



VIETNAM DAILY NEWS

January 31st, 2020



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Market Analysis

1. Concerns about coronavirus impacts markets

Shares plunged on both national stock exchanges on Thursday, the first trading session after the Tet (Lunar New Year) holiday, due to volatility on global markets given developments of the coronavirus outbreak in China.

On the Ho Chi Minh Stock Exchange (HOSE), the VN-Index slumped 3.22 per cent to 959.58 points by the end of Thursday's session.

On the Ha Noi Stock Exchange, the HNX-Index dropped 2.04 per cent to 104.11 points.

Both stock indices rose on the last trading day on January 22.

Viet Nam's stock market moved in line with Asian stocks which fell on Thursday morning as the death toll from the coronavirus outbreak rose to 170, while the number of infected cases was reported to have hit nearly 8,000 around the world.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 2.1 per cent to a seven-week low and has now dropped for six straight sessions. Indexes in Japan and Hong Kong fell 1.7 per cent and 2.6 per cent respectively.

Taiwan's benchmark index slumped 5.7 per cent.

International experts have warned of a possible recession for the world economy as China – the world's second-largest economy – would likely suffer a slowdown in economic growth due to the outbreak.

In HCM City's market, 27 of the top 30 largest shares by market value and liquidity declined, of which 19 lost more than 1 per cent.

The biggest losers included Bank for Investment and Development (BID) (-5 per cent), brewery Sabeco (SAB) (-6.2 per cent), Vinamilk (VNM) (-3.9%), Vinhomes (VHM) (-2.2 per cent), PetroVietnam Gas JSC (GAS) (-3.1 per cent), Vietinbank (CTG) (-4.9 per cent) and Techcombank (TCB) (-5.4 per cent).

Two big airlines – Vietjet (VJC) on HOSE and Vietnam Airlines (HVN) on the Unlisted Public Company Market (UPCoM) – also decreased by 4.4 per cent and 7 per cent, respectively.

A total of 229.2 million shares worth VND4.9 trillion (US\$211.9 million) were traded in the two markets.

According to Bao Viet Securities Co (BVSC), the VN-Index will possibly continue to face declining pressure and retest the support zone of 945-946 points in the short term.

"However, after the washout session today, the market may experience a more balanced trading session on Friday. The index is expected to make a technical recovery to retest the resistance zone of 970-972 points in upcoming sessions," BVSC said.

Foreign investors net sold VND184.97 billion on the HOSE, including Vinamilk (VNM) (VND78.75 billion), Masan Group (MSN) (VND42.25 billion) and Vietjet (VJC) (VND39.53 billion). They were net sellers on the HNX with a value of VND5 billion.

Macro & Policies

2. Petrol and oil prices fall sharply

Specifically, the price of biofuel E5 RON92 fell by VNĐ577 to VNĐ19,268 per litre, and that of RON95 petrol also plunged by VNĐ791 to VNĐ20,122 per litre.

Meanwhile, the prices of diesel 0.05S and kerosene were capped at VNĐ16,136 and VNĐ15,062 per litre, down VNĐ412 and VNĐ473 per litre, respectively.

The price of fuel oil fell by VNĐ265 to VNĐ12,444 per litre.

To set these prices, the ministries of Industry and Trade and Finance have used the Price Stabilisation Fund for E5RON92 gasoline at VNĐ100 per litre, RON95 petrol and diesel oil at VNĐ500, kerosene at VNĐ400 and mazut oil at VNĐ200.

The ministries still maintained the price gap between biofuel E5RON92 and mineral gasoline RON95 to encourage the use of biofuel to protect the environment.

3. Apple partner Pegatron to start operation of factory in Vietnam by end of 2020

Taiwan-based Pegatron, the world's second-largest contract manufacturer of electronics, plans to have new factories up and running in Indonesia and Vietnam by the end of this year.

The move is aimed at moving production away from the company's main plants in China, where operating costs have risen due to higher labor costs and the US-China trade war, Tung Tzu-hsien, Pegatron's chairman, told Nikkei in an interview.

The company is among a growing number of Taiwanese manufacturers diversifying production away from China.

Pegatron makes a wide range of devices, including Apple iPhones, under contract. It is second only to fellow Taiwanese company Hon Hai Precision Industry, also known as Foxconn.

