



VIETNAM DAILY NEWS

March 02nd, 2020



Table of content

Table of content

1. VN stocks recover slightly despite foreign selling
2. JLL names five key trends of Vietnam property market 2020
3. Banking sector to cash in on benefits from EVFTA
4. Foreign retailers hurry to cash in on Vietnamese market
5. Vietnam described as East Asia's trade hub
6. Vietnam needs new approaches to fund development: ADB expert
7. Vietnam's Military Commercial Bank raises \$74.6m from private placement
8. Nam Long eyes profit-taking in 2019 - 21

Market Analysis

1. VN stocks recover slightly despite foreign selling

Vietnamese shares gained slightly on Monday as previously-hard hit stocks lured purchases amid prolonged foreign net selling on fears about the coronavirus and its economic impact.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange edged up 0.25 per cent to close at 884.43 points.

More than 206.6 million shares were traded on the southern bourse, worth VND3.63 trillion (US\$157.6 million).

Nearly 174 million shares were traded via order-matching transactions, worth VND2.8 trillion.

The VN-Index lost a total of 5.45 per cent last week, weighed down by worries about a global recession as economies were hit by the COVID-19 outbreak.

Foreign investors net sold a total of VND1.04 trillion worth of local assets last week. They sold a total net value of VND3.08 trillion in February.

Foreign investors offloaded a net value of VND295 billion on the two exchanges on Monday, putting more pressure on the local market.

The net selling was well absorbed by other stocks to boost the benchmark index.

Among the top 10 top sold stocks by foreign investors were large-cap companies Masan (MSN), Vietjet (VJC), Vinamilk (VNM), Vingroup (VIC), Sacombank (STB), Vietinbank (CTG), Vinhomes (VHM) and SSI Securities Corp (SSI).

CTG, SSI and VJC SSI fell between 0.2 per cent and 1 per cent. MSN, VIC and VNM ended flat. Meanwhile, VHM and STB gained 0.1 per cent and 6.5 per cent, respectively.

The large-cap tracker VN30-Index was up 0.41 per cent to end at 835.42 points with an equal market breadth of 13 gaining stocks and 13 losers.

Insurance, pharmaceuticals and health care, agriculture-aquaculture-forestry, and the construction sectors were among badly-performing industries.

Meanwhile, seafood processing, technology, wholesale, mining and energy, and power production buoyed the market.

Problems for the Vietnamese market are foreign investors' net selling and worries about the heavier impact of COVID-19 on global economic growth, Thanh Cong Securities Co (TCSC) said in its daily report.

The market would keep struggling in the coming days to define whether it would go up or down, the company said.

The small rebound on Monday with stable trading liquidity compared to Friday may indicate the market has found its balance point and will recover in the short term, TCSC forecast.

As the VN-Index slipped below 880 points at some point of the day, investors had better opportunities to buy stocks with good prospects, the company said.

On the Ha Noi Stock Exchange, the HNX-Index increased by 1 per cent to close at 110.67 points.

The HNX-Index totalled a 1.38 per cent growth last week.

More than 86.6 million shares were traded on the northern bourse, worth VND941.6 billion.

Macro & Policies

2. JLL names five key trends of Vietnam property market 2020

Vietnam is expected to be one of the most favorite destinations for property investors thanks to its export-driven economy and stronger journey of international integration, professional services firm JLL has said in a recent report.

Before naming the key trends of Vietnam's property market in 2020 and in the next five years, JLL lists a number of factors that make Vietnam a promising investment destination.

Securing a large number of FTAs has set Vietnam up for a partnership with 60 countries worldwide and support Vietnam on its path to become the new global manufacturing hub, the real estate and investment management service provider said.

In addition, the Southeast Asian country will enter the golden age while its employment in manufacturing and services has increased, JLL said, noting that the Millennial generation will be the main driver of the economy in the next few years.

In the fast-changing retail sector, success has never been more dependent on the supply chain. Omni-channel is adding new layers of complexity to retail logistics: it's no longer just getting products onto shelves, but making them available anytime and anywhere.

Accordingly, the five trends are as follows.

Industrial sector will continue to lead the market

Industrial is still the hottest sector in the market with demand growing strong as companies are still looking to relocate from China amidst political uncertainty. Even before the trade war, significant interest from foreign investors had led to land value and rental rate increasing.

Manufacturing is the sector with the most significant investment in the past 10 years, and JLL predict that it will continue to dominate the market in the next few years. In the coming time, JLL expects to see a growth in medium to long-term investors in the industrial sectors, backed by

government support, free trade agreements and movement from China.

Logistics is expected to be the future of the industrial market. In recent years, increasing demand from both traditional retails and continuous growth from e-commerce sectors has put great pressure on existing supply chains, facilities and warehouses. JLL predicts that the growth of retail will contribute to investment activities for the current shortfalls of the industry.

