



# VIETNAM DAILY NEWS

January 10th, 2020



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## Market Analysis

### 1. Shares recover on bottom fishing on Jan 9, 2020

Vietnamese shares bounced back on Thursday after Wednesday's sharp fall sent stocks down to attractive prices, enticing investors to bottom-fish.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange advanced 1.18 per cent to close at 960.15 points.

More than 166.1 million shares were traded on the southern bourse, worth VND3.2 trillion (US\$137.7 million).

The index slumped 1.03 per cent to close Wednesday at 948.98 points.

Market breadth was positive, with 224 stocks gaining and 113 declining, while 46 ended flat.

Shares recovered as investors sought stocks that had been hit hard in the previous session.

Pillar stocks attracted cash flow, all rising and supporting the market. Gainers included Bank for Investment and Development (BID) (+5.4 per cent), Vietcombank (VCB) (+2 per cent), Vietinbank (CTG) (+3.7 per cent) and Vincom Retail (VRE) (+4 per cent).

Petroleum stocks plunged in line with world oil prices with PetroVietnam Drilling and Well Services Co (PVD) (-2.9 per cent), PetroVietnam Technical Services Corp (PVS) (-2.1 per cent), Binh Son Refinery and Petrochemical Joint Stock Company (BSR) (-3.7 per cent) and PetroVietnam

Coating Corporation (PVB) (-2.7 per cent) all suffered.

According to Reuters, the global oil price is lower than the level recorded before the killing of top Iranian official Qasem Soleimani by the US. Brent futures hovered at \$65.41 per barrel, about where they began the year.

On a sector basis, eight of the 25 sectors saw share prices fall, including wholesale, insurance, oil and gas, and seafood processing.

On the opposite side, 17 of 25 sectors improved, including information and technology, logistics, construction material, real estate, banking, plastic, and chemicals.

On the Ha Noi Stock Exchange, the HNX-Index climbed 0.92 per cent to end at 101.25 points on Thursday.

More than 24.7 million shares were traded on the northern market, worth VND303 billion.

The northern index lost 1.07 per cent to end at 100.33 points on Wednesday.

Foreign investors net bought VND141.99 billion on HOSE, including Phu Nhuan Jewelry Joint Stock Company (PNJ) (VND76.63 billion), Vietinbank (CTG) (VND21.14 billion) and Vinamilk (VNM) (VND21.11 billion). They were net sellers on the HNX with a value of VND6.23 billion.

## Macro & Policies

### 2. Agency hesitates about whether to license small airlines

The Ministry of Planning and Investment (MPI) has reported to the Prime Minister a project on establishing a new air carrier – Vietravel Airlines – with total investment capital of VND700 billion and 3 narrow-body aircraft.

The owner of Vietravel Airlines, Vietravel, wants to set up an airline which serves tourism and provides domestic and international flights.

Vinpearl Air of Vingroup and Kite Air of Thien Minh are also queuing for licenses to take off in 2020.

Vinpearl Air plans to fly with six aircraft in the immediate time and 30 aircraft after five years of operation. Kite Air also plans to have a fleet of six aircraft now and 30 by 2025 like Vinpearl Air.

Of the three airlines awaiting licenses, Vietravel Airlines has a smaller fleet and smaller scale, just 1/3 of the other two. This is because Vietravel Airlines focuses on providing chartered flights to serve travelers who are clients of the holding company – Vietravel.

However, MPI, when reporting the Vietravel Airlines establishment plan, also showed its concern about the overloading at airports.

Vietravel Airlines has chosen Phu Bai Airport as its base airport, saying that the airport serves a high number of tourists. However, according to MPI and the Ministry of Transport, it is Noi Bai Airport in Hanoi and Tan Son Nhat in HCM City which have the highest number of passengers.

If Vietravel Airlines' activities of providing chartered flights cannot bring high efficiency, it may shift to provide usual commercial flights. In this case, it will have to use Tan Son Nhat and Noi Bai to park aircraft, thus putting pressure on aviation infrastructure.

The business model of providing chartered flights will make Vietravel Airlines find it difficult to obtain slots at large airports.

Meanwhile, in the reports about the establishment of other airlines including Vinpearl Air and Kite Air, the concern about the lack of slots was not mentioned.

Even if Vinpearl Air registers to use 6 aircrafts and expand the fleet of wide-body aircrafts by 2025, state management agencies say the airline's scale is suitable to the existing capacity and infrastructure conditions.

Meanwhile, the aircraft Vietravel Airlines plans to use are narrow-body (A320 and A321).

