



# VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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## Market Analysis

### 1. VN stocks off from 3-month high, dragged by banks and retailers

Vietnamese shares gave up gains, sliding from a three-month high on Tuesday, as banks and retailers declined.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) inched down 0.05 per cent to end at 899.43 points.

The VN-Index gained had gained a total of 2.87 per cent in the previous four trading days to climb to its three-month high of 899.92 points.

More than 501.7 million shares were exchanged on the southern bourse, worth VND7.18 trillion (US\$308.5 million).

A technical error during the day forced HoSE to cancel its At-the-Close (ATC) session, which normally decides stocks' closing prices.

Local stocks rose near 905 points during the day but profit taking quickly dragged them down towards the end of the day.

The blue-chip tracker VN30-Index fell 0.18 per cent to 837.02 points.

Eighteen of the 30 largest stocks by market capitalisation and trading liquidity declined while 10 increased.

Shares of banks and retail companies weighed on the market.

The sub-indices that track the performance of bank and retail stocks were down 0.6 per cent and 1.5 per cent, according to vietstock.vn.

Among the worst-decreasing stocks in the two sectors were Bank for Investment and Development of Vietnam (BID), Vietinbank (CTG), VPBank (VPB), Mobile World Investment (MWG) and FPT Retail (FRT).

Construction materials, mining and energy, and seafood were other sectors that succumbed to profit taking pressure.

On the positive side, the insurance index gained 2.5 per cent with finance-insurance group Bao Viet Holdings (BVH) leading the growth.

The consumer staples index gained 1 per cent, led by dairy producer Vinamilk (VNM).

Securities firms' tracker edged up 0.6 per cent despite losses of big firms such as SSI Securities (SSI), VietCapital Securities (VCI) and VNDirect Securities (VND).

The decline was inevitable because the market had gained strongly in previous days, MB Securities (MBS) said in its daily report.

"The positive thing is domestic purchase is still strong enough to counter profit-taking pressure and cushion the market," MBS said.

"Investors are running away from blue chips and seeking opportunities in small-cap stocks," the company said.

The small-cap tracker VNSML-Index was up 0.4 per cent on Tuesday.

The market was expected to keep struggling in the coming days, the firm forecast.

The minor HNX-Index on the Ha Noi Stock Exchange was up 0.03 per cent to close Tuesday at 120.13 points.

The northern market index has rallied a total of 5.71 per cent in the last five trading days.

Nearly 87 million shares were traded on the northern bourse, worth VND817 billion.

## Macro & Policies

### 2. Virtual network developers face big Vietnam task

More than a year since the launch of the first mobile virtual network operator (MVNO) ITelecom, the local telecommunications industry last week welcomed the second such service provider named Reddi, operated by Mobicast JSC and some of its partners, including VNPT.

At the launching ceremony, Reddi shared that its goals are to target developing and providing telecommunications solutions and digital services for young customers through mobile applications. Reddi expects to grow through capturing new trends such as 5G, the Internet of Things, e-sim, and mobile money.

An MVNO is a wireless communications services provider that does not own the wireless network infrastructure over which it provides services to its customers. This form of operation is very popular in the European market but is still a new beast in Vietnam.

To develop an MVNO, developers enter into a business agreement with a mobile network operator to obtain bulk access to network services at wholesale rates, then sets retail prices independently. Thus, in comparison with mobile network operators (MNOs) such as Viettel, MobiFone, and VNPT, MVNOs do not have to spend on developing network infrastructure. On the other hand, this new mobile network form comes with significant risks.

Le Dang Dung, chairman of Viettel, told local media that MVNOs are only successful in markets with a relatively high expenditure on mobile services. However, expenses in Vietnam average only VND70,000-90,000 (\$3-3.90) a month, a modest sum against Singapore's \$25-72.

As the market has only two MVNOs with small sales networks, their risks are enlarged. Despite not having to set up network infrastructure, if they cannot sell the entirety of the services purchased from their respective MNOs, they will likely encounter losses.

"MNOs with extensive sales networks still face difficulties in acquiring new subscribers, which means opportunities for MVNOs are limited," said Dung.

On the other hand, as the local telecommunications market is firmly in the hands of the three giants VNPT, Viettel, and MobiFone, targeting a niche market like MVNOs would be a good strategy for newcomers.

Previously, in addition to ITelecom, VTC and FPT also filed documents for a MVNO licence but have yet to be approved. According to the Ministry of Information and Communications, an enterprise has also been negotiating with MobiFone to rent its wireless network infrastructure to operate as an MVNO in Vietnam.

