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Market Analysis

1. Shares drop further on low liquidity

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HOSE) edged down 0.07 per cent to close at 868.11 points.

The index had declined 0.29 per cent to close Monday at 868.72 points.

Market liquidity stayed low with more than 239 million shares traded on the southern market, worth VND4 trillion (US\$173 million).

Market breadth was neutral with 178 decliners and 181 gainers.

The VN30 Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, decreased 0.1 per cent to close Tuesday at 805.37 points.

The market continues to experience a divergence among stock sectors.

Real estate, information and technology, oil and gas, agriculture and construction all lost ground.

On the opposite side, wholesale, insurance, securities, banking, food and beverage, rubber production, seafood processing and logistics were among the gaining sectors.

Pillar stocks differentiated strongly in Tuesday's session with gainers including insurer Bao Viet Holdings (BVH), SSI Securities Incorporation (SSI), Vietinbank (CTG), PetroVietnam Gas JSC (GAS), Hoa Phat Group (HPG), Mobile World (MWG), Vinhomes (VHM), Vietcombank (VCB) and dairy firm Vinamilk (VNM).

In the opposite direction, other blue-chips remained hardly troubled such as Military Bank (MBB), Masan Group (MSN), Novaland (NVL), Sabeco (SAB), VPBank (VPB), Vincom Retail (VRE) and Techcombank (TCB).

According to Thanh Cong Securities Company, at present, market sentiment will still mainly depend on the second quarter business results.

"The VN-Index is likely to experience fluctuations when approaching the point range of 875-885. Stock groups will differentiate according to second-quarter business results," the company said.

"We recommend investors maintain the proportion of shares in their portfolio at 30-50 per cent and focus on stocks with positive business results in the second quarter," it said.

On the Ha Noi Stock Exchange (HNX), the HNX-Index was down 0.42 per cent to end Tuesday at 116.14 points.

The index had dropped 0.01 per cent to end Monday at 115.65 points.

More than 36 million shares were traded on the northern market, worth VND368 billion.

Foreign investors net sold VND73.12 billion on HOSE. They were net sellers on the HNX with a value of VND2.08 billion.

Macro & Policies

2. Rising price of pigs yields expansion across the board

Recent costs for live hogs in the country continued to draw a bleak picture for the domestic husbandry sector in the first half of the year. However, proactive enterprises are taking advantage of rising prices in an attempt to profit.

Reports of the vast revenue and profit of Dabaco Group JSC, a multi-field group specialising mainly in animal feed, cattle, and poultry breeding, as well as food processing, is one such example demonstrating the sector's speed of growth.

Talking to VIR, a representative of another foreign-invested group confirmed that despite the company having to spend massive fees to prevent and control the pandemic, it still achieved its whole-year profit targets in only three months.

"This breakthrough growth has not only offset those fees but also the loss from breeding chicken. It is a historic opportunity for husbandry companies," the representative said.

There have been no official reports about bleak business results of either foreign or domestic husbandry enterprises in the first half of this year. Even enterprises outside the sector, including steelmaker Hoa Phat Group and automobile assembly group THACO, have reported impressive business results, thanks in part to the rising price of pigs.

In 2015, Hoa Phat Thai Binh Breeding One Member Co., Ltd., a subsidiary of Hoa Phat Group, was granted an investment licence for its pig breeding project with a scale of more than 20,000 pigs in Thai Thuy district of the northern province of Thai Binh.

After five years, the group stands 17th in terms of market share in the pig breeding sector with 200,000 units in total.

In the first quarter of this year, the group earned VND480 billion (\$20.8 million) in profit from its agricultural segment, accounting for 21 per cent of its total profits. Hoa Phat expects to earn VND10 trillion (\$434.7 million) in revenue and VND1.2 trillion (\$52.1 million) in after-tax profit from

agriculture, making it the second-largest revenue stream following steel.

Group chairman Tran Dinh Long confirmed at its shareholders' meeting in May that a large part of the profit from the agricultural segment came from the higher selling price of pigs.

Being aware of the important contribution of the husbandry sector, Hoa Phat will continue to promote existing livestock farms and expand when possible. The group's goal is to reach a maximum capacity of 600,000 tonnes of animal feed and 450,000 pigs per year.

Last month, meanwhile, THACO added pig breeding to its business registration certificate. This move came in the context of failures in the cow breeding sector.

The expansion of enterprises has raised expectations of a bright picture for the animal husbandry sector the second half of this year, following a bumpy past six months.

Risks of a return of African swine fever (ASF) and the impact of the current pandemic have been creating difficulties for re-populating pigs and ensuring steady supply for the domestic market.

