



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index down slightly as liquidity surges

The VN-Index edged down 0.06 percent to 888.82 points Thursday, with losses in non-blue chip stocks taking the market down.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 221 tickers gaining and 179 losing despite ending in the red. Total trading volume nearly doubled over the previous session, to VND11.43 trillion (\$493.14 million).

This surge in liquidity was primarily the result of put-through transactions of 67 million VHM shares, belonging to real estate giant Vinhomes, worth over VND5 trillion, from domestic to foreign investors.

The VHM shares were sold at VND75,000 per share, much lower than its current trading price of VND78,100. Vinhomes has not commented on the transfer.

The VN30-Index for the stock market's 30 largest capped stocks added 0.17 percent this session, with 11 gaining and 9 losing. Topping gains this session was REE of appliances maker Refrigeration Electrical Engineering, which surged 5 percent. The share has reached its highest price since March 2018 after three consecutive gaining sessions and is trading at VND39,000 now.

South Korean headquartered financial services firm Mirae Asset forecasts that the firm's revenue and profits would pick up in the second half of the year, mainly from REE's investments in hydropower with more rain expected during that period.

REE, in the past few years, has identified hydropower as an alternative long-term direction in addition to manufacturing refrigeration appliances, and has consistently been raising its

stakes in several hydropower plants in central and southern Vietnam, Mirae Asset noted.

Following REE was TCH of truck dealer Hoang Huy Group, up 1.7 percent, TCB of private Techcombank, up 1.2 percent, HDB of private HDBank, up 0.7 percent, and VNM of dairy giant Vinammilk, also up 0.7 percent.

Other major gainers included MWG of electronics retailer Mobile World, PNJ of jewelry chain Phu Nhuan Jewelry, and POW of electricity generator PetroVietnam Power, all of which added 0.5 percent.

10 tickers kept their opening prices this session, including VIC of private conglomerate Vingroup, VJC of budget carrier Vietjet Air, CTG of state-owned bank VietinBank, and SSI of top brokerage Saigon Securities Inc.

PLX of petroleum distributor Petrolimex topped losses with 1.6 percent this session, followed by real estate developer Khang Dien House, down 1 percent, and STB of private Sacombank, with 0.9 percent.

Other major losers included BID of state-owned lender BIDV, down 0.7 percent, VHM of real estate developer Vinhomes, with 0.6 percent, and SAB of major brewer Sabeco, with 0.5 percent.

Meanwhile, the HNX-Index for the Hanoi Stock Exchange, home to mid- and small-capped stocks, shed 0.09 percent, and the UPCoM-Index for the Unlisted Public Companies Market added 0.32 percent.

Foreign investors were net buyers to the tune of VND5.05 trillion on all three bourses, primarily a result of the VHM put-through transactions. Other than VHM, net buying pressure was focused on two exchange traded funds.

Macro & Policies

2. Hue to develop textile and garment IZ

This is part of an action plan by the People's Committee of Thua Thien-Hue Province to implement the Government's resolution on developing the supporting industry in Vietnam.

The IZ will be home to projects aimed at making garment accessories such as buttons, zippers, elastic bands as well as spare parts of the textile and garment industry such as combs, wire rods, foot sewing machines, and cutting machines. By 2025, enterprises in the province will be able to produce over 150,000 tons of yarn and over 45 million meters of fabric a year.

This action plan focuses on promoting the development of the supporting industry in apparel-footwear, plastic and rubber and electronics industries.

Supporting materials for the textile and garment industry in the province, in particular, can reach 75% till 2025.

To achieve this goal, the Provincial People's Committee has proposed that the Ministry of Planning and Investment ask the Prime Minister for permission to build a new IZ covering 400 hectares in Phong Dien District to attract textile and garment investment projects.

In addition, the province has also asked the Government to invest in a high-quality concentrated wastewater treatment plant using circulating wastewater treatment technology at the IZ.

Up to now, the IZs in the province are currently home to 16 projects of yarn production with an annual combined capacity of some 108,800 tons and a total registered investment capital of some VND9,042 billion. There are 15 licensed garment and fabric projects with total registered investment capital of some VND2,530 billion and 432.5 million products a year.

