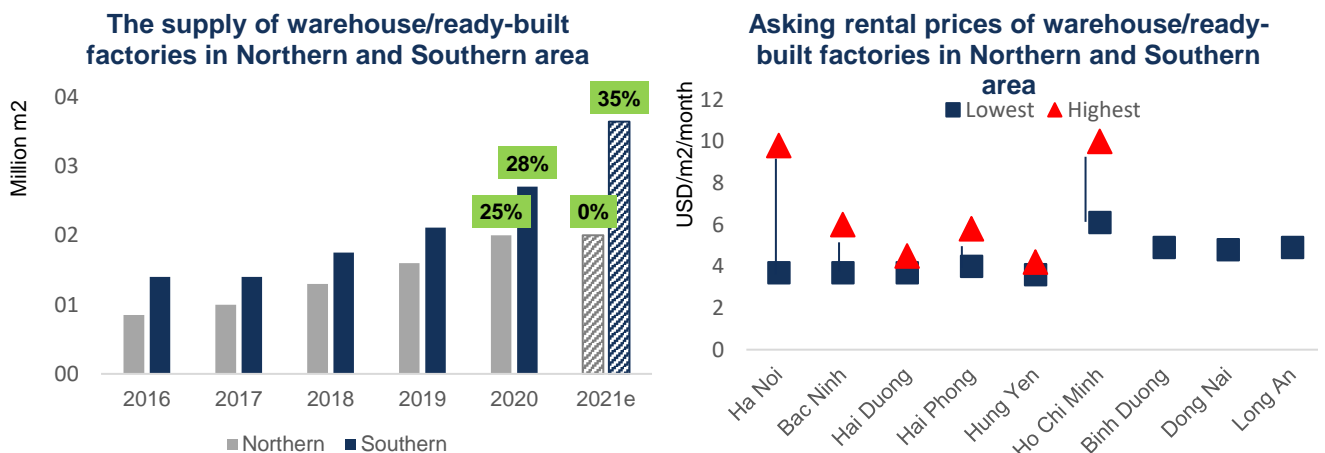
On the other hand, according to estimates of Vietnam Maritime Administration, 2021 import and export of container cargo recorded a recovery, reaching more than 15.7 million teus, +8.8% yoy. The impact from wave of the pandemic in the third quarter was reflected in the decrease of volume, -0.9% in Q3 and -10.6% in Q4.

2.3. The performance of shipping companies grew strongly thanks to the rapid increase in freight rates



The 9M2021 financial results of shipping firms marked impressive growth rates thanks to the benefits of the rapid increase in freight rates. Total revenue reached more than VND 8,336 billion, +9.6%. Gross profit increased strongly when reaching more than VND 1,700 billion, +75.7% yoy. Specifically, VOS reached VND 278 billion in gross profit in 9M.2021 as compared to a loss of VND 27 billion in 2020, and (2) HAH reached VND 377 billion, +172.8% yoy, recording a remarkable growth which was well above the industry average.

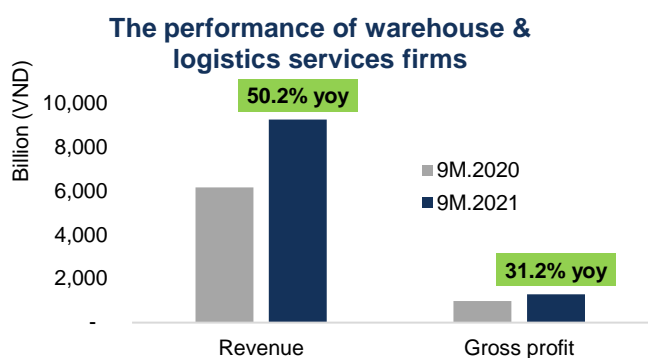
3. Warehouse & logistics services: The demand to store goods spikes as supply chains are congested



Enterprises providing logistics services (warehouses, ready-built factories, ICDs, ...) recorded a strong improvement in revenue and gross profit, increasing by 50.2% and 31.2% yoy respectively. Reasons are as below:

- Demand for customs clearance increased thanks to the strong growth in global trading activities.
- Demand for warehouse storage also increased due to shortages of empty containers. Since then, the rental rates had increased dramatically as goods were constantly congested at warehouses and yards.

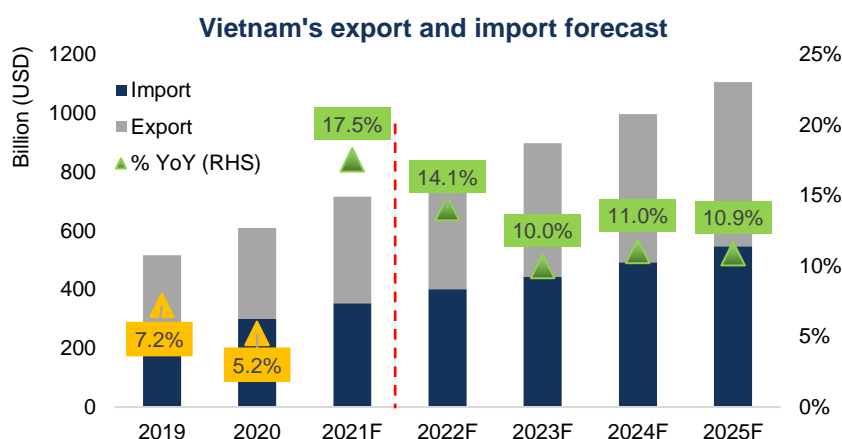
Regarding the 2nd quarter of 2021, southern provinces of Vietnam recorded an increase of roughly 35% in the number of warehouses and ready-built factories, equivalent to 940,000m². Yet, the supply did not meet the demand as cargoes were constantly congested at warehouses. Moreover, the occupancy rate was nearly maximized during and after the social distancing, which caused the rental and storage charges to continuously skyrocketed. Typically, in Ho Chi Minh City and Ha Noi, rental rates had increased by 8-10% compared to the period before the epidemic. When demand for transportation and warehousing increased in the third quarter, the asking price sometimes increased by 50-70% compared to previous months.



The transportation of goods was constantly interrupted because of the lack of ships and empty containers. Logistics units were the main beneficiaries due to the increase in demand for storage and warehousing. Thanks to the significant increase in rental rates compared to the period before the epidemic, the total revenue of warehousing & logistics firms reached about VND9,238 billion, + 50.2% yoy, gross profit also recorded strong growth over the same period, reaching VND1,290 billion, +31.2% yoy.

II. Outlook 2022: Maintaining the growth momentum

1. Seaport services: Container cargo expected to be the growth driver



Source: GSO, Fitch Solutions

According Fitch Solutions' forecast, in 2022, import and export turnover will reach 740 billion USD, +14.1% yoy and continue to grow by over 10% annually in the period 2023-2025. In particular, free trade agreements and foreign investment - FDI are still the main factors promoting import and export of the nation (for more information, please refer to the Quyen Niem Tin - part of FPT's "Outlook 2022" series):

- In the period of 2019 - 2021, Vietnam has succeeded in signing free trade agreements with preferable tariffs, promoting the strong growth of traded goods. In 2019 and 2020, two important trade

agreements for Vietnam's trade took effect. The first was the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); according to the Ministry of Industry and Trade, the CPTPP is expected to contribute about 4% of import and export growth annually until 2035. The second was the EU-Vietnam Free Trade Agreement (EVFTA), removing 85.6% of tariffs lines exported to Europe. In January 2022, the ASEAN Regional Comprehensive Economic Partnership (RCEP) also officially took effect with a tariff elimination rate of 90.3%.

- It is expected that foreign direct investment (FDI) will remain at a stable level in the period 2022-2025. FDI continues to play an important role in Vietnam's economy, accounting for about 69% of the country's turnover. In 11M.2021, registered FDI capital reached more than USD26.5 billion, up slightly +0.1% yoy; however, FDI disbursement recorded a decrease of -4.2% yoy, equivalent to USD17.1 billion. The decrease was mainly due to the negative impact of the pandemic since June, which slowed down the disbursement process.

On the contrary, the global supply chain remains at significant risk from the impact of the COVID-19 pandemic on the Americas and Europe, especially the new variant Omicron. The emergence of the new variant addresses great concern as the scenario of negative effects from the Delta variant could repeat and disrupt the global supply chain.

▶ **Deep-water ports projected to lead the growth momentum of the seaport sector**

Cai Mep Thi Vai will soon exceed its designated capacity with existing container ports, especially in the downstream area where the area's productivity has reached 77%. However, in the period of 2022 -2024, Cai Mep is expected to welcome SP - PSA and Gemalink phase II ports to come into operation, improving the total capacity to about 30%. Particularly in the Lach Huyen area (belonging to Hai Phong), it is possible to make a breakthrough with a growth rate of more than 20% when it is able to serve the super-weighted vessels with a total weight up to 124,000DWT.

▶ **It is expected that the seaport services rate will improve in 2022**

According to the draft adjustment of Circular 54/2018/TT – BGTVT, the price of handling goods services may increase by at least 20% in the period of 2021 - 2023 for deep-water port areas. Vietnam's container handling charges is currently the lowest in the ASEAN region, only 45-70% compared to ports in Singapore, Malaysia or Thailand. In the context that the pandemic is unpredictable and causing a heavy impact on domestic production, hence the increase of rates

Table: The plan of increasing seaport's services rates

Area	2022	2023
Hai Phong	+10%	+10%
Lach Huyen	0%	+10%
Central area	+10%	+10%
Cai Mep Thi Vai	+10% - 20%	+10%
Ho Chi Minh City	+10%	+10%

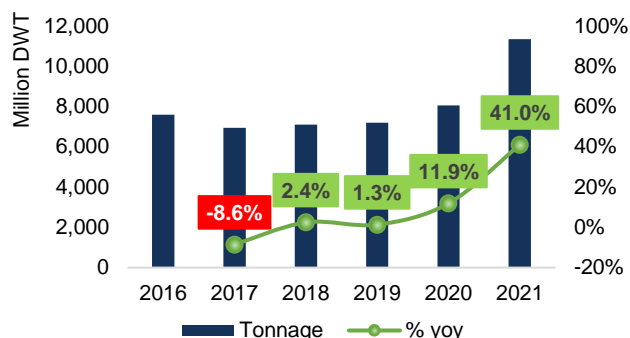
Sources: Ministry of transport, FPTs research

will put local firms into a more challenging position. Therefore, the change in loading and unloading rates is postponed and is expected to be implemented in 2022.

2. Maritime shipping services: Expecting decreasing freight rates & Risks from rising oil prices

2.1. Domestic maritime shipping services: It is expected that freight rates will decrease to the same level as at the beginning of 2021 as demand for shipping is gradually met

Vietnam's domestic fleet development



Source: Vinamarine

Due to increasing domestic supply of ships and the gradually going down of demand for transportation, freight rates will likely decrease gradually from mid-2022 but still remain high as compared to 2020. After eliminating the social distancing regulations, the recovery of domestic production will be the main factor that boosts shipping firms' growth. However, according to Vietnam Maritime Administration, domestic maritime freight rates will soon be controlled to eliminate unnecessary extra costs which lead to enterprises' profits being eroded. Since August 2021, a few local logistics

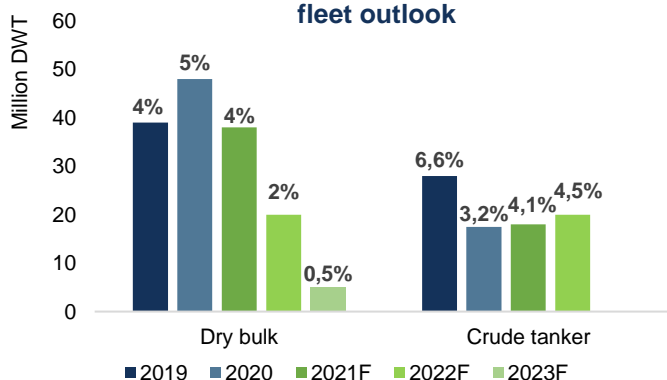
firms have improved their fleet capacity to meet domestic shipping demand. PVTrans (accounting for 80% market share of import-export and domestic liquid cargo transport) has continuously received liquefied petroleum gas and petroleum tankers, PVTrans spent more than VND 1,400 billion for 3 vessels, namely PVT Azura, PVT Dawn and VLGC with an average capacity of 81,605 m³. In the same period, VOS chartered a dry cargo ship with a weight of 50,530 DWT. Similarly, Hai An has also added 3 more container ships, which were Hai An West, Hai An East and Hai An View, with a tonnage of about 1,000 - 1,700 TEUs and 5 domestic routes weekly.

With the supply of ships increasing significantly in 2021, +41% yoy, freight rates are likely to decrease. A prerequisite for freight rates to decrease is that there will be no more social distancing like the 3rd quarter in 2021 and the demand for goods transportation is spread, not compress at a certain time, from which supply and demand for domestic maritime transport are gradually more balanced.

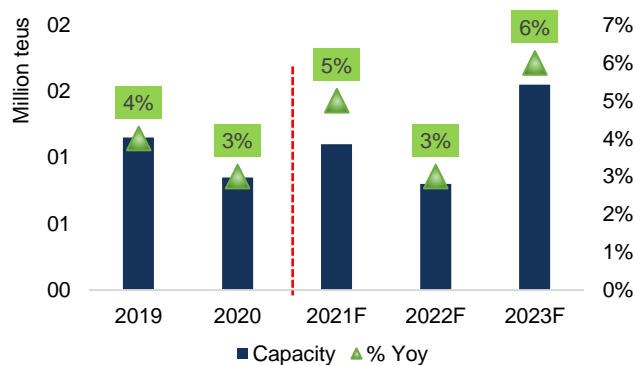
On the contrary, the price of input fuel VLSFO 0.5% is likely to fall since OPEC might stop cutting oil supply, making supply and demand more balanced. Therefore, the burden of input costs of shipping companies can be reduced when VLSFO oil accounts for 30 - 40% of total costs.

2.2. International maritime shipping services: Freight rates might slightly reduce as ship supply increases and demand in major economies declines

The supply of dry bulk and crude tanker fleet outlook



The supply of container fleet outlook



Sources: Danish Ship Finance, FPTs research

Despite the optimistic import and export prospects, domestic shipping enterprises will not benefit much from the international shipping market when the current market share is only about 6%. International freight rates are expected to cool down in 2022, but remain at a high level as before Q4.2021 due to a slight increase in vessel supply and a decrease in demand for cargo storage in European countries and North America. Also, the risk of global supply chain disruption is still a great concern.

Specifically, according to Italy Banchemo Costa statistics, a ship brokerage firm which has been operating in the logistics industry for more than 53 years; foreign shipping companies such as MSC, Evergreen or Cosco are urgently expanding their fleets, including large shipping lines. In July 2021, there are a total of 276 new shipbuilding orders and as a result, the supply of ships is expected to increase by at least 10% in the period 2021-2023. According to Drewry, the world shipping demand could grow by 5.2% next year. Supply of container ships, dry and liquid all increased by 5% yoy, 2% yoy and 4.5% yoy respectively. However, the increased supply could not keep up with the demand due to supply chain disruption and seaports still being unable to operate at maximum capacity. Besides, the time for building a ship lasts about 2-3 years, making it hard for shipping firms to increase their fleet immediately. **Therefore, the supply-demand imbalance is likely to continue in 2022 with a lower level compared to 2021.**

According to Drewry forecast, freight rates might remain high in early 2022, then might reduce slightly about 9% by mid-2022 due to freight demand returning to normal but still maintaining a high level. In 2023, freight rates are likely to drop more significantly as the new supply of ships go under operation.

3. Warehouse & logistics services: Expectedly stable freight rate thanks to balance of supply and demand

In the South, more than 940,000 m² of warehouses and ready-built factories were launched into the market by the end of 2021 to meet demand for goods storage thanks to the strong growth in trading activities, which is forecasted to keep growing steadily at 10-15% in the period 2021-2025 (*according to BMI*). The rental rates for warehouses and factories in the South are forecasted to increase slightly by 5-10% (*according to JLL*). In 2022, it is a high probability that the supply of warehouses and ready-built factories will not record a new increase in supply because the current supply has met the demand. The demand for goods transportation will gradually stabilize and maintain the balance of supply and demand, and the rental rates will remain more stable compared to the 2021 period

→ **Conclusion:** In 2022, we assess that the logistics industry will **MAINTAIN GROWTH MOMENTUM** with the expectation that trading activities will continue to grow sustainable thanks to (1) free trade agreements and (2) attracting foreign investment - FDI. In which, the firms that are operating in the logistics value chain are expected to benefit, specifically:

Seaport services: Container cargo will continue to lead the recovery of the seaport service sector, mainly strong growth at deep-water ports.

Maritime transportation services: Freight rates are expected to cool down in the international and domestic transport markets as the supply of new vessels will gradually come into operation. However, rates are still high compared to before the pandemic. The high level of 0.5% VLSFO input fuel price remains the main risk for shipping services providers.

Warehouse & logistics services: The supply of warehouses and ready-built factories basically meet the demand for storage of goods in 2022; hence the price might be maintained at a more stable level, which can increase slightly by 5-10% in the Southern region.

III. UPDATES ON LISTED LOGISTICS COMPANIES

Ticker	Market capitalization at 6 th January 2022	Total revenue 9M.2021 (billion VND)	Profit after-tax 9M.2021 (billion VND)	Revenue growth (annual %)	Profit after-tax (annual growth %)	Trailing 4 Quarter ROE	P/E
HAH	3,244	1,284	242	54.7%	172.8%	20.3%	11.0x

Hai An Transport and Stevedoring Joint Stock Company (HAH) is the company that owns the largest container fleet in the country with a total carrying capacity of up to 11,000 TEUs. In addition, operating a complete logistics chain is a great advantage of HAH compared to other enterprises in the industry. HAH focuses mainly on maritime freight, ports and warehousing. In which shipping is the main segment of HAH, with the proportion of gross profit accounting for more than 53%. Operating in a complete logistics chain helps HAH minimize outsourcing costs and optimize profits.

