



# VIETNAM DAILY NEWS

July 30<sup>th</sup>, 2019



JAPAN SECURITIES INC.

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## Market Analysis

### 1. VN-Index saved by large-cap firms, but outlook gloomy

The benchmark VN-Index on the Ho Chi Minh Stock Exchange edged up 0.46 per cent to end at 997.94 points.

The VN-Index gained total 1.1 per cent last week.

It fell as much as 0.51 per cent during the day.

Some individual large-cap stocks drove the market up on Monday.

The large-cap VN30-Index inched up 0.08 per cent to close at 888.54 points.

In the VN30 basket, 12 of the 30 largest stocks by market capitalisation and trading liquidity increased.

Among gainers in the VN30 basket were Vietcombank (VCB), PetroVietnam Gas (GAS), Eximbank (EIB), Coteccons Construction Corp (CTD) and realty firm Vingroup (VIC).

On the other hand, 16 declined including steel producer Hoa Phat (HPG), Sacombank (STB), property developer Vincom Retail (VRE) and Vietinbank (CTG).

On the southern stock market, declining stocks outnumbered gaining ones by 193 to 109 while 57 stocks ended flat.

Investors continued to concentrate their investment in some individual large-cap stocks, thus pushing the VN-Index up to near 1,000

points, Sai Gon-Ha Noi Securities (SHS) said in its daily report.

However, the market was still negative given the reduction of trading liquidity, therefore, the short-term outlook of the market would be unsustainable, the company said.

More than 147.8 million shares were traded on the southern bourse, worth VND3.55 trillion (US\$152.7 million).

Investors were paying attention to the US Federal Reserve's meeting, which will conclude on Thursday, about interest rates. So the market may move uncertainly in the next two trading days, SHS said.

The purchases of sole large-cap stocks would not be enough to pull the VN-Index above the 1,000 point level, MB Securities Co (MBS) said in a note.

The market was running out of supportive news and information, so selling pressure may increase in the next few days so investors were able to dodge potential risks and earn some profits, MBS added.

On the Ha Noi Stock Exchange, the HNX-Index fell 1.05 per cent to close at 105.29 points.

The northern market index dropped total 0.62 per cent last week.

More than VND355 billion worth of 27 million shares were traded on the northern exchange.

## Macro & Policies

### 2. S. Korea may overtake China as Vietnam's top tourism market

Data released by the General Statistics Office show that over 2.8 million Chinese tourists visited Vietnam over the past seven months, down 2.8% year-on-year. Meanwhile, the number of South Korean tourists rose an astounding 22% against the same period last year to exceed 2.4 million arrivals. Tourists from these two markets accounted for half the country's total international tourists during the given period.

South Korea, over a couple of years, has narrowed the gap with the Chinese market and obtained a higher growth rate than China in terms of the number of tourists arriving in Vietnam.

In 2017, Chinese tourist arrivals posted a gap of over 1.5 million tourists versus South Korean arrivals. The gap narrowed to some 1.4 million arrivals in 2018 and then a mere 490,000 arrivals over the first seven months.

Commenting on the potential of Vietnam's top two source tourism markets, the Vietnam National Administration of Tourism (VNAT) said that the pace of arrivals from China has slowed and no effective measures to boost the sustainable growth of this market are currently available.

By contrast, the number of South Korean tourists arriving in Vietnam rose by some one million

visitors annually, and there is still significant room left to exploit the potential for strong growth from this source market, according to VNAT.

Several travel operators told the Saigon Times that there has been a switch in China's tourism preferences, recorded at some Southeast Asian destinations. Aside from Vietnam, Thailand has experienced a drop in the number of Chinese tourists.

Similar to VNAT, some travel agencies and marketing experts said there are now more chances for Vietnam to tap the full potential of the South Korean market. However, they pointed out that South Korean travelers explore popular destinations based on travel trends. The number of tourist arrivals from South Korea will either sharply skyrocket or take a nosedive as various trends come and go.

Vietnam is currently among the most popular destinations for South Koreans. Flights connecting the two countries are on the rise each month, a tourism marketing expert said.

Last year, the average spending of each Chinese tourist in Vietnam reached VND19 million, while that of South Koreans averaged VND26 million each, according to VNAT.

### 3. Vietnam, Malaysia seek to expand trade ties

The agreement was inked at a conference in Kuala Lumpur on July 29 to connect Vietnamese and Malaysian enterprises and those from other countries.

Jointly held by the Vietnamese Embassy in Malaysia and the Vietnam Businesses' Association in Malaysia, the event attracted representatives from over 200 firms of Vietnam, Malaysia and Cambodia and Thailand.

