



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Blue chips drag VN-Index in second straight losing session

The VN-Index shed 0.98 percent to 859.71 points Wednesday, with most of the market's blue chips in the red.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, was a sea of red with 268 stocks losing and 99 gaining.

Total transaction volume sank 30 percent over the previous session, to VND5.04 trillion (\$217.29 million), a below-average trading day for the HoSE.

The VN30-Index for the market's 30 largest capped stocks dropped 0.74 percent, with 22 stocks losing and only 4 gaining.

STB of private Sacombank topped losses with 3 percent fall this session, followed by VHM of real estate developer Vinhomes, down 2.6 percent, SAB of major brewer Sabeco, down 2.4 percent, and SSI of brokerage Saigon Securities Inc., with 2.2 percent.

All banking stocks, save one, either gained or kept their opening price this session.

Of private banks, VPB of VPBank fell 2 percent, HDB of HDBank dropped 0.9 percent, TCB of Techcombank shed 0.7 percent, while EIB of Eximbank kept its opening price.

Of the three state-owned banking giants, CTG of VietinBank, VCB of Vietcombank, and BID of BIDV lost 1.9 percent, 1.5 percent and 1 percent respectively.

Oil and gas all performed poorly, with GAS of energy giant PetroVietnam Gas dropping 1.8 percent, POW of electricity generator PetroVietnam Power 1.4 percent, and PLX of petroleum distributor Petrolimex 0.8 percent.

Notably, CTD of construction giant Coteccons corrected 0.7 percent this session after surging to its ceiling price twice in the last two sessions.

Coteccons had just announced the resignation of Nguyen Sy Cong and Nguyen Tat Thang, two of its top executives, on Monday, saying they will be replaced with personnel from Kustocem and The8th, two Singapore-based construction investors, who own 18.23 percent and 10.42 percent of the Vietnamese construction giant, respectively.

In the opposite direction, PNJ of jewelry retailer Phu Nhuan Jewelry led gains with 1 percent, followed by VNM of dairy giant Vinamilk, up 0.9 percent.

VIC of private conglomerate Vingroup, HoSE's biggest cap, rose by 0.5 percent, while MBB of mid-sized state-owned lender Military Bank added 0.3 percent.

The higher capped gainers on the VN30 this session included FPT of IT services firm FPT, up 1.2 percent, GAS of energy giant PetroVietnam Gas, up 1.1 percent, VNM of dairy giant Vinamilk, with 0.5 percent.

Meanwhile, HNX-Index for stocks on Hanoi Stock Exchange, home to mid and small caps, shed 0.81 percent, and UPCoM-Index for stocks on Unlisted Public Companies Market added 0.18 percent.

Foreign investors turned net buyers to the tune of VND53 billion (\$2.28 million) on all three bourses, with buying pressure mostly on PLX of Petrolimex and the the FUEVFNDD, an exchange traded fund replicating the performance of stocks on the VN Diamond Index.

The VN Diamond Index is a group of 14 stocks, which includes blue chips such as TCB, VPB, MBB, MWG, PNJ, CTG and FPT. The basket of stocks, selected based on their free-float capitalization, was introduced by HoSE last November, and the FUEVFNDD began trading on May 12 this year.

## Macro & Policies

### 2. Revenue risk to be applied sparingly

The National Assembly (NA) last week adopted the Law on Public-Private Partnership Investment, drafted by the Ministry of Planning and Investment, with 92.75 per cent vote in favour. Under the law, the revenue risk allocation between the investor and the state gets high support aiming to leverage private investment in the future.

Under the law, not all public-private partnership (PPP) projects can enjoy the revenue risk sharing mechanism. Only PPP initiatives facing a drop in revenue can get revenue risk allocation, while not applying for loss-making PPP ventures, or those losing capital.

Specifically, when the actual revenue reaches less than 75 per cent of the revenue in the financial plan under the PPP contract, the state shall share with the investor and the PPP project enterprise 50 per cent of the difference between 75 per cent of the revenue in the financial plan and the actual revenue.

The revenue share reduction is applied when the following strict conditions are satisfied: Projects applying build-operate-transfer (BOT), build-transfer-operate, and build-own-operate contracts; change in plans, policies, and relevant laws resulting in revenue reduction; implementation of all measures to adjust the fee of products and public services, adjusting the term of PPP project contract but not guaranteeing that minimum turnover is 75 per cent; and having been audited by the State Audit Office of the revenue reduction part.

