VIETNAM DAILY NEWS

JAPAN SECURITIES INC.

March 23rd, 2020

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Market Analysis

1. VN-Index down again as textiles industry slumps

The VN-Index fell 2.23 percent to 709.73 points Friday, with all 10 textiles tickers either in the red or keeping their opening prices.

211 stocks lost and 124 gained on the Ho Chi Minh Stock Exchange (HoSE), Vietnam's main bourse on which the VN-Index is based. Total trading volume remained at the same level as the previous session, reaching VND4.22 trillion ($179.85 million), of which 74.41 percent came from order-matched transactions.

Meanwhile, the HNX-Index for stocks on the Hanoi Stock Exchange, Vietnam's second main bourse for small and midcap stocks, rose 0.83 percent, and the UPCoM-Index for unlisted public companies slipped 0.1 percent.

Textiles and garments stocks had a particularly bad session with HoSE listed tickers such as TCM of Thanh Cong Textiles and Garments falling 6.3 percent, MSH of Song Hong Garment, 3.43 percent, and GMC of Saigon Garmex, 3.54 percent.

Textiles stocks listed on the Hanoi Stocks Exchange (HNX), Vietnam's second main bourse for small and medium caps, did no better. MPT of Truong Tien Group fell 8.33 percent, and X20 of Gatexco shed 9.68 percent, both hitting their floor prices.

Altogether, of the ten stocks listed on both exchanges, seven fell and three kept their opening prices. The fall happened after many EU importers announced they would stop taking deliveries of Vietnamese garments as a counter Covid-19 measure.

The EU itself had on Wednesday closed its external borders to almost all non-EU citizens for at least 30 days with exceptions for people transporting goods, diplomats, military personnel, healthcare professionals and researchers.

The VN30-Index for HoSE's 30 biggest capped stocks this session fell 0.86 percent with 13 tickers losing and 12 gaining.

The basket's losses were led by Vietnam's private conglomerate Vingroup and its two subsidiaries, all of which hit their floor prices. VIC of Vingroup and VHM of real estate arm Vinhomes, the two biggest caps on the VN30, plunged 7 percent and 6.9 percent respectively, while VRE of retail arm Vincom Retail shed 6.8 percent.

Other major losers included ROS of real estate developer FLC Faros, which fell 6.9 percent, VCB of state-owned banking giant Vietcombank 6.8 percent, and BVH of insurance giant Bao Viet Group 6.5 percent.

In the red were stocks of three other major state-owned banks. CTG of VietinBank shed 1.5 percent, BID of BIDV, 0.9 percent, and MBB of mid-sized lender Military Bank, 0.6 percent.

Among the gainers were VJC of budget carrier VietJet Air, up 5.1 percent, followed by GAS of state-owned energy firm PetroVietnam Gas, 4.7 percent, and MWG of electronics retailer Mobile World, 2.1 percent.

In contrast to state-owned banks, four out of five private banking stocks gained this session, led by EIB of Eximbank, up 1.9 percent, followed by VPB of VPBank, TCB of Techcombank, and STB of Secombank, gaining 1.2 percent, 0.6 percent and 0.5 percent respectively.

Foreign investors were net sellers for the 29th consecutive session, to the tune of nearly VND1 trillion ($42.62 million), the biggest single-day net sell so far this year. Selling pressure was focused on HPG of leading steelmaker Hoa Phat Group, which slipped 2.9 percent, and VCB of Vietcombank, down 6.8 percent.

Macro & Policies

2. Da Nang strives to become Vietnam's major socio-economic centre

Prime Minister Nguyen Xuan Phuc has approved a master plan on socio-economic development in Da Nang until 2020 with a vision to 2030 under which the central city will become one of the major socio-economic hubs in Vietnam and Southeast Asia.

Under the plan, the city has set a target of becoming a centre for start-ups, innovation, tourism, trade, finance, logistics, and information technology; and one of the major centres for culture, sports, education and training and health in the country.

It is working towards average annual economic growth of 12 percent from 2021-2030, with the services sector accounting for 67-68 percent of the economic structure, industry and construction 31-32 percent, and agriculture 1 percent.

The city's population is projected to hit 2.5 million, while employment rate is estimated to increase by 5-5.5 percent a year with the proportion of skilled workers exceeding 70 percent by 2030. By 2030, 100 percent of solid waste, and 80 percent of waste water will be treated, and 100 percent of residents in rural areas will have access to clean water. Forest coverage is expected to reach 45 percent.

The master plan puts forward orientations for the development of services, industry and construction, and agriculture.

In terms of services, Da Nang will develop tourism services in line with resort properties with a focus on the Son Tra tourist site, Da Nang Bay, and entertainment projects; and develop seaports and airports in parallel with logistics services.

The city will maintain the harmonious development of trade,finance and banking activities, and increase the quality of services and products to serve tourism.

In terms of trade, the city will strive for a growth of over 8 percent in 2020 and 8.4-11 percent in the 2021-2030 period. The sector is expected to account for 12.9 percent of the city's gross regional domestic product (GRDP) in 2020, and 15.4 percent by 2030.