Highlights in 2021, when the demand for transportation of goods is compressed and suddenly increases after the social distancing, freight rates have increased sharply since the beginning of the year, HAH has benefited at all stages of the supply chain, generating a profit after tax of more than VND242 billion, +172.8% yoy. In 2021, HAH added 3 more container ships, namely Hai An East, Hai An West and Hai An View, and able to meet 5 domestic trips a week. HAH has also signed long-term rental contracts since the fourth quarter of 2021, signing a long-term lease will help HAH ensure profits in the next 2 years. HAH constantly restructures and rejuvenates its fleet to catch up with global trends and differentiate itself from domestic shipping lines, HAH aims at longer-term goals. HAH is one of the enterprises with high potential prospects with the expectation that it will continue to benefit from strong growth in trading activities, increasing the demand for goods transportation

Outlook for 2022: the addition of 3 container ships in 2021, Hai An East, Hai An West and Hai An View, helps HAH increase the total number of ships to 11, becoming the largest shipping company in Vietnam, 3 additional ships ensure about 5 domestic routes a week. In addition, HAH has also signed long-term contracts, helping HAH ensure profits in the next 2 years.

GMD	14,104	2,168	415	14.0%	32.2%	7.0%	30.2x
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Gemadep Joint Stock Company (GMD) is a major operator in the seaport sector with a large scale of operations in prime areas of Vietnam such as Hai Phong, Ho Chi Minh City and Cai Mep Thi Vai. In 9M.2021, with strong growth in import and export activities, GMD's revenue increased about 14%, reaching VND2,168 billion, NPAT reaching VND415 billion, +32.2% of the total.

Highlights in 2021: in January 2021, GMD introduced Gemalink (design capacity 1.5 million TEU) in Cai Mep Thi Vai deep-water port; after 6 months of operation, this port has passed the break-even point; hence GMD intends to start building Gemalink phase 2 to catch up on the strongly increasing demand.

Outlook in 2022: Gemalink is expected to reach 90% productivity and become the main growth driver for GMD. In addition, Nam Dinh Vu port is a strategic port of GMD, which has a great advantage as it is located in the downstream area of Cam River (Hai Phong), which often exceeds the design capacity. Therefore, GMD will double the capacity of this port and put it into operation before 2023. We expect GMD to grow strongly in 2022 thanks to (1) the positive growth in trading activities (2) owns container ports at Cai Mep Thi Vai and Hai Phong, where were developed as gateways for international trading.



WOOD INDUSTRY

POSITIVE GROWTH EXPECTED FROM RISING W&WP DEMAND IN KEY EXPORT MARKETS

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Review 2021

- Vietnam's wood & wood products export value continued to grow impressively in 2021 and reached an estimated value of USD 14.8 billion (+19.7% yoy & equivalent to 102.1% of 2021 W&WP export value target). The US was the main growth driver which contributed up to 71% of the increase of the Vietnamese W&WP export value.
- Prices of input wood materials from both domestic and imported sources rose sharply in 2021.
- Both the number and the frequency of anti-dumping lawsuits against particular Vietnamese wood products increased dramatically in 2021.

Outlook 2022

- Given our detailed assumptions and projections for the group of 5 largest Vietnam's W&WP export markets including the US, Japan, China, EU and Korea; Vietnam's W&WP export value is expected to reach USD 16.1 billion (+8.8% yoy).
- Due to the unpredictable course of the global pandemic COVID-19, interruptions in the exploitation and transportation of domestic and imported input wood materials are expected in 2022. Together with the recovery of the world oil price, prices of raw wood materials are forecast to rise further in 2022. This in no doubt will be a big challenge against Vietnamese wood processing companies to maintain their annual profit growth.

I. IN 2021 – Impressively rising demand for imported wood products in the US was the main driver of the Vietnamese’s W&WP export value growth

1. Vietnamese’s W&WP export value grew strongly in 2021 despite the outbreak of COVID-19 in the 3rd quarter

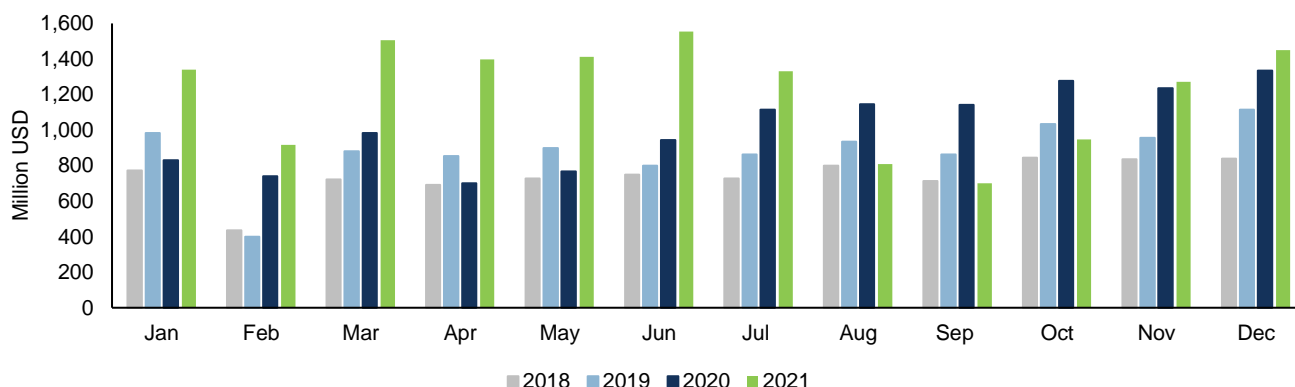
W&WP export value estimated at USD 14.8 billion (+19.7% yoy & equivalent to 102.1% of 2021’s target)

Vietnamese’s exported wood products can be divided into two main categories, namely:

- ❖ **Wood semi-products** comprises of products which serves as inputs of other industry. Those products are pellets, wood chips, roundwood, sawnwood, veneer, chipboards, fibreboards, plywoods,...
- ❖ **Wooden finished products** are goods that have completed the manufacturing or processing process but have not yet been sold or distributed to the end user. Those products are wooden furniture, wooden handcrafted furniture, paper, carton boxes and wood floorings.

According to GSO, following the impressive growth momentum in 2020, Vietnam’s 2021 W&WP export value was estimated at USD 14.8 billion (+19.7% yoy). With regard to wooden furniture, the export value reached USD 11.1 billion in 2021, up 16.1% as compared to 2020.

Figure 1: Vietnam’s W&WP monthly export value between 2018 and 2021



Source: General Department of Customs, FPTs Research.

The dramatic increase in W&WP demand in almost all of Vietnam’s key export markets help the country to record a strong growth in terms of W&WP export value during the first half of 2021. However, in the 3rd quarter of the same year, the COVID-19 broke out for the 4th time in Southern Vietnam and the prolonged social distancing carried out by the Vietnamese government had put a negative impact on southern wood processing firms. As a result, manufacturing activities were interrupted and wood products weren’t delivered on time due to logistics delays at southern ports. Thus, total W&WP export value in the 3rd quarter decreased as compared to the same period in 2020. Nevertheless, it was worth noting that since October 2021, the industry’s monthly export value had recovered yet slowly thanks to the fact that the epidemic COVID-19 was brought under control.

In 2021, the US remained to be the biggest export market of Vietnamese wood processing industry as the market contributed up to 71% of the increase in the 2021 W&WP export value

Vietnam exported its W&WP to nearly 60 different countries in 2021. Among these, the five biggest destinations were the US, China, Japan, Korea and the EU. The shares of these countries in relative to the total W&WP export value in 2021 were respectively 59.5%, 10.3%, 9.6%, 6.0%, and 4.0%.

Considering Vietnam’s biggest export market, the growth rate of the US residential construction value was estimated to reach 20.4% in 2021 as compared to only 15.3% in 2020. The driving forces came from: (1) the global epidemic COVID-19 with the trend of working from home pushing the housing shortage in the US to the highest level since the beginning of the 21st century and (2) the 30-year fixed rate mortgage average in 2021 was at its lowest level since 1970 according to data given by Freddie Mac. These forces created a sharp

increase in the demand for wooden furniture in a country where 75% of wood furniture's consumption value comes from import. 2021 was also a remarkable year for Vietnam as the country surpassed China to become the biggest exporter of W&WP to the US. According to GSO, Vietnam's W&WP export value to the US was USD 8.8 billion in 2021 (+22.4% yoy).

Figure 2: Vietnam's W&WP export value by countries

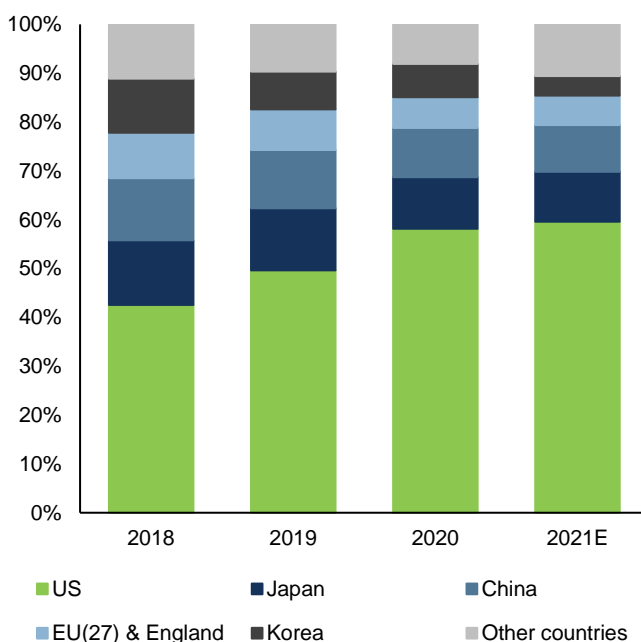
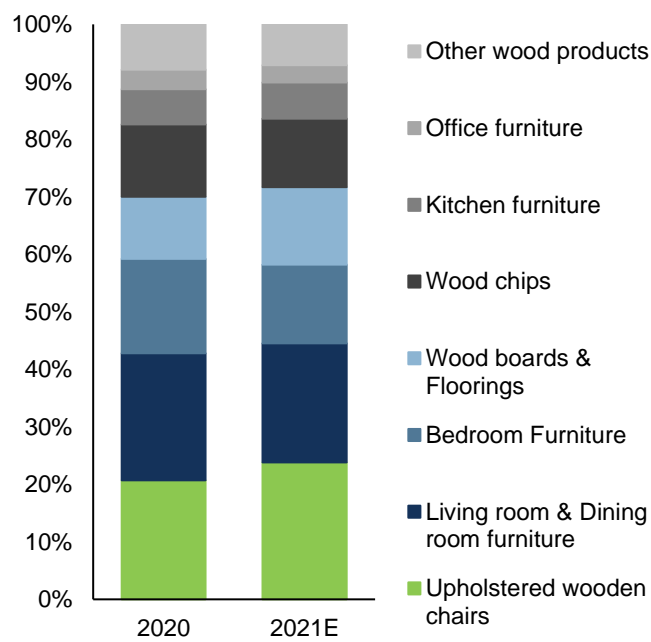


Figure 3: Vietnam's W&WP export value by wood products



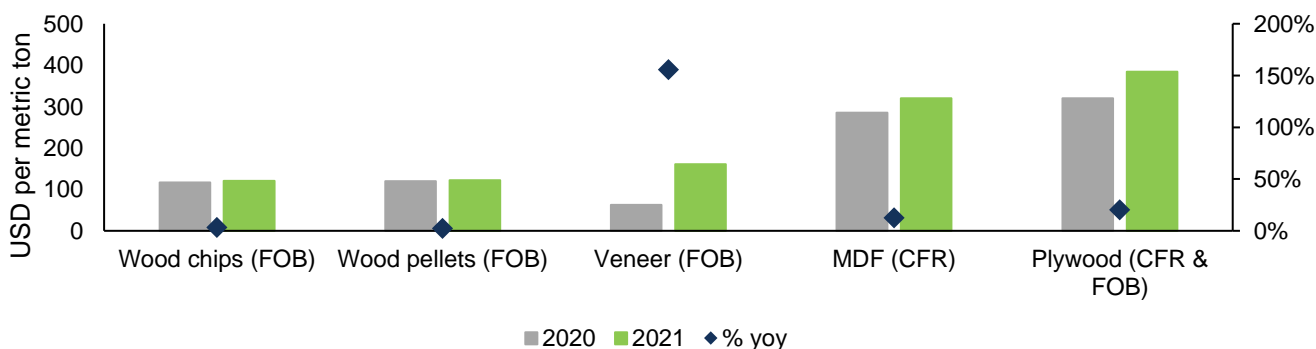
Source: General Department of Customs, FPTs Research.

Both groups of wood semi-products and wood finished products recorded positive growth rates in terms of not only export quantities but also export values

With regard to wood finished products, wood furniture maintained its role as the key product of Vietnam's wood processing industry in 2021 with the whole year export value standing at USD 6.5 billion (+12.9% yoy) and accounted for 43.7% of the total export value of W&WP of the industry. Ranking second in terms of export value was chairs with wooden frames and the export value was estimated at USD 3.5 billion which made up 23.8% of the total W&WP export value and up 41.7% as compared to 2020.

Regarding wood semi-products, just like the previous year, the highest shares of total export value belonged to wood chips and wood boards & flooring. Specifically, the export value of wood chips in 2021 was USD 1.8 billion (+16.4% yoy). For wood boards and floorings, the value reached USD 2.0 billion (+54.0% yoy).

Figure 4: Average export value (USD per metric ton) of some Vietnamese key wood semi-products



Source: General Department of Customs, FPTs Research

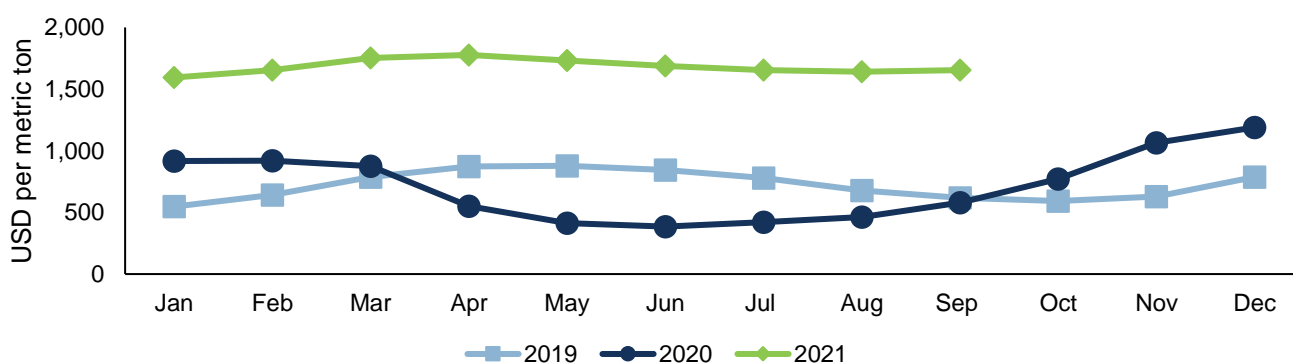
2. Prices of both domestic and imported raw wood materials rose sharply in 2021

During the period between 2015 and 2021, the sharp rise of Vietnam’s W&WP export value led to a dramatic increase in the demand for raw wood input. In 2021, the total demand for raw wood materials in Vietnam was estimated to stand at 25 million metric meters with 72.3% coming from domestic sources and 27.7% coming from import.

In 2021, prices of raw wood materials, accessories and wood processing mechanicals increased. The main wood processing chemicals include glue and paint (accounting for 19.4% - 27.0% of the total production cost of wood processing firms). Prices of glue and paint rose quickly in 2021 mainly due to the recovery of world oil price and both glue and paint are chemicals extracted from oil.

Regarding raw wood materials from domestic sources – the main source of wood used by firms which focus on manufacturing wood chips, pellets and artificial wood boards, the price of domestic raw wood rose 15% - 20% in the first half of 2021 as compared to the same period of 2020. For rubber wood, the strong increase in its price came from the great uptrend of rubber latex which reduced demand for cutting and clearance of rubber plantations.

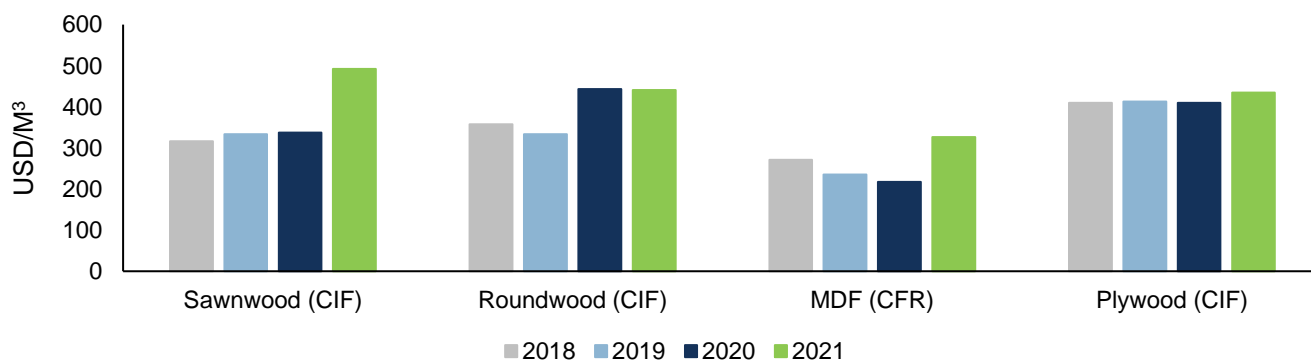
Figure 5: Average monthly export value (USD per metric ton) of rubber latex



Source: General Department of Customs, FPTs Research.

With regard to imported raw wood materials namely roundwood, sawnwood and wood boards (MDF and Plywood) – the main source used by firms which focus on manufacturing wooden interior furniture, according to GSO, the average price of these wood types rose sharply in 2021 as shown in the below graph.

Figure 6: Average import value of some popular raw wood material between 2018 and 2021



Source: General Department of Customs, Go Viet & FPTs Research.

3. Vietnamese wood processing industry facing higher number and frequency of anti-dumping lawsuits in 2021

According to Vietnam’s Ministry of Industry and Trade, since 2020, the country’s wood processing industry has faced five anti-dumping lawsuits while during 2010 and 2020, the industry faced only three lawsuits.