According to Nguyen Van Son, deputy head of Thua Thien Hue Economic and Industrial Zones Authority, the textile and garment industry in the province is able to turn out more than 500 million garment products and 100,000 tons of yarn a year, contributing some 42.6% in production value and 41.6% in export value in the central region.

However, the added value of the industry is very small. The average localization ratio is only some 40%. Enterprises in the province must import 70% of fabric materials, which is why Thua Thien-Hue province must initiate the action plan to advance the supporting industry.

3. Vietnam exports S95 construction material for first time

The Hoa Phat Dung Quat Steel Joint Stock Company shipped the first batch of S95 ground granulated blast furnace slag to Australia on September 10, where stern standards and stringent requirements are applied.

Comprising 2,500 tonnes of S95, the batch was produced at the Hoa Phat Dung Quat Iron and Steel Integrated Complex.

The granulated blast furnace slag is a by-product of the iron and steel production process using closed blast furnace technology. Due to the extremely rapid cooling with high pressure water, the granulated

blast furnace slag is good for cement and concrete and has been used for a long time around the world as well as in Vietnam.

S95 fine blast furnace slag products contribute to treating solid waste during Hoa Phat's green steel-making process, while protecting the environment and creating a stable source of revenue for the group.

The material can be applied as highly-activated mineral additives in the production of cement, concrete, and mortar, or as a binder to reinforce weak ground. With S95, it is possible to mass

produce concrete by reducing hydrothermal heat, producing heat resistant concrete due to increased thermal stability, with durability in seawater, salt water, and brackish water, due to the increased waterproofing of the concrete, preventing the erosion of chlorine and sulphate and meeting the requirement to increase the life of works at sea, on islands, and in coastal areas.

With two iron production complexes in Kinh Mon, Hai Duong province, and Dung Quat in Quang Ngai,

the Hoa Phat Group is able to supply the market with 2.6 million tonnes of S95 each year.

This first export affirms the group's prestige in the global market, while opening up a new consumption channel for S95.

Australia plans to order larger volumes of S95 in the future.

4. Tourism sector proposes Government to spend VND5 trillion to stimulate tourism

The sector has been hit the hardest by the coronavirus pandemic, with 95% of tour operators having suspended their operations, the ministry said in a draft report to be sent to the prime minister.

Meanwhile, many four- or five-star hotels and other luxury hotels specializing in serving foreigners have shut down since March due to a lack of guests.

To tide over the hardships triggered by the pandemic, the Government has offered various support policies to enterprises and workers, but the tourism sector has yet to receive much support.

As the tourism sector depends heavily on tourists, it is necessary to adopt a special support policy to stimulate visitors to go on tours, contributing to the recovery of the tourism sector and easing the financial burden on enterprises and workers active in the sector, according to the ministry.

The ministry proposed the relief package be used to offer financial support to tourists, each of whom can be supported with 10% of the price of a full-package tour, which is set to depart prior to December 31.

All Vietnamese citizens will be entitled to the stimulation package when buying full-package domestic tours from local travel firms. The central budget will offer the firms refunds when they make daily tax payments, Thanh Nien Online reported.

The stimulation package is expected to attract 10 million domestic tourists, raising the number of Vietnamese people traveling in Vietnam in the last four months of 2020 to 30 million, equivalent to the figure from the same period last year. The State budget will collect an estimated VND800 billion from the stimulation program.

Supported by the State stimulation package, domestic tourism is expected to play an important role in maintaining the jobs of 2.5 million laborers in the country and contributing to stabilizing the economy as travel firms, hotels, passenger transport service providers and household businesses active in the service and tourism sectors begin to resume operations.

5. Banks bet on consumer credit growth

The State Bank of Vietnam (SBV) has urged credit institutions (CIs) and consumer finance companies to promote consumer credit packages for the last four months of this year. This aims to make significant strides to offset the adverse impacts of the ongoing health crisis through lower loan interest rates, and fast and simple lending procedures in accordance with the law.

Lenders have been racing to boost lending activities, such as slashing lending rates, despite its impact on profit from their bread-and-butter lending activities.

According to the latest survey from the SBV, CIs have cut marginal interest rates and non-interest fees in the first half of the year to increase customers'

access to credit services. The loan terms and conditions are expected to be more relaxed with loans for production and business and credit card loans in the last six months of 2020.