When actual revenue reaches more than 125 per cent of the revenue in the financial plan under the PPP contract, the investors and PPP project enterprises shall share with the state 50 per cent of the difference between the actual revenue and 125 per cent of the revenue in the financial plan. Sharing increased revenue shall be applied after adjusting the price, fee of products, public services, adjusting the term of PPP project contract and to be audited by the State Audit Office.

Le Net, lawyer at LNT & Partners told VIR, “The introduction of the profit/loss sharing mechanism to the market will be a good signal for investors, thus

encouraging international financiers to join PPP infrastructure development in the following years.”

Some economists are concerned it is still unclear if this mechanism is automatic or optional, or conditional to successful negotiations. “If it is automatic, the principle applied to determine the extension should be clarified in the guiding regulations. If it is conditional, it is unlikely that the investor will willingly concede a reduction of the concession, despite higher revenues,” noted Vaibhav Saxena, lawyer at Vietnam International Law Firm.

Similarly, senior economic expert Nguyen Tri Hieu said that banks still hesitate to lend BOT initiatives for fear of capital increase and long period of investment and high risks. BOT - a type of PPP model - is the most popular model in Vietnam.

“To attract private investors in BOT transport projects, the government should make plans, and investors have opportunities to gain reasonable profit. Funding for PPP projects can be done via issuance of government bonds.”

Earlier, international development partners like the World Bank and the Asian Development Bank, as well as international ventures like Lotte E&C, Taisei, and others have raised their concerns over the issue, hoping that the newly-approved law on PPP investment will ease all when it comes into effect from January 2021, clearing the way for domestic and international private financiers to join future projects.

For years, revenue-risk allocation in PPP initiatives has been a controversial topic because of their high risk of losses and lack of a completed legal framework and risk-sharing mechanism. Thus far, the power sector has been the most successful sector at attracting foreign investment in BOT projects, while other sectors, especially transport, have seen failures.

Previously a number of BOT initiatives have hit the rocks, including Dau Giay-Phan Thiet Expressway – the first pilot transport project in the PPP format despite strong interest among powerful international investors. Meanwhile, other BOT

initiatives are credit stuck, such as at Huu Nghi-Chi Lang, Van Don-Mong Cai, and Trung Luong-My Thuan. Many of them have halted construction for a number of years due to loan access problems.

Also last week, the NA adopted the amendments to the Law on Investment and the amendments to the Law on Enterprises.

Expected to take effect from early 2021, the two amendments will consist of a number of improvements in market access, investment incentives, and more besides, thus creating more favourable conditions for business and investment activities in the future.

### 3. Despite Covid-19 pandemic, M&A deals increase

Think Phat Cables Joint Stock Company (ThiPha Cable), one of the major electrical wire and cable manufacturers in the country, has officially merged into Stark Corporation Public Company Limited and Phelps Dodge International of Thailand. The deal with a total value of hundreds of millions of dollars is considered to be a shortcut for Thai investors to take advantage of the available resources of ThiPha Cable to exploit the Vietnamese market and the ASEAN region. Think Phat Cable JSC has continued to extend the list of Ho Chi Minh City-based business brands that fall into the hands or are under the control of foreign investors, besides Sabeco, electronics retailer Nguyen Kim, and Binh Minh Plastics.

Japan's Haseko Corporation and Ecoba Vietnam Joint Stock Company recently announced a strategic cooperation agreement, in which the Japanese partner bought a 36 percent stake in Ecoba Vietnam. This capital contribution of Haseko Corporation did not surprise investors, because the large real estate investor of the 'Land of the Rising Sun' said that Vietnam is the most potential and attractive market in the ASEAN region in its foreign investment strategy. However, getting attention in the real estate sector is a group of investors led by KKR, including Temasek that has just completed a transaction to repurchase an investment in Vinhomes Joint Stock Company, a member of Vingroup. KKR investor group has invested over VND15 trillion, equivalent to about 6 percent stake of Vinhomes. Although just becoming a minority shareholder, KKR's prestige will contribute to increasing the value of Vinhomes shares.

In the consumer goods sector, Ardolis Investment Pte. Ltd. owned by GIC - an investment fund managed by the Singapore Government - has also announced that it has purchased 38,916,667 shares of Masan Group Joint Stock Company (MSN). Thus,

after the transaction, GIC has increased its ownership in MSN from 9.7 percent to 13.03 percent.

