



VIETNAM DAILY NEWS

April 15th, 2020



Table of content

Table of content

1. Shares swing as profit-taking gets stronger
2. Industrial parks forecast lower profits due to COVID-19
3. Solar power generation surges 28 times
4. Vietnam targets 7% annual GDP growth over next five years
5. VN could become world's face mask factory amid COVID-19
6. Trade ministry urges caution in mask production for export to EU
7. Vietjet Air operating 10 cargo flights daily
8. Vietnam Airlines mulls divesting 49% stake in Cambodia's Angkor Air

Market Analysis

1. Shares swing as profit-taking gets stronger

The benchmark VN-Index on the Ho Chi Minh Stock Exchange inched up 0.21 per cent to end at 767.41 points.

The VN-Index had increased by a total of 1.25 per cent in the last two days.

The HNX-Index on the Ha Noi Stock Exchange finished at 107.15 points, a slight decrease from Monday's close of 107.16 points.

The HNX-Index had gained a total of 1.56 per cent in eight straight days since April 1.

Nearly 323 million shares were traded on the two exchanges, worth VND4.66 trillion (US\$198.6 million).

Of the total, nearly 279.5 million shares were traded via matched orders, worth VND3.83 trillion.

Driving the market up were information and technology firms, securities companies and food and beverage producers.

Investors are betting those firms will release good earnings reports for the first quarter of 2020 despite the social distancing order and coronavirus outbreak, according to securities companies.

Shares of leading companies in those industries such as tech group FPT Corp (FPT), consumer firm Masan (MSN) and HCM City Securities Corp (HCM) rose strongly on Tuesday.

FPT shares soared 6.5 per cent, Masan shares jumped nearly 5.0 per cent and HCM City Securities shares gained 2.6 per cent.

SSI Securities' research unit said in a recent corporate earnings report that Masan would announce a sharp increase in Q1 revenue since consumption had grown during the first quarter due to the spread of the disease.

In addition, as people and companies were forced to work from distance, they were looking for technological solutions provided by IT businesses.

But many large-cap stocks struggled with rising profit-taking pressure after they had made strong rallies, Thanh Cong Securities Co (TCSC) said in a note.

Among those stocks were aviation firm Vietjet (VJC), lenders Vietinbank (CTG), Bank for Investment and Development of Vietnam (BID), and Vietcombank (VCB), and petrol firm Petrolimex (PLX).

Vietinbank recently cut its total credit growth forecast to 4-8.5 per cent in 2020 from the previous forecast of 6-10 per cent. The bank is also unsure about this year's earnings targets due to COVID-19.

"Stocks are being divided and it is getting harder to be profitable," TCSC said. "Investors are turning more cautious."

"The VN-Index may keep increasing to 780 points but there will be struggles, especially for those with short-term trading appetites," the company said.

Macro & Policies

2. Industrial parks forecast lower profits due to COVID-19

Industrial park owners are forecasting a drop in 2020 profits, blaming the ongoing damage inflicted by the COVID-19 pandemic.

The Dong Nai-based Industrial Urban Development JSC No 2 (D2D) expects post-tax profit to slump by 51.5 percent year-on-year to 178.7 billion VND (7.7 million USD).

D2D also estimates that revenue this year will fall by 49 percent to 414 billion VND.

In 2019, D2D recorded net revenue of 763 billion VND and post-tax profit of 368.5 billion VND, 2.7 and 4 times higher than in 2018, respectively.

The company attributed the sudden slump to the investment efficiency of the Loc An KDC project in Long Thanh district.

Sonadezi Long Thanh Holding Company (SZL), also in Dong Nai, has revised its revenue target in 2020 to 409 billion VND, down 4 percent year-on-year, and post-tax profit of 87 billion VND, down 16 percent compared to 2019.

Sonadezi Long Thanh has authorised its board of directors to adjust its business plans to match the complicated developments of COVID-19. However, shareholders will need to be advised if the targets fall by more than 30 percent.