However, CIs seem to tighten their requirements on collateral and credit ratings of customers to prevent from default risks. Funds allocated for real estate, securities, and consumer loans are among the most exposed to a variety of risks. In the first six months, CIs have met customers' borrowing demands at a higher level than in the second half of 2019, with 88.7 per cent of CIs satisfying 75-100 per cent of loans requirements.

Experts believe that boosting consumer loans, thereby stimulating consumer demand, is one of the three primary economic growth drivers. In the context of limited production credit, many CIs have relied on consumer credit for growth.

For instance, Techcombank reaffirmed its prime focus on real estate and personal lending, in which home loan accounts for 44 per cent of the retail debt structure. Techcombank only focuses on groups with high incomes and good repayment ability. For instance, Sun Group and Vingroup made up for a total 70 per cent market share, thus, the bank has chosen them as major customers in the resort segment.

Not only Techcombank, since the start of the year, many banks have also promoted consumer credit growth, especially mortgages, cars or essential loans.

Some lenders have taken advantage of this unprecedented outbreak to grab a bigger market slice and strengthen their foothold, such as VPBank or MSB with their credit growth of 12 per cent.

Trinh Bang Vu, head of the Retail Business Division at Shinhan Bank Vietnam, told VIR that the South Korean lender would continue to specialise in offering preferential lending rates for customers in need of home loans, car loans, or consumer loans.

Another prominent South Korean lender, Woori Bank, also lays stress on providing services for home and car loans.

State-owned VietinBank, meanwhile, is ramping up its efforts to become foreign investors' trusted companion throughout every step of their journey in Vietnam, and bring them satisfaction by providing the most professional banking experiences.

Can Van Luc, chief economist of BIDV Training School, said that during the economic recovery period, consumer credit will contribute to stimulating aggregate demand and supporting growth. "In addition, concerning the large demand for loans, there has been a rapid increase in usury. Therefore, developing consumer credit will limit and repel black credit," he said.

Along with that, Pham Xuan Hoe, deputy director of the Banking Strategy Institute under the SBV said, "Shadow banking and loan shark activities are booming and damaging Vietnam's socioeconomic development. Thus, the whole system is in urgent need of legal, high-ranking consumer finance firms and various lending services."

However, promoting consumer lending is a tall order. By the end of July, the credit of the whole system increased by 3.45 per cent on-year, less than half of the same period last year. Nguyen Quoc Hung, head of the SBV's Department for Credit of Economic Sectors, said that consumer credit and personal loans have grown in modest figures.

"In the coming time, the SBV will continue to encourage the promotion of consumer loans, but the amount of growth will depend on the absorption capacity of the economy. Currently, the demand for consumer loans is feeble in the context of unstable jobs and declining income resulting from the pandemic," said Hung. "However, banks and consumer finance companies cannot churn out loans inconsiderately for fear of incurring bad debts."

Nevertheless, the SBV is mulling over changing the roadmap for adjusting the ratio of short-term funds used for medium and long-term loans, which was previously mentioned in Circular No.22/2019/TT-NHNN issued in November 2019 on limits and prudential ratios of banks and foreign bank branches. The SBV had demonstrated its determination to tighten credit for risky sectors like real estate. High-risk borrowers such as build-operate-transfer project investors would also find it harder to access loans.

6. Versatility letting retail grow anew

In the first eight months of the year, retail sales increased 4 per cent on-year to VND2.55 quadrillion (\$110.87 billion), showing signs of socioeconomic recovery.

Economist Dinh Trong Think told VIR that the increase is much lower than in previous years. However, any growth is good news in the context of the pandemic, as during social distancing, entire manufacturing and trade activities were disrupted. In addition, the income of a large portion of the populace decreased, leading to a reduction in the consumption of non-essential goods.

“Thus, the 4 per cent rise reflects the efforts of manufacturers to maintain operations as well as the efforts of the distribution and marketing segment to bring goods to customers,” Think said.

The pandemic was the last drop in a cup filled with massive debts and shifting shopping habits, triggering bankruptcies and store closures in the past eight months. As a result, JCPenney, Gap, Victoria's Secret, and more than 40 other retailers were forced to close thousands of stores.

Despite the outbreak, Vietnam is expected to remain one of the fastest-growing economies in Southeast Asia. This is due in large part to its early and decisive containment efforts, as well as robust and resilient economic fundamentals.

