



# VIETNAM DAILY NEWS

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## Table of content

### Table of content

1. VN-Index pulls back after small losing session
2. Dual lightning strikes to turn Vietnam's e-commerce equilibrium upside down
3. Online solutions providers gain traction in surging online market
4. Vietnam accelerates normalization of economic and social activities
5. 'Social, conversational' commerce on the rise as consumer behaviour changes during COVID-19
6. Vietnam expected to surpass Thailand in rice exports
7. Vietnam enhances trade remedy capacity in anticipation of EVFTA
8. VIC: Vingroup intensifies industrial estate focus
9. VGC: BOD resolution on transferring shares in Ba Hien JSC

## Market Analysis

### 1. VN-Index pulls back after small losing session

The VN-Index rose 0.73 percent to 881.17 points Wednesday, with banking stocks some of the biggest gainers in the session.

Green returned to ascendancy in the market after the VN-Index experienced a losing session on Tuesday, dropping 0.44 percent, breaking a three-session gaining streak that had gained it 2.47 percent.

Analysts had forecast that the market would likely see a lot of fluctuations this week with investors trying to cash in on short-term gains as the index tries to breach the psychological thresholds of 870-880 points.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 203 stocks gaining and 157 losing in Wednesday's session. Total transaction volume dropped over 10 percent compared to the previous session to VND5.4 trillion (\$233.13 million), but remained above average levels of previous months.

The VN30-Index for the market's 30 largest caps added 0.68 percent, with 23 stocks gaining and five losing.

Leading gains this session was HDB of private HDBank, rising 6.9 percent to its ceiling price. It was followed by CTG of VietinBank, one of Vietnam's three biggest state-owned lenders by assets, which added 2.3 percent, and GAS of energy giant PetroVietnam Gas, up 2.1 percent.

Of the two other major state-owned lenders, VCB of Vietcombank gained 1.5 percent, while BID of BIDV added 1.1 percent. MBB of mid-sized state-owned Military Bank also rose 0.8 percent this session.

Other major gainers included VRE of mall operator Vincom Retail, up 1.8 percent, FPT of IT services

giant FPT, up 1.4 percent, STB of private Sacombank, up 1.4 percent, and POW of electricity generator PetroVietnam Power, up 1 percent.

All private banking blue chips closed in the green this session, with the lesser gainers being TCB of Techcombank, up 0.9 percent, VPB of VPBank with 0.8 percent, and EIB of Eximbank with 0.3 percent.

The real estate and construction sectors were a mixed bag this session, with CTD of construction giant Cotecons and ROS of real estate developer FLC Faros leading losses with 6.4 percent and 5.6 percent respectively, while VHM of real estate developer Vinhomes and NVL of real estate developer Novaland edged up 0.1 percent and 0.2 percent respectively.

VIC of private conglomerate Vingroup, the largest capped stock on HoSE, added 0.1 percent this session. Vingroup is the parent company of both Vinhomes and Vincom Retail.

The remaining tickers in the red were SAB of major brewer Sabeco, down 1.6 percent, VJC of budget carrier VietJet Air, down 0.8 percent, and HPG of leading steelmaker Hoa Phat Group, down 0.4 percent.

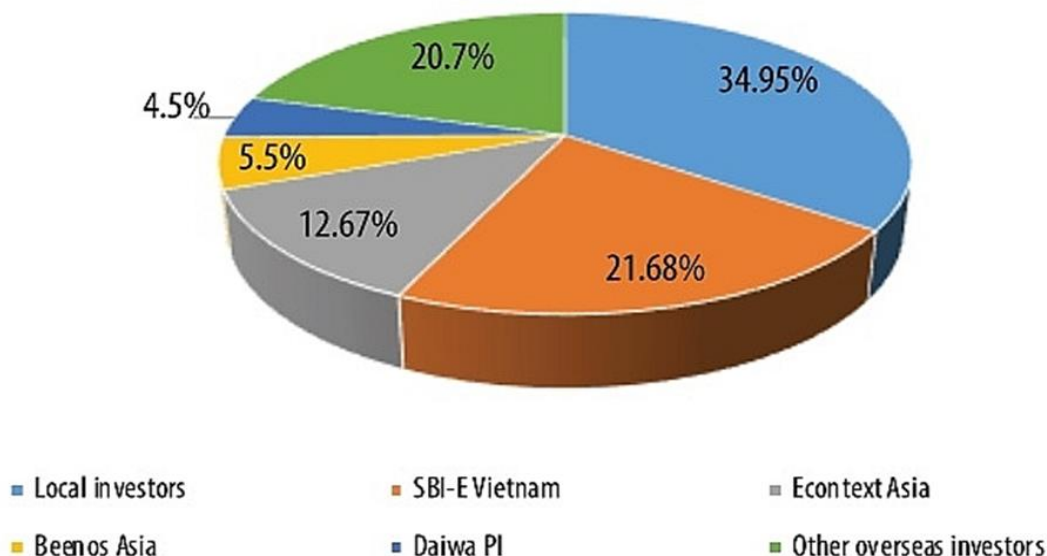
Meanwhile, the HNX-Index for stocks on Hanoi Stock Exchange surged 2.51 percent, while the UPM-Index for stocks on Unlisted Public Companies Market went up 0.63 percent.