At the seminar on opportunities and challenges of Vietnam's aviation industry held last month, large airlines such as Vietnam Airlines and Vietjet Air also expressed concern about the lack of slots, saying that the problem affects their plans to expand fleets after 2025.

Because of the lack of slots, it takes five minutes longer to provide flights on key routes such as Hanoi-HCM City.

### 3. Stumbling seaport companies seeking international flavour

Having trouble attracting cargo for years, the fate of Cai Lan International Container Terminal (CICT) seems to be inevitable after it reported a poor performance in 2019. CICT, located in the northeastern province of Quang Ninh, is a joint venture (JV) seaport between the Vietnamese state-owned shipping giant Vietnam Maritime Corporation (VIMC) and US-based Carrix, the parent company of SSA Marine.

According to a VIR source, VIMC is considering divesting state stakes in CICT and possibly other JV seaports that are facing difficulties. VIMC has four such ports with foreign partners including CICT, SP-PSA, SSIT, and Cai Mep International Terminal (CMIT).

“The business performance of CICT in 2019 faced difficulties with container throughput and goods in

bulk decreasing due to stiffening competition from Lach Huyen International Seaport, located in the northern port city of Haiphong, which is not very far from CICT,” Nguyen Canh Tinh, acting CEO of VIMC, told VIR.

“In the long term, CICT will be less competitive in both container throughput and goods in bulk. We plan to consider divesting state stakes in this seaport in the future.”

### Still in trouble

Estimated revenues and profits of JV seaports in 2019			
	Revenue (\$ million)	On-year change (per cent)	On-year change (per cent)
SSIT	15.6	70	-34.52
CMIT	36.29	22	-62
SP-PSA	7.5	15	24
CICT	12.11	-4.8	-18

Statistics from VIMC show that CICT is estimated to see total container throughput reach 57,850 of the TEU cargo capacity rate in 2019, down 47 per cent on-year while handling 2.96 million tonnes of goods in bulk, equal to the 2018 volume.

The Quang Ninh facility is estimated to make revenues of \$12.11 million, a drop of 0.5 per cent on-year. In 2018, big improvements were witnessed at the seaport with the US in terms of volume and revenue when it reported a throughput of 62,760 TEU for that year's first 10 months, easily surpassing its yearly target of 19,838 TEU. Meanwhile, in previous years, CICT had to handle goods in bulk to survive.

However, the joy has not lasted. CICT is forecast to face further difficulties in the coming months when more terminals are put into operation at Lach Huyen International Seaport.

In 2019, the performance of the other three JV ports improved, although not to the extent hoped for. Their profit remains negative during the year.

SP-PSA, a JV between VIMC and Singapore-based PSA, located in the Cai Mep-Thi Vai area of the southern province of Ba Ria-Vung Tau, is also in a hardship despite recent improvements.

Throughout 2019, SP-PSA reported no container throughput while its volume of goods in bulk rose 11 per cent on-year to over 3.43 million tonnes in comparison with the estimated figure at 1.54 million tonnes in 2016. The seaport is also estimated to fetch revenue of nearly \$7.5 million during the 12-month span, up 15 per cent on-year.

It loss amounted to \$9.8 million, up 24 per cent on-year.

Consistently ranking lower than other seaports of the type, SSIT – a JV between Vinalines and SSA Marine – nevertheless witnessed better results in 2019 in revenue, but still incurred a loss of \$10.28 million, and an on-year fall of 63 per cent in the volume of goods in bulk. However, the improvement has not been ample enough to help it cover huge losses incurred in the past.

Also located in the Cai Mep-Thi Vai area, SSIT's container throughput rocketed 438 per cent in 2019 to 224,120 TEUs. Its goods in bulk ascended 63 per cent to 2.55 million tonnes.

Although being the most profitable JV seaport, CMIT, which has Denmark's APM Terminals as foreign stakeholder, failed to make an expected profit in 2019, although its revenue rose 22 per cent to \$36.3 million, and container throughput increased 7 per cent on-year.

### Attractive but concerning

The seaport segment attracts the most foreign direct investment (FDI) in the transport sector thanks to its ability to control revenue sources, thus helping Vietnam's seaports to become a link in the global supply chains of global shipping lines and seaport operators. VIMC, which has stakes in 14 port companies and operates over 13,000 metres of piers with a total capacity of 75 million tonnes a year, is seen as a springboard for international groups to venture further into the lucrative market amid growing trade.

Recently, a number of international financiers sought opportunities to invest in Vietnamese seaports. In mid-May 2019, Thailand's Thoresen Group expressed interest in acquiring a 65-per-cent stake in Cai Cui-Can Tho Port in the Mekong Delta city of Can Tho.