Dung said that the rapidly flourishing technology sector will benefit latecomers like MVNOs. "Their survival depends on finding suitable strategies and business plans. MVNOs that only sell the same services as MNOs will not survive for long," said Dung.

The first MVNO was launched in the UK in 1999 in the form of Virgin Mobile. But after years of attempts to get MVNOs off the ground in Vietnam, with MNOs seemingly reluctant to switch focus to wholesale services, there is now real hope that the model could take off in a big way over the coming years.

### 3. Finance ministry wants to cut 30 per cent of environment protection tax on jet fuel

The reduction is expected to help remove difficulties for the aviation industry due to the serious impact of the COVID-19 pandemic.

The proposal is part of the National Assembly Standing Committee's draft resolution on environmental protection tax on jet fuel, which has

been sent to gather ideas and contributions from ministries and sectors.

The ministry calculated that with such a reduction, the State budget revenue will fall VND87.33 billion (US\$3.8 million) per month. However, the cut will help air transport businesses ease the financial burden and maintain business operations as the COVID-19 pandemic is still serious and unpredictable worldwide.

The finance ministry asked ministries, sectors, localities and agencies to send their comments before June 10, 2020. This resolution is expected to be effective until the end of this year.

Viet Nam has initially controlled the pandemic; however, the disease continues to cause issues around the world.

Restrictions on travel as well as interrupted production and business activities have made the aviation industry one of the most affected sectors.

According to the assessment of the Civil Aviation Authority of Vietnam, if the pandemic is controlled this month, the 2020 transportation market will reach only 61.2 million visitors, down 22.6 per cent year-on-year.

Of the figure, Vietnamese airlines are estimated to carry 10.4 million foreign visitors and 35.3 million domestic visitors, down 41.2 per cent and 5.5 per cent, respectively.

#### 4. Ample space for boosting exports of processed agricultural products

Vietnam exported 166 million USD worth of processed agricultural products in the first quarter of 2020, up 33 percent year-on-year, statistics reveal.

##### Rosy signs for processing industry

Dried fruit, especially mango, and passion fruit juice generated the largest export value, the Ministry of Industry and Trade (MoIT) has reported.

The positive growth is down to growing investment in the processing industry over recent years, with up to 30 major projects on processing farm produce, valued at about 1 billion USD, implemented during the 2018-2019 period, according to Dang Phuc Nguyen, Secretary General of the Vietnam Fruit and Vegetables Association (Vinafruit).

Unlike other sectors, processed fruit and vegetables have not been overly impacted by COVID-19 because of their convenience and longevity, he added, suggesting that exports of such products be boosted in order to raise revenue.

The Ministry of Agriculture and Rural Development (MARD) said the export value of processed agricultural products is rising 7-8

percent annually and more than half of processing facilities for major agricultural exports have been equipped with cutting-edge technologies.

There have been production, preservation, processing, and consumption clusters for agricultural products along with concentrated material areas, contributing to spurring rural economic development, building new-style rural areas, and generating jobs for farmers.

It is noteworthy that Vietnam has signed several new-generation free trade agreements (FTAs) that enable it to expand farm produce exports, especially processed products.

However, existing processing technologies for only a few items like cashew nuts, coffee, rice, shrimp, and tra fish, meet regional and international standards, MARD added.

##### Looking at fastidious markets

Many Vietnamese companies are yet to secure the supply of materials while linkages in the value chain from production, processing to consumption have remained loose.

Nguyen Lam Vien, Chairman of dried fruit producer the Vinamit JSC, said a number of businesses have invested in modern processing plants and focused on brand development.

Developing material areas, however, has remained a headache, he added, explaining that most agricultural companies do not possess fertile land in favourable geographic locations.

Nguyen from Vinafruit said, however, that the fruit and vegetable processing sector is indeed moving forward, and will be even better placed once the EU-Vietnam FTA (EVFTA) takes effect.

Local firms need to prepare standardised material areas in response to strict technical barriers in the EU market, he suggested, pointing to competition with neighbouring countries that have invested in technologies and stepped up the import of Vietnamese agricultural products to serve the export of processed products to the EU.

The State and enterprises therefore need to encourage farmers to join cooperatives to create large-scale fields and boost mechanisation.

“We can attract investment from the US, Japan, the Republic of Korea, Australia, and Israel, to promote intensive processing technologies,” Nguyen said.

MARD is now completing a draft project on developing the fruit and vegetable processing industry, with Vietnam targeting a place among the world's top five countries in the sector.

To that end, Nguyen proposed quickly rolling out solutions such as preferential loans for agriculture, duplicating large-scale fields, establishing links between businesses and farmers, and building processing plants combined with material areas.