Foreign investors turned net sellers on all three bourses to the tune of VND64 billion (\$2.76 million), with selling pressure mostly on BVH of insurance giant Bao Viet Group, which kept its opening price, and the E1VFN30, an exchange-traded-fund which imitates the composition, and in turn the performance of the VN30.

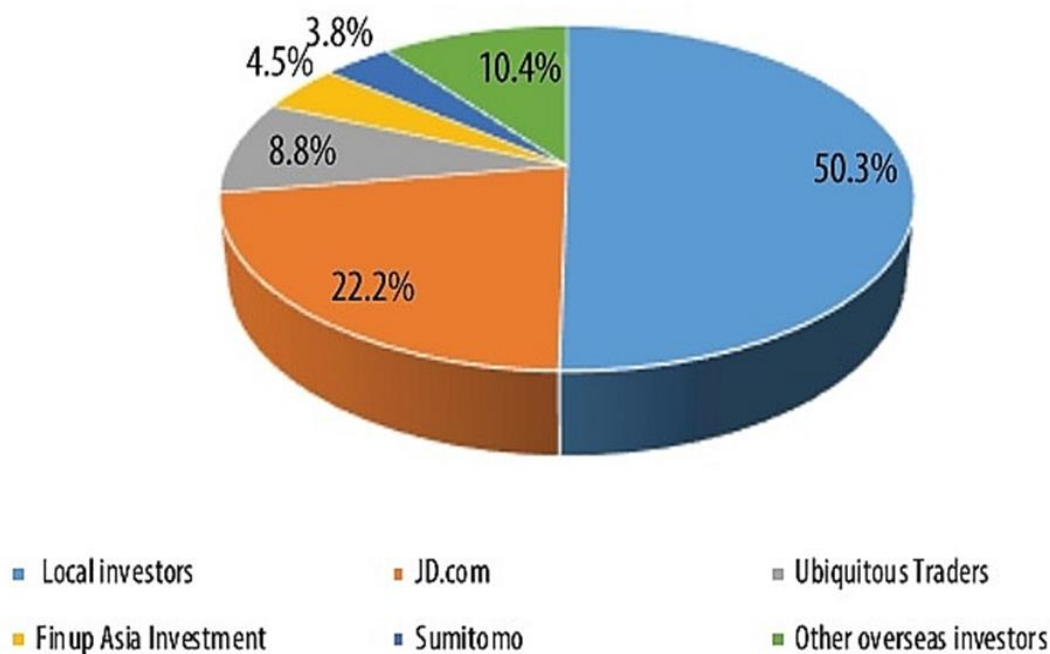
## Macro & Policies

### 2. Dual lightning strikes to turn Vietnam's e-commerce equilibrium upside down

#### Sendo's shareholder structure as of May 25, 2020



#### Tiki's shareholder structure in December 2019



After leaving the industry to stew for nearly a year, the two local e-commerce platforms of Tiki and Sendo finally agreed on a merger deal two weeks ago. A VIR source revealed that the two sides are finishing the last steps of the deal that is expected to be completed this July.

According to local market research company Asia Plus, Shopee is leading the Vietnamese e-commerce playground with the market share of 35 per cent, while Lazada holds 20 per cent. Following them is Tiki with 17 per cent.

