



VIETNAM DAILY NEWS

December 23rd, 2019



Table of content

Table of content

1. VN stocks end positive in ETF-reviewing day
2. US-based health clinic to make debut in Hà Nội next year
3. Vietnamese firms unaware of brand as a core element of business value
4. Vietnam's average wage equals one seventh of Asia – Pacific
5. Japan actively involves in drafting Vietnam's industrialization strategy
6. Tra fish exports to generate US\$2.3b this year
7. CII: CII to issue VND250 billion of bonds
8. HSG: Setting up a Branch

Market Analysis

1. VN stocks end positive in ETF-reviewing day

Vietnamese shares advanced on Friday despite efforts by foreign investment funds to offload local assets.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.44 per cent to close at 956.41 points.

The VN-Index increased by 0.55 per cent over the last two days, but still ended up losing 1 per cent for the week.

More than 243.3 million shares were traded on the southern bourse yesterday, worth VND5.3 trillion (US\$228.6 million).

The market sentiment was positive in the last trading day of the week despite pressure from foreign investors' net selling.

The large-cap VN30-Index finished up 0.71 per cent to stand at 868.37 points with 22 of the 30 largest stocks by market capitalisation and trading liquidity gaining.

Among them were Vincom Retail (VRE), Techcombank (TCB), VPBank (VPB), Eximbank (EIB), Military Bank (MBB) and Thanh Thanh Cong – Bien Hoa JSC (SBT).

Vingroup's real estate retailer Vincom Retail has announced it bought 56.5 million treasury shares for VND2 trillion between November 14 and December 13.

Meanwhile, listed banks continued to rise on expectations they have beaten full-year earnings projections.

EIB, VPB, TCB and MBB were up between 1.4 per cent and 2.1 per cent.

Small-cap stocks also traded in the positive territory. The VNSML-Index gained 0.70 per cent to 797.66 points.

The market was overshadowed by net foreign selling, which was caused by the two exchange-traded funds' quarterly portfolio reviews.

Foreign investors on Friday net-sold VND217 billion worth of local stocks such as Vinhomes (VHM), Vietjet (VJC) and Masan (MSN).

VHM edged up 0.4 per cent while VJC and MSN dropped 0.1 per cent and 1.1 per cent, respectively.

According to Thanh Cong Securities Co (TCSC), investors were still cautious during the week and growth depended on company news more than the quality of the market.

Across the southern bourse, 193 stocks increased while 132 stocks declined and 59 stocks were unchanged.

In the remaining seven trading days of 2019, the VN-Index would still swing between 950 and 960 points and companies with good earnings outlooks would lure capital inflow, TCSC said in its daily report.

On the Ha Noi Stock Exchange, the HNX-Index went up 0.41 per cent to end at 102.42 points.

The northern market index has increased by total 0.60 per cent in the last two days.

It lost a total 0.50 per cent this week.

More than 35 million shares were traded on the northern bourse, worth VND484.3 billion.

Macro & Policies

2. US-based health clinic to make debut in Hà Nội next year

According to the company, it plans to work with multiple local partners to develop a medical ecosystem supporting patients in the journey to a healthy life, and in the long run, reducing the burden of chronic illness in Việt Nam. The company's current partners include Hà Nội-based New Horizon Centre.

"In many cases, our patients have little knowledge on the impact of lifestyle on health. More often than that, they only go to hospitals or doctors when they're already sick. And when the cause of the illness is not thoroughly looked at, it's not easy to tackle the sickness the right way," CEO of Anti-Fragility Health Clinic (AFHC) Charles Harry Sine said.

"At AFHC, we look at the root of causes of the problem which could be a list of unhealthy habits and behaviours, from poor diet, dehydration, lack of exercise to stress-related issues," he said.

He added that AFHC provides a personalised lifestyle design and that will generate positive impacts on their health, to eventually prevent, manage and reverse the threat of chronic illness.

"Conventional medicine supply does not work for chronic illness. Our body has the capacity to heal itself when we supply it with enough nutrients," he said.

Yesterday, AFHC also held a seminar discussing how to survive the impending crisis of chronic illness in the city in order to provide a clearer view of chronic illness in Việt Nam and introduce the new-generation medical approach to prevent, manage and reverse chronic illness.