The two sides are drafting another five-year action programme for 2020-2025 to raise two-way trade to 25 billion USD by 2025.

The agreement on the programme is scheduled to be signed during Malaysian Prime Minister Mahathir Mohamad's official visit to Vietnam in August this year.

On the occasion, Vietnamese Ambassador to Malaysia Le Quy Quynh hailed the Vietnamese business community in Malaysia for its contributions to Vietnam-Malaysia relations.

#### 4. Top ten outstanding M&A deals in 2018-2019

Foreign investors were involved in almost all of the largest M&A deals in Vietnam. However, It is easy to see that domestic enterprises have also been on the offensive by acquiring foreign companies in increasing numbers.

Here is the list of Vietnam's 10 largest M&A deals in the 2018-2019 periods selected by Vietnam M&A Forum 2019 announced at the press conference organised by VIR and AVM Vietnam on July 23.

##### **SK Group, Vingroup, and Masan**

Notably, SK Group, through its investment arm SK Southeast Asia Investment, has decided to invest \$1 billion to acquire the shares of Vietnam's leading privately-run conglomerate Vingroup, according to Bloomberg.

Previously, Vingroup has announced a plan of issuing shares through a private placement, aiming to raise at least VND25 trillion (\$1.1 billion). The group expected to offload 250 million shares, or 7.8 per cent of the shares in circulation, to a maximum of five foreign investors at a minimum price of VND100,000 (\$4.3) per share.

Of the total funds raised from the process, around VND10 trillion (\$434.78 million) would be used for debt restructuring, VND6 trillion (\$260.87 million) to invest in Vingroup's subsidiaries including VinFast, VinTech, and Vinsmart, and VND9 trillion (\$391.3 million) would be allocated as short-term loans for the operations of the group and its subsidiaries.

Regarding Masan Group Corporation (HSX: MSN), in October 2018, Masan announced the completion of SK Group's purchase of 109,899,932 treasury shares at the unit price of VND100,000 (\$4.4), a total consideration of approximately \$470 million. SK Group is now the largest foreign shareholder of Masan Group.

Previously, in September, Masan Group signed a strategic partnership agreement with SK Group. The agreement would enable the two parties to draw on each other's strengths to accelerate

Masan's and SK's respective growth strategies. The corporate groups aim to jointly pursue transformational business opportunities in Vietnam and to synergise existing business units.

##### **Saigon Co.op and Auchan**

In July 2019, Saigon Co.op and French retailer Auchan announced completing the hand-over process of the entire business operations of Auchan in Vietnam. Accordingly, Saigon Co.op took over 18 stores, 15 of which the French retailer has previously closed and three that have been operating at a profit, along with the e-commerce platform and online application of Auchan Vietnam.

Although the value of the acquisition was not revealed, Saigon Co.op's representative said that the two sides have ended the negotiations on price. Saigon Co.op will operate these stores until the 2020 Lunar New Year after which the sides will sit down to negotiate further co-operation opportunities, including exporting local products via Auchan's global retail chain.

##### **Truong Hai and HAGL**

In April 2019, Truong Hai Auto Corporation (Thaco) expressed interest in buying approximately 70 million shares to increase its holding in Hoang Anh Gia Lai Agricultural JSC (HAGL Agrico) as per the agreement between the two parties, after spending nearly \$100 million on buying convertible bonds from this agricultural company.

Accordingly, Thaco registered buying 69.7 million shares in HAGL Agrico to increase its holding from zero to 7.86 per cent. The transaction was expected to be completed between April 23 and May 22, 2019. However, in reality, Thaco bought 4 million registered shares in June. Besides, HAGL registered to sell nearly 60 million shares in HAGL Agrico. The deal was expected to be completed between July 12 and August 10 and Thaco was considered one of the most promising investors.

### **Vingroup and Fivimart, Hanwa**

In September 2018, Vingroup's retail arm, VinCommerce, completed the acquisition of 100 per cent of the Fivimart supermarket system. These stores were renamed to VinMart, the supermarket brand of Vingroup.

The deal between VinCommerce and Fivimart came after retail giant AEON terminated its deal with Fivimart after four years due to losses, selling its 30 per cent stake in Fivimart.

Besides, in August 2018, Hanwha Asset Management paid \$400 million for 84 million preferential shares in Vingroup. The sale came after Hanwha's unsuccessful attempt to join the \$13.5 billion public debut of Vinhomes, the property arm of Vingroup, back in May 2018.

### **Mitsui and Minh Phu**

In June 2019, MPM Investments Pte., Ltd., a subsidiary of Japan's Mitsui & Co., Ltd., acquired 60 million shares in Minh Phu Seafood JSC (MPC) to raise its stake in the Vietnamese shrimp processor to 35.1 per cent.