Offices go bigger and more connected

Office space remains a hot commodity as rents soar past the recent peak to reach a decade high. Rental rates in Grade A&B increase was supported by strong demand and higher rental rates in newer office developments. Tenants are struggling to find bigger space as in the current market, only one Grade A building and ten Grade B buildings can provide a contiguous space larger than 1,000 square meter (sq.m).

The demand for large office space will accelerate in the next few years as co-working operators grow in numbers and companies look to upgrade their office to retain talents and expand business. Larger and more flexible space means better chance of collaboration plus energy and space utilization, JLL said in the report.

Overall, macroeconomics like urbanization, growth in smart phone and Internet usage and the portion of aging population will fuel demand for alternative investment choices. Apart from the aforementioned trends, alternative real estate such as senior and student housing, data center and cloud kitchen will be popular to investors in the next few years.

The future of retail

As a new trend in the market, both retailers and mall developers are re-inventing themselves with focus on food and beverage (F&B) and experiential retailers, providing better customer services and applying technology, consumer

analytics to enhance their popularity and increase foot traffic.

With increasingly shopping online habit, buying decisions often rest on how quickly and efficiently retailers can get goods out of the warehouse and into their hands. Yet it comes at a financial cost; pressure from e-commerce competitors only adds to the squeeze on retailer margins.

As Omni-channel retail evolves and consumer expectations around delivery increase, supply chain and logistics management will be crucial differentiators for retailers, according to the report.

Limited new supply continues as approval process prolongs

According to JLL, about 30,000-35,000 apartments are expected to be launched in Ho Chi Minh City and 40,000-45,000 units in Hanoi in 2020. It should be noted that the number is subject to a great deal of uncertainty given the government's tight control in granting land use rights and construction licenses.

Strong demand is set to carry on and will boost the price further across all sectors. However, the demand in high-end segment, especially from investors, is likely to slow down in long term as their already-high price level and low rental yield make it a less attractive investment.

Sustainability and more - enabled by technology

The green movement got a tremendous boost when 'fine dust' and 'virus' become the buzzwords. As people rush to buy mask, landlords race to upgrade their buildings to protect workers and enhance profits as investments in indoor air quality and hygiene help to differentiate office buildings from competitors.

Stephen Wyatt, country head of JLL Vietnam, comments: "But sustainability is not just a trend, it has to be the future of work. The next generation of buildings is set to become more 'green', with sustainable technologies to save on operating costs and innovative design to attract more occupiers and tenants."

3. Banking sector to cash in on benefits from EVFTA

The sector will become more attractive to European investors than ever before as Vietnam has pledged to allow them to hold up to 49 percent of charter capital at two Vietnamese banks. The maximum rate of foreign ownership is now capped at only 30 percent.

The offer will be applicable to only joint stock banks, excluding BIDV, Vietinbank, Vietcombank and Agribank, in five years.

4. Foreign retailers hurry to cash in on Vietnamese market

Robust economic growth, rising incomes and retail sales increasing at the fastest rate in four years are making overseas retailers rush to set up outlets in Vietnam and expand quickly to tap the market.

Miki House, a Japanese children's clothing and product company, last week opened its first store in Vietnam at the Akuruhi Tower commercial center in Ho Chi Minh City's District 1.

Phan Thanh Tan, Chairman of Akuruhi Group, which was chosen by Miki House as its exclusive distributor for the Vietnamese market, said if the first shop gains ground on the local market, the firm will soon open two more shops in Ho Chi Minh City and some others in Hanoi in the coming months.

Apart from Miki House, after launching its first store in Ho Chi Minh City in early December last year, which covers 3,000 square meters and is one of its biggest in Southeast Asia, Japanese global

apparel retailer Uniqlo has announced its second store in Vietnam will be open in Hanoi on March 6 at Vincom Center in Hanoi's Dong Da district.

Uniqlo said that it plans to expand its reach in the Vietnamese market this year by opening at least three stores in Hanoi and hitting the target of operating 20 Uniqlo stores nationwide.

Tadashi Yanai, chairman and CEO of Fast Retailing Co., Ltd, the parent company of Uniqlo, declared at the opening of the brand's first store in Ho Chi Minh City that: "Vietnam is a land of promise."

Besides fashion, retailers in other sectors have also sped up business in the Vietnamese market.

Aside from the first Matsumoto Kiyoshi pharmaceutical and cosmetics store set to open its doors in Ho Chi Minh City in late March this year, Ryohin Keikaku Co., Ltd, the company that runs the Muji chain of household goods stores, has announced that it will enter the Vietnamese market in 2020.