In the first six months of this year, the industry faced massive difficulties due to both disease outbreaks. The latest report published by the Ministry of Agriculture and Rural Development showed that ASF returned in 20 cities and provinces including in Hanoi, Cao Bang, Bac Kan, and Lang Son in the north, forcing a cull of 4,000 pigs.

A representative of a foreign-invested husbandry company told VIR, "While ASF has broken out again, the number of pigs raised by households remains limited, thus information about the epidemic has not been mentioned regularly in the media."

Meanwhile, along with the impact of the pandemic, the cost of breeding pigs has been another barrier for re-populating herds.

Pig farm owner Nguyen Tan Hau told VIR that the selling price had already increased to nearly VND2.5 million (\$110) per unit, and is even more so now. “I hoped the price would fall when Thai-imported

breeding pigs arrived in Vietnam. However, the selling price of has climbed to VND3-3.5 million (\$130-152) per unit.”

3. New regulations about corporate bond issuance

The decree amends several points of the Decree No 163/2018/ND-CP dated December 4, 2018, about corporate bond issuance with new regulations tightened trading of privately-placed corporate bonds in the domestic market.

According to experts, small-sized enterprises have been issuing corporate bonds in large volumes, creating potential risks for both issuing businesses and investors.

Under Decree No 163, privately-placed corporate bonds were issued to less than 100 investors excluding professional securities investors. However, as trading time was not limited, it created a loophole which allowed companies to issue bonds to less than 100 investors who could sell the bonds freely on the secondary market to more investors.

The new decree, which will take effect on September 1, aims to better manage the corporate bond market which has seen rapid development in recent years and posed significant risks to investors.

According to the new decree, depository organisations must provide information about corporate bond trading within one working day of the trading being completed. Regular updates about bond registration and depository must be provided to the stock exchange monthly, quarterly and yearly.

The new decree also means violations of private corporate bond issuance will be handled in compliance with regulations about handling

administrative violations in securities, securities market and other relevant regulations.

The Ministry of Finance said tightened regulations about corporate bond issuance aimed to protect investors and ensure safety for the bond market.

Recently, the Ministry of Finance warned about the overheated development of the corporate bond market, urging investors to be cautious and to invest only when they thoroughly understand the issuing company. The ministry also said investors should not buy corporate bonds without studying possible risks.

The finance ministry's statistics showed outstanding corporate bonds expanded rapidly, from 6.29 per cent of the country's gross domestic product (GDP) in 2017 to 9 per cent of GDP in 2018 and about 11 per cent in 2019 (worth around VND640 trillion or US\$27.58 billion).

Viet Nam has targeted that the corporate bond market size would be equivalent to 7 per cent of GDP by the end of this year.

In the first four months of this year, enterprises raised about VND58 trillion from issuing bonds, around half issued by real estate companies hungry for capital while credit policies for the property sector were tightened. Some companies even offered very high yields, about 1.5 percentage points higher than the common rate in the market.

4. Investing in automation will help logistics firms compete

According to a study by Jones Lang Lasalle Vietnam Co, Ltd (JLL), traditional brick-and-mortar retail outlets have suffered as countries implement stay-at-home and social distancing policies.

Stephen Wyatt, general manager of JLL Vietnam, said: “Certainly, the dependence on e-commerce will explode and will change the behaviour of online consumers, so the logistics sector will play an extremely important role,” adding: “China's supply

chain disruptions in February and March are valuable lessons for future business plans.”

E-commerce platforms are racing to seize golden opportunities at this unique time. Grab, often considered Southeast Asia's super app, started testing its latest GrabMart service for users in HCM City in March, while Tiki Viet Nam reported receiving 4,000-5,000 orders per minute at peak hours.

As the second fastest growing e-commerce market in Southeast Asia, after Indonesia, Viet Nam has set a target that the e-commerce industry would grow by 25 per cent per year to reach US\$35 billion with more than half of the population shopping online by the end of 2025.

The Government targeted that 55 per cent of the country's population would do online shopping by the end of 2025 and the average spending for online shopping would be about US\$600 per person per year.

According to the e-Commerce White Book 2019 by the Viet Nam e-Commerce and Digital Economy Agency under the Ministry of Industry and Trade, e-commerce revenue jumped 30 per cent from \$6.2 billion in 2017 to \$8.06 billion in 2018. About 39.9 million people shopped online in 2018, up by 6.3 million people against the previous year. Average spending for online shopping was \$202 per person in 2018, \$16 higher than in 2017.

At the same time, the e-Conomy SEA 2019 report by Google and Temasek predicted that e-commerce in Viet Nam would expand 43 per cent per year in the 2015-25 period, making Viet Nam the fastest growing e-commerce market in the region.