The above events show that the trend of acquiring and merging in Vietnam by players from foreign countries has continued to grow. According to analysts, the acquisition of domestic enterprises can help investors quickly participate in the market and have opportunities to export to countries in the region. Therefore, the fields that foreign investors have been pouring capital into the domestic market are also quite diverse, namely retail, food production, fast-moving consumer goods, finance, real estate enterprises, and industrial production. These fields are strongly attracting the M&A activities of foreign investors.

The situation shows that foreign investors in Vietnam tend to increase investment through M&A. According to the Ministry of Planning and Investment, in the first five months of this year, there were 3,528 times of capital contribution and purchase of shares of domestic enterprises by foreign investors, up 11.6 percent over the same period last year. Meanwhile, in the same period, only 1,212 foreign direct investment (FDI) projects were granted investment registration certificates, down by more than 10 percent compared to the same period last year.

However, the above trading results are only the tip of an iceberg, approved by the stock market. Because, in reality, there were still many undisclosed deals. M&A activities are always kept confidential, very few transactions are announced, except for foreign enterprises listed on the stock market that are required to disclose information. Noticeably, in the context that the Covid-19 pandemic has caused many small-scale enterprises with poor resistance to sell themselves. And if under

normal business conditions, it is difficult for foreign investors to buy stocks at low prices, or even at high prices, because enterprises do not sell their shares. But the situation is different, investors with financial potential can now buy both low-priced and corporate stocks that they could not buy in the past.

It is no coincidence that at the online conference between the Prime Minister and enterprises on May 9, the Minister of Planning and Investment Nguyen Chi Dung said that shortly, the merger and acquisition phenomenon will take place more strongly and there is a high risk that more potential Vietnamese firms might be acquired at low prices. The Vietnam Chamber of Commerce and Industry (VCCI) has also sent recommendations and proposed solutions to the Government with the desire to remove difficulties for enterprises, in which the Government was proposed to temporarily stop the buying and selling and merger of enterprises during the pandemic, to restrain foreign enterprises from acquiring Vietnamese enterprises. However, this proposal of the representative of VCCI faced many mixed opinions, because of the lack of legal basis to suspend current M&A activities. On the other hand, in the difficult situation caused by the

Covid-19 pandemic, many enterprises in a difficult situation will need to call for investment capital or external support to save them. Therefore, it is impossible to deprive their rights in this difficult situation. According to lawyer Truong Thanh Duc from Basico Law Firm, there will be a lack of legal basis to suspend the current M&A activities. M & A is the action of the enterprise, moreover, it saves the acquired company from the tight spot.

'We do not know what the benefits are if stopping M&A transactions, meanwhile, struggling businesses will not know where to raise capital, leading to paralysis and possibly even bankruptcy,' Mr. Duc said.

Not only Vietnam but some countries in the world also concern that foreign investors take advantage of plunging stocks and the volatile market due to Covid-19 to acquire firms at low prices. Some countries such as Germany and Japan, the government has introduced measures to prevent the risk of businesses being acquired in times of economic crisis, to protect important economic sectors and important enterprises or enterprises related to national security.

#### 4. ASEAN countries seek to conclude RCEP deal this year

The 15 negotiating countries expect to sign the Regional Comprehensive Economic Partnership (RCEP) by year-end as it is a priority for ASEAN and its partners, according to Deputy Foreign Minister Nguyen Quoc Dung.

At a press conference on the 36th ASEAN Summit on June 23, Deputy Minister Dung said that negotiations for the deal have basically been finalized, except India which temporarily withdrew from it. However, the talks are still open for India to return, and the parties would take into account India's conditions.

On the same day [June 23], ministers from countries negotiating the RCEP gathered at the 10th virtual inter-sessional meeting under the chair of Vietnamese Minister of Industry and Trade Tran Tuan Anh.

Minister Anh said that Vietnam has been working closely with other member countries to maintain ASEAN leadership and close cooperation with the

six partners and accelerate the finalization of the RCEP talks as well as the legal review of the deal's wording so that it may be signed in Hanoi in November.

With the aim of achieving a high-quality agreement that balances all interests, Vietnam has actively engaged in discussions and proactively proposed flexible solutions in many areas so as to address differences among the parties while still ensuring their own national interests, Anh added.

Participating ministers pointed out the unprecedented challenges facing global trade, investment, and supply chains due to the coronavirus outbreaks. It is necessary to enhance cooperation to promote strong and flexible economic recovery, along with sustainable, balanced, and comprehensive growth in the post-pandemic period.

The deal being signed in 2020 would show that the parties support a multilateral trading system and

stronger economic integration among regional countries, thereby helping to resume economic activities and set up a “new normal” across the region.