The same seminar will be also organised in the northern province of Bắc Ninh on Saturday.

3. Vietnamese firms unaware of brand as a core element of business value

Typical example

The Ho Chi Minh City Union of Trading Cooperatives (Saigon Co.op) and French company Auchan Retail recently reached an agreement to transfer Auchan's entire business operations in Vietnam to Saigon Co.op. Under an agreement, goods of Auchan Vietnam will be managed by Saigon Co.op, and all Auchan employees will join the Saigon Co.op staff. The Auchan brand name will remain in use until the end of February, 2020.

According to a Saigon Co.op representative, acquiring Auchan was part of Saigon Co.op's strategy of expanding scale and market share. Thanks to this deal, reaching Saigon Co.op's target of 1,000 stores by the end of this year could be far easier as the company has nearly 800 stores already. Saigon Co.op has pledged to protect the benefits of Auchan member customers, who will be converted to Saigon Co.op members if they wish. In addition, Saigon Co.op will restructure Auchan stores.

The 2019 acquisition of Auchan was an outstanding mergers and acquisitions (M&A) deal, with Saigon Co.op targeting Auchan's global brand value. The combination of a world-class retail brand and local experience is expected to benefit Saigon Co.op's brand value.

Challenges

M&As do not just mean a change in ownership. They also serve as a lever for firms to grow stronger and improve competitiveness. According to experts, many Vietnamese businesses do not understand what follows a merger and challenges only appear once the deals are completed. The process does not simply merge shareholders, it means creating a completely new body of governance. Therefore, discussions on a partnership between two parties are necessary to lead to a successful M&A deal.

In addition, many Vietnamese companies have not paid attention to the value of brands in M&A deals.

Brand has to be a strategic agenda and must be managed like any other business asset and not just as a legal trademark. Many investors are willing to pay higher prices for M&A deals with good brands.

Recommendations

Samir Dixit, managing director of Brand Finance Asia-Pacific, said brand value is a very important aspect of strategy, but it does not get the recognition it deserves in M&A deals. If brand value cannot be determined, it will be difficult to successfully implement such deals.

Vietnamese businesses do not understand the issue of branding. Therefore, each firm needs a professional team to understand brand issues, otherwise Vietnamese businesses will remain underestimated, Samir Dixit said.

Nguyen Lan Phuong of Baker & McKenzie's Ho Chi Minh City Office, said some Vietnamese businesses are aware of the value of corporations and take advantage of the brands to negotiate with their partners. However, this is not common. Vendors who want the best price for share transfers will pay less attention to brand value in transactions. Vietnamese businesses rarely pay attention to the valuation of their brands, while international

counterparts see their brands as the key value, she said.

She also said that in the process of equitization, Vietnam is struggling with land and workforce issues so there is little focus on brands. However, brand awareness will play a more important role as the economy grows. Vietnamese businesses should look for partners who know how to value their brands.

According to a report released by the auditing and business consulting firm Grant Thornton, Vietnam is among the top three ASEAN countries attracting private equity (PE) investment in terms of deal value. In addition, Vietnam has become Asia's hottest investment destination, according to a Forbes report. Six sectors are expected to attract large investment in Vietnam, including financial technology (fintech), education, renewable energy, pharmaceuticals, e-commerce, and transport.

Vietnam has been widely and deeply integrating into the world economy. Competition between businesses is increasingly fierce. Therefore, Vietnamese businesses should promote branding to maintain market share and ensure sustainable development.

4. Vietnam's average wage equals one seventh of Asia – Pacific

The average monthly wage of Vietnamese labor force is estimated at around US\$242 in 2019, in which the average manufacturing wage is US\$238, much lower than that of the Asia – Pacific region

at US\$1,801 and global average of US\$1,931, according to global workforce solutions provider ManpowerGroup.



Availability

Total Workforce: **57.50 million**



Breakdown by Generation



- Baby Boomers (born between 1946 and 1965): 15%
- Generation X (born between 1966 and 1975): 20%
- Generation Y (born between 1976 and 1995): 32%
- Others (under breakdown by generation): 33%

The availability of Vietnam's workforce. Source: ManpowerGroup.