“Retailers tried to restructure distribution activities to meet the new trends, including online shopping. They not only tried to stabilise the supply of goods but also diversified distribution channels,” Think said.

Notably, the pandemic contributed to promoting the development of omnichannel distribution that offers customers a wider range of shopping and payment alternatives. In addition, online sales tools like chatbots and QR codes are making payments more convenient.

According to figures published by the General Statistics Office of Vietnam (GSO), in the first three months of this year, retail sales increased by 10.7, 9.8, and 7.7 per cent a month, respectively. However,

in April, the retail revenue suddenly stalled, with only a titular increase of 0.4 per cent on-year due to the national social distancing policy.

From May to August the figure increased again by 1.2 per cent on-year in May, 3.4 per cent in June, 3.6 per cent in July, and 4 per cent in August.

Notably, statistics from the GSO showed that revenue from retail and consumer services in August fell by 2.7 per cent against the previous month. Accommodation and food, and travel services were hit the hardest, falling 14.7 and 61.8 per cent against July.

Overall, retail sales and consumer services in the first eight months fell by a slight 0.02 per cent on-year. As shown before, retail sales rose by 4 per cent on-year, primarily driven by revenue from food (up 8 per cent) and household goods (5.4 per cent) while revenue from the textile and garment decreased by 0.6 per cent, from vehicles by down 2 per cent, and cultural and educational goods went down 4.5 per cent.

The cities and provinces seeing above-average growth in retail sales included Haiphong (11 per cent), Hanoi (9.8 per cent), Dong Nai (9.4 per cent), and Ho Chi Minh City (9.4 per cent). These increases were thanks to consumers quickly adapting to the new normal, echoed by a spike in online shopping.

According to iPrice Group, a privately-owned online shopping aggregator based in Malaysia, over the first half of 2020, local consumers spent 31 per cent more on-year on online shopping.

A survey performed by Deloitte in July showed that more than 50 per cent of respondents have cut expenses at supermarkets, grocery stores, and markets. About 25 per cent of them have enhanced spending on online shopping platforms due to COVID-19.

In the last four months of 2020, the growth momentum is expected to stay thanks to new drivers such as the anticipated development of anti-coronavirus vaccines in Vietnam and other

countries, forecasting an impending economic rebound that will buoy up the retail sector.

“Also, many countries, including Vietnam, have been rolling out measures to prevent the pandemic and restructure their economies at the same time. Thus, the recovery will be easier,” said Think. “Moreover, the coming New Year will be a great opportunity for local companies, especially those focusing on export-import, to boost sales in the EU markets.”

7. M&A deals diversify education segment

Cineplex and film producer Galaxy Media and Entertainment last month acquired a majority stake in local edtech startup Hocmai for an undisclosed amount, making its first foray into the sector.

“We have been looking for an opportunity in edtech for over a year. Hocmai has the largest market share in the grade 1-12 segment in online education in Vietnam,” said Luong Cong Hieu, CEO of Galaxy Media and Entertainment. “By investing in Hocmai, we believe the company will have more resources to continue to serve the increasing demand for online education in the country.”

At present, Galaxy is considering investing in other edtech companies covering kindergarten and K-12 to vocational training and higher education.

Founded 13 years ago, Hocmai has attracted four million students and 200 teachers with more than 1,000 courses and 30,000 lessons a year. In the online education sector for secondary and high school students, Hocmai has become a formidable contender.

In July, Myanmar Strategic Holdings Ltd., the independent developer and operator of consumer businesses in Myanmar and Vietnam, announced that wholly-owned subsidiary MS English 2 Pte., Ltd. has completed the acquisition of the entire charter capital of Wall Street English Llc. (WSE), a leading provider of English language training (ELT) services in Vietnam. WSE Vietnam caters to the premium ELT market, focusing exclusively on adult learning, and offers its services through a flexible and integrated

“Growth may not be as high as in the previous years, but it will be there and will make for a solid basis for the coming hikes,” he added.

The ability to adapt to the dragging pandemic is a factor that will make or break companies. Specifically, about 63 per cent of CFOs supposed that adding new features and services to their products is most important, according to a PwC report. According to Amity Millhiser, vice chairman at PwC, the period will see the extraordinary rise of several companies which have quickly adapted to the COVID-19 lockdown and adjusted activities.

blended learning solution that can be delivered entirely online.