The remaining 28 per cent is shared by the rest of the competitors, however, a long line-up of players including Leflair, Adayroi, and Lotte.vn have thrown in the towel, implying that a large portion of this is held by the fourth member of the Big Four, Sendo. If Sendo's market share is similar to Tiki's 17 per cent, they would hold about 34 per cent combined, which would make them a significant contender to both Shopee and Lazada. Thus, the two overseas rivals could see fierce competition in the coming time.

However, the market share of the two local companies spells trouble, as even without getting a clear reading on Sendo, Tiki's market share is more than triple of what is allowed for horizontal merger and acquisition (M&A) deals (5 per cent) – essentially disqualifying it from any sort of merger.

Neither party to the deal has replied to media queries regarding the issue and it remains to be seen how the two would go about justifying the economic concentration. One point in their favour though, with other players holding 35 and 20 per cent, the merger would not necessarily result in an overbearing force in the market that could batter down any opposition.

### **New shopping competitor**

While it remains unclear whether the Tiki-Sendo alliance would be strong enough to beat Lazada and Shopee, Facebook's Shops appearing in the market promises to throw a titanic wrench into the works for the Big Four.

The global social network Facebook in the middle May launched its new feature named Shops which is very similar to other e-commerce platforms.

With 2.6 billion users globally and more than 60 million local users, Facebook's Shops will have a great competitive edge right from its launch.

According to CEO Mark Zuckerberg, Shops will improve on the standard web commerce experience by storing user payment credentials in a single place that they can then use on any Facebook or Instagram storefront. There are currently more than 160 million small businesses using the company's apps.

Additionally, Facebook's new e-commerce feature will be integrated into existing Facebook business profiles and Instagram profiles, and they can also appear in Stories or be promoted in adverts. Items that businesses have made available for purchase will appear within the shop, and users can either save items or place an order.

Customers and sellers will be able to use Shops for free. Companies running business on the platform can adjust the layout and design of the store to promote the products they want to highlight. As of now, nearly one million companies registered to use the alpha version of Facebook's new service.

At least initially, Facebook will not charge merchants for sales made on the platform unless they use the company's checkout process. In the latter case, sellers will pay 40 US cents for orders of up to \$8 or 5 per cent for orders above \$8.

As a result, local sellers will have one more option to run business on e-commerce platforms. While the current e-commerce firms do not really sport advertisement features, Facebook will clearly use this advantage to gain a foothold. This could take a sizeable chunk out of the market shares of other e-commerce firms in the country.

### **Financial incapacity**

As e-commerce is still a new sector and all players in the race are rolling ahead tremendous losses, Tiki and Sendo have been constantly calling for investment, resulting in fragmented shareholder structures.

As of now, overseas investors hold 65 per cent of Sendo's shares. In addition to FPT, Sendo's stakes have been picked up by SBI, Beenext, Econtext Asia, and Daiwa.

Regarding Tiki, in addition to VNG's 24.6 per cent and JD.com's 22.2 per cent, Ubiquitous Traders Pte., Ltd., CyberAgent, STIC, and Sumitomo have all bought into the platform. As of the end of 2018, Tiki recorded VND1.4 trillion (\$60.87 million) in accumulated deficit and Sendo reported VND1.3 trillion (\$56.5 million) in losses. However, continually selling shares to gain more funding cannot be maintained forever. Breaking new ground on angling for finances, Tiki a few weeks ago announced plans to stage an initial public offering (IPO).

Sendo, while not showing any wish to list on the stock exchange, could easily find itself pressed for money.

Nevertheless, after the failure of WeWork, which received billion-dollar investment but went bankrupt last year due to the ineffective use of the capital, many investors are now focusing on the profitability of startups instead of their potential. Therefore, funnelling money into e-commerce may not be as appetising as in the past. Thus, forming alliances and proposing an IPO could both be meant as remedies for the financial conundrum.

### 3. Online solutions providers gain traction in surging online market

Most recently, Sapo Technology JSC, which provides multichannel e-commerce management tools for online sellers, has completed its latest funding round and received seven-digit investment (in US dollars) from South Korean Smilegate Investment and Vietnamese Teko Ventures. The firm will use the funds to develop and strengthen its payment and financing services.

According to Dung Le, director of growth at Sapo, the COVID-19 outbreak and social distancing have led consumers to make online purchases more frequently instead of buying in store. Vendors also had to follow government regulations and temporarily closed physical stores, as well as prepared masks and hand sanitiser for shippers, while ensuring minimum distance between customers and staff.