Tung told Nikkei that China "has not been an optimum manufacturing location since more than five years ago."

The Indonesian and Vietnamese plants will make devices for internet connectivity, Tung said, adding the latter will be in the north of Vietnam.

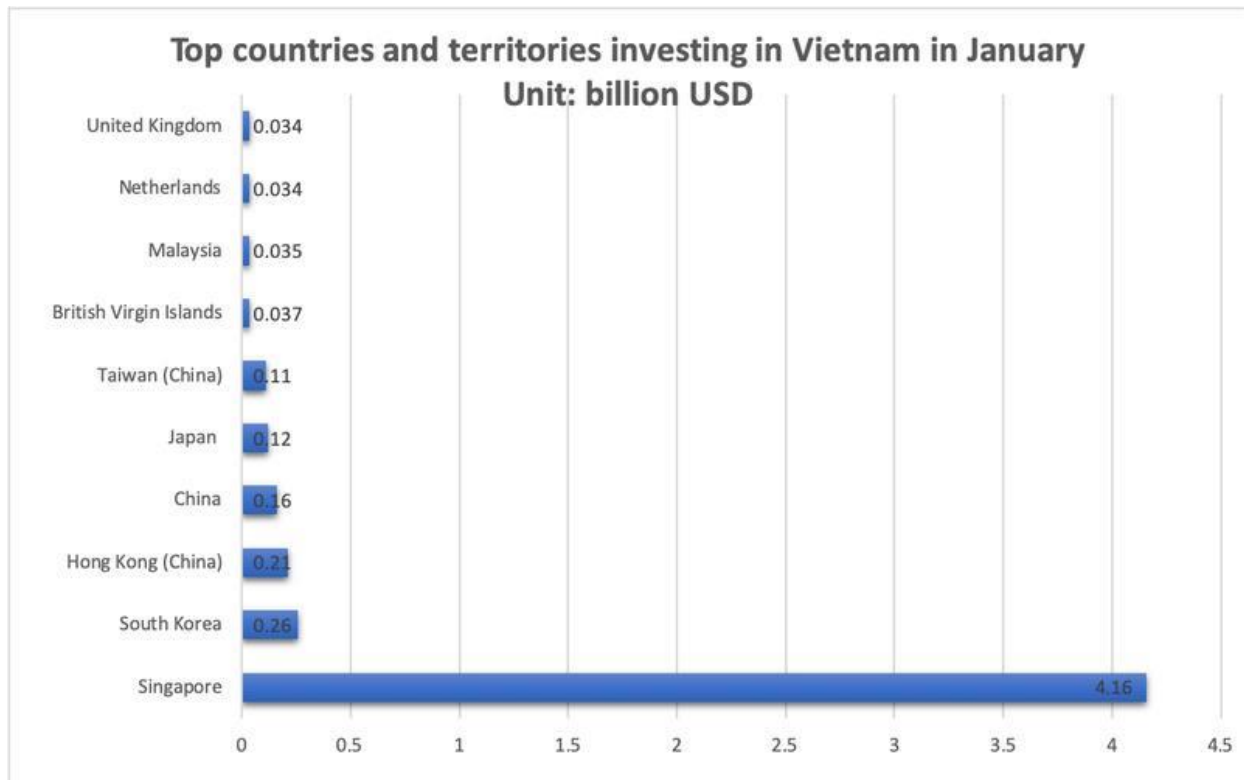
Along with plans to expand domestic production lines in response to Taiwanese leader Tsai Ing-wen's policy of promoting local manufacturing, Pegatron aims to diversify its production, which is heavily concentrated in China.

Pegatron joins Apple's two other iPhone assemblers -- Wistron Corp. and Hon Hai Precision Industry Co. -- in developing manufacturing facilities or building extra capacity in Vietnam. None of the three are making iPhones in Vietnam and have no imminent plans to do so. The only Apple device Pegatron makes is iPhones. GoerTek Inc. is now making AirPods in the country, while two other Apple assembly partners, Compal Electronics Inc. and Luxshare Precision Industry Co., also have a presence in Vietnam.