Initiated by ASEAN in 2012, the RCEP is a free trade agreement among the ten member countries of the bloc and six partners including China, India, Japan, South Korea, Australia, and New Zealand. Once signed, it would create one of the largest free trade areas in the world.

## 5. Consumer buying habits change as online purchases increase

A recent report released by online shopping platform Shopee said that Vietnamese had become more comfortable with buying food and groceries online, including items that are usually bought offline.

increase in users who buy food items multiple times a month on their platform. This shows that people are shifting a larger share of food and grocery shopping online to reap the convenience of e-commerce.

In April demand for dairy products grew seven times on their platform, the company said.

Sellers and brands are adapting to this new normal by offering a wider variety of food products online and using live streaming to assure buyers of quality in real time, it said.

The top products include cooking oils, frozen fish, grains, nuts, dried chicken, and healthy fruit chips.

Shopee said people are also buying a wider variety of food items online, as they make lifestyles changes at different stages of social distancing and the Covid-19 pandemic.

Vietnamese often go to traditional markets to buy daily needs like meat, vegetable, cooking oil, and rice. However, many have continued to order online, even now after the control of the outbreak in the country.

The onset of social distancing motivated people to ensure ready food supplies at home, with demand for cooking and baking supplies increasing by three times.

E-commerce is making it more convenient for consumers to shop for food items at any time.

As buying food products online becomes a norm, shopping activity is growing quickly among rural and male consumers.

Minh Thu from District 7 of HCM City now no longer goes to traditional markets because she orders all goods online.

Consumers outside HCM City and Ha Noi are also seeing e-commerce as a key channel for food and groceries because of reduced access to physical stores. Food shopping activity in provinces such as Binh Duong and Dong Nai has doubled in recent months.

This new habit was created during the social distancing period when she spent her days at home and did not go out.

Shopee's report said that male food shopping activity increased up to four times from 2019. Men appear to be doing more home cooking and grocery shopping in recent months, with snacks foods, cooking and baking as well as canned products, the most popular among male users on Shopee.

Tran Tuan Anh, managing director, Shopee Vietnam, said: “Social distancing has been a big part of our lives, and we have seen major changes in the way people think about and shop for their daily needs. In particular, buying food and groceries has become ‘online-first’ as consumers view e-commerce as a one-stop channel for their needs. Sellers and brands are adapting quickly...We see this as a long-term evolution and Shopee will continue to lead this trend in the years ahead.”

Shopee's report said that people are doing a larger share of food shopping online, with a 3.5-time

To meet the demand, brands and sellers offer food products online, creating more choices for buyers.

They use live streaming to sell food products more effectively.

“The Covid-19 situation and social distancing measures have created major changes in consumers' lifestyles, affecting how brands and sellers conduct their business,” Tuan Anh said.

## 6. Open mindset needed for prize-winning game business in Vietnam to take off

More incentives and open policies are needed to attract investors into the billion-dollar business of prize-winning games in Vietnam which is deemed to hold huge potential for development, according to Nguyen Anh Tuan, editor in chief of *Nha Dau Tu* magazine.

At present, there are three types of legalized prize-winning games in Vietnam which are sports betting, casino and prize-winning electronic games for foreigners.

To date, the country has eight licensed casinos, 61 prize-winning electronic gaming businesses and one bookmaking company for greyhounds racing. They reported combined revenue of VND19 trillion (US\$824.58 million) and pay VND4.9 trillion (US\$212.65 million) in taxes in 2019, Tuan informed at a workshop discussing the growth potential of the prize-winning games business in Vietnam on June 23.

The market, however, remains modest compared to that of in regional peers, Tuan commented.

In addition to bringing a steady flow of revenue for the state, a well-developed prize-winning game industry would help address the issue of growing illegal betting market in Vietnam, estimated to have an annual value of US\$1 – 1.5 billion.

Do Van Su, head of the Foreign Investment Department under the Foreign Investment Agency, said revenue from prize-winning electronic games for foreigners in 2019 stood at VND13.24 trillion (US\$574.51 million), up 22.8% against that of in 2017 and doubling the figure recorded in 2013.

However, economic benefits of such business remain limited. As the customers are mainly foreigners, the revenue, therefore, is solely dependent on the number of foreign arrivals interested in these types of games, Suu stated.

Prize-winning game businesses in night economy

Economist Can Van Luc stated Vietnam ranked sixth in the list of the world's top 10 fastest growing travel destinations by the United Nations World Tourism Organization (UNWTO).