Therefore, both the number and the frequency of lawsuits have been rising recently and there exists a huge risk of anti-dumping and anti-subsidy taxes applied on Vietnamese export wood products in the near future. If this happens, the tax imposition will immediately and severely affected wood processing firms as they lose their price competitiveness.

In 2021, there are two commercial lawsuits against upholstered wooden chairs exported to Canada and wooden cabinets exported to the US. Details are as below:

- ❖ On May 5th 2021, Canadian government imposed a temporary tax on upholstered wooden chairs from Vietnam. The anti-subsidy tax rate was from 0% - 11.73% and the anti-dumping tax was between 17.44% and 89.77%.
- ❖ Regarding the US market, the local government also raised a commercial investigation against Vietnamese wooden cabinets manufactured by BGI Group Inc. dba Cabinet Depot and related Vietnamese firms which are HOCA Kitchen and Bath Products International Co., Ltd and HOCA Household House Hygiene Co. Ltd with the plaintiff being the American Kitchen Cabinet Association (AKCA). Currently, the US has applied temporary measures to wooden cabinets imported from Vietnam by BGI Company and the case is still under investigation.

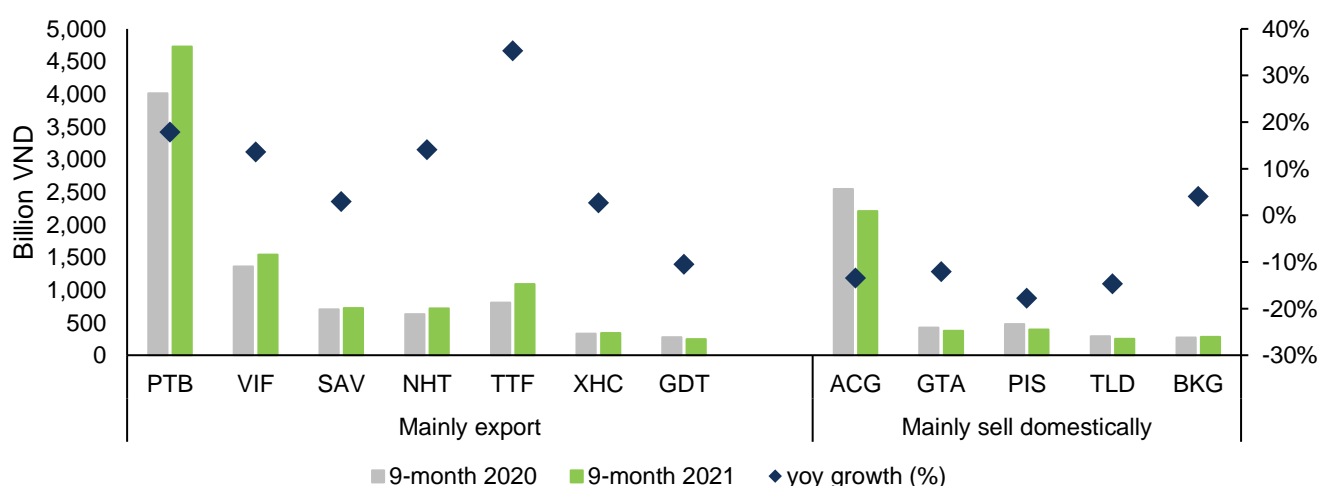
4. The Vietnamese listed wood processing companies' 9-month update

Net revenue: There existed a clear difference between group of companies which manufacture and export wood furniture and group of firms which process wood semi-product and sell domestically.

With regard to the first group, the favorable context in most of Vietnam's key export markets helped companies in the group record positive growth rate in 9-month of the year 2021 net revenues as compared to the same period of 2020, ranging from 2.7% (XHC) to 35.3% (TTF). GDT was the only listed firm which recorded a fall in net revenue. This was mainly due to delays in order delivery and interruptions in production due to the severe outbreak of COVID-19 in Ho Chi Minh City during the 3rd quarter of 2021.

For the second group, the fact that COVID-19 has broken out four times since the beginning of 2020 imposed a strongly negative impact on the domestic demand for W&WP. Except for BKG, all the remaining companies in this group experienced negative growth rate of 9-month net revenue in 2021, ranging from -12.0% (GTA) to -17.7% (PIS).

Figure 7: 9-month net revenue of Vietnamese listed wood processing companies

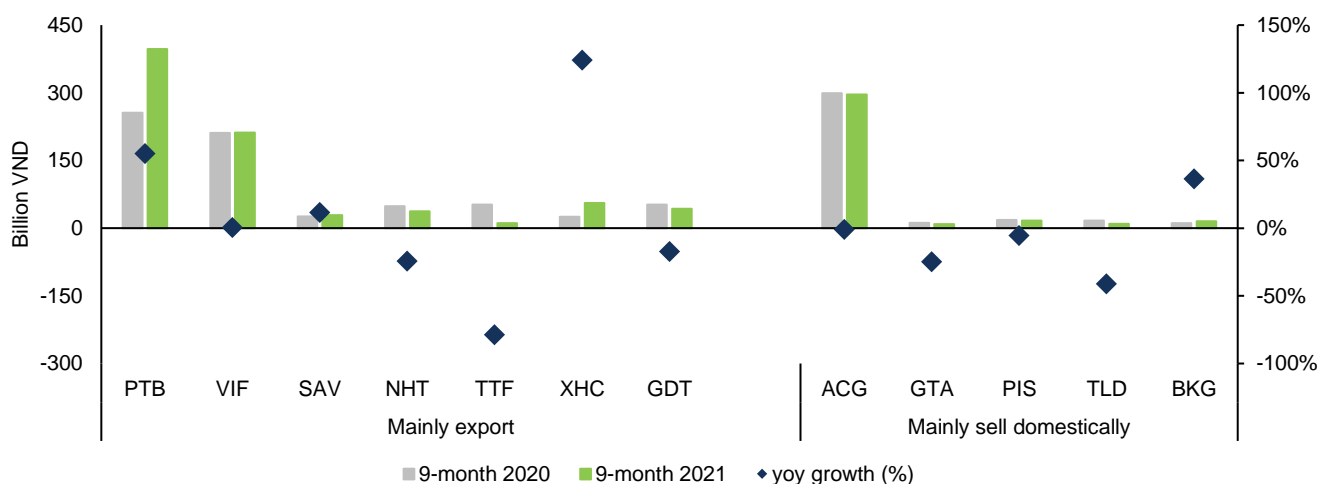


Source: Financial Statements of Vietnamese listed wood processing firms & FPT S Research.

Net income: At the end of the 9-month period of 2021, except for PTB, VIF and XHC; all the remaining Vietnamese listed wood processing firms witnessed a decrease in net profit. The main reason for this came from the rising cost of raw wood input materials from both domestic and import sources. Popular wood input such as rubber wood, MDF and Plywood rose 20.0%, 50.2% and 6.1% respectively in 2021. As a result, total

production cost of wood processing firms increased sharply and led to a decrease in net income. In addition, in light of the number and frequency of trade investigations with the US as the plaintiff against key products of Vietnam’s wood industry, a lot of Vietnamese wood processing companies had diversified and widen the range of their export markets in order to reduce the impact of US taxes in the near future. In return, the gross profit margins in markets like the EU or Asia are much lower than in the US.

Figure 8: 9-month net income of Vietnamese listed wood processing companies



Source: Financial Statements of Vietnamese listed wood processing firms & FPTs Research.

II. OUTLOOK 2022– Maintaining the growth momentum of export value thanks to expected recovery in residential construction value

1. 2022 W&WP export value forecast to reach USD 16.1 billion (+8.8% yoy)

For the year 2022, based on our projections regarding the Vietnamese’s W&WP export value to the five main markets namely the US, Japan, China, EU and Korea, we expected the whole year 2022 total export value of Vietnamese W&WP to be at USD 16.1 billion (+8.8% yoy).

Figure 9: Projected Vietnam’s 2022F W&WP export value by countries

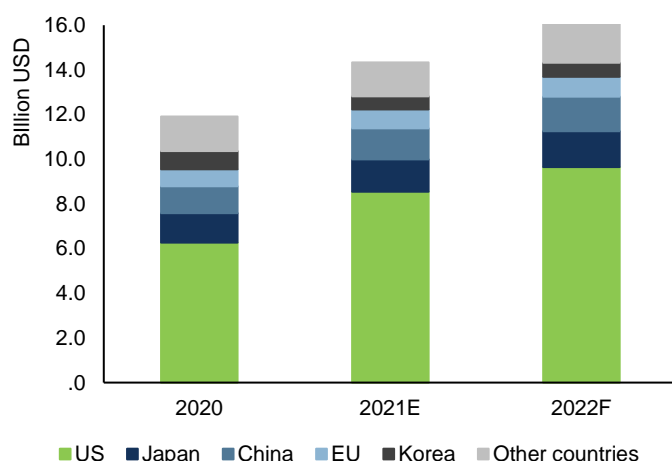
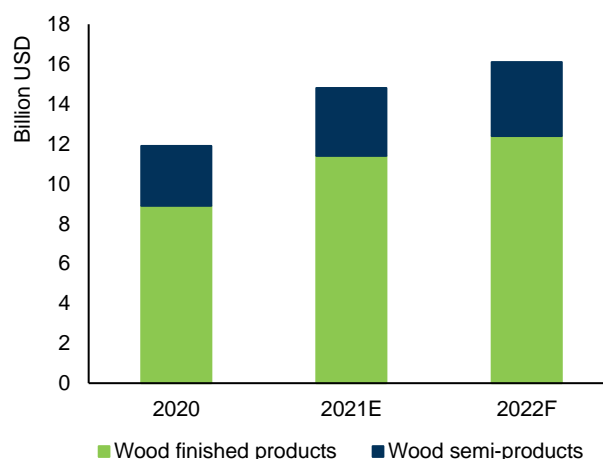


Figure 10: Projected Vietnam’s 2022F W&WP export value by products



Source: General Department of Customs & FPTs Research

Specifically, our assumptions and forecast export value for the group of five major markets are as below:

- ❖ **The US:** We expected that Vietnamese W&WP export value to the US will reach USD 9.7 billion (+14.1% yoy) with the proportions of finished wood products and semi-products being 94.1% and 5.9% respectively.

The projected value is based on two main assumptions. **(1)** Residential construction activity in the US is expected to grow positively 4.7% in 2022 due to the biggest housing shortage in this country since the beginning of the 21st century accompanied by expected low fixed rate mortgage in 2022. **(2)** The COVID-19 epidemic creates a habit of working from home and online shopping for furniture. In the period of 2021 - 2030, this is expected to increase the average furniture consumption value per year per capita in the US and reach 604.2 USD/person/year; equivalent to a CAGR of 1.2%/year.

- ❖ **Japan:** We expected that Vietnamese W&WP export value to Japan will reach USD 1.6 billion (+10.3% yoy) with the proportions of finished wood products and semi-products being 47.2% and 52.8% respectively.

The projected value is based on two main assumptions: **(1)** According to Nomura Research Institute, residential construction (the main consumer of wood products) in Japan will be worse in 2022 with the main reason coming from the decrease in population and number of households in Japan. The number of residential housing starts is expected to be in a decreasing trend from 770 thousand units in 2020 to 760 thousand in 2022. **(2)** The proportion of wood semi-products continues to decline, giving up its market share to the group of finished wood products during the year 2022. The number of woodworkers in Japan has been in a long-term downward trend since 1990, leading to an increase in the demand for imported finished wood furniture instead of wood semi-products.

- ❖ **China:** We expected that Vietnamese W&WP export value to Japan will reach USD 1.5 billion (+11.1% yoy) with the proportions of finished wood products and semi-products being 13.4% and 86.6% respectively.

The projected value is based on two main assumptions: **(1)** According to Oxford Economics, after the COVID-19 pandemic in 2020, China's construction industry witnessed the slowest growth rate in construction value since 1990 with just over 1%. In 2021 and expected 2022, the Government's efforts to stimulate the construction industry, especially infrastructure, will help recover the industry's growth in 2021 and last until 2022. **(2)** For residential construction, the expected growth driver will not come from the number of newly built houses but from the need to repair and restore old houses, especially a huge number of residential buildings which were built more than 20 years ago with low and poor construction standards. Growth according to Oxford Economics is forecast at 3.6% for the value of residential residential construction in China in 2022.

- ❖ **EU:** We expected that Vietnamese W&WP export value to Japan will reach USD 0.9 billion (+4.6% yoy) with the proportions of finished wood products and semi-products being 90.9% and 9.1% respectively.

In 2022, the EU economy is expected to recover and record positive growth in the context of reopening members' economies, the accelerated COVID-19 vaccination program and the increased stimulus fund. The EU's common policy is launched to support loose monetary policy. Under the impact of the COVID-19 epidemic, the increased demand for residential houses, especially medium and large-sized ones due to the trend of working from home and low mortgage rates, is expected to create an impetus for the growth of EU residential construction activities. In addition, the aging population and the increasing proportion of people who do not work in the EU also make demand for social houses increase sharply. Specifically, by 2030, this rate is expected to reach over 36% and according to Housing Europe, by 2030, it is necessary to restore and renovate more than 4 million housing units to meet housing demand of the region's society. We expect this to be the driving force for the continuous and positive growth in demand for wood products in general and furniture in particular during the period 2021 - 2030.

- ❖ **Korea:** We expected that Vietnamese W&WP export value to Japan will reach USD 0.6 billion (+10.5% yoy) with the proportions of finished wood products and semi-products being 34.8% and 65.2% respectively.

The projected value is based on two main assumptions: **(1)** Demand for wood products is expected to grow positively when household income and the number of one-person households are increasing sharply in Korea. According to Statistics Korea, from now to 2047, the number of households is expected

to grow by 0.4% per year and reach about 22.3 million households by the end of the period. In which, the proportion of one-person households increased sharply, reaching 37.3% with 8.3 million households in 2047 compared to nearly 30% in 2020. In addition, that the Korean Government's now requiring the rebuilding of apartment complexes which are over 30 years old starting from 2022 will increase the demand for wooden furniture, especially small and multi-purpose furniture. **(2)** For the group of wood semi-products (mainly pellets), the Korean Government is still prioritizing the development of bioenergy with the goal that by 2030, renewable energy will reach the proportion at 11% of total power supply from all sources. In which, biomass electricity is expected to account for 7.1%. Therefore, we expect the export value of semi-products to continue to maintain a growth rate from now to 2030 to be equal to the period 2010 - 2020 mainly thanks to the demand to import wood pellets to generate biomass power in Korea.

2. Prices of raw wood materials expected to keep rising in 2022

As wood materials account for a high proportion of the total production costs (27% for semi-product processing enterprises and 41% for finished-product processing enterprises), fluctuations in input wood prices have a direct negative impact on the profitability of firms existing in the industry. Risks for businesses in the industry come from (1) interruptions in the exploitation and transportation of domestic and imported raw wood materials due to unpredictable course of the COVID-19 epidemic; (2) weather changes and (3) the recovery of oil price which is expected to make raw wood materials' prices continue to be in an uptrend in 2022.

→ **Conclusion:** We expect Vietnam's W&WP export value to **GROW POSITIVELY** in 2022 thanks to potential projections for W&WP demand in the industry's key export markets, namely the US, China, Japan, and the EU. and Korea. Therefore, revenue of enterprises in the industry is expected to continue to grow strongly in 2022.

III. UPDATES ON LISTED WOOD PROCESSING COMPANIES

Ticker	Market capitalization at 01/06/2022	Estimated 2021 net revenue	Estimated 2021 net income	% Annual net income growth	Gross profit margin	Estimated 2021 ROE	Estimated 2021 trailing P/E
PTB	4,947b VND	6,591b VND	530b VND	39.6%	22.6%	23.3%	9.3x

PTB exports interior and exterior wooden furniture with FSC certification and has the largest capacity among listed companies in the same industry with a processing capacity of 64,400 m³/year.

Revenue and profit growth in 2021 came from two segments, namely wood processing and real estate with net revenue reaching VND 3,557 billion (+19.0% yoy) and VND 628 billion respectively. Profits before tax of these two segments is expected to reach VND 294 billion (+32.3% yoy) and VND 116 billion. On the contrary, due to the negative impact of the COVID-19 epidemic in the country, revenue from natural stone exploitation, Toyota car sales and repairing services is expected to decrease by 4.9%, 11.5% and 23.2% respectively as compared to 2020. Revenue and profits before tax of PTB are expected to complete 94.2% and 101.2% respectively of the company's 2021 plan.

2022 Outlook: PTB's wood segment is expected to maintain its growth momentum since the growth drivers in 2021 will continue to remain in 2022 for Vietnam's wood processing industry. The real estate segment continues to record revenue and profit in the first 6M of 2022 with the expectation that the auto sales and stone exploitation segments will recover thanks to the widespread vaccination to help the COVID-19 epidemic be better controlled.

SAV	441b VND	987b VND	46b VND	-3.7%	14.6%	14.5%	9.6x
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SAV manufactures FSC certified wooden furniture for export and has a processing capacity of 2,400 containers/year.

In 2021, SAV continued to record positive growth in export activities with a large number of orders allowing the business to choose to sign orders that bring high revenue and profit margin. However, that the COVID-

19 epidemic broke out in Q3/2021 in Ho Chi Minh City interrupted SAV's production and business activities as well as the on-time delivery of orders to the business' partners. In Q4/2021, SAV expects a recovery in production with revenue and profit before tax in 2021 estimated at VND 986.4 billion (+4.6% & 100.7% of 2021 plan) and VND 57.6 billion (- 0.4% yoy & 119.9% of 2021 plan)

2022 Outlook: SAV expects positive growth in furniture export revenue in 2022 based on the industry growth assumptions. At the same time, as SAV's reducing its dependence on the US market and increasing the proportion of exports to Europe, if the US imposes a trade tax on Vietnamese wooden furniture products, the negative impact on with SAV will be lessened thanks to market diversification.