As only 11.6% of Vietnam's labor force are highly skilled, it is considered one of the main reasons for such low wage.

English Proficiency

5%

Estimated percentage of workforce with working English proficiency

% Highly Skilled

11.60%

Estimated percentage of workforce that is white collar

Net Secondary Education

88.04%

Secondary school aged children enrolled in school

Reported Literacy Rate

94.5%

Gender Gap

77

Ranking from 1 to 144 of countries based on gender disparity in each country

Ratio of R&D Workers to every 1000 in Workforce

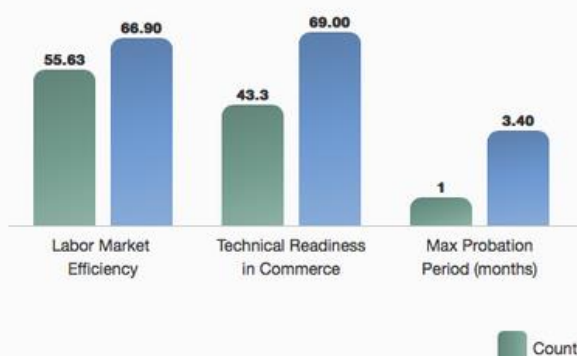
1.49

Additionally, only 5% of Vietnamese workforce has English proficiency, while the ratio of R&D workers to every 1,000 in workforce is 1.49.

The country's total labor force is estimated at 57.5 million in 2019, up 0.8% year-on-year, including 41% with permanent jobs.



Productivity



Vietnam's productivity compared to the region's average. Source: ManpowerGroup.

In the company's latest Total Workforce Index (TWI) 2019, an indicator of workforce potential and the availability of the best, most diverse talent and in-demand skills in each market, Vietnam ranked 57th out of 76 countries and territories, down from the 43rd in 2018. In the Asia – Pacific

Major Restrictions on Night Work

No

Major Restrictions on Work on Holidays

No

Average Work Day (Hours)



Average Work Week (Hours)



region, Vietnam stood at 13th, down one place from last year's report.

The TWI analyzes over 100 factors across 76 markets for a comprehensive and comparative view of four key factors: Workforce Availability, Cost Efficiency, Workforce Productivity and Regulation.



For the second straight year, Singapore, Hong Kong (China) and New Zealand are the top three of the regional and global TWI ranking.

Over the last 70 years, ManpowerGroup has been providing services and consultation for clients across 80 countries and territories.

“Average wages are predominantly driven by the ratio of highly skilled jobs to low skilled jobs. Markets with a higher volume of highly skilled jobs will average higher wages than markets with a high volume of low skilled jobs”, stated

ManpowerGroup.

Meanwhile, manufacturing wages are a leading indicator of rising costs as it typically rise before the wages of professional skills. Manufacturing wages are particularly sensitive to inflation and statutory burdens. Therefore, though the cost of manufacturing skills may be much lower than more highly skilled jobs, they are generally the first to reflect the rising cost of wages in a particular market.

5. Japan actively involves in drafting Vietnam's industrialization strategy

The Japanese embassy in Vietnam and other Japanese agencies have been actively involving in the drafting process of Vietnam's national strategy for industrialization, according to Deputy Prime Minister Trinh Dinh Dung, who also heads of the Steering Committee for the Strategy.

In order to strengthen bilateral collaborative ties in the industrial sector, in 2013, Vietnam's then Prime Minister Nguyen Tan Dung approved the

national strategy for industrialization, which is under the Vietnam - Japan cooperation framework until 2020, with vision to 2030, said Deputy PM Dung at a meeting of the committee on December 20, with the attendance of Minister of Japan Embassy in Vietnam Daisuke Okabe.

Dung added the overall goal of the strategy is to promote technology innovation, growth of labor productivity and build international

competitiveness, at the same time develop products with high added value, and spread technologies that meet advanced quality standards for export and domestic consumption.

The strategy targets to have an outstanding development in six priority industries, including electronics; agricultural machinery; processing of agricultural and fishery products; shipbuilding; environment and energy saving; and manufacturing of automobiles and auto parts, into key industries with high added value and international competitiveness.

Dung said foreign investment in six industries accounted for 27% of total registered capital in Vietnam from 2013 to March 2019, focusing on electronics, automobiles and energy saving.