Stephen said e-commerce logistics was labour-intensive in the past, however, now new technologies such as AI, machine learning, and IoT have allowed for greater automation and increases in productivity, as well as better utilisation of space.

The JLL leader said: “It is a driving force to reduce virus transmission,” adding that a lot of warehouse systems have recently employed robots to process, select and package goods as robots can work independently and efficiently for jobs of high volume and continuity.

Seeing the importance of using robots in logistics work, JLL does not see such facilities in many warehouses in Viet Nam.

Xuan Pham, Marketing Director of JLL, said the local industry was still quite backward compared to the growth rate of technology in Viet Nam, adding: “It is time for stakeholders to conduct redevelopment and upgrade to have smart and highly automated warehouses to meet growing consumer demand in the country.”

Han Van Loi, CEO of Boxme, a pioneer start-up that provides logistics solutions for e-commerce in Viet Nam and other countries in Southeast Asia confirmed his firm's revenue was still growing 45-50 per month during the pandemic.

With five years of operation in Southeast Asia and partnerships with China, the US and Hong Kong, Loi told Viet Nam News: “Compared to the region and the world, we are still lagging behind in terms of logistics technology.”

Loi added while the world has used the 5PL logistics service that manages all stakeholders in the distribution chain on e-commerce platforms for many years, the use of technology in Viet Nam was still much lower.

The CEO said if local firms wanted to compete, they must make an effort three to five times bigger especially after increasing e-commerce use after the pandemic.

He also mentioned the higher competition from foreign firms to Viet Nam when they realise it is a “promising land” of e-commerce. With strengths in capital and better technology, foreign firms could dominate the market.

Loi said: “Local firms will face the risk of being eliminated from the game if they don't develop well.”

The CEO said the local infrastructure system for logistics services has not received investment, or upgraded proportionately and in accordance with the requirements of fast and modern development, leading to expensive transport costs and reducing competitiveness.

In this case, Xuan from JLL said: “Investing in automation will make sense in the long run because the cost of applying technology to warehouses is quite expensive. In the case of another contagious

scenario in the future, factories with high technology will certainly overcome the challenge more smoothly.”

5. Foreign investors confident in Vietnam’s business environment: official

Deputy Minister of Planning and Investment Vu Dai Thang said while the global flows of foreign direct investment (FDI) could decline by up to 40 percent in 2020 due to the impact of the pandemic, the FDI attraction in Vietnam in the first six months remained positive.

Specifically, in January-June, the total amount of capital registered by foreign investors reached 15.67 billion USD, a year-on-year drop of 15.1 percent. However, the newly-registered and added capital increased 13.8 percent and 26.8 percent to reach 8.43 billion USD and 3.72 billion USD, respectively.

“These are positive signs, showing the confidence of foreign investors in the business environment in Vietnam,” Thang said.

Particularly, Vietnam is home to over 32,000 projects worth 378 billion USD from 136 countries and territories.

While countries across the world are still in the fight against COVID-19, Vietnam has resumed business activities as usual and become one of the first countries to diversify the supply chains, said Envoy Okabe Daisuke from the Japanese Embassy in Vietnam.

Foreign investors are looking at Vietnam as a potential investment destination in the post-pandemic era, he said.

He cited a survey from the Japan External Trade Organization (JETRO) in February 2020 showed that over 63 percent of Japanese businesses in Vietnam plan to expand investment, the highest rate in the Association of Southeast Asian Nations (ASEAN).

6. Long Son PIC to raise capital for new industrial park project

Long Son PIC will sell 65 million shares to Gelex Energy, a member of the Vietnam Electrical Equipment JSC (Gelex), and 17.5 million shares to Viglacera Yen My-Hung Yen Industrial Zone Development JSC.

The deal is expected to be complete by the end of the year. Long Son PIC will increase its total shares to 165.2 million from the current 82.7 million.

Gelex Energy will be the biggest shareholders at Long Son PIC with a 48.91 per cent holding.

Gelex and related shareholders have 19.1 million shares or 23.1 per cent of Long Son PIC's capital.

Gelex's energy arm on June 5 bought more than 15.8 million shares, or a 19.1 per cent stake, in Long Son

PIC. Gelex previously held 3.3 million shares or 3.95 per cent stake.

The company expects to raise VND825 billion (US\$35.68 million) to develop the Long Son Industrial Park. The IP project demands total investment of VND29.6 trillion and construction will be carried out in three stages.

Investment for the three stages will be VND11.76 trillion, VND10.45 trillion and VND7.4 trillion, respectively.

Long Son PIC wants to raise capital for the project as it now has only VND810.4 billion worth of capital, which is not enough to conduct the project.