He also stressed the need to promptly complete a market forecasting and information system so that stakeholders can access information on and the trade policies of major markets.

## 5. Viet Nam’s wind sector to see growing opportunities

According to experts from the international financial information provider Fitch Solutions, the Government has proposed several policies in recent months to boost the development of the wind sector, in particular offshore wind, which bodes well for the industry.

“We note that Viet Nam contains one of the highest potentials for wind power in the region, as it is endowed with high wind speeds particularly in the offshore or near-shore areas,” Fitch experts said.

The Ministry of Industry and Trade (MoIT) estimates this potential to be at approximately 475GW. The Prime Minister issued a resolution in March 2020 for a five-year plan to 2025 to develop renewable energy sources ‘off the coast’, with specific mechanisms and policies to attract both foreign and local developers to invest in the sector.

The offshore wind sector was also emphasised under the National Energy Development Strategy of Viet Nam to 2030, and the MoIT has proposed to include several wind projects in the upcoming Power Development Plan. The Government is also

in the process of amending seabed lease and licensing requirements for large-scale offshore wind farms, alongside the Ministry of Natural Resource and Environment (MoNRE).

In contrast to Viet Nam's approach toward its solar sector, the MoIT has also proposed to extend the feed-in-tariff (FiT) deadlines for wind by two years, from the original commercial operation date (COD) deadline in November 2021 to the end of 2023, before implementing auctions thereafter. The current FiT for offshore wind is highly attractive at 9.8 US cents per kWh, which was increased from the previous rate of 7.8 US cents per kWh.

This extension follows appeals from several wind energy developers, industry associations and local governments from nine provinces after the COVID-19 outbreak has caused some near-term headwinds to the sector. This is largely due to project delays stemming from supply chain disruptions, labour shortages, and construction being forced to stop temporarily due to the COVID-19 outbreak, as well as delays to several wind project approvals.



“We believe that the more amenable approach the Government is taking to the wind sector when compared to the solar sector is because growth to date has been at a more manageable pace for the system to cope with, given that the development of wind projects are typically longer and more complicated. This also occurs against a broad support for renewable energy in general, particularly as Viet Nam is set to see a surge in power demand, which offers capacity growth opportunities for the sector,” the experts said.

Fitch expects the Government to announce a new Power Development Plan VIII this month with renewable energy to likely see a greater focus.

Capacity targets for the country's wind sector are expected to increase to 6GW by 2025 and 10GW by 2030, from the existing targets of 2GW and 6GW respectively. The Government is also looking to introduce a new Direct Power Purchase Agreement (DPPA), where renewable energy producers can sell and deliver electricity directly to corporate customers.

“We believe these developments will encourage further growth and investment in the sector. We have already seen growing investor interest across Viet Nam's wind sector over the past year, which has strengthened the pipeline significantly,” Fitch said.

## 6. More Vietnamese use livestream, says e-commerce company

“There has been growing demand for livestreaming in recent months as Vietnamese consumers live, work and shop from home more often.”

Tran Tuan Anh, managing director of Shopee Vietnam, said: “With Vietnamese spending most of their time at home in recent months, live streaming has transformed how we access our everyday needs. Livestreaming is now an important source of entertainment and interaction for online shoppers, who use it to connect with others and discover new products online.”

The e-commerce platform identified three popular trends in livestream activities in recent months.

Firstly, it found that consumers seek interaction and information via livestreaming.

It offers consumers an immersive shopping experience as they are able to see the products and discover the latest trending products, especially fashion accessories such as clothes, shoes and watches and health and beauty products.

Brands and sellers are tapping Shopee Live as a key tool to meet evolving needs and promote their

products more effectively, and there was a 70 per cent increase in the total duration of Shopee Livestream in April from February.

The second trend is that more leisure time is spent on live streaming.

With Vietnamese shopping online more often in recent months they are tuning in to livestream most often on Sunday, indicating that consumers are spending free time over the weekend watching and shopping online.

Besides, 9-10pm is also prime time for livestreaming in line with a preference to shop before going to sleep.

Lastly, Vietnamese across age groups have become familiar with livestreaming.

While users aged 18 to 34 are most active on Shopee Live, the company has observed growth in viewership among shoppers aged 34 to 50.

The widening appeal of Shopee Live reflects the importance of livestreaming as a new way to bring people together, even as Vietnamese spend more time apart and at home.

## 7. EVFTA a golden opportunity for Vietnam to recover its economy: analysts

The EU-Vietnam Free Trade Agreement (EVFTA) and the Investment Protection Agreement (EVIPA), which were ratified by the National Assembly on the morning of June 8, will offer a golden opportunity for Vietnam to elevate its position on the global trade map, especially in the context of the worldwide COVID-19 crisis, economic analysts believe.