On the other hand, they stock on-demand products and increase selling on social media and online marketplaces. This creates additional demand for omnichannel sales management software like Sapo.

Additionally, EcomEasy, a startup providing marketing and sales solutions for e-commerce has also received funding from Viet Valley Ventures. It focuses on e-commerce and live streaming tech to help more brands increase sales through multiple e-commerce platforms and different means of shopping, from image-based advertising to keyword optimisation and then live streaming.

Nguyen Tran Bich Ngoc, CEO and co-founder of EcomEasy said that the move from offline to online goes faster than ever before. The annual growth rate of online shopping is 25 per cent, based on a Nielsen study from 2019, while in 2020 it is estimated to reach above 30 per cent. At some brand partners of EcomEasy where the online channel usually contributes 3 per cent of total retail sales, in the first quarter and in the middle of the second quarter of 2020 this figure increased to 5 per cent.

"We help brands make e-commerce easier. In particular, we help them set up their official stores on platforms like Shopee, Lazada, Tiki, or Sendo – even Alibaba. Then we help manage these stores to sell and run marketing campaigns to get new customers and get sales for brands through reasonable investment," Ngoc explained.

Julien Brun, managing partner of CEL Consulting highlighted four critical factors for success for online distribution service providers to scale up their presence. According to him, these companies need to ensure data integrity because a system is as good as the data these companies put into it. Additionally, solution providers should provide forecasting capabilities by using historical data to foresee what could happen in the near future, which is a feature that will become more and more popular.

Furthermore, most solutions offer a lot of various modules that tend to be rather limited and sometimes unusable. Most of these companies will have to figure out what in their solution portfolio



has more usage, more value add, and focus on these specific capabilities instead of trying to cover a wide amount of functions. Also, the ability to integrate to other cloud-based solutions seamlessly is necessary.

These solutions are comparable to Kiotviet's, which has been in the business for a while and has

a large customer base already. Other foreign players like Odoo (more focused on enterprise resource planning with multi-channel capabilities), Atemiscloud (more focused on client relationship management) or more established ones like Oracle are also present in the market, yet no clear leader nor innovator can be identified at this stage.

#### 4. Vietnam accelerates normalization of economic and social activities

Vietnam would continue to accelerate the normalization of economic and social activities to ensure the successful realization of the dual target: containing the pandemic and boosting economic growth, according to Prime Minister Nguyen Xuan Phuc.

There will be no obstacles that the country cannot overcome, Phuc said at a monthly government meeting on June 2, requesting all sectors to have specific plans to achieve the highest target possible in 2020.

Following a 48-day period without new cases of Covid-19 infection, the majority of social activities have returned to a new normalcy, Phuc added.

As government agencies are putting efforts to address social security issues, the public's trust in the Communist Party of Vietnam and the government is growing, he asserted.

According to Phuc, manufacturing activities have started recovering, with the industrial production index rising 11.2% month-on-month in May.

Notably, Vietnam Manufacturing Purchasing Managers' Index (PMI) rose ten index points in May, one of the strongest increase in the Southeast Asian region. Total goods retail sales and consumer service revenue surged 26.9% month-on-month while FDI commitments in the first five months climbed 13.9% year-on-year, among others.

The Economist suggested Vietnam is the 12th strongest financially out of 66 emerging economies, thanks to stable economic indicators

such as public debt, foreign debt, cost of borrowings, and reserve cover.

However, Phuc urged government agencies to remain cautious as the progression of the Covid-19 pandemic remains complicated globally.

Among potential risks the economy faces, Phuc pointed out the disruption of the global supply chain, inflationary pressure and slow disbursement of public investment funds.

In the coming time, Phuc requested efficient and transparent implementation of the government's supporting programs, including a credit aid package worth VND300 trillion (US\$12.87 billion), a VND180-trillion (US\$7.63 billion) fiscal stimulus package in forms of deferral of payment of value-added tax, corporate tax and income tax, and a financial support package for vulnerable people worth VND62 trillion (US\$2.7 billion).

Phuc said stronger measures are needed to promote domestic consumption, including domestic tourism, while the government continues to finalize a legal framework for new business models of the digital economy, as well as the development of e-government and e-payment.

For 2020, Vietnam targets a 5% GDP growth rate, significantly higher than the 2.7% estimation of the International Monetary Fund (IMF) for Vietnam, which is already the best among Southeast Asian economies.