As of April 30, WSE served over 6,000 students at seven centres located in Ho Chi Minh City and the neighbouring province of Binh Duong. The centres will continue to operate under 10-year franchise agreements with Wall Street English International on terms similar to those in place for Wall Street English Myanmar. For the 12-month period ending April 30, WSE Vietnam generated unaudited revenues of approximately \$13.8 million and incurred a net loss of \$1.4 million. As of that date, its gross assets amounted to \$3.4 million.

In July 2019, Navis Capital Partners, a Kuala Lumpur-based fund managing a \$5 billion portfolio, completed investment in Thanh Cong Education JSC, a high-quality Vietnamese private education platform operating in the south of the country. The value has yet to be disclosed.

The market also recorded numerous deals led by foreign funds in the field. Kaizen Private Equity, the specialised education fund manager in emerging markets, made a \$10 million investment in education provider YOLA. Previously, Mekong Capital's Mekong Enterprise Fund III, Ltd. also invested \$4.9 million into YOLA for a minority stake.

Sweden-headquartered private equity firm EQT Capital Partners, through its subsidiary EQT Mid Market, has meanwhile poured an undisclosed amount into ELT company ILA Vietnam.

The World Bank's International Finance Corporation (IFC) and Aureos Fund have invested \$10 million in Vietnam USA Society English Centers, while TAEL Partners injected \$10 million in Ivy Prep Education.

Seck Yee Chung, partner at Baker Mckenzie told VIR, "We expect to see growth in M&A in the education sector. Investors are looking for potential and broadly speaking, the education and training sector in general remains an area where families, companies, and individuals seem prepared to spend."

Based on statistics by the Ministry of Education and Training, overseas funders have invested in the entire range of education service areas from K-12 and vocational to college education and language centres. While the establishment of institutions is subject to many requirements – such as legal licences and permits, and operational requirements such as per-student capital and minimum teaching experience – M&A deals are the chosen path for foreign investors to approach the market.

However, Chung noted that there are some challenges for investors to acquire local assets. Like

any business, it is important to do a due diligence of the target and business, and also to understand if there are regulations or other factors that might put a dampener on the growth of the business. For example, whether there are any issues in getting approval bringing in personnel from overseas.

Last year, Nguyen Lan Phuong, another Baker Mckenzie partner based in Ho Chi Minh City, said that Vietnam's education market was promising. "Vietnam's World Trade Organization commitments in the education area, together with domestic education regulations, have laid a good foundation to bring in foreign investors," she said. "This, coupled with its lifted restrictions on the enrolment cap of foreign-invested K-12 institutions makes Vietnam's education sector become even more of an attraction."

Phuong noted that the increasing population is further bumping up the appeal of the education sector. "The Vietnamese economy is switching from primary labour-intensive manufacturing to more services, so the education sector is front and centre as the need to upgrade the capacity of the workforce becomes more urgent," she explained.

Corporate News

8. D2D: BOD resolution dated September 09, 2020

↑ 3.22%

2020, the BOD of Industrial Urban Development Joint Stock Company No.2 (D2D) approved the following issues:

1) Approving to hire the land from Sonadezi Chau Duc Joint Stock Company at lot No.34 with total area of 188,499.9 m² in Chau Duc Industrial zone, Chau Duc district, Ba Ria – Vung Tau Province; and the contract value is less than 35% total value of the company’s assets recorded in the most recent audited financial statements. Accordingly, the time for hiring land to October 2058.

2) Approving to contribute capital in Sonadezi Binh Thuan Joint Stock Company to carry out the project of Tan Duc Industrial zone in Tan Duc Commune, Ham Tan District, Binh Thuan Province with total area of 300 ha and total value of investment of VND 1,200 billion (estimated).

- D2D contributed VND 36 billion, equivalent to 3,600,000 shares, accounting for 9% charter capital of Sonadezi Binh Thuan Joint Stock Company

- Time of implementation: September 2020.

9. HPX: Decision on raising charter capital in Dong Da Land

↑ 0.95%

Based on Decision dated September 09, 2020, the BOD of Hai Phat Investment Joint Stock Company approved to raise charter capital in Dong Da Land

Company Limited. Accordingly, the amendment of charter of Dong Da Land Company Limited with new charter capital.

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