GDT	1,096b VND	382b VND	70b VND	- 12.5%	30.9%	24.6%	15.7x
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GDT mainly produces kitchen furniture in order to export to Asian markets and the company isn't currently certified by FSC, so it extremely hard for GDT to export its products to the EU and North America. Processing capacity reaches nearly 10,000 m3 of finished wood products/year with 3 factories (2 in HCMC and 1 in Binh Duong)

In 2021, despite positive growth in the first 6M of 2021, similar to SAV, GDT was heavily affected in Q3/2021 by the COVID-19 epidemic at all 3 factories when production had to be suspended from July 15 to November 4. Although GDT is expected to quickly recover production to deliver late orders in Q4/2021, net revenue and net income are expected to reach VND 382.4 billion (-4.4% yoy & 83.1% of 2021 plan) and 70.0 billion VND (-12.5% yoy & 81.0% of 2021 plan) respectively.

2022 Outlook: In the context of slow growth in the demand for wood and wood products in the Asian market while the demand in North America and Europe increases rapidly, that GDT's products are certified by FSC is necessary for strong growth of the firm's revenue and profit. In addition, rubber prices is expected to continue to remain at a high level in 2022 from the expectation that a strong recovery in oil prices will increase the price of GDT's rubber wood inputs. This will create a challenge for GDT to maintain its current high gross profit margin in 2022.

FISHERIES INDUSTRY

EXPORT OUTPUT EXPECTS POSITIVE GROWTH



Review 2021

- In the first 6 months of 2021, Vietnam's seafood exports recovered thanks to recovering demand of foodservices (restaurants, hotels, etc) in the key export markets after a period heavily affected by COVID-19 pandemic.
- However, by the third quarter of 2021, the production of seafood firms were disrupted by the severe COVID-19 pandemic, the value of seafood exports in the third quarter of 2021 only reached 2.1 billion USD, dropping by 15% yoy, making the total seafood export value in 9M 2021 reach 7.1 billion USD, increasing by 2% yoy.
- In addition, due to the imbalance between supply and demand of goods globally, input materials and shipping costs increase strong, so, the profits of seafood enterprises have decreased.

Outlook 2022

- We expect Vietnam's seafood exports in 2022 to grow positively thanks to (1) Domestic firms's production gradually stabilizes as vaccination coverage rate gradually increases, (2) Demand in export markets continues to grow in line with the trend of economic recovery, and (3) Enterprises have accumulated more experience and more proactive in dealing with the COVID-19 pandemic.
- However, shipping costs are forecasted to remain high, due to the world's supply-demand imbalance continues, although new fleet supplies gradually improve. Therefore, transportation costs will still be a challenge for Vietnam seafood exporters in 2022.

LAM MAN NHI

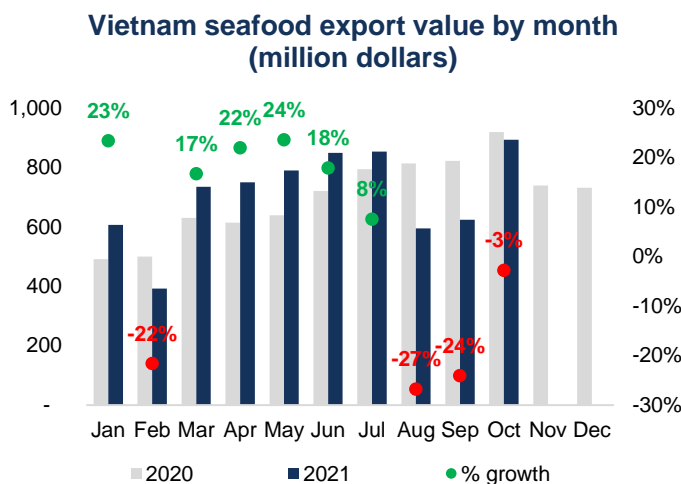
Email: nhilm@fpts.com.vn

Tel: 1900 4664 - Ext: 7584

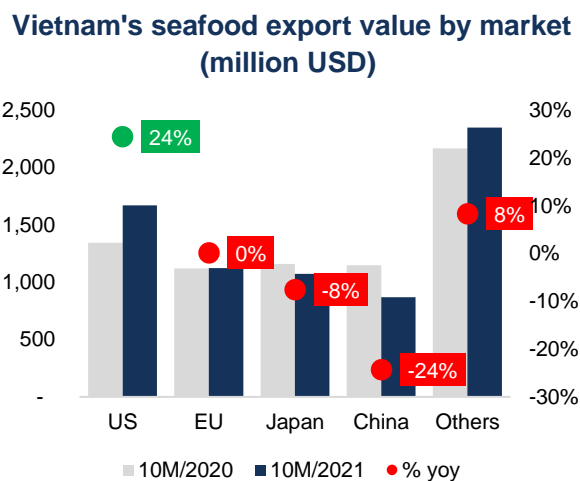
I. IN 2021: Recovery stalled in the third quarter

1. The pace of recovery affected by the 4th wave of COVID-19 pandemic

In early 2021, Vietnam's seafood exports are expected to recover positively as the COVID-19 pandemic situation is gradually under control. However, due to the emergence of new variants and the different speed of vaccination coverage among regions of the world, the results of disease control and the level of recovery between economies diverged. In addition, under the severe impact of the 4th wave of COVID-19 pandemic in the country, seafood export in Q3 2021 have many interruptions. Therefore, Vietnam's seafood export value in the first 10M of 2021 still recovered slowly with different growth rates of the key export markets.



Sources: Vietnam Association of Seafood Exporters and Producers (VASEP), FPTs Research



Sources: VASEP, FPTs Research

In the 10M 2021, Vietnam's seafood export value is about 7.1 billion USD, increasing by 2% yoy. The US is the only growth market among Vietnam's key seafood export markets, with US 1,672 million, increasing by 24% yoy. Meanwhile, the remaining export markets including the EU, Japan and China all recorded declines of 0.2% yoy, 8% yoy and 24% yoy, respectively. The main reason is the slow recovery of consumption and the interruption of production activities in Q3 2021, by the impact of the COVID-19 pandemic.

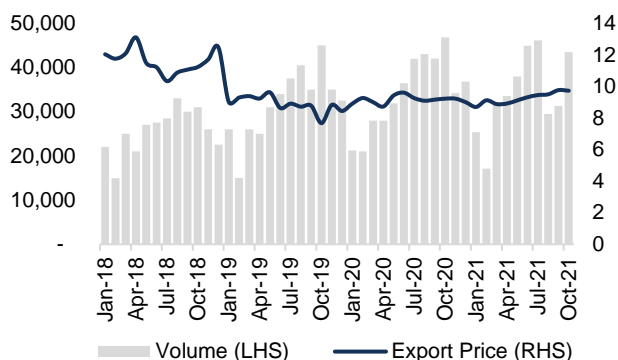
Vietnam's seafood export value in Q3 2021 only reached \$2.1 billion, dropping by 15% yoy, while normally this is the most exciting exporting period to serve for festivals at the end of the year. Since August, the Mekong Delta region, where most of the farming areas and seafood processing plants are concentrated, has faced the worst wave of diseases since the outbreak began in early 2020. The new daily cases in this area during the peak of the pandemic reached more than 10,000, causing a series of difficulties for the business activities of seafood firms:

- (1) The transport of materials and goods is interrupted by regulations on social distancing;
- (2) Many factories in high-risk areas have to close down or organize "3 on-site" model (which involves eating, sleeping, and working without leaving aims to keep production going while ensuring COVID-19 control and prevention measures are met), which causing many costs, shortage of production workers and capacity reduced to only about 30-40%.

Next, we update the export activities in 2021 of shrimp and pangasius - the two species accounting for the highest proportion of Vietnam's total seafood export value.

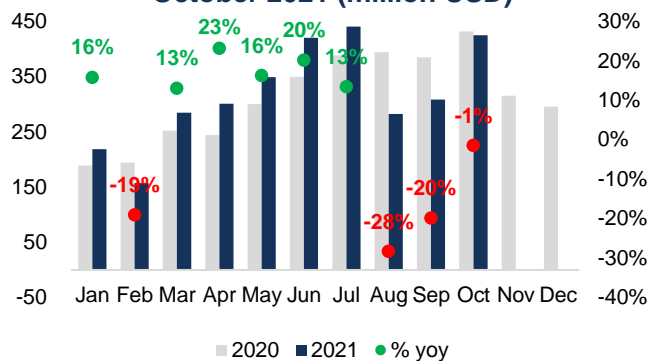
1.1. Shrimp segment: The export value to the US market has grown strongly

Output and export price of shrimp for the period 2018-10M/2021



Sources: VASEP, FPTs Research

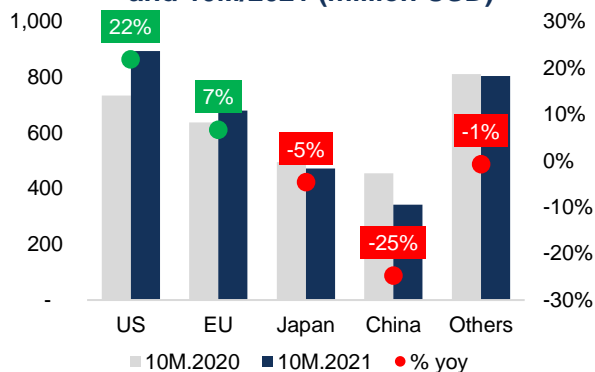
Shrimp export value in the period T1/2020-October 2021 (million USD)



Sources: VASEP, FPTs Research

In 10M/2021, Vietnam's total shrimp export output reached 341,090 tons, increasing by 0.2% yoy, equivalent to 3.2 billion USD, slightly increasing by 0.2% yoy, due to the impact of interrupted domestic production in August and September when the COVID-19 pandemic situation in the Mekong Delta region became complicated. While shrimp export output in the 7M/2021 grew by 14% yoy, reaching 237,000 tons. Besides, the export price of shrimp in 2021 tends to increase slightly, averaging 9.2 USD/kg, increasing by 4% yoy.

Shrimp export value to markets of 10M/2020 and 10M/2021 (million USD)



Sources: VASEP, FPTs Research

In 2021, Vietnam's shrimp exports to key markets have uneven growth. In particular, the US market recorded the highest growth.

US market (increasing by 22% yoy, 10M/2021): Demand recovered strongly thanks to the pandemic situation being gradually controlled

Accumulated 10M/2021, Vietnam's shrimp export value to the US market reached USD 893 million, increasing by 22% yoy. The main reason is due to (1) Positive recovery in demand and (2) The supply difficulties of competitors such as India and Indonesia due to the impact of the pandemic.

In early 2021, foodservice sales such as restaurants, hotels, food chains, etc. have been active again after the US increased vaccination rates. The pandemic is gradually under control. At the same time, sales in retail channels such as supermarkets, grocery stores and online delivery continued to grow. According to statistics of the US Census Bureau, as of October 2021, the total sales of foodservice and retail channels in the US reached 638 billion USD, increasing 16% yoy.

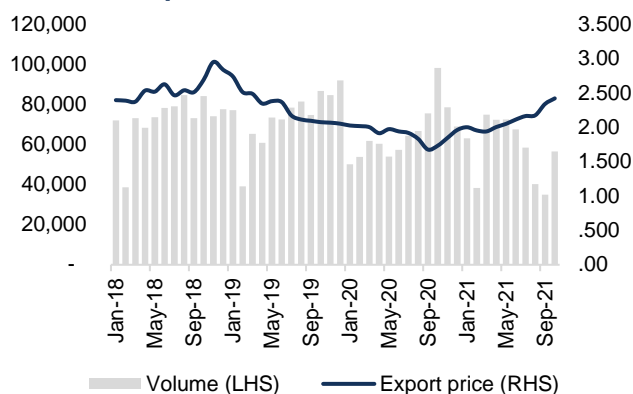
Besides, in 2021, due to the heavy impact of the COVID-19 pandemic, the shrimp supply of India and Indonesia (which accounts for about 60% of shrimp import market share in the US market) face a series of difficulties, creating a great opportunity to increase their market share for the remaining countries, mainly Ecuador and Vietnam.

EU market (increasing by 7% yoy, 10M/2021): Export remained stable thanks to the recovery of consumption

From the beginning of Q2 2021, food service stores in Europe have begun to reopen, while the shrimp stocks are at a low level because importers do not actively stockpile many goods. Meanwhile, the major shrimp suppliers for the EU market, India and Indonesia, are facing many difficulties in farming and labor due to the COVID-19 pandemic. With the advantage of being the country with the largest value-added processed shrimp export market share in the EU, Shrimp export value to the EU market in 10M.2021 reached USD 679 million, grew by 7% yoy.

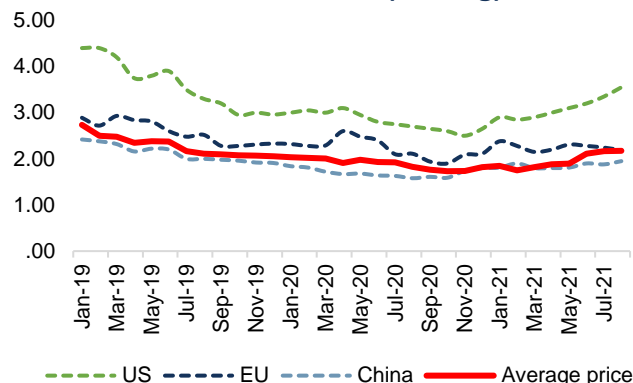
1.2. Pangasius segment: Export value to China's key market continues to decline

Output and export price of pangasius in the period 2018-10M/2021



Sources: VASEP, FPTs Research

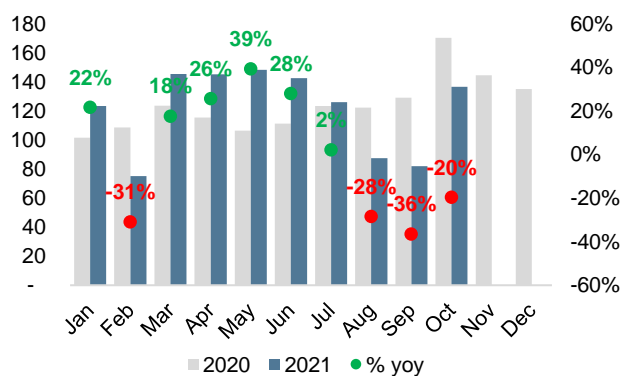
Pangasius export price in markets in the period of 2019-10M/2021 (USD/kg)



Sources: VASEP, FPTs Research

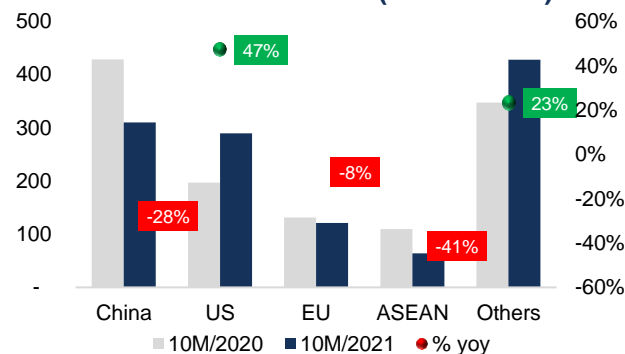
In 2021, Vietnam's pangasius exports will grow more slowly than expected, due to facing a series of difficulties from key export markets and the 4th severe wave of COVID-19 pandemic in the country. Accumulating 10M/2021, Vietnam's pangasius export output will reach 579,000 tons, -10% yoy. However, the average export price of Vietnamese pangasius has improved over the same period, reaching 2.1 USD/kg, increasing by 11% yoy. The mainly reason is the positive growth in consumption demand in the US market. Meanwhile, exports to the key market, China, dropped sharply. As a result, the export value of Vietnamese pangasius in 10M 2021 reached 1.2 billion USD, approximately the same period in 2020.

Pangasius export value in the period T1/2020-October 2021 (million USD)



Sources: VASEP, FPTs Research

Vietnam pangasius export value by market in 10M/2021 and 10M/2020 (million USD)



Sources: VASEP, FPTs Research

China market (-28% yoy, 10M/2021): Negatively affected by the COVID-19 pandemic and strict control policies on imported seafood

In 2021, Vietnam's pangasius exports to China face many difficulties due to the impact of strict seafood control measures imported into this country. China first applied measures to control seafood imported from a number of countries such as India, Vietnam, Indonesia, Ecuador, etc. in November 2020, after the country announced the discovery of the virus COVID-19 on imported seafood packaging. Since the application of this regulation, the export of Vietnamese pangasius appears difficult, including (1) Customs clearance procedures at China ports take a long time, resulting in higher costs than usual; (2) At the same time, China consumers' fear of using imported goods has also significantly affected the consumption of Vietnamese pangasius products.

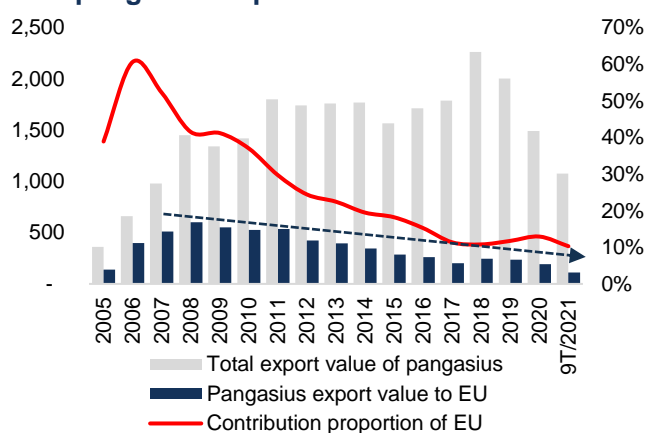
Consumption recovered slowly, making pangasius export prices to the Chinese market unable to increase sharply. As of September 2021, the export price of Vietnamese pangasius to China is about 1.95 USD/kg, increasing by 8% compared to the price at the beginning of the year, while the export value is only 310 million USD, dropping by 28% yoy.

US market (increasing by 47% yoy, 10M/2021): Output increased thanks to the recovery of demand for foodservice channel

The growth driver mainly comes from the strong increase in consumption demand in foodservice channels, and dining activities in restaurants, hotels, tourist areas, etc. When the US economy recovered after being heavily affected by the COVID-19 pandemic at the end of 2020. Thanks to the positive consumption situation, the selling price of pangasius exported to the US market also recovered. As of September 2021, the average selling price of pangasius exported to the US is about 3.6 USD/kg, up 34% compared to the price at the beginning of the year, the export value is 290 million USD, increasing by 47% yoy.