The firm needs to increase its capital in the project to minimum 15 per cent.

Long Son PIC eyes a four-fold increase of total revenue in 2020, which may reach VND146.2 billion. Post-tax profit is expected to climb to VND28.2 billion from a loss of VND2.1 billion in 2019.

Long Son PIC shares (UPCoM: PXL) stood firm at VND11,000 apiece on Monday, having risen total 4.76 per cent since the beginning of July.

Gelex shares (HoSE: GEX) gained 2.2 per cent to close Monday at VND20,500 apiece. The electrical

equipment firm's shares have soared 26.5 per cent since June 29.

If the share issuance completes, Gelex will take one more step to enter the industrial real estate sector.

The Ha Noi-based company has recently offered to buy 95 million shares and raise its ownership to 46.15 per cent at industrial group Viglacera, which owns 5,000 hectares of IPs in the North.

Viglacera's board of directors on July 7 approved the deal.

7. Australia to provide more funding to PAPI survey in Vietnam

Australia will add an additional 9.7 million AUD (6.75 million USD) between 2021 and 2025 to its funding of the Vietnam Provincial Governance and Public Administration Performance Index (PAPI) survey, conducted by the UN Development Programme.

The new funding comes under a recently-signed co-sponsorship agreement between the Australian Department of Foreign Affairs and Trade and UNDP.

Australian Ambassador to Vietnam Robyn Mudie affirmed her country's strong support for Vietnam's efforts in promoting provincial governance and public administration, especially in response to the COVID-19 pandemic.

Meanwhile, UNDP Resident Representative Caitlin Wiesen said Australia's substantial contribution will

help PAPI further boost governance and public administration efficiency in Vietnam.

Australia's sponsorship comes at a time when Vietnam is entering the post-pandemic recovery period, she noted, adding that UNDP will coordinate with partners to assist Vietnamese cities and provinces in improving their public administration performance, enhance accountability, and work towards people-centred administrations.

PAPI reflects people's voices on the performance of the State apparatus and the quality of all-level administrations' provision of services. The survey has collected opinions from 131,501 people since its launch in 2009, selected randomly nationwide.

Australia has been the official sponsor since 2018.

Corporate News

8. PNJ: PNJ ranked among Viet Nam's 50 best-performing companies

↑ 0.00%

It ranked fourth in the list after rising by five places from last year.

The rankings have been developed based on international standards used by famous global publications and consultancy from economists and business experts from the Harvard Business School in the US and other organisations.

In the last three years PNJ's efforts in effectively costs and supply chain management, adoption of modern technology and changes in product structure have helped increase its profit margins.

Its revenues grew by 22 per cent a year on average. Last year, for the first time, the company's net profit exceeded VND1 trillion (US\$43 million).

Its return on equity and was 27.4 per cent.

The COVID-19 pandemic this year has greatly affected consumers' behaviour and demand, but PNJ has adjusted its plans and managed to achieve growth in the first five months.

Its net revenues and profit after tax grew by 20 per cent and 22 per cent to VND1.019 trillion (\$43.9 million) and VND47 billion (\$2.03 million).

It has a retail network of 360 stores.

The Top 50 list is designed to evaluate and rank listed companies with outstanding achievements in their fields of business through key financial indicators, encourage companies to pursue better corporate governance and strategic thinking, and recognise the business leaders who have demonstrated long-term vision and creative thinking.

9. HVN: Vietnam Airlines wants \$500 mln government bailout

↑ 0.57%

It is likely to report a loss of VND13 trillion (\$561 million) this year, with revenues falling by half from last year to around VND50 trillion (\$2.2 billion), CEO Duong Tri Thanh said at a meeting on Monday.

It has stopped all regular international flights since April when it operated only four domestic flights a day on average.

In June the number of passengers rose to 84 percent of the number a year earlier. "Since 1975 there has never been fewer flights in Vietnam's skies," he said, referring to the year the Vietnam War ended.

He expected the domestic market to recover to pre-pandemic levels only by the end of 2021, and the international market a year later.

Government advisors said at the meeting that other options to rescue the airline include issuing more shares to existing shareholders or allowing investment by sovereign fund State Capital Investment Corporation.

One of them, Nguyen Dinh Cung, said many other governments have bailed out airlines and Vietnam should do the same.

Thanh said Vietnam Airlines has taken up the issue of funding with All Nippon Airways, which owns a 8.6 percent stake in it, but since the Japanese carrier is also in trouble it cannot provide loans now.

In Vietnam, the aviation industry has been among the hardest hit by the coronavirus pandemic. Airlines served 14.6 million passengers in the first six months, down 46 percent year-on-year, according to the General Statistics Office.

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