Korean supermarket giants such as Lotte Shopping and E-Mart already have a presence in Vietnam and also plan to expand its footing further this year.

Promising, but tough market

Vietnam, with its young demographic, growing incomes and large population, is considered a hugely promising market for retailers.

"With a population of nearly 100 million people, 60% of whom are under 35 years of age and 50% are middle class, Vietnam is a promising market," Dinh Thi My Loan, chairwoman of the Association of Vietnam Retailers, said.

5. Vietnam described as East Asia's trade hub

Mostafa Mousavi, head of the Iran-Vietnam Joint Chamber of Commerce, has described Vietnam as a trade hub in East Asia.

The Iran Daily cited Mousavi as saying that since the start of the trade war between China and the US, European states have concentrated on Vietnam and have established their technological

Besides, Loan said, the retail, service, and the food and beverage sector in Vietnam has witnessed annual growth of 10%. With the support of technology and the increase of M&A, the Vietnamese retail sector is looking at great prospects of positive change in the future.

Data from the Vietnam's General Statistics Office also indicated that the Vietnamese economy grew 7.02% in 2019, with retail sales of goods and services rising 11.8% to reach VND4,940 trillion (US\$214.8 billion).

Monthly income per capita, meanwhile, was estimated at US\$182 in 2019, higher than the US\$168 registered in 2018.

Figures like these are enticing for overseas retailers looking to expand into the Vietnamese markets. However, it is also making the competition in the market fiercer.

According to Nguyen Vu Duc, consumer industry leader at Deloitte Vietnam, though Vietnam's retail sector holds immense potential for growth, the level of competition is intense.

"Across different retail formats, we are witnessing domestic and foreign retail giants engaged in a battle for dominance as they embark on aggressive expansion strategies," he told the media.

Foreign retailers are facing a stiff challenge from Vietnamese businesses. For example, Vingroup and Masan Group have recently merged their retail and consumer goods manufacturing businesses to create the country's largest retail company.

and production bases in the Southeast Asian country.

Many of the world's major cellphone and auto companies have set up production lines in Vietnam, Mousavi said.

Vietnam has a much higher economic capacity than many other countries, making it a suitable option for Iran to expand economic cooperation, he added.

According to the businessman, Vietnam has pursued an open economic policy over the years and has made very good technological and economic advances.

Statistical analyses show that Vietnam has enjoyed the fastest economic growth in the world over the past decade, the daily stressed.

According to the newspaper, annual trade between Iran and Vietnam reached 350 million USD in the previous Iranian calendar (which ended in March 2019), witnessing 100 percent growth year-on-year.

6. Vietnam needs new approaches to fund development: ADB expert

As Vietnam is estimated to need an average of 210 billion USD for infrastructure per year through 2030 to meet its development targets, an Asian Development Bank (ADB) expert suggested the country should adopt new approaches to get the huge capital.

Donald Lambert, Principal Private Sector Development Specialist from ADB's Southeast Asia Department, said the Global Infrastructure Hub also estimated that the country needs to invest 110 billion USD between 2021 and 2025 for infrastructure and to meet the Sustainable Development Goals. Based on historical trends, this will leave a projected 22 billion USD funding shortfall for Vietnam.

According to Lambert, 22 billion USD over five years is a big number, but it's not insurmountable. In fact, Vietnam is in a better position than many. Whereas the Philippines, India, and other Asian countries have privately funded a large portion of their infrastructure, the private sector has historically only funded 10 percent of Vietnam's. That means there is a lot of scope for Vietnam – particularly given its compelling growth story – to attract more infrastructure investment.

To make this happen, the ADB expert recommended that Vietnam should pursue three complementary strategies.

“The first strategy is more catalytic use of development assistance,” Lambert said, noting this required a different mindset.

He explained that Vietnam is no longer a low-income country, but it is also not ready to fund itself exclusively through private investment and

domestic capital markets. A transition period is needed where Vietnam uses donors' assistance to catalyse private investment that would not come otherwise.

“This transition period will, however, require new tools. This includes issuing counter-guarantees to ADB and other development partners so they can use their strong international credit ratings to de-risk projects.”

Vietnam should also prioritise development assistance to strengthen the financial sector, providing stand-by facilities or other enhancements to make it easier for State-owned enterprises tasked with key projects to access affordable financing, and allowing development partners to issue dong-linked bonds to lower the cost of capital for Vietnamese borrowers.

Using development assistance to attract private investment closely ties to the second priority: passing a strong law on public-private partnerships (PPP).

“The law needs to better mitigate the risk that the demand for an infrastructure project falls short of projections,” Lambert said, adding that Vietnam already does this with feed-in-tariffs for power generation projects. The PPP law should afford similar protection to other sectors, particularly transport. This can be achieved through minimum revenue guarantees or ensuring that availability payments extend automatically beyond the current ceiling of five years.