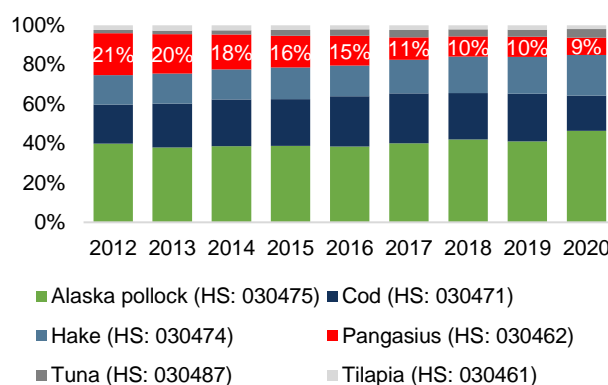
EU market (dropping by 8% yoy, 10M/2021): Decline due to intense competitive pressure with white fish species

Contribution from the EU market to Vietnam pangasius export value in 2007-9M/2021



Sources: VASEP, FPTs Research

Proportion of white fish species imported into the EU in the period 2012-2020



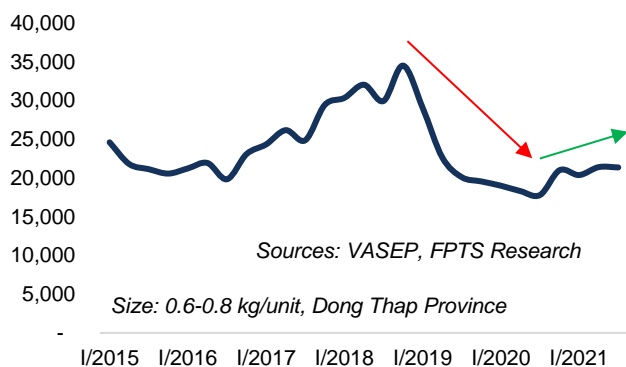
Sources: UN Comtrade, FPTs Research

Since 2010, the value of Vietnam's pangasius exports to the EU market has continued to decline, the contribution proportion in the total pangasius export value has decreased from 37% in 2010 to only 10% in 2020. The main reason is the great competitive pressure with alternative white fish species such as pollock (Alaska Pollock), cod fish, etc. Especially the fierce competition with pollock with selling price is equivalent to pangasius (2.5-3.5 USD/kg). Therefore, the export value of pangasius to the EU market continues to decline. Accumulated 10M.2021, the export value of Vietnamese pangasius to the EU market reached US 121 million, dropping by 8% yoy.

2. Profits are greatly pressured by increasing input material costs and transportation costs

The price of raw pangasius increased slightly and the price of raw shrimp remained stable

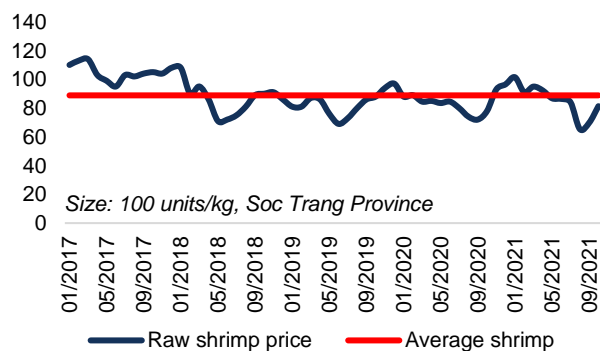
Price movements of raw pangasius (VND/kg)



Sources: VASEP, FPTs Research

Size: 0.6-0.8 kg/unit, Dong Thap Province

Price movements of raw shrimp (1.000 VND/kg)



Size: 100 units/kg, Soc Trang Province

Sources: Agromonitor, FPTs Research

In 9M 2021, the price of pangasius inputs tends to increase due to the demand recovery in export markets, averaging at VND 21,000, increasing by 15% yoy, equivalent to the cost of farming of households. So, farmers still have no profit, even losses because all kinds of costs tend to increase in 2021. During the period of social

distancing, due to restrictions on movement, farmers cannot harvest or transport fish from the farm to the factory, so it is forced for farmers to keep fish in ponds, fish to the litter without a buyer. The price of raw pangasius has been lower than the cost of farming since the end of 2019, which has led to many farming households switched to other forms of farming, the same situation occurs for pangasius breeding facilities. According to the statistics of the General Department of Fisheries, as of September 15, 2021, the farming area of pangasius reached 3,516 ha, dropping by 26% yoy.

For raw shrimp prices, in 9M/2021, the price of raw shrimp is still relatively stable compared to the same period last year, averaging at VND 85,000/kg, increasing by 4% yoy (for shrimp size 100/kg/kg).

However, in the 9M.2021, both shrimp and pangasius farming activities faced a sharp increase in feed prices. The main reason is that Vietnam is still unable to take the initiative in raw materials for domestic food production. Most of them have to import cornmeal, soybeans, etc. from countries like the US, Brazil, etc. Meanwhile, the supply decreased and shipping cost increased sharply, causing the price of food to increase.

Corn price movement in the US in the period 2015-December 2021 (USD/BU)



Sources: FPTs Research

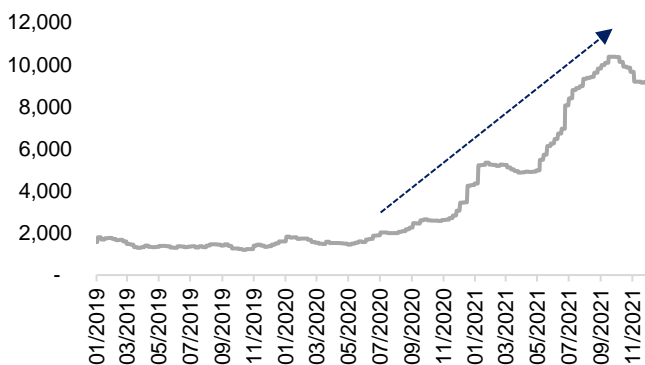
Soybean price movements in the US for the period 2015-December 2021 (USD/BU)



Sources: FPTs Research

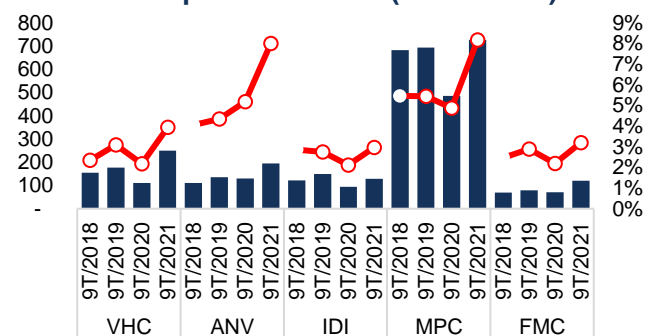
Shipping costs increased sharply due to the imbalance between supply and demand of goods globally

World Container Index (WCI)



Sources: Bloomberg, FPTs Research

Selling expense/net revenue ratio of some seafood enterprises 9M/2021 (VND billion)



Legend: Selling expenses (blue bars), Selling expenses to Sales Ratio (red line)

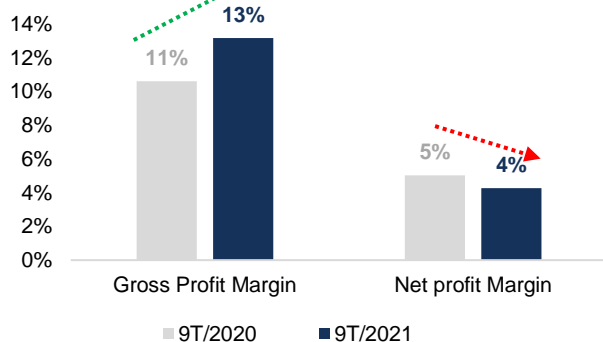
Sources: FPTs Research

Since the end of 2020, under the impact of the COVID-19 pandemic, the global supply and demand for goods have been imbalanced, leading to a shortage of containers, pushing up shipping costs. By the end of November 2021, the WCI index has increased by nearly 5 times compared to the time before the COVID-19 pandemic in early 2020.

Not only have the shipping costs increased, but businesses are also very difficult or unable to place containers for many shipments, leading to many orders being canceled, delayed delivery, late payment or unable to sign new orders. The situation of high transportation costs has caused Selling expense/Net Revenue Ratio of seafood enterprises to increase, putting great pressure on the profits of enterprises in the industry.

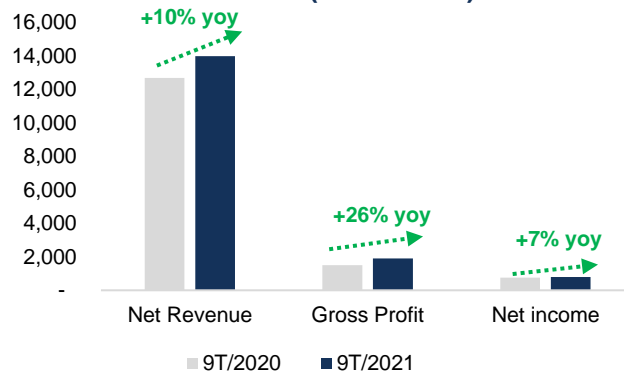
3. Update the business results of fisheries companies

9M/2021 business results of listed shrimp businesses (VND billion)



Sources: Data of MPC, FMC, CMX, FPTs Research

9M/2021 business results of listed pangasius businesses (VND billion)



Sources: Data of VHC, ANV, IDI, ACL, FPTs Research

For shrimp segment: Thanks to a strong recovery in the US market and increasing export prices, the gross profit margin of Vietnam's listed shrimp exports enterprises improved to 13% in 9M 2021 compared to 11% in the same period. However, due to the serious impact of transportation costs, the net profit margin of shrimp businesses decreased to 4%.

For pangasius segment: In 9M 2021, listed pangasius enterprises recorded positive business results thanks to the recovery demand in export markets, especially the US market. Besides, pangasius enterprises also have other businesses including by-products, animal feed, Collagen and Gelatin products extracted from pangasius skin, etc. It also recorded positive results compared to the same period in 2020. Net revenue 9M/2021, recorded a growth of 10% yoy. In addition, thanks to the improvement in export prices, the gross profit of pangasius enterprises increased by 26% compared to 2020. However, net profit margin only recorded a growth of 7% over the same period last year, due to pressure from input costs and increased transportation costs.

II. OUTLOOK 2022 – POSITIVE GROWTH

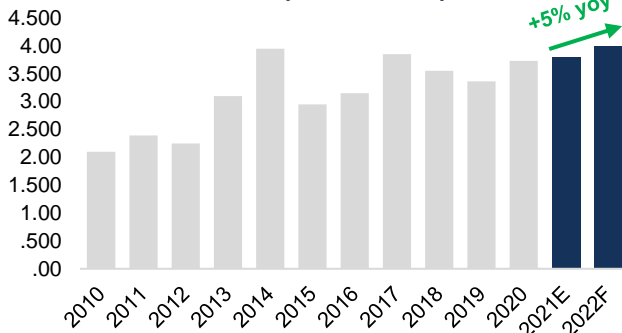
1. Consumption demand in export markets is expected to continue to grow

We found that the production of seafood processing enterprises has been relatively stable after the negative impact of the COVID-19 pandemic situation in Q3 2021. In early October 2021, production capacity began to gradually increase, thanks to the local removal of social distancing directives and the gradual increase in vaccination rates. At the same time, we assess that with the rapid increase in vaccination rates in localities, the level of impact of the disease on production activities of enterprises will gradually decrease. In addition, we believe that the experience of disease prevention in 2021, will be the basic foundation to help businesses adapt to the context of "new normal" and be more proactive in dealing with the pandemic.

Besides, in 2022, we assess that the recovery trend will continue to grow positively in the US market thanks to the trend of economic recovery after the impact of the COVID-19. Goldman Sachs forecasts that US GDP growth in 2022 will be about 4%, creating favorable conditions for consumption growth in foodservice channels such as food chains, restaurants, hotels, etc. Along with that, thanks to convenience, consumption trends in retail channels such as supermarkets, convenience stores or online delivery are also expected to continue to grow. Meanwhile, export activities to key markets of the EU, Japan and China have been evaluated more positively thanks to the gradually decreasing level of impact of the COVID-19 pandemic, although there are still individual difficulties in these markets.

For shrimp segment: Forecast export value of USD 4 billion, increasing 5% yoy in 2022

Forecast of Vietnam's shrimp export value in 2022 (billion USD)



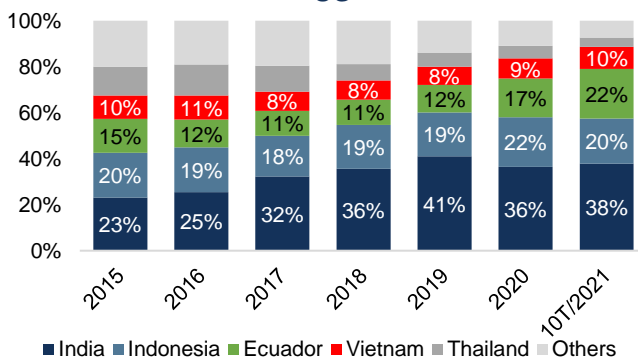
Sources: Robobank, FPTs Research

According to Robobank's forecast, because the shrimp supply of countries such as India, Indonesia, etc recovers, the selling price of shrimp in the export market is forecasted tends to decrease in 2022. Vietnam's shrimp export value is forecasted to reach about 4 billion USD, increasing 5% yoy.

Besides, according to the results of the latest anti-dumping tax administrative review in the US market, Vietnamese shrimp products are entitled to a tax rate of 0 USD/kg. Meanwhile, the biggest competitor of Vietnamese shrimp in the US market, India, has just received anti-dumping tax results for the 15th administrative review of 7.15%, double the previous results of 3.06%.

This will significantly affect India's shrimp exports to the US market, and also create conditions to increase the competitive advantages of the remaining countries, including Vietnam.

Structure of shrimp imports by market to the US

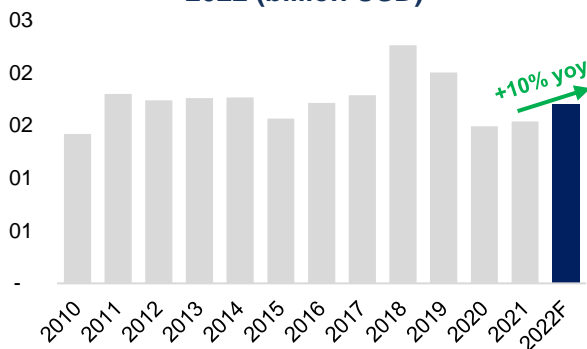


Sources: NOAA Fisheries, FPTs Research

However, Ecuador is gradually proving to be a notable competitor in the US market. With the advantage of competitive prices and a convenient location on the transportation route to the US, Ecuador has actively shifted its shrimp exports to the US market. Ecuador's shrimp export market share in 10M/2021 has increased to 22%, surpassing Indonesia to become the 2nd largest shrimp exporting country in the US market.

For pangasius segment: Forecast export value in 2022 will reach 1.7 billion USD, +10% yoy

Forecast of Vietnam pangasius export value in 2022 (billion USD)



Sources: FPTs Research and Forecast

According to the forecast at the Global Conference for Aquaculture Leaders (GOAL), global pangasius production is expected to increase by about 2.1% yoy. With a leading market share in pangasius farming, we expect Vietnam's pangasius production in 2022 to reach about 1.58 million tons, increasing by 5% yoy. Along with the strong recovery of the foodservice channel in export markets, we expect the export price of pangasius to increase by about 5% compared to the same period. Thus, the export value of Vietnamese pangasius in 2022 will reach about 1.7 billion USD, increasing by 10% yoy.

During the 17th preliminary review period (POR 17) for the period August 1, 2019 - July 31, 2020, VHC and Bien Dong Seafood Co., Ltd. continue to enjoy the anti-dumping tax rate of 0 USD/kg, while the remaining enterprises are subject to the tax rate of 2.39 USD/kg. Thus, the preliminary review results of this POR 17 period have not changed significantly compared to the latest official results.

Besides, pangasius export to the EU market in 2022 is expected to be more positive, thanks to the reduction of export tax according to the EVFTA agreement, especially for frozen pangasius fillet products (HS: 030462), accounting 86% in the structure of pangasius products exported to the EU, will decrease to 1.375% compared to 2.75% in 2021. This is to create opportunities to increase Vietnamese pangasius production and enhance competitive advantage over other white fish species in this market.

Statistics of preferential tax rates under the EVFTA Agreement for Vietnamese pangasius products

	Fresh or chilled pangasius (HS: 030272)	Frozen pangasius (HS: 030324)	Fresh or chilled fillets of pangasius (HS: 030432)	Frozen fillets of pangasius (HS: 030462)
01/08/2020-31/12/2020	4,500%	4,500%	5,500%	4,125%
01/01/2021-31/12/2021	4,000%	4,000%	4,500%	2,750%
01/01/2022-31/12/2022	2,000%	2,000%	2,250%	1,375%
After 01/01/2023	0,000%	0,000%	0,000%	0,000%

Sources: FPTs Research

2. Shipping costs continue to remain high

According to Drewry's report, the cost of shipping is forecasted to continue to increase in Q4 2021 and 2022, mainly due to having a large disparity in the recovery speed among regions after the pandemic, causing the imbalance between supply and demand for empty containers. Therefore, transportation costs will still be one of the challenges for the profitability of seafood enterprises in 2022.

Conclusion: We expect Vietnam's seafood exports to grow **POSITIVE** in 2022, thanks to the following factors:

- (1) Production of domestic enterprises recovered thanks to the rapid increase in vaccination rate. In addition, we believe that the experience of dealing with the COVID-19 pandemic in 2021 will be the basic foundation for businesses to be proactive and flexibly adapt to the context "new normal".
- (2) Consumption demand in the food service channel recovered and the retail channel continued to grow in export markets.