The purchase was made through a private placement worth nearly VND3.04 trillion (\$130.5 million), equivalent to VND50,630 per share. In late-May, MPM bought 10.2 million shares, or a 7.37 per cent stake, in the shrimp processing company.

### **Taisho and Hau Giang Pharmaceutical**

In April 2019, Taisho Group, one of the five largest pharmaceutical firms in Japan, officially acquired a controlling stake in Hau Giang Pharmaceutical JSC (DHG) after spending VND2.47 trillion (\$107.4 million) on buying 20.6 million DHG shares.

Through the purchase Taisho increased its ownership in DHG to 66.4 million shares, equalling 50.78 per cent of the stakes. With the offered selling price of VND120,000 apiece, the Japanese pharmaceutical firm spent VND2.47 trillion (\$107.4 million) on the deal. The other major shareholder in DHG is State Capital Investment Corporation (SCIC) with 43.3 per cent.

The reason behinds the increase of ownership in a local pharmaceutical firm is because Taisho's market share in the food supplement and hair growth supplement segments is decreasing in Japan, while Vietnam has great potential to develop these products.

### **Vinamilk and GTNfoods**

In June 2019, Vinamilk completed the purchase of 90.06 million of the 116.71 million shares it registered to buy in GTNfoods JSC. After the deal, Vinamilk increased its holding in GTNfoods to 38.34 per cent. While Vinamilk refused to disclose the value of the deal, based on the VND13,000 share price offered by Vinamilk, the dairy manufacturer may have paid VND1.17 trillion (\$50.87 million) on the purchase.

Previously, even though GTNfoods JSC refused its previous proposal, Vinamilk remained still eager to acquire more stakes in the firm (which holds 51 per cent of Moc Chau Milk Company) as part of its M&A strategy to expand its market share in the dairy manufacturing sector.

### **Sojitz and The Pan Group**

In September 2018, The PAN Group (HXS: PAN) completed the private placement of 13.4 million shares to Japan's Sojitz Group for VND61,000 (\$2.7) per share. Sojitz invested VND817.4 billion (\$35.54 million), becoming a major shareholder with 10 per cent in PAN.

This private placement provides PAN with more financial resources to invest and implement its next M&A projects in its development strategy in agriculture and food industries. More importantly, Sojitz has been chosen as a strategic partner of PAN to co-operate on upgrading Vietnam's agricultural and food products for distribution to domestic and international markets.

"This is an important milestone in The PAN Group's development path. Our selection criteria focused on finding a business partner rather than choosing a purely financial investment organisation. Together with the capital contribution, we established a Collaboration Committee which includes key leaders from the two groups and is chaired by the chairman of The PAN Group. The committee will bring together top



industrial experts from Vietnam and Japan in order to formulate and promote the implementation of agricultural and food projects of the two parties in Vietnam and other countries in the region. I believe that the co-operation will contribute to leveraging Vietnamese agricultural and food products in international markets,” said Nguyen Thi Tra My, chief executive officer of The PAN Group.

### **SonKim Land mobilised capital from its strategic partners**

SonKim Land Corporation has successfully concluded a deal that raised approximately \$121 million from international investors, including Lemongrass Master Fund, ACA Vietnam Real Estate LP, and Credit Suisse in June 2019.

This deal follows the success of two previous deals in 2013 and 2016. Besides, this deal was Son Kim

Land's biggest fundraising ever since 2013. The fact that existing investors continued to participate in the fundraising and attracting a global bank like Credit Suisse proves that the company has produced quality projects and that it has great potential to grow bigger.

### **Gelex and Viglacera**

In March 2019, the Ministry of Construction (MoC), the biggest shareholder at Vietnam's largest ceramics and tile producer Viglacera Corporation (Viglacera), sold 69 million Viglacera shares for nearly VND1.6 trillion (\$69.57 million). The buyers were reportedly shareholders related to Vietnam Electrical Engineering Equipment Joint Stock Corporation (Gelex).

Gelex now holds 112 million Viglacera shares, equal to a 25 per cent stake. Before the sale, Gelex held 44 million shares.

## **5. Hanoi's industrial production up 7.3% in Jan-July**

Hanoi's Index of Industrial Production (IIP) in July expanded 2.1% month-on-month and 7.9% year-on-year, leading to an increase of 7.3% year-on-year for the January – July period, according to the Hanoi Statistics Office.

In July, the mining industry's index saw an increase of 9.4% month-on-month but down 32.7% year-on-year, while the manufacturing and processing industry tacked on 1.3% and 8.1%, respectively.

The production and distribution of electricity rose 9.4% and 8.4%, while water supply, sewage treatment and water collection increased by 8.2% and 4.9% on a monthly and annual basis, respectively.