4. FDI commitment to Vietnam nearly triples in January

FDI commitments in the first month of the year totaled US\$5.33 billion, 2.8-fold that of the same period of last year thanks to a mega energy project,

a report of the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment has shown.



Data: FIA. Chart: Ngoc Thuy.

Meanwhile, disbursement of foreign direct investment (FDI) projects in Vietnam totaled US\$1.6 billion in January, representing an increase of 3.2% year-on-year.

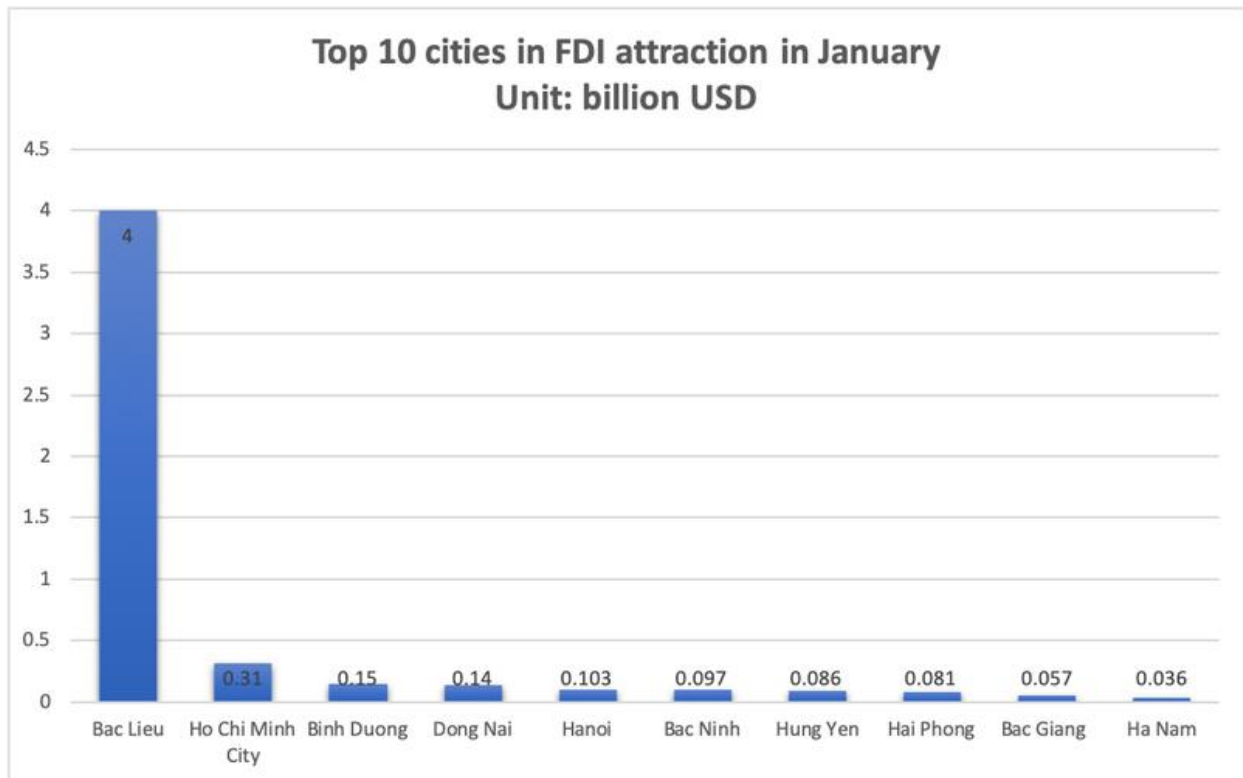
Year to January 20, 258 new projects have been approved with total commitments of US\$4.46 billion, up 14.2% in number of projects and 5.5 fold increase in capital year-on-year. A surge in new registered FDI in January was thanks to the liquefied natural gas (LNG) plant project worth US\$4 billion in Bac Lieu, taking the average registered capital per new project from US\$3.6 million in last January to US\$17.3 million in the first month of 2020.

Additionally, 77 existing projects have been injected an additional US\$334 million, down 1.9% in capital.

During this period, 884 projects have had US\$534.8 million in capital contributed by foreign investors, up 70.2% year-on-year.