III. UPDATES ON LISTED FISHERIES COMPANIES

Ticker	Market cap 06, Jan 2022 (billion VND)	Net revenue 9M2021 (billion VND)	Net income 9M2021 (billion VND)	Net income growth	Net profit margin	ROE (LTM)	P/E
VHC	12,190	6,361	647	+17% yoy	10.2%	13.6%	15.2x

Vinh Hoan Joint Stock Company is the largest pangasius export market share in Vietnam (16%, 2020). In addition to export pangasius products contributing mainly to VHC's revenue (66%, 9M 2021), VHC also recorded revenue from by-products in the processing of pangasius such as fishmeal, fish fat and high value added products Collagen and Gelatin extracted from catfish skin.

Regarding the export market, the US is the traditional and largest export market of VHC (40%, in 2020). Therefore, in 9M 2021, thanks to the inherent competitive advantage when anti-dumping tax is almost zero USD/kg and the consumption demand of the US market grows positively, VHC's business result is positive than compared to businesses in the pangasius segment.

We expect that VHC's pangasius exports to the US market will continue to grow in 2022 when consumer demand in food channels such as restaurants, hotels, etc. is optimistic, thanks to the good control the COVID-19 pandemic.

Besides, investment expansion in the following years and development orientation to the F&B sector are the continuing growth drivers for VHC. In particular:

- (1) The project to build a feed factory with a capacity of 350,000 tons of finished products, is expected to come into operation in mid-2022. With the plan, 70% of output will serve VHC's farming areas. And the rest is sold to the outside, which will help VHC increase the self-control of input materials and limit fluctuations in the market price

(2) VHC also implements the project of planting and trading fruit products on an area of 5ha next to its subsidiary Vinh Phuoc. In 2022, VHC will gradually invest in the stages of land improvement, tree planting, etc and is expected to start commercial operation in 2023.

(3) VHC is planning a high-tech complex project for fisheries and agricultural products. The complex will address the main challenge in the agricultural sector, which is not large enough to mechanize, apply organic, sustainable and consistent quality standards. Up to now, the project has not been carried out, we will continue to update when more details are available in the update reports on VHC.

FMC	3,466	3,755	162	+0% yoy	4.3%	14.6%	15.5x
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Sao Ta Food Joint Stock Company is a shrimp exporter, accounting for about 5% of Vietnam's shrimp export market share after MPC, Soc Trang Seafood Joint Stock Company (Stapimex) and Ca Mau Seafood Processing and Services Joint Stock Company (Cases).

Regarding FMC's export market, we highly appreciate FMC's efforts in maintaining a balanced share in three main export markets, including the EU, Japan and the US with the ratio of 29%, 27% and 26% respectively, 2020. In 9M/2021, FMC recorded net revenue of VND 3,755 billion, increasing by 17% yoy, significantly higher than the growth rate of Vietnam's shrimp segment with only about 2% over the same period.

In 2022, the project of Sao Ta and Tam An processing plants with a total capacity of 20,000 tons of products will come into operation, which will increase the total capacity to 50,000 tons of finished products. The increased capacity in 2022 will create favorable conditions for FMC to capture the market demand that is expected to continue to grow positively.

In addition, in 2022, FMC strives to increase the shrimp farming area by about 100 hectares and aims to reach 450-500 hectares by 2025, corresponding to an autonomy rate of about 50%. This will be a condition for the company to actively control production costs, limit dependence on outsiders and will be a strong motivation for FMC to increase gross profit margin in the context of fierce competition for shrimp raw materials among export processing enterprises.

In October 2021, C.P Vietnam Joint Stock Company - a leading agricultural company in Vietnam, owned by Thai CP Group, became a strategic shareholder of FMC through the acquisition of 5.4 million shares from the current major shareholder, PAN Group. CP will continue to buy 6.5 million shares from the private placement. Thus, up to now, the total ownership rate of C.P Vietnam in FMC is 24.9%. With the participation of C.P, we believe that FMC's value chain will be significantly supported from aqua feed, shrimp seed, farming technology, production to the output market.

ANV	4,677	2,436	74	-36% yoy	3.0%	6.7%	29.3x
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Nam Viet Joint Stock Company is a pangasius exporter with 100% autonomy in input materials. About 70% of revenue contributed from the export of frozen pangasius, ANV also recorded revenue from selling animal feed, by-products, raw pangasius and solar power. ANV's main export markets are China and ASEAN (mainly Thailand), with 29% and 27% of total export revenue, respectively, in 2020.

In 9M/2021, ANV's business results were negatively impacted by the severe COVID-19 in Southeast Asia, along with the strict policy of controlling imported seafood in China key market has made it difficult for pangasius exports to this market. ANV's net revenue in 9M/2021 recorded VND 2,436 billion, dropping by 3% yoy. However, ANV's net income decreased by 36% yoy, mainly due to high transportation costs and interest expenses. As of Q3 2021, ANV's short-term debt value is up to VND 1,950 billion, increasing to 43% yoy.

The project of Binh Phu pangasius farming area with 600 hectares, including 450 hectares of commercial pangasius farming and 150 hectares of stock has been started construction since 2018. By the end of Q3 2021, the value of construction in progress of the project was about VND 729 billion.

In addition, ANV is currently implementing a project to produce Collagen and Gelatin to take advantage of the company's abundant pangasius skin. The capacity of the factory is 800 tons of products, of which 50:50 for Collagen and Gelatin products with more than 130 billion VND. The project is expected to come into operation in 2022, expected to contribute 5-10% to the company's revenue.



INSURANCE INDUSTRY

ECONOMIC RECOVERY SUPPORTS GROWTH MOMENTUM

REVIEW 2021

- Vietnam Insurance industry maintains a growth rate of +16.0% yoy in 10M2021. The bright spot is still life insurance sector with a growth rate of +21.8% yoy, thanks to strong growth in demand for investment-linked insurance. The non-life insurance sector only reached +3.2% yoy due to slowing economy. Gross loss ratio of Vietnam Insurance industry increased slightly due to the impact of the 4th disease outbreak.
- 9M2021, total investment value of the insurance industry increased sharply (+23.4% yoy) and shifted to assets with higher profitability when deposit interest rates remained low in 2021.
- Growth in insurance premiums and profit of listed companies increased sharply in line with general trend of the industry. Combined ratio of listed non-life insurers decreased year-on-year, indicating better performance.

OUTLOOK 2022

- The expected economic recovery supports growth momentum of Vietnam Insurance industry. We expect total insurance premiums to grow +18.2% yoy in 2022. In which, life insurance premiums increase +21.0% yoy thanks to recovery of per capita income, non-life insurance premiums are expected to be +11.0% yoy due to its high sensitivity to economic growth.
- Deposit interest rates are expected to increase from a low base in 2021, supporting investment profits of insurance companies.
- Some legal documents have been amended and supplemented, expected to support the insurance industry from 2022.

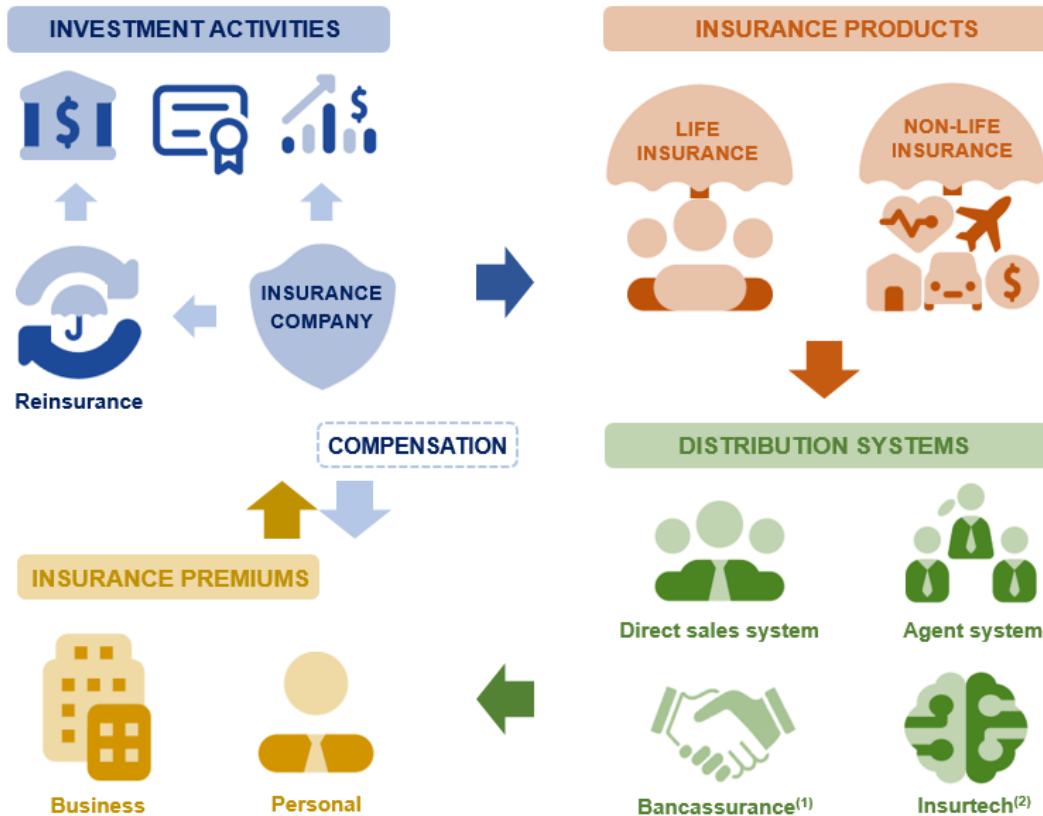
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I. INSURANCE INDUSTRY 2021 – Growth slowed down due to the 4th disease outbreak

VIETNAM INSURANCE INDUSTRY VALUE CHAINS



(1) Bancassurance is a partnership between a bank and an insurance company to provide insurance products or insurance benefits to the bank's customers.

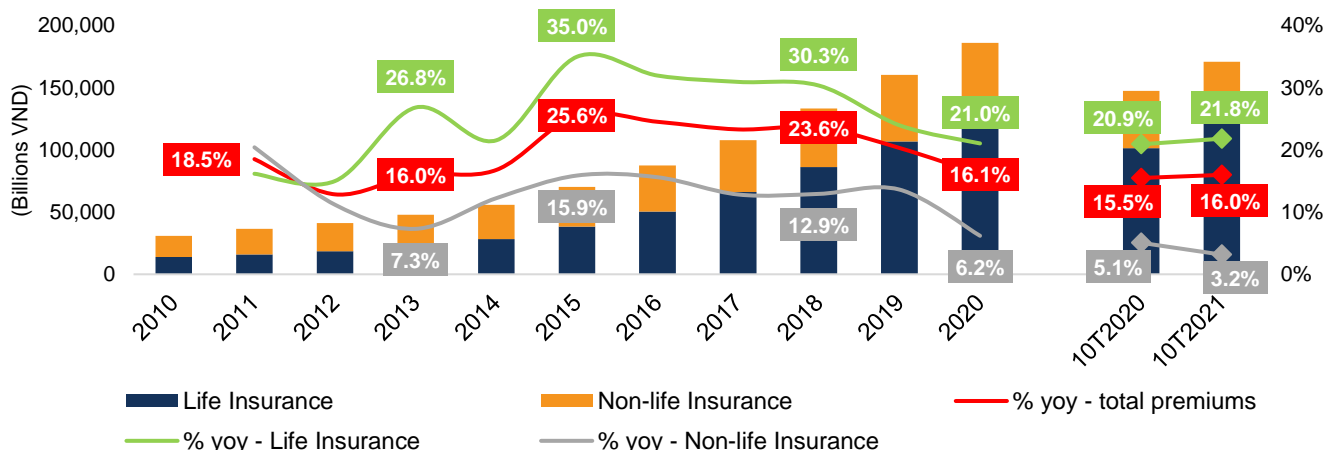
(2) Insurtech is a combination of Insurance and Technology, applying new technology to the operations of insurance companies in order to save costs or streamline processes, improve operations for insurance companies.

1. Vietnam insurance industry maintains a positive growth rate in 10M2021

Total Vietnam insurance premiums in 10M2021 reached VND 170,837 billion, +16.0% yoy. In 2020 - 2021, the growth rate of insurance premiums slowed down due to the impact of the COVID-19 pandemic. In 10M2021, growth rate of life insurance sector improved significantly compared to the same period last year thanks to a strong increase in new premiums. The non-life insurance sector is strongly affected by economic slowdown. Growth rate decreased to only 3.2% yoy due to negative impact of the epidemic on socio-economic activities in key economic regions such as Hanoi, Ho Chi Minh City, Binh Phuoc, Dong Nai, etc.

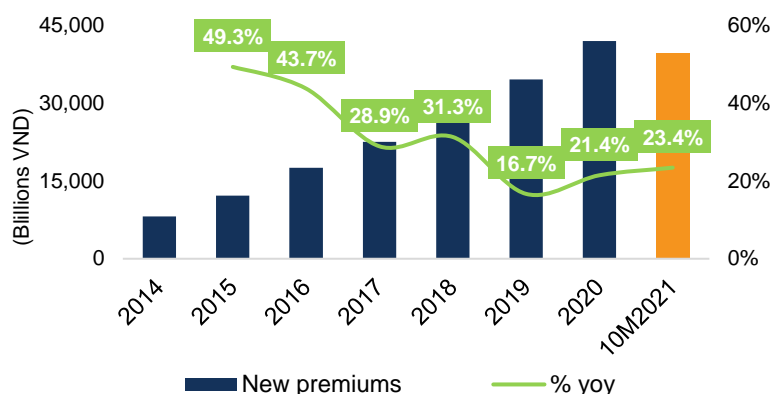
Insurance premium growth in 10M2021

Sources: Department of the Insurance Supervisory Authority (ISA), FPTs Research



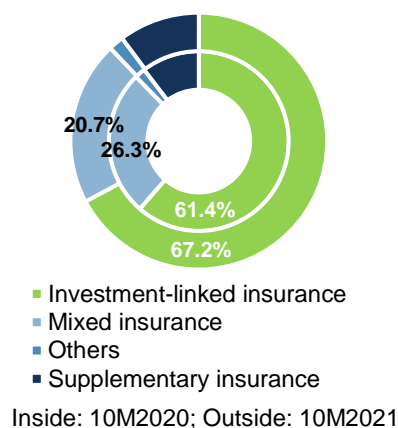
Life insurance sector – Investment-linked insurance demands drive growth

New life insurance premiums in 10M2021



Sources: ISA, IAV, FPTs Research

Life insurance premium structure by segments 10M2021/10M2020

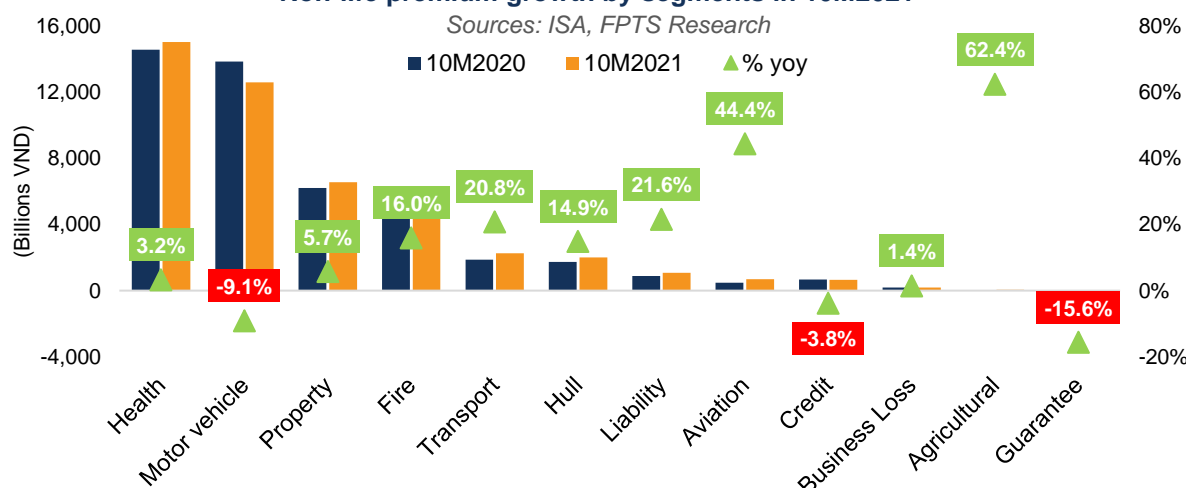


Accumulated 10M2021, life insurance premiums reached VND 123,592 billion, +21.8% yoy, accounting for 72.3% of total insurance premiums of the whole industry. New insurance premiums reached VND 39,576 billion, +23.4% yoy, significantly higher than 2020. Life insurance sector still maintained a high growth rate of over 20% per year, but compared to average, this number has slowed down in the past 2 years due to impact of pandemic. Social distancing and limiting contact during pandemic make operation of traditional insurance agents more difficult. This has promoted non-traditional sales channels growing faster such as Bancassurance, Insurtech, etc.

Investment-linked insurance demand increased the most in 10M2021. In a low-interest rate environment, investment-linked insurance is a popular product due to its superior design that both protects against risk and provides profitable benefits. In 10M2021, new premiums from that products increased sharply, +35.4% yoy, the proportion increased significantly from 61.4% to 67.2% of total life insurance premiums.