Da Nang will focus on industrial development planning to avoid conflicts between industrial and tourism development targets, while developing environmentally-friendly industrial projects and eco-industrial zones.

It will put forward incentives to attract more investors, especially those in the world's Top 500, and step up the application of information technology in production and business.

In the agricultural sector, Da Nang will form hi-tech agricultural zones, manage and protect forest areas, and develop offshore fishing comprehensively and sustainably. It will speed up the completion of its fisheries logistics services and infrastructure and fulfil the target of turning it into an aquaculture centre in the central key economic region.

During 2021-2030, the sector's growth is expected to reach 2.2 percent, accounting for 1 percent of the city's GRDP by 2030./.

3. Hanoi, JICA work to accelerate ODA projects

Projects invested by Japanese investors or funded by Japanese official development assistance (ODA) capital have played a crucial role in economic development of Vietnam and Hanoi in particular, said Chairman of the municipal People's Committee Nguyen Duc Chung.

The Hanoi leader affirmed this at a reception on March 20 for Chief Representative of the Japan International Cooperation Agency (JICA)'s Vietnam Office Konaka Tetsuo.

According to Chung, effects caused by the COVID-19 epidemic on the world's top ten economies, including Japan, will impact greatly on Vietnam's economy.

He expressed the hope that the two sides will work closely together to accelerate the implementation of Japan's investment projects in the city, thus further strengthening their cooperation and reducing losses caused by the pandemic.

Hanoi is doing its utmost to prevent the spread of the COVID-19, Chung said, adding that the experience of Japan, China and the Republic of Korea in this work has proven effective.

For his part, Konaka praised the Vietnamese Government and Hanoi for their efforts in the fight against the epidemic, saying that Vietnam's performance is even better than Japan's.

The JICA official noted that Japan's ODA funds have been used effectively in Hanoi, citing the Yen Xa water plant as an example.

He added that when the Hoa Lac Hi-Tech Zone project is completed, Hanoi will have many opportunities to attract investment from foreign technology companies.

He also asked the municipal authority to quickly address existing shortcomings in projects funded by Japanese ODA in the city, and continue to support JICA's activities in the coming time./.

4. Two Vietnamese entrepreneurs among Europe's 30 Under 30

Tran Bao Khanh, 28, and Chu Hoang Son, 24, co-founders of Rens Original, have been honored in the category of Social Entrepreneurs in the annual list recognizing the most influential people in Europe across various categories.

"This Vietnam-born duo is recycling them by turning discarded grounds into fresh kicks. The Helsinki-based company has sold their sneakers to individuals in over 100 countries," Forbes said.

Born in Ho Chi Minh City, Khanh moved to Finland to study international business and logistics major in 2011 while Son came to Finland's Helsinki to study information systems in 2014. Both won Finland's Summer of Startups 2016 with their Factory Finder project, an online platform that connects European fashion brands with Vietnamese factories.

Rens Original is a startup founded by the duo that uses residual coffee grounds as raw material for shoes, the first time ever that it has been done. Rens shoes are waterproof and odor-free. Each pair is made from 300 grams of used coffee grounds (equivalent to the remains of 21 cups of coffee) and six recycled plastic bottles.

The 2020 Forbes 30 Under 30 Europe lists 300 young, visionary leaders reinventing business and society from 62 countries in Europe and around the world. They were chosen from over 1,500 entries.

5. Việt Nam to launch national promotion programme

MoIT suggested businesses of all fields and sectors to join the programme which will offer the maximum value of promotional goods and services of 100 per cent.

MoIT's Department of Trade Promotion, as the organiser of the programme, said the purpose is to gather businesses on a national scale to improve purchasing power from consumers, both domestic and international, with various promotional activities.

The department also planned to use the programme to enhance e-commerce activities together with traditional shopping and retailing.

The programme will boost production activities and improve the competitiveness of enterprises. It will give firms the chance to apply different technology to have diverse and smart business models and better interact with consumers.

The event is also an opportunity to promote quality products from different regions of Viet Nam to consumers across the country and foreign visitors together with traditional local festivals to attract and promote tourism in local areas.

It is also expected to help overcome the COVID-19 pandemic, contributing to ensuring economic growth.

The organiser said they planned to open a ceremony for the programme on July 3 in Hà Nội and HCM City.

6. Hanoi: Retailers plan to boost stockpiles by 300 percent amid COVID-19

Retailers in Hanoi said they have made plans to boost stockpiles by 300 percent if necessary to meet the demands of local people amid the COVID-19 pandemic.

It was revealed during a March 19 meeting between Chairman of the Hanoi People's Committee Nguyen Duc Chung and local retailers regarding the current reserves and supplies of goods in the city, which has seen a growing number of new infections since the beginning of this month.

Representatives of the retailers said they have discussed with suppliers ways to keep their shelves stocked during the outbreak. Meanwhile, the municipal Department of Industry and Trade has developed a four-tier stockpiling plan to make sure there are enough goods available for people and to supply to those in quarantine.