Investors have poured money into 17 fields and sectors, in which electricity production and supply led the pack with investment capital of US\$4.04 billion, accounting for 75.8% of total registered capital. Manufacturing and processing came second with US\$856.3 million, or 16.1% of the total, followed by science and technologies with US\$119 million and wholesale and retail with US\$118.2 million.

The data shows that out of 59 countries and territories investing in Vietnam in January, Singapore took the lead with US\$4.16 billion or 78.1% of total investment capital; South Korea came second with US\$264.5 million while the third place belonged to Hong Kong (China) with US\$212 million.



Data: FIA. Chart: Ngoc Thuy.

Among 40 cities and provinces having received FDI in the first month this year, Bac Lieu has attracted the largest portion of capital commitments with US\$4 billion, accounting for 75.1% of total investment in the period.

Ho Chi Minh City came second with US\$310.8 million or 5.8% of the total investment, followed by Binh Duong, Dong Nai, and Hanoi.

Besides the US\$4-billion LNG plant project financed by Singaporean investor, some of the big-ticket projects in January include an injection of an addition of US\$75.2 million to Japan's Sews-components Vietnam manufacturing plant for electronic and auto parts; Hong Kong's Ce Link Vietnam 2 plant worth US\$49.8 million at Bac Giang for electronic parts and products.

5. Solar success will persuade Vietnam to scale back coal-fired plants

Environmentalists hope that success in developing solar power will persuade the government of Vietnam to scale back its ambitions for coal-fired plants, according to The Economist.

By the end of 2019, the country counted with 5.5 gigawatts (GW) – more than Australia, with an economy almost six times the size – just two years after the government paid suppliers a generous US\$0.09 per kWh produced by big solar farms.

Meanwhile, the Vietnamese economy has been growing by 5-7% a year for the past two decades.

The government has plans to double power generation by 2030, but estimates that supply may run short as soon as next year.

As a result, it needs to find new sources of power as soon as possible.

Coal is the cornerstone of Vietnam's energy supply. Under current plans, the fleet of coal-fired power plants will soon triple. But construction has been dogged by regulatory delays, local opposition and flagging investor interest. Building a new plant takes the better part of a decade.

Solar farms, in contrast, incite far less opposition and take about two years to build.

To encourage the development of solar power projects, the government has begun improving the grid and it decreed in November 2019 that in future it would not offer a feed-in tariff, but instead auction the right to sell solar power to the grid, with the winner being the firm that offers to do so at the lowest price.

Later this year it is due to release new targets for generation capacity in 2030. Wind and solar have almost already met their current goal of providing 10% of power, ten years ahead of schedule.

In another move, prices are likely to continue to move in renewables' favor. Wood Mackenzie, a consultancy, thinks power from large solar farms in Southeast Asia will be at least as cheap as that from almost all coal plants within five years.

Given that coal plants have lifespans measured in decades, Vietnam and others risk locking in unduly expensive generation capacity.

Vietnam's experience suggests that not all the planned coal plants will be built. But solar sudden spark in Vietnam should at least change officials' views of what is possible, said The Economist.

According to Wood Mackenzie, Vietnam currently tops Southeast Asian countries in solar power and the country's solar power accounts for 44% of the region's capacity.

The country targets to raise solar power capacity to 7.7 GW in 2020, according to Vietnam Electricity (EVN).

The development of solar power in Vietnam has beaten all expectations of developing renewable energy in the country where fossil fuel has played a crucial role for decades, said Melissa Brown, Energy Finance Consultant at the Institute for Energy Economics and Financial Analysis (IEEFA).

This will support Vietnam's fast growing economy at a time when the country's slow-moving pipeline of baseload coal projects faces new environmental challenges, she noted.

6. Investment funds concerned over bubble in Vietnamese startups

Vietnamese startups have been heavily invested in recent years, but experts are concerned about a bubble in the sector after some companies got burned last year.

Local startups received more than US\$800 million in funding last year, which included an investment of US\$300 million into fintech firm VNPAY, the largest deal for a fintech firm in Southeast Asia in 2019.

However, investors are becoming more cautious while investing in Vietnamese startups as they see some foreign and domestic companies, such as Mon Hue and WeWork, disappointed investors last year for failing to make a profit after so much buildup.