Tin Nghia Industrial Park Development JSC (TIP) expects its revenue to reach 166 billion VND, down 24 percent against 2019, and pre-tax profit to touch 93 billion VND, down 19 percent year-on-year.

TIP said this year the company will face difficulties regarding slow and complicated administrative procedures, higher costs for compensation and site clearance, and less FDI due to COVID-19.

SONADEZI Chau Duc Shareholding Company (SZC) has also forecast post-tax profit of 115 billion VND, down 14 percent.

The COVID-19 pandemic is becoming increasingly complicated, SZC's Board of Directors said, and that the company's investment attraction will be negatively affected.

In 2020, revenue from industrial land leasing, factory leasing, management fees and industrial infrastructure services is estimated at 282 billion VND. The company is also continuing the construction of the Chau Duc Urban Industrial Park and Golf Course.

Higher profit

Among the industrial park operators suffering the severe impacts of the pandemic, some still expect a higher profit in 2020.

Phuoc Hoa Rubber JSC (PHR) has forecast total revenue of 2.46 trillion VND, an increase of 52 percent, and pre-tax profit of 1.15 trillion VND, double the figure in 2019.

The board of directors at PHR said it would respond to each specific scenario during the COVID-19 pandemic.

The company will also restructure projects it has invested in, including Truong Phat Rubber JSC and Phuoc Hoa Kampong Thom Rubber Development Co Ltd.

According to Viet Dragon Securities Co, PHR's industrial parks were located in the most favourable locations in Binh Duong province so rental rates are expected to remain high, at around 60-80 USD per metre square in Tan Binh and 90 USD per metre square in Nam Tan Uyen.

Rental demand is expected to continue to increase as FDI in Vietnam, and in particular Binh Duong

province, is still rising, making the industrial zone segment a key driver for PHR.

However, these comments were made by VDSC before the COVID-19 pandemic.

Vinh Phuc Infrastructure Development (IDV) aims to earn 264 billion VND in revenue, and 151.6 billion VND in post-tax profit, up 62 percent and 54 percent, respectively, compared to 2019.

Remarkably, thanks to the large profit made by its subsidiary VPID Ha Nam, IDV's revenue and profit

in Q1 reached 109 billion VND and 60.6 billion VND, respectively.

These earnings in Q1 fulfilled nearly half of the target set for 2020.

This year, IDV plans to increase investment attraction at the Chau Son Industrial Park, and focus on expanding the Khai Quang Industrial Park and developing new industrial park projects./.

3. Solar power generation surges 28 times

Data from national utility Vietnam Electricity (EVN) showed that renewable energy, consisting of solar and wind power, accounted for 4.8 percent of total power generation, which was 57.3 billion kWh, up 6.3 percent year-on-year.

Coal-fired power accounted for 59.2 percent of the total, followed by gas-fired, hydropower and renewable energy generation.

Hydropower slumped 30.4 percent to 9.5 billion kWh due to water shortages in major reservoirs. EVN had to mobilize more oil-fired power plants at higher costs to make up for the loss.

As many as 91 solar farms with a total capacity of 4,550 MW began operating in Vietnam last year.

The government has so far licensed solar plants with a total capacity of 25,000 MW, far higher than the original target of 4,000 MW by 2025.

Meanwhile, the government has greenlighted a proposal by the Ministry of Industry and Trade to lower electricity prices by 10 percent in April, May and June to support citizens and businesses in dealing with the impacts of the Covid-19 pandemic.

4. Vietnam targets 7% annual GDP growth over next five years

The Southeast Asian country's economy grew at its slowest pace in the first quarter of this year, at 3.8%, as the new coronavirus outbreak hit economic output.

The government said in a statement posted on its website late Monday that it will continue to improve its business environment and infrastructure, expand its export markets, apply advanced technologies and promote the development of the private sector over the next five years.

Vietnam, which has one of the fastest growing economies in Asia backed by robust exports and foreign investment, has this year struggled to maintain growth momentum due to the virus, which has halted business operations.