The department and retailers intend to spend around 174 trillion VND (7.42 million USD) to double the stockpile of essential products in the second quarter of this year, which will include 557 tonnes of grain, 111 tonnes of pork, 32 tonnes of chicken, 619 tonnes of vegetables, 31 tonnes of aquatic products and 31 tonnes of processed food.

They will also provide about 234 million anti-bacterial masks, 18.36 million medical masks and over 123.9 million rolls of toilet paper to the market.

At the meeting, Chung urged Hanoians to stay calm and avoid panic-buying since supermarkets in the city will work to keep goods in stock with unchanged prices under any circumstances.

He also requested the municipal Department of Transport to facilitate vehicles transporting foods to the city while the Department of Health was tasked to provide supermarket staff with protective gear to minimise exposure./.

Corporate News

7. BIDV uncertain prospect despite historic deal with KEB Hana Bank

↓ -0.90%

Earlier this month, BIDV – one of four state-owned commercial lenders in Vietnam – held its annual meeting to discuss last year's results and future plans.

BIDV's board of management aims to grow the bank's pre-tax profit by around 16 per cent to reach VND12.5 trillion ($543.5 million) by the end of 2020. At first, the bank targeted credit growth of 13 per cent on-year, but its initial credit growth quota from the State Bank of Vietnam (SBV) is only 9 per cent.

The annual meeting revealed that the bank is expected to pay a 7 per cent stock dividend in the third or fourth quarter of this year, roughly equivalent to 281.5 million shares. The bank, with its optimistic outlook, plans to issue an additional 341.5 million new shares in 2020-2021 via public or private placement, equivalent to 8.5 per cent of the outstanding shares at the end of 2019.

Last year, BIDV has successfully completed the sale of 603.3 million shares, equal to 15 per cent of BIDV's post-deal capital, via a private placement to KEB Hana Bank.

The strategic co-operation between the bank and the South Korean lender officially inked last year makes BIDV the lender with the largest market capitalisation in Vietnam, outpacing its state-run peers VietinBank, Vietcombank, and Agribank. The deal has also improved BIDV's balance sheet and previously weak capital adequacy, and allows it to meet Basel II minimum capital requirements, which should support credit growth going forward.

However, it is still too soon to say if BIDV has the Midas touch, as the current economic climate is becoming increasingly uncertain.

The SBV has set the loan growth target for the banking sector at 14 per cent – the same as in 2019. The domestic banking sector recorded credit growth of 13.5 per cent on-year in 2019, dropping to a five-year low.

According to experts at Yuanta Securities, the valuation of BIDV's stocks remains sky-high, potentially rendering it unattractive to both local and foreign investors.

“These stocks are expensive compared to the sector's median valuation,” noted Yuanta research analyst Tanh Tran. “Last year's catalyst – the KEB Hana Bank deal – is history and enough is enough. BIDV's shares have become overvalued and we can no longer justify a positive recommendation,” said Tran.

As economic growth plateaus out, investors are becoming more selective about where they put their money. They have understandably turned from bank stocks, partially due to SBV's announcement that credit growth for the first two months of the year stood at a meagre 0.1 per cent on-year as a result of the widespread outbreak.

Nguyen Thi Thuy Linh, analyst at SSI Securities, said, “BIDV will likely witness a 15 per cent decline this year due to a pessimistic outlook resulting from the COVD-19 pandemic.”

Back in 2015, BIDV acquired distressed local lender Mekong Housing Bank (MHB). Consequently, the deal took BIDV more time than expected to facilitate loan resolutions and preserve financial stability.

Another issue of concern is that BIDV's shares enjoyed a significant rise of 28.4 per cent since last November, which also spurred short-term traders to sell stocks to generate cash profits. This movement would bring about hefty trading costs and unpredictable risks due to the volatile nature of the field.

The global COVID-19 pandemic, at its worst, presents downside risk for all banks in terms of net interest margin, loan growth, and credit quality as domestic lenders like BIDV provide extra support for cash-strapped businesses.

Overseas, lower rates from other central banks and a collapse in oil prices are keeping investors away from the finance and banking sector and Vietnam is not the exception, as lower interest rates limit what banks can earn on loans.

A brief look at BIVD	
Market capitalisation	$8.1 billion
Six-month average daily turnover	$1.8 million
Outstanding shares	4.02 billion
Free float	19 per cent
Foreign Institutional Investor (FINI) ownership	18 per cent
Major shareholders	96 per cent
Assets/Equity (x)	21.0
2020 estimated Price-to-earnings (P/E)	22.6
2020 estimated Price-to-book (P/B)	2.3
Remaining room for foreign ownership	12 per cent
2020 estimated dividend yield	2.0 per cent

8. VGC: BOD resolution on holding AGM 2020

↓ -0.33%

The Board resolution dated March 19, 2020, the Board of Directors of Viglacera Corporation - JSC approved the holding of Annual General Meeting 2020 as follows:

- Record date: April 10, 2020
- Meeting date: April 28, 2020
- Meeting venue: Notice later.

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