Earlier, many other investors from Japan, the United States, and South Korea have also expressed strong interest in acquiring state stakes in ports in Haiphong, Ho Chi Minh City, and Danang.

While seaports are VIMC's most profitable business line in 2019, with steady growth of over 6 per cent greatly contributing to business results, worries have also been raised over possible snags.

VIMC once planned to divest state stakes in CICT and others, at that time, international groups were also interested in the move. SP-PSA was reported to want to raise stakes in VIMC while SSA Marine offered to buy VIMC's entire stake in CICT. Vietnam-Oman Investment JSC also proposed buying a stake in Haiphong Port. However, the divestment was delayed for unknown reasons.

Le Duc Khanh, director of market strategy department at PetroVietnam Securities, said that to reduce wide-scale but ineffective investments, and to more effectively use the capital in line with capacity and expertise, VIMC needs to divest some JV seaports. The state stake divestment is more difficult than in other businesses as VIMC will have to find suitable partners with strong experience in seaport management and financial capacity.

"However, not all seaports are appealing to investors. Evidently, JV seaports, and regional-standard seaports having strategic important location, advanced technology and capacity to accommodate big vessels are more attractive to investors," he told VIR.

Khanh's thoughts resonated with other industry insiders who said that this move is a golden opportunity for foreign investors to buy stakes in state-run port operators and JV ports at cheap prices, letting them gain the ability to make important decisions in their operations. One concern is the possibility of state stake divestment, and we will have to wait until specific figures are announced.

#### 4. US Development Finance eyes to invest in Vietnamese enterprises

With around US\$60 billion under disposal, US International Development Finance Corporation (DFC), the US government's development finance institution, would not limit its support for US enterprises, and neither for Vietnamese peers, said Adam Boehler, DFC's CEO.

The DFC gives priority to cooperating with Vietnam, which is part of the US foreign policy, said Boehler in a meeting with Prime Minister Nguyen Xuan Phuc on January 8.

Boehler added US President Donald Trump has high hope for Vietnam – US relations, expressing delight that the country has transformed significantly since his last visit 10 years ago.

According to Boehler, DFC is committed to investing in Vietnam, particularly in energy, healthcare and infrastructure.

With Vietnam taking over as ASEAN Chair in 2020, DFC expects to cooperate with Vietnam to invest in

infrastructure development to connect five countries in the Mekong Delta region, stated Boehler.

Boehler appreciated Vietnam's efforts in perfecting legal framework under public – private partnership (PPP) financing mechanism, which is an important step to promote private investments.

Boehler stressed DFC aims to help the US become the top investor in Vietnam.

PM Phuc said Vietnam – US relations are growing strongly in all spheres, especially in trade and investment, adding Vietnam is pursuing a balanced trade with the US.

Phuc stated foreign and private investment capital played a key role for Vietnam's high economic growth. As of present, social investment capital accounts for 33 – 34% of the GDP.



Phuc expected the country's economy would become stronger and more sustainable with more investments in energy, infrastructure, healthcare and education, among others.

Vietnam is willing to cooperate with the DFC in setting up investment programs in Vietnam and Mekong Delta region, said Phuc.

In a separate meeting with Nguyen Van Binh, Politburo member and head of the Party Central

Committee's Economic Commission, on the same day, Boehler reiterated DFC's commitment to invest in Vietnam's private sector, including energy and infrastructure, ensuring Vietnam's energy security and supporting major projects.

Binh requested DFC to expand its investment portfolio in Vietnam to the country's priority fields and serve as bridge for US investors looking for business opportunities in the country.

## 5. Vietnam named most promising Asian investment destination in 2020 for Japanese firms

Vietnam has been regarded by Japanese firms as the most promising place in Asia to invest in 2020, with India and Southeast Asian countries dominating other top spots, a survey showed Wednesday.

Other respondents of the survey, targeting expatriates working for Japanese firms in Asia, attributed their choice to the country's proximity to China. In the survey, conducted online from November to December 2019 by NNA Japan Co., a Kyodo News group company, Vietnam received 42.1% of the 820 valid responses, based on factors such as its potential as a growing market and large supply of skilled, low-cost labor.

India ranked second with 12.2% of the vote, with expectations for its growing market and its potential as a doorway to the Middle East and Africa among the reasons cited.

Myanmar jumped three spots from the previous year to the third place, while Indonesia took the fourth spot.

China, which appears to have lost its appeal somewhat as an investment location due to concerns about its trade war with the US and rising labor costs, ranked fifth.

At the Vietnam M&A Forum 2019 held last August, Tamotsu Majima, senior director of Japan's leading M&A advisory service company RECOF Corporation, said that the number of transactions by Japanese enterprises in Vietnam had reached a record high number. In the past four years, there

were about 20-25 transactions each year, but the figure hit 21 transaction alone last July.