The government has recently announced relief packages, including tax holidays and cutting electricity prices. The central bank has also cut its policy rates to prop up economic activities.

Vietnam has so far reported 265 coronavirus cases and no deaths. (Reporting by Khanh Vu; Editing by Sam Holmes).

5. VN could become world's face mask factory amid COVID-19

Many garment producers hit hard by the COVID-19 pandemic recently invested in producing face masks as a solution to cope with the difficult time and take the opportunities arising from the supply shortage.

Some received export orders worth millions of dollars, a positive sign for the garment industry which was under huge pressure from the pandemic.

Recently, Garment 10 Corporation Joint Stock Company said that it received an export order for 400 million medical face masks worth US\$52 million, together with orders for 20 million cloth masks from a US partner and two million cloth masks and six million medical face masks from a German partner.

TNG Investment and Trading Joint Stock Company also shipped millions of anti-bacterial cloth masks to the European Union during the past month. TNG was also investing in producing medical face masks which was expected to start production from May.

Anti-bacterial cloth masks helped TNG's sales in the domestic market in the first quarter of this year increase by 10 per cent against the same period last year.

TNG's director Nguyễn Văn Thời said that there were large opportunities to export face masks.

According to the Ministry of Industry and Trade, 50 domestic producers which reported to the ministry alone had a total production capacity of eight million face masks per day.

Besides, some companies, such as Nam Định Silk Textile Joint Stock Company, were now capable of producing anti-bacterial cloth.

The ministry said that Việt Nam's face mask production capacity could be increased much further.

Caution in investment

Trần Thanh Hải, Deputy Director of the ministry's Import-Export Department, in an interview with Việt Nam News Agency said that Việt Nam was capable of becoming a big cloth face mask producer in the world.

Trade promotion must be enhanced to raise consumers' awareness about cloth masks and encourage them to switch to cloth masks instead of medical masks, Hải said.

He, however, noted that firms needed to give careful consideration when investing in face mask production as a long-term or large-scale investment because demand for masks could drop when the pandemic was over.

Face mask producers must pay attention to meeting quality and safety requirements of the import markets and obtain certificates to expand exports, he added.

According to the Việt Nam Trade Office in the EU, many face mask and medical protective clothing producers in Việt Nam contacted the trade office for supports in finding partners for exports of these products.

The trade office said that producers must note that in order to export face masks and medical protective clothing to the EU, they must get CE marking which indicated that a product had been assessed by the manufacturers and deemed to meet EU safety, health and environmental protection requirements.

The mass production of face masks and medical protective clothing without following any technical standards would cause oversupply and damages if the products could not be exported to the EU or any other markets, the trade office said.

Firms should learn about standards for face masks and medical protective clothing at the following address
https://ec.europa.eu/commission/presscorner/detail/en/IP_20_502.

Export for medical mask?

Under the Government's Resolution 20/NQ-CP dated February 28, in the context of the COVID-19 pandemic, medical face masks could be exported only for the purpose of international aid and assistance provided by the Vietnamese Government. In addition, the export volume could be a maximum of 25 per cent of the output.

The regulation aimed to give priority to the fight against the pandemic in the country and ensure adequate medical equipment for doctors

According to Vũ Tiến Lộc, Chairman of the Việt Nam Chamber of Commerce and Industry, the Government should allow the export of medical mask to support domestic producers in overcoming the difficult time.

Lộc said that the face mask production capacity of Việt Nam was huge, much higher than domestic

demand. While the face mask demand in the foreign markets was increasing rapidly, it was time for domestic producers to grasp that opportunity.

Still, priority must be given to meeting the domestic demand, but it was also necessary to take the opportunity to boost exports, Lộc stressed.

Lộc also urged the Government to develop a strategy for medical equipment production and export. "Any decision must be timely, especially in the pandemic," Lộc said.

According to Hải, when the COVID-19 pandemic was brought under control, the domestic production capacity and reserve could meet demand, the Government could consider allowing exports of medical masks.