The EVFTA is hoped to present new opportunities to Vietnamese businesses to fully tap into their potential and strengths and bolster exports.

It will also help the country diversify its trading partners, reduce its dependence on certain key markets in both exports and imports, and maintain its crucial role in global supply chains.

Vietnam hopes to promote technology transfer and skills and knowledge in its young workforce, becoming a dynamic, creative, and sustainable economy in the future.

The textiles, footwear, agriculture, and retail sectors are forecast to benefit the most from the agreements.

Enterprises have been advised to thoroughly understand the agreements and strictly comply with rules of origin, quality standards, and product design.

Figures from the Ministry of Planning and Investment show that about 86 percent of Vietnamese businesses were affected by the COVID-19 pandemic, with the larger the business the greater the impact.

A number of key industries are still facing difficulties, having seen revenue in the first quarter and the first half of the second quarter dip nearly 70 percent compared to the same period of 2019.

However, after social distancing measures were eased, the national economy witnessed a gradual recovery thanks to enterprises resuming operations stably.

More than 55 percent of businesses participating in a survey conducted by the Vietnam Chamber of Commerce and Industry (VCCI) said they will continue to maintain their current production scale in the third quarter, while 22 percent of those said they intend to expand production and business.

This proves the vitality and resilience of Vietnamese enterprises, especially in these current difficult times, said VCCI Chairman Vu Tien Loc./.

## Corporate News

### 8. VNM: Joint venture formed by major beverage groups Vinamilk and Kido

↑ 1.79%

It According to the announcement from Kido, the company contributed 49 per cent of the capital, with the rest put in by Vinamilk. The new joint venture will focus on producing beverages, ice-creams, and frozen food, excluding soft drinks and sparkling water.

Tran Le Nguyen, general director of Kido, said that Vinamilk and Kido pooling their strengths to establish Vibev will enhance their power in the market. The joint venture will also aid these companies in avoiding merger pressure from foreign companies and ensure their future development.

The representative of Kido stated that both Vinamilk and Kido are national brands. Vinamilk is the leading dairy company, while Kido takes the highest share in the ice cream market in Vietnam.

Vinamilk is the largest dairy products company in Vietnam, occupying over 55 per cent market share in the dairy industry. The company has a variety of products like milk, energy drinks, and holds 8.8 per cent of the ice cream industry.

Kido is the leader of the Vietnamese ice cream industry with a 41.4 per cent market share, according to 2019 figures by market research company Euromonitor International. Its core products comprise of ice creams, dairy beverages, and frozen food. Kido is aiming to expand its markets in Southeast Asia and Asia.

According to Kido, the beverage industry has been surging in recent years. In 2019, the industry gained VND124 trillion (\$5.4 billion) of revenue, up 8.4 per cent against 2015. It is expected that the revenue will grow by 6.3 per cent in 2020-2023 to reach VND134 trillion (\$5.83 billion).

In the beverage segment, drinks without gas went from 37 per cent of the beverage market in 2014 to 41 per cent in 2019 and accounted for VND51 trillion (\$2.2 billion) of the company's total revenue.

On the contrary, soft drinks generated a low revenue of VND28 trillion (\$1.2 billion) in 2019, taking 22 per cent, declining from 24 per cent in 2014.

### 9. CII: Pyn Elite Fund divests capital in HCM City Infrastructure Investment

↑ 3.65%

After the sale, the fund cut its ownership in CII from 8.1 per cent to 7.96 per cent.

On March 20, the fund also sold more than 1.4 million shares of CII. On March 26, it sold 66,810 shares and 1.5 million shares on April 7.

CII Investment Director Duong Quang Chau recently registered to sell 200,000 CII shares from May 19 to June 17.

In the General Meeting of Shareholders held early this month, CII proposed two scenarios for 2020 business results.

In the first scenario, CII set a revenue target of VND5.8 trillion (US\$249.3 million) and post-tax profit of VND808 billion.

In a more plausible scenario, the company hopes to achieve revenue of VND6.6 trillion and profit of VND1.6 trillion.



The company plans to issue 1.24 million bonds in conjunction with warrants, known as warrant-linked bonds, for existing shareholders at the rate of 200:1. This means a shareholder can buy one bond for every 200 shares they own.

The total amount of capital raised through bond issuance is expected to exceed VND1.2 trillion.

The company also plans to issue 160 million shares to the public at a price of VND10,000 per share.

CII closed Monday at VND19,250 per share.

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