Lambert said the final strategic priority is better mobilisation of domestic capital markets. The passage of the new Securities Law in November

2019 was a good step as are recent regulatory changes that encourage companies to turn to the

bond market instead of banks to fund long-term obligations.

Corporate News

7. Vietnam's Military Commercial Bank raises \$74.6m from private placement

↑ 1.47%

The sale increased the bank's foreign ownership to over 22.9 per cent from 20.9 per cent earlier.

The buyers include KIM Vietnam Growth Equity, which bought nearly 24 million shares, and KITMC Worldwide Vietnam RSP Balance Fund (2.65 million shares). Both are part of Korea Investment Trust Management Co., one of Korea's leading fund management companies.

Other buyers were Canada-based fund manager Fiera Capital (nearly 15.4 million shares), TMAM Vietnam Equity Fund (nearly 10.9 million shares) and Franklin Templeton Investment (over 4 million shares).

In January, MBB had also sold 21.43 million treasury shares to the eight investment funds.

According to Vietnamese brokerage SSI Securities Inc, which was the sole adviser for this deal, these transactions might add up roughly 2.4 trillion dong (\$104 million) to MBB's total equity.

In early February, the State Bank of Vietnam (SBV) had approved MBB's proposal to increase its

charter capital to more than 24.4 trillion dong from 23.73 trillion dong.

Headquartered in Hanoi, MBB is one of the largest Vietnamese joint-stock commercial banks with a focus on the retail and SME customer segment.

Last year, the bank reported a pre-tax profit of over 10 trillion dong, up 29.2 per cent year-on-year.

According to SSI's banking sector update report for Vietnam, the country's banking sector soared 26.16 per cent in term of market capitalization in 2019.

Last November, Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) completed the sale of a 15 per cent strategic stake to South Korea's KEB Hana Bank for 20.3 trillion dong (\$875 million).

Vietnamese lenders who have attracted strategic investments from global players include Vietcombank (Mizuho Bank), Vietinbank (IFC, MUFG) and VIB (Commonwealth Bank of Australia and Eximbank – Sumitomo Mitsui).

8. Nam Long eyes profit-taking in 2019 - 21

↑ 2.40%

The sharp increase was attributed to the company's projects such as Flora Novia, Dao Nho villas and Valora Island projects, which it completed and handed over to customers.

Its after-tax profit was nearly VND560 billion (\$24.1 million), more than four times the figure for the same period last year.

Of this, VND114 billion (\$4.9 million) came from joint venture activities, with the major contribution coming from nearly 1,200

apartments at the Mizuki Park project (joint venture with Japanese partners).

The quarter numbers pushed Nam Long's net income after tax for the full year to VND1.007 trillion (\$43.3 million), up 13.4 per cent from the previous year and 5 per cent higher than its target.

This was its highest profit ever while VND1 trillion was a nice, round figure.

By the end of last year Nam Long had accumulated VND1.839 trillion (\$79.1 million) worth of undistributed profits and VND988 billion worth of equity surplus. The company also has more than 19.5 million treasury shares with a carrying value of nearly VND383 billion.

Nam Long currently has VND2 trillion in cash reserves while its loans decreased by 8 per last year to VND924 billion, with corporate bonds it issued in 2018 and maturing in 2025 accounting for VND626 billion.

Its debt-to-equity ratio is only 0.16. Nam Long has more than VND1.8 trillion worth of receivables, including nearly VND1.2 trillion in short-term advanced payment from buyers and VND694 billion in long-term unrealised revenues.

A company spokesperson said the period from the end of 2019 to 2021 would be a profitable period because the number of apartments to be delivered to customers would be three times the number in 2015 – 18.

So the company has set itself an annual profit growth target of 25-30 per cent in the period.

This year Nam Long will launch some 3,000 units worth around VND8 trillion at projects such as Mizuki Park, Akari City, a 165ha portion in phase 1 of the 355ha Waterpoint, and other some others in Can Tho City and Hai Phong.

Its collaboration with Japanese partners Nishi Nippon Railroad (Nishitetsu) and Hankyu Realty (Hankyu) has helped it raise relatively cheap funds and spread business risks.

By raising cheap capital, the company has been able to develop affordable projects, exactly what its main customer base demands.

The co-operation with the Japanese companies has also helped Nam Long hedge risks at a time when the real estate market has been volatile, especially recently.

It hopes to acquire 10-20ha of land a year in places in the southern region such as HCM City, Dong Nai, Long An, and satellite cities that have industrial parks and are densely populated.

It has also started to move into the north to places like Ha Noi and Hai Phong to expand its network and meet more customers' demands. — VNS

Research Team: Tsugami Shoji 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