6. Trade ministry urges caution in mask production for export to EU

Many companies in the country have contacted Vietnam Trade Offices in the European Union to find business partners to process shipments of cloth and surgical face masks and PPE to EU countries hard hit by the coronavirus, according to the ministry.

However, the mass production of face masks and PPE that do not meet the EU standards could lead to these products being rejected. Further, it could trigger an oversupply and undermine the local economy if the products cannot be shipped to other markets for consumption.

Accordingly, local manufacturers should visit the official websites of the EU and its member countries to gather more information on their

standards for face masks and PPE, said the ministry.

Earlier, Tran Thanh Hai, deputy head of the ministry's Import-Export Department, noted that Vietnam could become the world's leading manufacturer of face masks.

He advised local garment firms to consider tapping potential markets in need of PPE at this time but to remain cautious about large-scale investment in the production of PPE.

Cloth face masks are currently not very popular in the EU. Further, it is considered a seasonal product. The demand for face masks will plummet when the coronavirus pandemic ends, he explained.

Corporate News

7. Vietjet Air operating 10 cargo flights daily

↓ -2.51%

Vietjet Air is operating 10 cargo flights each day, a representative from the budget carrier said on April 14.

In addition to necessities, the flights are also ferrying medical equipment and medical workers free-of-charge to facilitate the fight against COVID-19.

It is also conducting two round-trip passenger flights a day on the Hanoi-HCM City route during the ongoing period of physical distancing.

It was permitted to launch three additional flights on the route - on April 11, 12 and 14 - for people returning home after undergoing mandatory quarantine and for passengers in possession of

health certificates that indicate a negative test result for COVID-19.

Passengers are recommended to check the carrier's flight schedule after April 16, at www.vietjetair.com, by calling the hotline 1900 1886, on its Facebook page at <https://www.facebook.com/vietjetvietnam/>, or at its ticket offices.

The Civil Aviation Authority of Vietnam has directed Vietnamese airlines to open ticket sales for flights after April 16 only after they have received its approval.

Domestic carriers have been asked to submit applications for the consideration of flights over the next fortnight./.

8. Vietnam Airlines mulls divesting 49% stake in Cambodia's Angkor Air

↓ -0.42%

Vietnam Airlines acquired a 49 per cent interest in the Cambodian peer in 2009. The local government owns the remaining 51 per cent in Angkor Air.

Vietnam Airlines said in its 2019 financial statement that the state had approved the planned disposal earlier this year.

"As at the date of issuing this financial statement [April 10], the company's operation has been adversely impacted by the unpredictable development of the pandemic. The management has come up with short- and long-term solutions to cope with the uncertainties," the Vietnamese firm said.

In October 2019, Airline Business reported that Vietnam Airlines had considered "whether to reduce or withdraw" its stake in Angkor Air due to stiff competition in the Cambodian aviation market.

Vietnam Airlines added that it was also planning a sale of five Airbus aircraft for \$37 million, which was slated to complete by June 2020.

The Vietnamese national carrier reported a net profit of 2.54 trillion dong (\$109 million) in 2019 but has suffered a loss of 2.4 trillion dong in the past quarter. Vietnam's committee of state capital in enterprises has said that Vietnam Airlines is the most impacted business amongst the 19 companies it manages.

The local government has an 86.2 per cent interest in Vietnam Airlines, while Japan's ANA Holding holds another 8.77 per cent. Vietnam had earlier planned to reduce its ownership to 51 per cent by 2020. Foreign investors are allowed to own up to 30 per cent in the local aviation business.

Vietnamese carriers have entered into an air pocket following the COVID-19 pandemic. Vietnam Airlines' share price has fallen

around 30 per cent in the past three months while Vietjet has seen its stock declining 21.2 per cent in the same period, and Bamboo Airways owes the Aviation Corporation of Vietnam 205 billion dong

for airport services. Meanwhile, Vietnamese conglomerate Vingroup has said to withdraw from the airline business.

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