In 2019, revenue from tourism hit VND768.5 trillion (US\$34 billion), 573 times higher than that of 1990 and 13 times that of 2008, contributing 9.2 percentage points to the overall GDP growth.

Meanwhile, its spillover effects through job creation, exports and income sources for local peoples provided another 14 percentage points to the GDP growth, Luc stated.

“As Vietnam's tourism products lack appeal for tourists, prize-winning game businesses not only could address this issue, but also support the development of the night economy,” Luc added.

Luc cited a report from Vietnam National Administration of Tourism in 2018 that the largest proportion of foreign tourists' spending in Vietnam came from rent (32% of total spending), food (23%), transportation (12%), while shopping and cultural, entertainment activities made up 29%, significantly lower than that of Malaysia and Thailand at 40 – 50%.

A study from MasterCard revealed the average spending by foreign tourists in Vietnam was also 1.7 – 1.9 times lower than in Thailand and Singapore.

“The main issue is that night economy, including prize-winning game businesses, is still restricted, while tourism and entertainment activities in the day have reached their limits,” Luc suggested.

Luc said the government should allow pilot implementation of betting on horse or greyhound racing, while providing more incentives in terms of taxes and land resources.

Improvements in infrastructure, security and state management are also factors that could attract investors into this business, Luc stated.

At present, the Ministry of Finance is seeking public comment for a draft decree that would replace Decree No.06 released in 2017 governing business in the fields of betting on horse racing, greyhound racing and international football.

As per the draft decree, more football tournaments, including major leagues such as England's Premier

League, Spain's La Liga, Germany's Bundesliga, Italy's Serie A and France's League 1, among others, would be added to the legal betting list.

Moreover, locals could make a bet via a bank account, e-wallet or mobile phone bill. The current legislation only allowing betting on international matches or tournaments that take place once every two or four years is seen as a major issue for investors.

## Corporate News

### 7. NVL: BOD approved to guarantee payment obligation for bond issuance at MBBank

↑ 0.00%

BOD approved to guarantee payment obligation for bond issuance at MBBank of No Va Land Investment Group Corporation

### 8. MSN: Hundreds of VinMart+ stores will be closed

↓ -2.05%

According to documents submitted to the coming shareholders' meeting, Masan – which holds 83.74 per cent shares in Vincommerce the operator of VinMart+ convenience stores and VinMart supermarkets – will shut about 10 supermarkets and 150-300 inefficient stores.

Explaining the closure, Masan stated that this is a part of its expansion blueprint. Specifically, the group will accelerate investment in selected and efficient stores and release weak establishments to save operation costs. Additionally, Masan also announced the plan to launch 20-30 supermarkets and 300-500 convenience stores in the next time.

Moreover, Masan will also work with suppliers regarding terms of trade specified in contracts between the two sides, aiming to reach a common voice on putting the goods on the shelves at market prices.

After falling into the hands of Masan, the diversity of goods, especially food, has been improved at VinMart and VinMart+ that were once estimated inferior to the Saigon Co.opMart supermarket chain.

As soon as the merger deal between Masan and Vincommerce went through late last year, Masan declared every VinMart+ store a sales point for its MeatDeli meat business.

According to the document, Masan targets VND42 trillion (\$1.83 billion) in revenue for Vincommerce, up 64 per cent on-year. Of this, VinMart and VinMart+ will occupy about a quarter of the total earnings.

The group also hopes to reduce losses for the establishments and even reach the breakeven point during 2020.

### 9. VPB: VPBank and State Treasury co-operate in State budget collection

↓ -1.98%

Accordingly, VPBank is one of the first commercial banks co-operating with VST in State budget collection and collection orders with an aim to enhance administrative reform and non-cash payments to better serve businesses and people in implementing duties.

VST would co-operate with VPBank to open and use an account system for State budget collection at the bank. The two sides would exchange information and data relating to State budget collection. State budget revenues through VPBank will be recorded directly into the system of treasury-collecting accounts at VPBank. At the same time, information on collection will also be

transferred to the General Department of Taxation and the General Department of Customs quickly, safely and conveniently.

The agreement once again showed that the State agencies have assessed VPBank meets all conditions on safety, advanced information technology platforms and connectivity, especially for digital technologies to enhance automation and

processing transactions across VPBank's network to customers. The co-operation between VST and VPBank would help the bank effectively use resources to improve payment service quality for customers, opening new utility payment channels.

With a network of nearly 300 transaction offices nationwide, VPBank is ready to co-operate with VST in State budget collection.

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