Investment fund Mekong Capital, which was set up in 2001 and manages hundreds of millions of US dollars, is keeping itself cautious and finds more value in old economy investments than the tech startups that have driven much of the deal flow.

Chris Freund, a partner at Mekong Capital, told the media that some of the tech business models don't make sense, warning that the sector is starting to resemble a bubble.

One example is food delivery startups, which handle inexpensive items like coffee and yet are facing off against local super-apps such as Grab -- which even though it is a market leader is widely perceived to be losing money.

"I don't see how they will ever be profitable. If venture capital money dries up, the whole industry will collapse," Freund said.

Nguyen Hoa Binh, chairman of tech startup NextTech Group, said that many startups in Vietnam collapsed last year, which has left great adverse impacts on investors' sentiment. There has been a chaos among investors and startups both in Vietnam and the world, Binh stressed.

More scrutiny of new investments

For years, investors were willing to back losing businesses to gain market share. But now, there is more scrutiny of new investments.

Vietnam Innovative Startup Accelerator (VIISA), for example, requires its tech startups to meet a list of benchmarks throughout their time in the program.

“Apart from very intuitive selection criteria that all applying startups have to go through, the program has introduced a new development measurement method, which helps us to capture the progress of startups that are accepted into VIISA,” Vo Hieu, a board member and chief financial officer at VIISA, said, adding that this process will bring out the best in each person for the particular business they have founded and committed to.

To find investors, Pham Ngoc Huy from Vietnam Silicon Valley, suggested that Vietnamese startups should call for capital from South Korean investment funds.

According to Huy, in the thoughts of many Vietnamese, Singapore is the nearest market for Vietnamese businesses to find investors. Vietnam's startups also tend to call for capital from the US. However, Vietnam is still not a targeted market for investment funds from these countries, except for highly promising projects.

Meanwhile, South Korean investors have big money and are competing fiercely with each other to find startups to invest in. As the number of good startups in South Korea is limited, they tend to look for startups in other countries. Vietnam is a major choice partly because of business culture similarities.

According to Huy, the good time for startups to call for capital is when startups have developed for a certain time, and can define their business model, strategy and business structure. At that time, the value of businesses begins to increase.

However, he noted, in the first phase of development, startup founders should not think too much about the value of their businesses.

Corporate News

7. MWG: Explanation of FS in Q4.2019

↓ -4.36%

Pursuant to the Finance Ministry's Circular No.155/2015/TT-BTC on the disclosure of information. Mobile World Investment Corporation (MWG) explained the financial statements of the 4th quarter of 2019 as follows:

Explanation for consolidated financial statement in Q4.2019:

- Net revenue of Q4.2019 reached VND 25,411 billion, increase 21% (equivalent to VND 21,038 billion) compared to the 4th quarter of 2018.
- The profit after tax of Q4.2019 reached VND 860 billion, increase 24% (equivalent to VND 693 billion) compared to the 4th quarter of 2018.
- Accumulated net revenue of 2019 reached VND 102,174 billion, increase 18% compared to the same period last year and finish 94% plan of 2019.
- Accumulated profit after tax of 2019 reached VND 3,836 billion, increase 33% compared to the

same period last year and finish 107% plan of 2019.

Explanation for separate financial statement in Q4.2019:

- Revenue of Q4.2019 reached VND 534 billion, decreased 61% (equivalent to VND 1,374 billion) compared to the 4th quarter of 2018.
- The profit after tax of Q4.2019 reached VND 500 billion, decreased 63% (equivalent to VND 1,349 billion) compared to the 4th quarter of 2018.
- Accumulated revenue of 2019 reached VND 2,271 billion, decreased 22% (equivalent to VND 2,915 billion) compared to the same period last year
- Accumulated profit after tax of 2019 reached VND 2,149 billion, decreased 24% (equivalent to VND 2,810 billion) compared to the same period last year.

8. VJC: Decision on tax penalties

↓ -4.44%

On January 21, 2020, VietJet Aviation Joint Stock Company received the decision of tax inspection by the Taxation Department of Ha Noi City dated

January 20, 2020 regarding the tax penalty in 2017 and 2018 with total amount of VND 2,481,103,799.

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