For the seven-month period, the mining industry growth declined by 28.6% year-on-year while manufacturing and processing was up 7.4%, production and distribution of electricity up 8.1%, and water supply, sewage treatment and water collection up 7.3%.

Some of the industrial subsectors that registered remarkable growth during the January - July

period are food processing, wood processing, rubber products, electronic devices, computers, prefabricated metal products, beds and wardrobes.

The employment rate of industrial companies in July expanded 0.5% month-on-month and down 2.9% year-on-year, of which, employment in the FDI sector up 1% and down 2.9%, in the state sector down 1.2% and 5.8%, and the private sector up 0.1% and down 1.8%.

Meanwhile, the number of workforce working in mining industry saw a decline of 50.1% year-on-year, in manufacturing and processing down 2.9%, production and distribution of electricity up 0.9%, water supply and waste treatment up 3%.

During the January – July period, the employment rate of industrial companies was 0.2% lower year-on-year. In the state sector, the rate saw a decline of 2.6% year-on-year, private sector employment expanded 0.1% and the FDI sector up 0.5%. For economic groups, the rate of employment in the mining industry decreased 17% year-on-year, manufacturing and processing down 0.2%, production and distribution of electricity down 0.5%, water supply and waste treatment up 3.9%.

## 6. CPI slightly increases in July

Among the 11 main commodity groups, nine experienced price rises, including goods and other services with the highest rise of 0.94 percent; food and catering services (0.33 percent); education (0.22 percent); culture, entertainment and tourism (0.15 percent), beverage and tobacco (0.12 percent).

The prices of transportation; and housing, electricity, water and construction materials saw the same price drop of 0.03 percent.

Director of the GSO's Price Statistics Department Do Thi Ngoc said the rise in July's CPI was fuelled by high prices of food, especially pork which swelled 0.81 percent from the previous month.

In addition, the petrol price was up 0.04 percent compared to June, resulting in a 0.002 percent rise of the CPI of this good in July.

Meanwhile, the CPI of the health insurance group in July increased 6.67 percent month-on-month due to the increase of basic salary.

There was an increase in the tuition fees in some provinces and central-level cities under a Government Decree.

The VND/USD exchange rate in July decreased by 0.56 percent.

During the month, the domestic gold prices was around 3.97 million VND (171.06 USD) per tael, 4.78 percent higher than the previous month.

The GSO said core inflation (CPI exclusive of foodstuff, fresh food, energy, healthcare and education service) in July and the first seven months of 2019 respectively increased by 0.23 percent and 1.89 percent, compared to the same period last year.

## Corporate News

### 7. CMX: BOD approves to raise charter capital of Camimex Foods

↓ -0.57%

The Board resolution dated July 25, 2019, Ca Mau Group Joint Stock Company (Camimex Group)

approved to raise charter capital of Camimex Foods from VND50 billion to VND130 billion. Accordingly, Camimex Group owns 37.69% charter capital of Camimex Foods.

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↓ -0.94%

HCMC - Saigon Hanoi Securities JSC (SHS) has announced its business results for the second quarter of the year with revenues exceeding VND260 billion, down 9% versus the 2018 figure, after-tax profit of VND54 billion, rising a staggering 38% year-on-year. In the year to June, the brokerage's turnover from its operations slumped by 19% against last-year figure to over VND520 billion, and its after-tax profit was put at VND114 billion, down 35%.

HCMC - Nguyen Thanh Phong, a board member of Thu Dau Mot Water JSC (TDM), has registered to sell 300,000 TDM shares from July 29 to August 26 via matching and put-through deals, to cut his holding at the firm by a half to 300,000 shares, or a 0.31% stake.

HCMC - SCIC Investment Company, a unit related to Le Song Lai as board chairman of Baominh Insurance Corporation (BMI), has failed to

purchase one million BMI shares between June 26 and July 24 via matching deals, so SCIC currently owns no BMI shares.

HCMC - July 29 has been chosen as the ex-dividend date for shareholders of PetroVietnam Drilling and Well Service Corporation (PVD) to receive a 2017 share dividend of 10%, equivalent to over 38 million new PVD shares to be issued. The record date will be July 30.

HCMC - Nguyen Trung Kien, general director at Duc Long Gia Lai Group JSC (DLG), sold 2.44 million DLG shares on July 23 via put-through deals. After the transactions, he holds over 11,000 shares of the firm.

HANOI - Vicostone JSC (VCS) is set to invite feedback from its shareholders on using 3.2 million treasury shares to reward them. The record date is August 13 and it will collect feedback from August 20 to 29, according to ndh.vn.



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