## 5. 'Social, conversational' commerce on the rise as consumer behaviour changes during COVID-19

The survey on the impact of COVID-19 on consumer and business sentiment in Viet Nam was conducted by the Mobile Marketing Association, SurveySensum and Adtima. It shows that the pandemic has changed Vietnamese lifestyles, shopping methods, and social interaction.

Consumers have shifted to health and hygiene-focused lifestyles, with these categories seeing the biggest jump in purchases, while nonessential and less healthy products experienced a decline in purchases.

Online shopping has risen significantly, with a number of shoppers using apps to order from nearby stores up by 18 per cent. Those who had groceries delivered at home were up by 14 per cent, shopping online by 9 per cent, and credit card use by 3 per cent.

The lockdown during April gave a rise to new digital categories. YouTube, TV and home activities have gained the most during Covid-19.

Some 38 per cent of the surveyed consumers said they had tried e-learning apps online for the first time in the past month, while 23 per cent and 21 per cent of consumers tried online grocery shopping and movie streaming services, respectively, for the first time.

Asked about what they want from brands, 61 per cent of polled consumers said they wanted products and services that promise health and well-being, and 56 per cent wanted safe products and services.

To meet this expectation, brands should show how they can be helpful and informative, and should offer a positive perspective and not exploit the pandemic to promote their brands.

According to the survey, consumption of personal hygiene products, vitamins, herbal products, and fruits and vegetables has been on the rise.

Regarding shopping methods, online groceries will continue on the rise as well as e-commerce in general.

As for online activities, there has been an increase in online media, including streaming, online games and social media. In particular, consumers are actively searching for health-related information.

In general, the survey pointed out that there will be two great opportunities.

Firstly, there has been a rise of social commerce and conversational commerce, or sales through interactive chat and messaging channels with customers in the online environment.

Brands can start focusing on social commerce and conversational commerce for the future and can achieve two to three times the impact by leveraging conversational commerce if they make good use of the trend.

Covid-19's effect on consumption and purchase behaviour will be long-lasting, and brands need to brace for the new digital normal in the post-pandemic period.

Secondly, brands should look at the crisis as an opportunity to innovate.

The 2008-09 crisis provided a lesson in experience. According to Gartner's research, innovative business groups spent an increase of 3.9 per cent for R&D activities. As a result, they achieved a 14 per cent increase in revenue before tax.

In contrast, slowly adapting business groups decided to cut costs and stop innovation. As a result, their pre-tax revenue only increased by 0 to 1 per cent.

Therefore, MMA experts believe that brands need to focus on innovation, keeping in mind the behavioural changes caused by COVID-19, and reinvent supply chains to digitally serve consumers and deliver to their doorstep.

Phan Bich Tam, country manager for the Mobile Marketing Association for Vietnam, Myanmar and Cambodia, said: "We firmly believe that what is changing consumer behaviour, especially interaction in the online environment, is a big step

in digital transformation. Businesses see online journey for 'branding or selling' as an important part of their journey to conquer customers and take the leading position."

## 6. Vietnam expected to surpass Thailand in rice exports

A report on the industry and trade performance in May and in the first five months of the year released by the Ministry of Industry and Trade on June 2 stated that Vietnam's agro-forestry-aquatic exports declined over the last five months against the year-ago period. However, the country saw rice exports surge in May.

Vietnam's rice export volume and value in the last month soared by 47% and 55.3% month-on-month, respectively.

Rice export prices in May shot up to the highest level over the past few years, with the average price recorded at US\$527 per ton, up 21.4% year-on-year.

Between January and May, the average price of Vietnamese rice rose by 13% year-on-year at US\$485 per ton.

Data from the General Statistics Office indicated that over the first five months of 2020, Vietnam's revenue from rice exports amounted to US\$1.4 billion, increasing by 17.2% year-on-year.

Meanwhile, Thailand exported 2.11 million tons of rice worth US\$1.38 billion from January to April, dipping by 32.1% in volume and 15.7% in value year-on-year, according to Thailand's Ministry of Commerce.

As such, the Vietnamese Ministry of Industry and Trade forecast that the country is likely to surpass Thailand in terms of rice exports this year.

From March 24 to April, Vietnam halted rice exports to ensure food security amid the spreading Covid-19 infection, affecting local rice exporters and export activities.