Majima added Japanese companies were increasingly interested in Vietnam, especially in the fields of production and services, partly because the two economies are becoming closer. In recent years, more and more Vietnamese people travel to Japan and vice versa. Besides, Vietnamese people have also taken part in Japanese economic activities, while the Japanese are getting used to employing Vietnamese workers.

Masataka Sam Yoshida, RECOF's senior managing director, added the US – China trade war is one of the main reasons for Japanese investors to turn to Vietnam.

Besides, Vietnam's high economic growth also attracts more Japanese enterprises to invest in the fields of consumption, goods and many other industries. Yoshida referred to some notable deals, such as Taisho Pharmaceutical with local DHG Pharmaceutical, Misui Corp buying stake at Minh Phu seafood, or Sumitomo looking for Gemadep's shares, among others.

Yoshida expected the Japanese economy to slow down in the coming years, but this would not be the case with Japanese investments in Vietnam. Under fierce competition from countries such as South Korea, Thailand and Singapore, Japanese enterprises will continue to invest in the fields of consumer goods, health, real estate, construction, logistics, and finance in Vietnam.

## 6. Viet Nam gains record in cement exports

The industry last year exported 34 million tonnes of cement and clinker, earning about US\$1.4 billion, an increase of more than \$148 million compared to 2018, said the ministry's Import-Export Department.

The export value rose by \$100-150 million against the Ministry of Construction's forecast in early 2019.

Last year was the second consecutive year the cement industry recorded high export volume. In 2018, the nation exported 32 million tonnes of cement and clinker worth \$1.2 billion.

Nguyen Quang Cung, Chairman of the Cement Association, said the growth in exports and higher cement export price promoted development of production in the domestic cement businesses, reported Dau tu (Investment) newspaper.

This year, the Ministry of Construction forecasts cement demand will continue to increase by 4-5 per cent compared to 2019, reaching about 101-103 million tonnes. Meanwhile, the domestic cement consumption is estimated to stand at about 69-70 million tonnes and the nation would export 32-34 million tonnes of cement and clinker.

## Corporate News

### 7. PAN: BOD approves the record date to pay bonus shares

↑ 0.18%

HCMC – Orient Commercial Bank is seeking approval from shareholders to sell an 11% stake, equivalent to 86.86 million shares, to Japan's Aozora Bank via private placement. The shares issued to Aoroza Bank will not be transferable in three years.

HCMC – Vietnam Airlines (VNA) plans to operate nearly 600 flights from January 9 to February 2 this year on the occasion of the traditional Lunar New Year holiday (Tet), a year-on-year increase of 12%. The national flag carrier's additional flights will focus on popular routes including Hanoi-HCMC, HCMC-Danang, HCMC-Vinh and Hanoi-Phu Quoc.

HCMC – KB Securities Vietnam Company has launched the online trading version KB-able, a new trading channel integrating advanced features to bring optimal benefits to investors. Based on technology 4.0, KB-able will be one of

the technological experience chains that KBSV brings to investors this year.

HANOI – Saigon-Hanoi Commercial Bank (SHB) has gained approval to sell 552.2 million shares to existing shareholders. The share issue will help the bank increase its charter capital by VND5.53 trillion to VND15.57 trillion as approved at its annual shareholder meeting in early 2019. Of the total, more than 251 million shares will be issued to pay a dividend to shareholders. Another 300 million shares will be sold at a 1-for-4 ratio, meaning every shareholder can buy one new share for every four shares held.

HANOI – TNG Investment and Trading Company (TNG) said its total revenue rose 26% year-on-year to VND4.56 trillion in 2019, beating the full-year target by 9.7%. Of which, its exports revenue climbed 26% to VND4.35 trillion in 2019, while its domestic revenue soared 35% to VND206 billion.

### 8. GTN: Record date for EGM 2020

↑ 2.78%

On January 08, 2020, the Hochiminh Stock Exchange issued Announcement No.20/TB-SGDHCM about the record date of GTNFOODS Joint Stock Company as follows:

- Ex-right date: January 21, 2020
- Record date: January 22, 2020

Reason & purpose: to hold the 2020 Extraordinary General Meeting of Shareholders.

Content:

- Exercise ratio: 01 share – 01 voting right
- Meeting time: expected in February 2020
- Meeting venue: Notice later.



**Research Team:** Tsugami Shoji    Researcher    [jsi@japan-sec.vn](mailto:jsi@japan-sec.vn)

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***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](mailto:info@japan-sec.vn)*

*Website: [www.japan-sec.vn](http://www.japan-sec.vn)*