Non-life insurance sector – Deceleration due to negative impact of pandemic on the economy

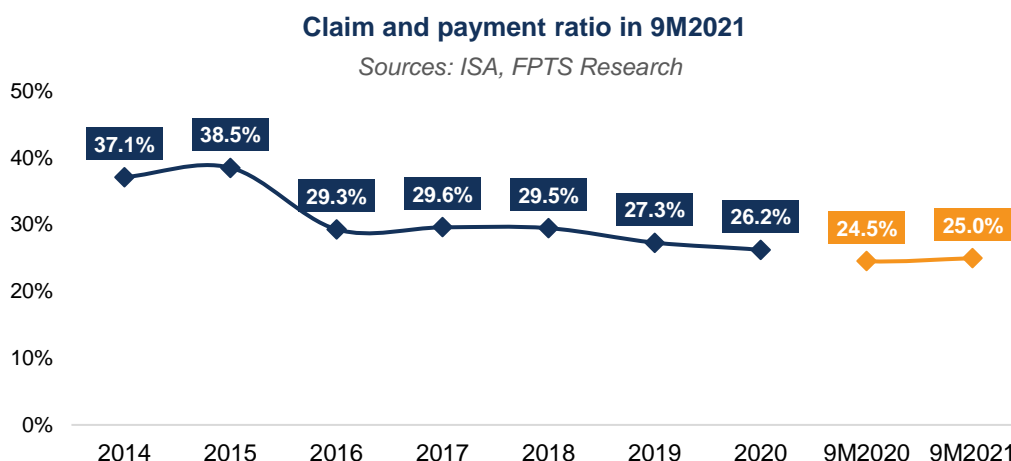
Non-life premium growth by segments in 10M2021



In 10M2021, non-life insurance premiums reached VND 47,245 billion, +3.2% yoy, accounting for 27.7% of total premiums. In 2021, prolonged effects of COVID-19 pandemic and the 4th disease outbreak, causing Vietnam economy to face many difficulties, 9M2021 GDP growth decelerated to 1.4% (lower than 2.9% in 2020). In Q3.2021, epidemic broke out in key economic areas and large industrial zones across the country, causing closures and travel restrictions prolonged. The retail insurance sub-sectors with a high proportion of revenue was severely affected: health insurance increased only slightly (+3.2% yoy), motor vehicle insurance dropped sharply (-9.1% yoy). Wholesale insurance sub-sectors such as property, fire, transport, and hull maintained good growth rates, helping non-life premiums to grow +3.2% yoy.

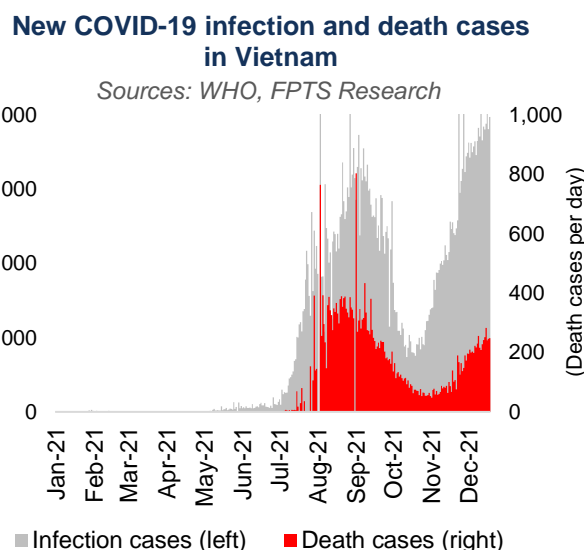
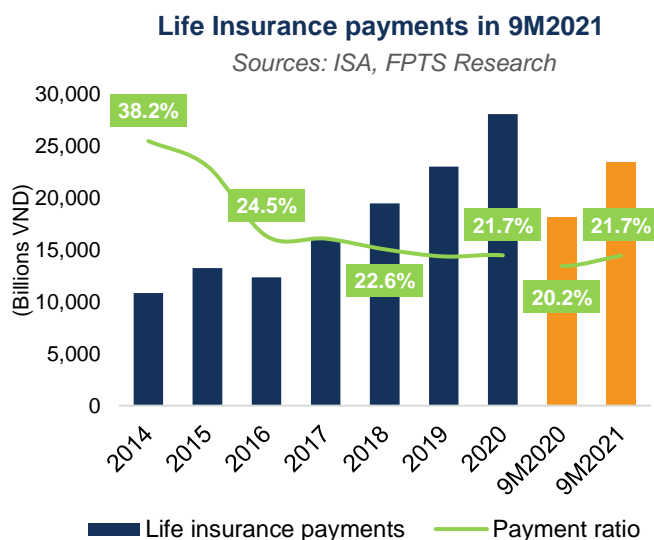
2. Gross loss ratio increased slightly due to impact of the 4th COVID-19 outbreak

9M2021, total insurance compensation and payments of whole industry reached VND 37,977 billion, +18.2% yoy. Gross loss ratio to premium revenue in 9M2021 reached 25%, a slight increase from 24.5% in 2020. The 4th outbreak of COVID-19 in 2021 greatly affected level of life insurance compensation and payout due to high infection and death rates. While non-life insurance sector has ruled out negative impact caused by this epidemic.



Life insurance payments increased sharply due to high number of COVID-19 infection and death cases

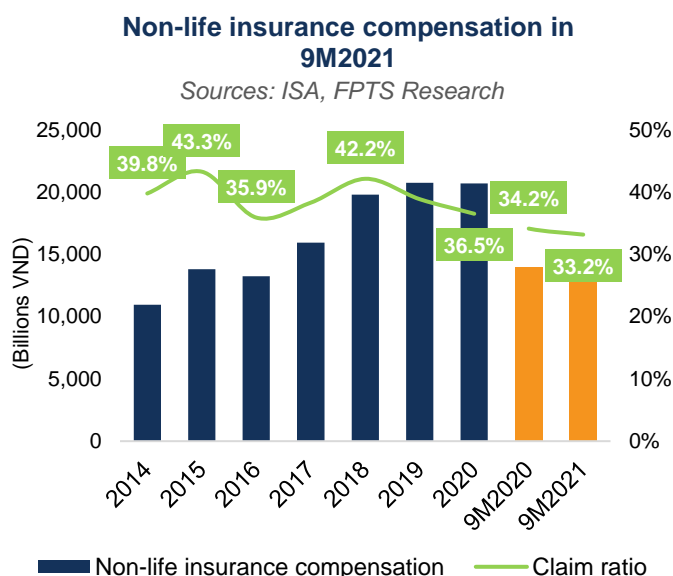
Life insurance payments in 9M2021 reached VND 23,409 billion, +29.1% yoy. Claim and payment ratio in 9M2021 reached 21.7%, higher than the same period in 2020 at 20.2%. Since outbreak of COVID-19 pandemic in early 2020, fourth wave of epidemics is the most complicated outbreak with spread of dangerous new variants of Sars-Cov-2 virus. Number of new infections and deaths per day in Vietnam has skyrocketed since beginning of Q3.2021. As of Dec 18, 2021, total number of COVID-19 infections in Vietnam reached 1,524,368 cases, number of deaths due to COVID-19 increased to 29,351 cases, the mortality rate at ~2% is relatively high compared to the region.



With average life insurance premiums per capita in Vietnam reaching 56 USD/person, this is a remarkable insurance event in recent years. For most life insurance products on the market today, coverage exclusion does not apply to the COVID-19 pandemic, including healthcare products. Therefore, death benefits or medical care expenses incurred when customers have to be treated due to an illness or infection with Sars-Cov-2 virus are guaranteed to be covered by insurance companies. This causes significant losses for life insurers in 2021. However, due to high premium growth (+20.2% yoy), ratio of claims and payouts on premium revenue only increased slightly over the same period.

Non-life insurance claim ratio decreased thanks to application of epidemic exclusion clause

Total non-life insurance claims in 9M2021 reached VND 14,568 billion, +4.1% yoy. Insurance claim ratio reached 33.2%, down from 34.2% in the same period in 2020.

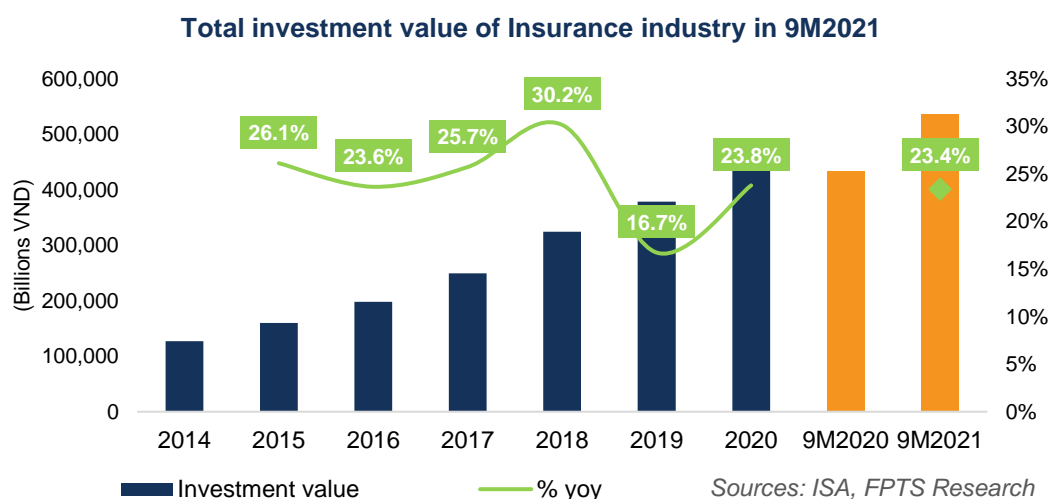


Experiencing 2020 with many socio-economic fluctuations, domestic enterprises have taken measures to adapt to epidemic situation. Closures and travel restrictions in major cities have also led to a marked reduction in medical examination and treatment activities and traffic accidents. Compensation rates for retail sub-sectors such as health and motor vehicle insurance dropped sharply over the same period.

In addition, non-life insurers have applied provisions that exclude impact of diseases, cybersecurity risks as well as other effects of COVID-19 epidemic such as business interruption risks, supply chain disruptions, etc. That makes risk of disease outbreaks well controlled, reducing losses for non-life insurers.

3. Investment value increased sharply and shifted to assets with higher profitability

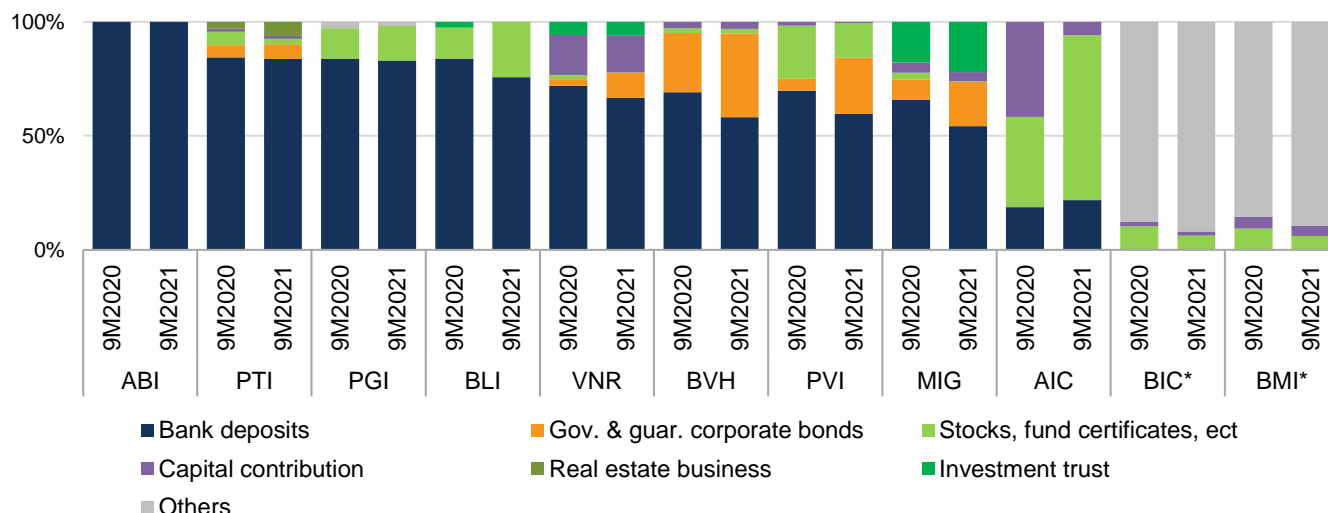
Total investment value of insurance industry increased sharply in 9M2021. As of Sep 30, 2021, total investment value of insurance companies reached VND 535,867 billion, +23.4% yoy. In which, life insurers have invested VND 481,695 billion back into economy, accounting for ~90% of investment value of the whole industry. Investment value of non-life insurers reached VND 54,172 billion, accounting for ~10%.



Insurance companies reduce proportion of bank deposits due to low interest rates. The investment portfolio of insurance companies still focuses mainly on low-risk assets such as bank deposits, government bonds, etc. However, in 2021, investment cash flow of insurers tends to partially shift to a group of assets with higher profitability because deposit interest rates are at the lowest level in recent years. The lowest interest rate was recorded in September 2021, at 3.3 - 3.5% per year for deposits with term from 01-month to less than 06-month; 4.1 - 5.7% per year for deposits with term from 06-month to 12-month and 5.4 - 6.9% for terms over 12-month. Therefore, most insurance companies have reduced the proportion of deposits in the 9M2021 portfolio.

Investment portfolio structure of listed insurance companies

Sources: Financial statements of listed companies, FPTs Research

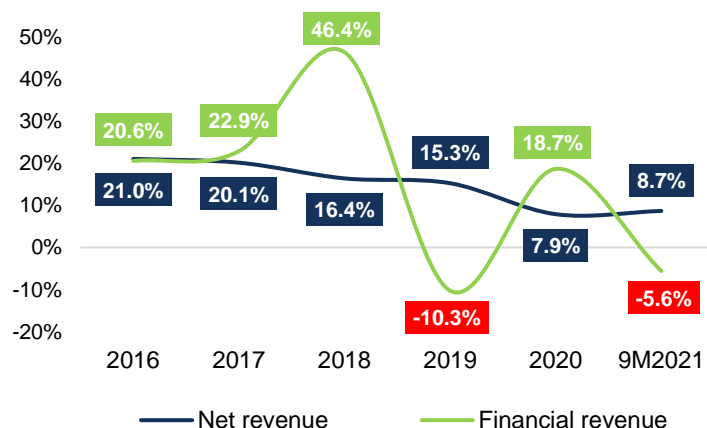


*BIC and BMI have other investments which are held-to-maturity investments (mainly in bank deposits, Government bonds, guaranteed corporate bonds), which are not disclosed in detail in financial statements Q3.2021.

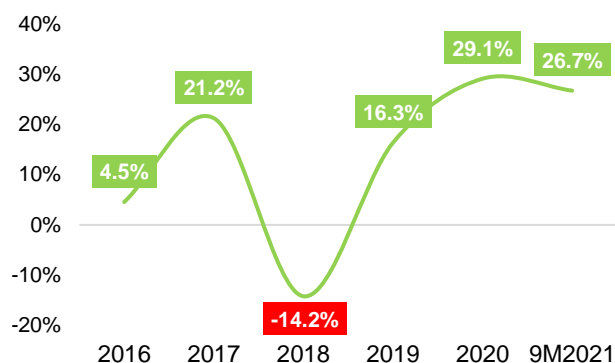
It can be seen that most of listed insurance companies have shifted their portfolio structure to assets with higher profitability such as government bonds and guaranteed corporate bonds. Some other enterprises increased proportion of trading securities such as stocks, fund certificates, or investment trusts to take advantage of growth of stock market in recent times. However, the largest proportion in investment portfolio is still deposits and bonds because these are low-risk assets suitable to business characteristics of the insurance industry.

4. Update business results of insurance companies in 9M2021

Revenue growth of listed insurance companies*



Net income growth of listed insurance companies*



Source: Financial statements of listed insurance companies, FPTs Research

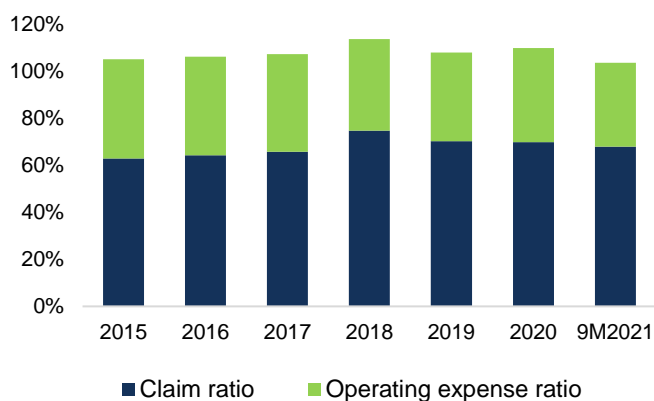
* Listed insurers include: BVH, PGI, PTI, BMI, MIG, BIC, BLI, ABI, AIC, VNR, PRE

Currently, Vietnam Insurance industry has 70 enterprises operating in the industry, of which: life insurance - 18 enterprises, non-life insurance - 32 enterprises, reinsurance - 02 enterprises and 18 insurance brokers. Listed companies currently only include one enterprise operating in both life and non-life insurance sectors, Bao Viet (BVH), the rest are non-life insurance and reinsurance businesses.

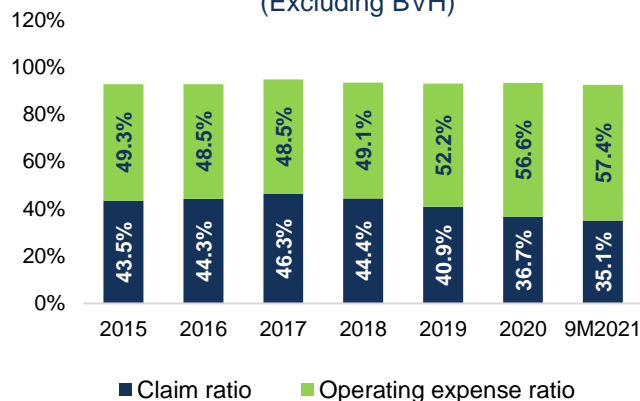
Net revenue from insurance business of listed companies also follows general trend of insurance industry. Net revenue growth has slowed down in the past 02 years due to impact of the pandemic. In 9M2021, net revenue growth rate of listed companies is recovering at 8.7% yoy due to economy recovery in the first half of

year. Financial revenue decreased slightly by 5.6% yoy due to low interest rates in 2021, while most of investment portfolios of businesses are bank deposits.

Combine ratio* of listed insurance companies



Combine ratio* of listed non-life insurance companies (Excluding BVH)



Source: Financial statements of listed insurance companies, FPT Research

*Combined ratio = Claim ratio + Insurance business operating expense ratio. This indicator evaluates level of profit/loss from insurance business activities of an enterprise, combined ratio of less than 100% shows that the insurance business is profitable.

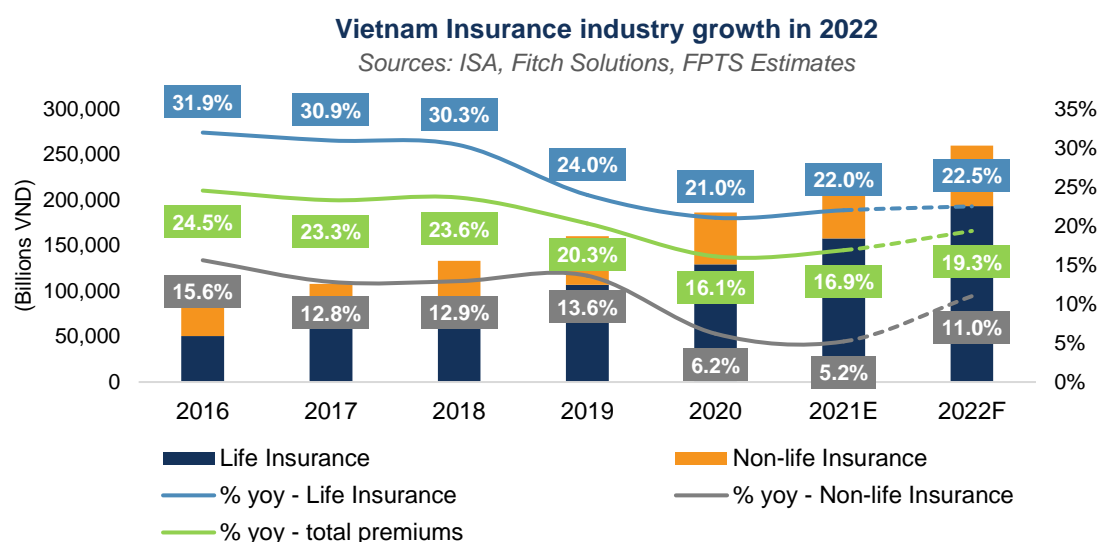
With good risk management, net income of listed companies grew strongly over the same period. Since BVH operates in both sectors, BVH's ratio of claims and payouts is much higher than that of non-life insurers. In 9M2021, claim ratio of listed non-life insurance group decreased to 35.1%, lower than 36.7% in 2020. Operating expense ratio increased slightly, at 57.4% (56.6% in 2020). The combined ratio is sum of two above indicators, reaching 92.5%, down from 93.4% in 2020, showing that insurance business of non-life insurers is more efficient than the same period.

II. OUTLOOK 2022 – Recovery of pre-epidemic growth rate

1. Premiums is forecasted to grow strongly when economy recovers

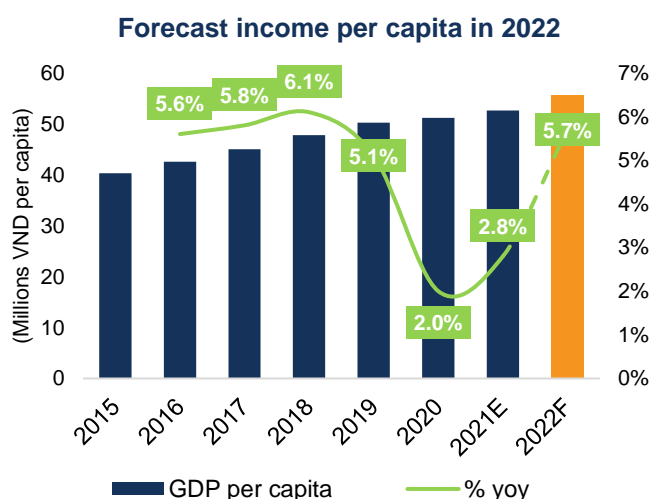
Growth expectations of Vietnam Insurance industry in 2022 are based on expectations of recovery in economic and per capita income growth, in the context that Vietnam enters phase of living with COVID-19 pandemic and vaccine coverage reached about 70% of population by the second quarter of 2022. According to the World Bank and IMF, Vietnam economic growth is forecasted to recover at 6.5 - 6.6%, the highest forecast compared to other countries in the Asia-Pacific region (Refer to Vietnam economic growth scenario in the book of “Beliefs”).

During two years of COVID-19 outbreak, Vietnam economy always maintained a positive growth rate due to Government's epidemic prevention and control efforts. In 2022, Vietnam actively expands vaccine coverage, continues to implement policy of living with the epidemic, economy is forecasted to be more positive than in period of 2020 - 2021. Disease outbreak is complicated with dangerous mutations, helping people improve their sense of health protection, thereby changing perception of need for insurance products. With a positive economic growth forecast in 2022, insurance industry is expected to recover at a growth rate close to the pre-epidemic period.



In 2022, total insurance premiums of the whole industry is forecasted to reach VND 259,399 billion, +19.3% yoy. In which, life insurance premiums is expected to reach VND 193,225 billion, growth rate of +22.5% yoy slightly increased compared to 2021. Non-life insurance sector is expected to reach VND 66,174 billion in premium revenue, +11.0% yoy, because it is more sensitive to economic growth than life insurance sector.

Life insurance sector accelerates thanks to recovery in income per capita growth



IMF forecasts a 5.7% increase in per capita income in 2022, with an increase in disposable income expected to support demand for savings and investment products. Accordingly, life insurance premiums in 2022 is expected to grow by 22.5% compared to 2021, reaching VND 193,225 billion.

Vietnam life insurance sector is considered an attractive market with high growth potential when the life insurance penetration rate is only 1.6%/GDP and premium per capita is USD 56. It is forecasted that the life insurance penetration rate in 2022 will increase to 1.7 - 1.8%. In addition, life insurers expect to successfully approach low-income customers by designing micro-insurance products.

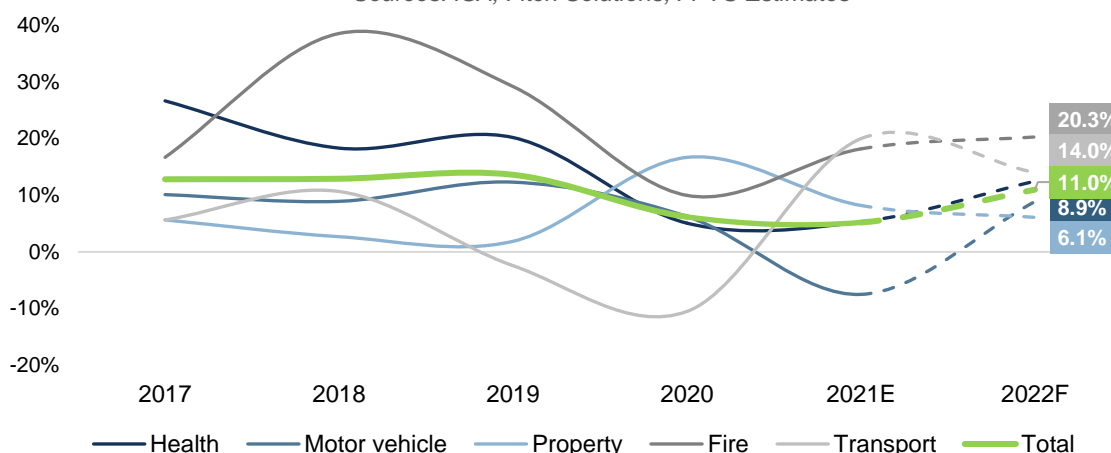
Sources: IMF – Update Oct 2021, FPTs Research

Non-life insurance sector grew rapidly due to its high sensitivity to economic growth

FPTS assesses growth rate of Vietnam non-life insurance sector positively in 2022, especially health insurance and fire insurance segments. Non-life insurance premiums is forecast to reach VND 66,174 billion, +11.0% over the same period.

Expected premium growth of non-life insurance by segments

Sources: ISA, Fitch Solutions, FPTS Estimates



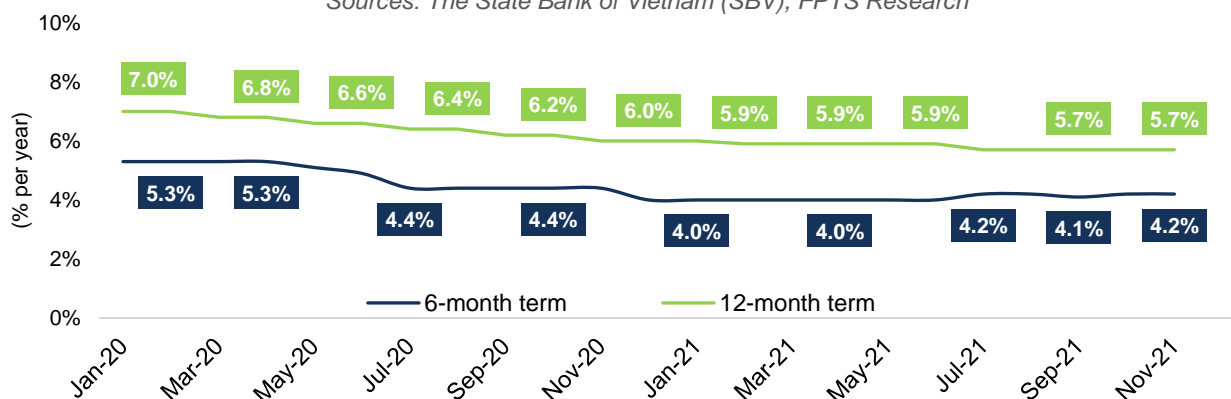
Most major segments are expected to continue to grow strongly thanks to benefiting from increase in demand when economy recovers. Health insurance is expected to lead growth, +12.5% yoy, thanks to a change in people's perception of importance of insurance after the pandemic. Increased travel demand and a recovery in car sales in 2022 are expected to help motor vehicle insurance demand recover, its growth rate to 8.9% yoy. Fire, explosion insurance is forecasted to continue to increase strongly, +20.3% yoy, thanks to support of Decree 97/2021/ND-CP amending and supplementing regulations on compulsory fire, explosion insurance, which is effective from Dec 23, 2021. Along with that, non-life insurers are actively raising capital, improving financial capacity, and innovating in management and technology, which also supports growth in 2022.

2. Deposit interest rates are expected to increase, supporting profits from investment activities

Deposit interest rates in most terms in 2021 are at the lowest level in recent years. With short terms, deposit interest rates are showing signs of inching up in the last months of 2021 as banks increase capital mobilization to meet economy's high demand for loans at the end of the year.

Average deposit interest rate of domestic commercial banks

Sources: The State Bank of Vietnam (SBV), FPTS Research



In 2022, deposit interest rate is forecasted to be difficult to maintain at a low level due to increased demand for capital mobilization thanks to increased credit and high inflationary pressure. Bank's increase in deposit interest rates is expected to make this deposit channel more attractive in the context that interest rates have remained low for a long time. Accordingly, the 12-month deposit interest rate at commercial banks is expected to increase to 5.9% - 6.1% per year in 2022, but still lower than 6.8% per year in pre-epidemic period.

Investment portfolios of insurance companies are mostly bank deposits and bonds. The bank deposit interest rate is expected to increase in 2022, which will help insurance businesses increase financial profit compared to 2021.

3. Amending some legal documents is expected to support insurance industry growth from 2022

Table 1 – Summary of changes in some legal documents supporting insurance industry from 2022

Legal document	Effective date	Old contents	Amendment contents
Market access conditions for foreign investors, guiding the implementation of Decree 31/2021/ND-CP	29/08/2021	Maximum foreign ownership ratio in an insurance enterprise is 49%	No restriction on the percentage of foreign investors' ownership in insurance enterprises
Decree 97/2021/ND-CP amending and supplementing Decree 23/2018/ND-CP regulating compulsory fire and explosion insurance	23/12/2021	- Old premium rates: Cinema: 0.15% Establishments producing, trading, preserving and using industrial explosives: 0.35% Thermal power plants: 0.1% Hydropower plants and other power plants: 0.07% Explosive production, storage and use tunnels: 0.4% Railway station: 0.1% Combustible goods and materials in flammable packages: 0.075%	- New premium rates: Cinema: 0.1% Establishments producing, trading, preserving and using industrial explosives: 0.5% Thermal power plants: 0.15% Hydropower plants and other power plants: 0.12% Explosive production, storage and use tunnels: 0.5% Railway station, subway Station: 0.12% Combustible goods and materials in flammable packages: 0.1% - Adding other potentially explosive facilities: Amusement parks, zoos, aquariums: 0.05% Restaurants, food shops: 0.15% Shops selling, repairing and maintaining cars and motorcycles: 0.15%

Expansion of maximum foreign ownership ratio is expected to help solve capital problem for domestic insurance enterprises. On August 31, 2021, the Ministry of Planning and Investment announced market access conditions for foreign investors in 59 industries with conditional market access, guiding the implementation of Decree 31/2021/ND-CP. Accordingly, insurance is one of industries that are not restricted to maximum ownership rate for foreign investors. This is an opportunity for insurance companies to access abundant capital from foreign investors, as well as foreign insurers, thereby increasing retention rate, management capacity and experience in insurance and reinsurance business.

Compulsory fire and explosion insurance premium rate of most types of assets increased, which is expected to help increase revenue from insurance business. On Nov 8, 2021, the Government issued Decree 97/2021/ND-CP amending Decree 23/2018/ND-CP on compulsory fire and explosion insurance, effective from Dec 23, 2021. Accordingly, all types of properties with high fire and explosion risk are entitled to an increase in the compulsory fire insurance premium rate. The Decree also supplements and stipulates more detailed insurance rates for each type of property compared to Decree 23/2018/ND-CP. This amendment helps non-life insurers to increase revenue and reduce damage when risks occur.

CONCLUDE

According to FPTTS, with Vietnam economic recovering well thanks to high vaccine coverage and supportive policies of the Government, Vietnam Insurance industry is expected to grow **POSITIVE** in 2022:

- Total insurance premiums of the whole industry are expected to grow by 18.2% yoy. In which, life insurance premiums grew +21.0% yoy due to recovery of per capita income, expected non-life insurance +11.0% yoy, due to its high sensitivity to economic growth;
- Deposit interest rate is expected to increase on a low basis in 2021, supporting profits from investment activities;
- Some legal documents have been amended and supplemented, expected to support the insurance industry from 2022.

Risk factors when investing in Vietnam's insurance industry in 2022: Most of listed insurance companies are non-life insurers, claim ratio of non-life group is forecasted to increase when effects of the COVID-19 pandemic on the economy are no longer (not excluded), the profit of insurance business is likely to be eroded.

III. UPDATES ON LISTED INSURANCE COMPANIES

Ticker	Market Value (Jan 06, 2022)	Revenue 09M2021	Net Income 09M2021	Revenue Growth	NI Growth	Combine ratio	ROE Last 4Q	P/E
PTI	4,622.75	3,548.02	198.8	+4.6%	+22.5%	95.1%	12.7%	17.1x

Post and Telecommunication Joint Stock Insurance Corporation (HNX: PTI) remains in the top 3 leading non-life insurance companies with 10% market share in 10M2021. Growth in revenue and profit after tax reached +4.6% yoy and +22.5% yoy, lower than industry average due to the lack of support from investment income.

Investment rate is low (2.9%) because investment portfolio is mainly bank deposits (accounting for 83.7% of total investment value) with low interest rates in 2021.

Outlook: Increase in foreign ownership ratio in 2022, creating opportunities for PTI to access new capital sources, increase financial capacity, and access systems, products and technology from foreign insurers, increasing competitiveness in insurance market.

PGI	2,617.17	2,187.60	260.5	+4.3%	+91.1%	85.4%	17.8%	8.7x
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Petrolimex Insurance Corporation (HSX: PGI) ranked 6th with 5.5% market share of non-life insurance premiums in 10M2021. 9M2021 insurance business revenue increased slightly by 4.3% yoy thanks to the reversal of premium provision, but profit after tax increased strongly +91.1% yoy due to a sharp decrease in the combined ratio compared to the same period last year. Return on equity (ROE) of 17.8% in 9M2021 is relatively high compared to the industry.

Financial investment activities in 9M2021 were not positive, investment rate was the lowest in the industry (+1.8%) because most of investment portfolio was bank deposits (83% of the total investment value) with low interest rates.

Outlook: In 2022, it is highly likely that PGI will not be able to maintain profit growth like 2021 because the combined ratio tends to increase again when impact of the COVID-19 pandemic ends. Claim ratio of health insurance and motor vehicle insurance segments increased because medical examination and treatment activities and travel returned to normal.

MIG	3,396.25	1,850.63	148.57	+15.4%	+51.6%	96.9%	14.6%	13.9x
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Military Insurance Corporation (HSX: MIG) surpassed PGI to enter the top five in terms of non-life insurance market share with 6.4% market share in 10M2021. Revenue and profit grew at +15.4% yoy and +51.6% yoy respectively, faster than the industry average, ROE ratio reached 14.6%, which is high compared to the industry. In 9M2021, investment rate is high and stable (+5.0%) with investment portfolio restructured into bonds and investment trusts through MB Capital fund.

Outlook: With the advantage of parent banking system, MIG expects to continue to grow its non-life insurance market share in 2022. Distribution of health and personal accident insurance products through banking system expected to lead growth for MIG in the coming years.

BIC	3,436.21	1,521.79	287.06	+12.4%	+22.8%	91.4%	13.8%	10.1x
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Bank for Investment and Development of Vietnam Insurance Corporation (HSX: BIC) has the advantage of capital and distribution system from the major shareholder BIDV, BIC's market share is small but growing rapidly in recent times. 9M2021, BIC rose to 7th place with a market share of 4.3%. Claim ratio and combined ratio in 9M2021 are relatively low compared to the industry due to good risk management system.

Financial investment activities were stable with a high rate of 6.0% in 9M2021. Safe portfolio, mainly focused on bonds with higher yields than deposits.

Outlook: BIC's growth in 2022 is expected to come from health and personal accident insurance business thanks to the advantage of distribution through parent banking system. Wholesale business is expected to grow well when the economy recovers.

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