## 7. Vietnam enhances trade remedy capacity in anticipation of EVFTA

The EU-Vietnam Free Trade Agreement (EVFTA) is awaiting approval of the Vietnamese National Assembly, which marks Vietnam's great strides in international economic integration.

Including the EVFTA, Vietnam has engaged in 14 FTAs, according to the Ministry of Industry and Trade. With such an extensive and intensive engagement in FTAs, trade remedy measures are crucial to the national economy as well as enterprises, as they are legal and effective tools to support domestic producers compete with rising imports.

The EVFTA includes articles stipulating the use of traditional trade remedy tools in the World Trade Organisation (WTO), along with regulations on the

imposition of lower anti-dumping and anti-subsidy tariffs, which are not compulsory in the WTO.

It is noteworthy that under the agreement, the two sides will not levy anti-dumping and anti-subsidy measures if the imposition brings no benefits to the public.

To ensure that tax reductions cause no shocks to domestic production, the deal also stipulates bilateral trade remedy mechanisms within a transitional period of 10 years.

Aware of the need to strengthen trade remedy capacity while joining new-generation FTAs, the MoIT has made active preparations like perfecting the investigation apparatus, with the



establishment of the Trade Remedies Authority of Vietnam in August 2017.

At the same time, Vietnam has completed legal foundations for the investigation and settlement of trade defence cases.

The ministry is expected to issue a circular guiding the imposition of trade remedy measures in accordance with the EVFTA, while stepping up the communication work to popularise trade remedy laws in general and relevant regulations under the EVFTA in particular.

Other measures taken by the ministry include training and legal assistance to enterprises, and building inter-sectoral and inter-ministerial coordination mechanisms.

It is also implementing a project on the early warning system for trade remedies, along with enhancing State management on the prevention of trade remedy evasion and origin fraud in international trade.

Coordination and information sharing mechanisms between authorised agencies of Vietnam and the EU have also been established to deal with trade remedy cases.

## Corporate News

### 8. VIC: Vingroup intensifies industrial estate focus

↑ 0.10%

The investment will also serve to expand its manufacturing plans.

The biggest listed company in Vietnam has recently increased the charter capital of its subsidiary Vinhomes Industrial Zone Investment (Vinhomes IZ) from VND70 billion (\$3 million) to VND6 trillion (\$259 million).

In early April, the company requested permission from authorities to spend over VND4.1 trillion (\$117 million) developing infrastructure at the 319-hectare Thuy Nguyen Industrial Park planned in a suburb of northern city Hai Phong.

Company leaders said that investment in industrial real estate seeks to tap rising demand of FDI companies.

"Vingroup has identified industrial real estate as a main business in the future as it brings in a regular cash flow," chairman Pham Nhat Vuong said at a recent shareholders' meeting.

Vingroup's real estate arm Vinhomes, which owns the majority stake in Vinhomes IZ, plans to pour VND10 trillion (\$432 million) into industrial real estate in the next two years.

Industrial real estate remains in high demand thanks to companies moving out of China and considering Vietnam as their next manufacturing destination.

The supply of ready-built factories and warehouses in Vietnam will increase by 25-28 percent this year thanks to surging demand from manufacturers for relocation, according to real estate consultancy CBRE.

### 9. VGC: BOD resolution on transferring shares in Ba Hien JSC

↓ -1.32%

The Board resolution dated June 02, 2020, the BOD of Viglacera Corporation - JSC (VGC) approved to transfer 100% capital in Ba Hien Joint Stock Company. Details are as follows:

- Stock name: Ba Hien Joint Stock Company
- Par value: VND 10,000/share
- Number of shares that VGC owned: 511,711 shares, accounting for 52.64% contributed capital in Ba Hien Joint Stock Company
- Offering volume: 511,711 shares
- Total value (based on par value): VND 5,117,110,000

- Value of contributed capital according to the valuation at 12/31/2019 by CPA Vietnam Auditing Com Ltd: VND 3,581,977,000 (equivalent to VND 7,000/share)
- Number of shares to own after the transfer: 0 share, accounting for 0% charter capital of Ba Hien Joint Stock Company.
- Offering method: publicity auction
- Beginning price: VND 10,000/share (this price is higher than the book entry and the valuation value by CPA Vietnam Auditing Com Ltd.
- Time of implementation: before July 15, 2020

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