Except for shipbuilding with slow development progress, others sectors, particularly electronics, have created large amount of jobs and contributed significantly to exports, stated Dung.

The development of priority industries under the strategy helped transform the supporting industries, in which some local enterprises have participated in the supply chain of global corporations in electronics and automobiles, asserted Dung.

According to Dung, Vietnam – Japan strategic partnership has been growing strongly, particularly in three pillars of economy, trade and investment.

Japan is currently one of Vietnam's top economic partners, providing the largest amount of official development assistance (ODA) to date with US\$27 billion, as well as the country's fourth largest trading partner with turnover of US\$38 billion in 2018.

Additionally, Japan is Vietnam's second largest investors with registered capital of nearly US\$60 billion in over 4,300 projects, contributing to Vietnam's socio-economic development and creating jobs for locals, said Dung.

6. Tra fish exports to generate US\$2.3b this year

Nguyen Nhu Tiep, head of the National Agro-Forestry-Fisheries Quality Assurance Department, noted that the United States' recognition of the country's food safety control system for tra fish is expected to ease the outbound shipments of Vietnamese tra fish to the U.S. market and other markets, the Vietnam News Agency reported.

Apart from this, the number of Vietnamese tra fish exporters to the United States has risen to 13, contributing to raising the volume of tra fish shipped to the market for the rest of the year.

Duong Nghia Quoc, chairman of the Vietnam Pangasius Association, stated that aside from the United States' decision, which has opened up major opportunities for the tra fish sector, some newly signed free trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the European Union-Vietnam Free Trade Agreement, offer preferential seafood import tariffs.

Besides this, the Asian market has remained stable, smoothing the path for tra fish exports, Quoc said.

Over the past few years, local tra fish exports have faced multiple difficulties as the prices of tra fish plunged.

Between January and October, the revenue from tra fish exports totaled US\$1.6 billion, down 10% year-on-year, according to the Vietnam Association of Seafood Exporters and Producers.

The fall was attributable to the decline in tra fish shipments to some major markets, such as the United States, Brazil and Colombia, and a sharp tumble in prices of material tra fish during the period.

For example, in the Mekong Delta region, these prices ranged from VND20,000 to VND25,000 per kilogram in November, down VND5,000-VND8,000 per kilogram year-on-year, according to the Agro Processing and Market Development Authority.

Corporate News

7. CII: CII to issue VND250 billion of bonds

↑ 0.67%

Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) announces the second batch of the bond private placement as follows:

- Issuer: Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII)
- Estimated maximum issue value of the second batch: VND250 billion
- Estimated maximum issue volume of the second batch: 2,500 bonds
- Estimated bond term: 24 months
- Bond code: CIIBOND2020-01
- Par value: VND100,000,000/bond
- Bond type: non-convertible, secured bond, without warrants
- Bond form: book-entry
- Interest rate:

Interest rate for the first three months: 11%/year

Interest rate for the next interest periods: the saving individual interest rate in VND, term of 12 months, postpaid, announced by VPBank on the determination date plus 3.85%/year, no more than 11%/year.

Interest rate adjustment period: every 03 months

Interest payment period: every 03 months or 06 months from the issue date

- Estimated issue date: January 02, 2020.
- Issue method: private placement.
- Organizations participating in the private placement:

Issuer: Ho Chi Minh City Infrastructure Investment Joint Stock Company

Issue agent: ASIA - Pacific Securities Joint Stock Company

Collateral management agent: VietNam Prosperity Joint Stock Commercial Bank

Account management agent: VietNam Prosperity Joint Stock Commercial Bank

Subscription and depository agent: ASIA - Pacific Securities Joint Stock Company.

8. HSG: Setting up a Branch

↑ 2.83%

Hoa Sen Group has set up a branch as follows:

- Name of branch: Branch of Hoa Sen Group in Tuy Phuoc
- Address: Route 1A, Quang Tin village, Phuoc Loc commune, Tuy Phuoc district, Binh Dinh province.

- Head of the branch: Mr. Cao Quang Minh

Hoa Sen Group approving to change 16 branches the old model to a store directly under the provincial branch.

Research Team: Tsugami Shoji Researcher jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn