



VIETNAM DAILY NEWS

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Market Analysis

1. Shares to wobble before moving higher

Brokerages are forecasting shares to climb higher this week, adding that the market will correct first before advancing to the next support zone.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.58 per cent to end Friday's trading session at 1,084.42 points.

The index had gained 1.59 per cent last week.

An average of 739 million shares were traded on the southern stock exchange during each session last week, worth VND14 trillion (US\$618.3 million).

"The VN-Index will possibly retest resistance 1,100 points next week. However, the market's movement will witness alternative ups and downs during its uptrend," said BVSC Securities Co.

"Overall, we believe that the market will enter a correction phase to establish a new price range at 1,045-1,100 points in the short term. The cash flow tends to shift among stock sectors to seek profits.

"Large-cap stocks will support the market. Cash flow still shows interest in medium and short-term stocks," the company said.

"Stock exposure should be lowered to 25 per cent to 45 per cent of the total investment. Investors should consider lowering short-term positions at our aforementioned resistance zones," it said.

Meanwhile, MB Securities JSC (MBS) said the market regained its upward momentum thanks to the boom in the finance - banking group and the trend spread to all sectors.

Cash flow spread among many groups of stocks helped market liquidity remain at a high level, MBS said.

According to MBS, the January is when stock prices, especially large-cap stocks and stocks with positive fourth-quarter business results, show an uptrend lasting from the last trading session in December to the first week of January.

Seven out of the last 10 years saw the market enjoy prosperous transactions in January.

"Technically, with the current increasing inertia, the resistance level of 1,085 points can be completely conquered, but the shaking sessions to test the support levels will occur before the market reaches new highs. Short-term targets will stand around 1,100-1,120 points," MBS said.

"The excitement among investors last week continued to help Viet Nam's stock market to increase positively and now approach stronger resistances," it said.

According to Saigon-Hanoi Securities JSC (SHS), the group of construction materials stocks increased the most last week with gainers including Hoa Phat Group (HPG), increasing 5.6 per cent, and Hoa Sen Group (HSG) rising 2.3 per cent.

It was followed by the financial group with gainers such as SSI Securities Corporation (SSI), up 13.1 per cent, Viet Capital Co (VCI), rising 14.5 per cent, Saigon-Hanoi Securities Co (SHS), climbing 19.1 per cent and VNDirect Securities Co (VND), up 19.5 per cent.

Saigon-Hanoi Securities JSC said the VN-Index ended last week right above the resistance level of 1,084 points, the threshold the index had challenged for four sessions. The excitement of investors made bottom fishing demand increase whenever the index dropped, causing the market to rebound strongly.

"However, the uptrend showed signs of slowing down with the frequency of more corrections," it said.

"SHS believes the market is likely to continue to reach the higher resistance zone in the range of 1.120-1.130 points, but with low probability. The higher probability is that the market will shake strongly with selling pressure around 1,084 points," the company said.

Macro & Policies

2. Education still on plate for investors

Yola Education JSC from Singapore spent nearly \$130,000 establishing a foreign language centre in the southern province of Binh Duong in October after opening another one in the Mekong Delta province of Hau Giang at the same ballpark figure the previous month.

Ngo Thuy Ngoc Tu, co-founder of Yola Education, said that demand for learning English continues to grow, creating a more appetising sector for many investors. “Thus, our expansion in a number of language centres is understandable,” said Tu.

Previously, private investor Kim Ju Hee also established the Saegam South Korean language centre in Thu Duc district of Ho Chi Minh City.

Between January and September, local authorities granted licences for approximately 30 language centres for overseas individuals or companies.

The merger and acquisition (M&A) market in this area is also dynamic, and since August 2018 when Decree No.86/2018/ND-CP on foreign cooperation and investment in education came into effect, overseas investment capital has been maintained in the sector in a stable manner.

According to statistics published by FiinGroup, in the first three quarters of this year, despite being impacted by the COVID-19 pandemic, investment capital in education hit \$78.9 million, exceeding the figure of the same period last year of \$64.6 million.

Investment via the share contribution and purchase model has increased year-on-year. Notably, FiinGroup says the ratio of investment capital via M&A deals increased from 20.3 per cent in the late five months of 2018 to 46.9 per cent in 2019 and 65 per cent in the first nine months this year.

This growth comes from the increasing demand in the market. The wave of relocating facilities of foreign investors to Vietnam will likely see a steady rise in people attempting to move to the country once borders reopen. A majority of these people will bring their families to the country, thus the demand for education is one of their leading concerns. In

addition, the increase in the demand to study a foreign language before going overseas is a factor for the growth of language and education training facilities.

Statistics published by the Ministry of Education and Training showed that the number of Vietnamese student overseas has doubled within nearly 10 years, from 98,000 in the 2010-2011 period to 190,000 as of July this year.

“This contributed a large part to the consecutive increase of English language centres and education facilities because parents expect their children to have a good English base before going overseas,” Le Xuan Dong, head of market research and consulting services at FiinGroup told VIR.

However, along with new investment inflow, the market also sees numerous challenges. In July, Myanmar Strategic Holdings completed the purchase of Wall Street English Vietnam (WSE Vietnam) for \$6 million. According to Dong, the founder of WSE Vietnam poured tens of million of dollars into the system and then sold for a low price.

“The founder decided to rush from the market due to the fierce competition in not only the quality of syllabuses but also the tuition and promotion programme,” Dong said.

Egroup, one of Vietnam's largest companies operating in the education sector, is elsewhere scratching its head over its investment in popular English language centre group Apax English. Egroup continues to oversee a weak performance in Apax Holdings Investment JSC, in which the group holds 71.4 per cent.

According to a VIR source Apax, which runs around 130 Apax English centres across the country, is facing difficulties to maintain existing centre volume, and is even struggling to pay its staff full wages.

Among M&A deals in education, one notable deal in the past decade saw domestic investors buying out international education groups. In 2013, Ismart Education and EQuest Academy took over

International American Education (IAE) from Singaporean group Blackhorse Asset Management.

At the time of the deal, IAE managing director Dam Quang Minh said that when foreign investors run into trouble, domestic investors with deep knowledge in the education sector and strong determination should pounce to grab the opportunities.

According to Dong of FiinGroup, M&A will help investors reduce initial costs and the waiting time

for licensing procedures, which often take so much time. In addition, they save time in establishing staff members and take over the available facility to expand operations.

“However, unlike other sectors in which the quality is evaluated by tangible products, in the education sector, the quality of facilities is evaluated based on learners’ progress. Thus, investors still can face risky M&A deals if they select partners that do not comply with regulations, or carelessly select teachers and syllabus,” Dong said.

3. Vietnam urged to diversify energy resources: VBF 2020

Many foreign investment business associations suggested that Vietnam should consider diversifying energy resources to power economic development, at the Vietnam Business Forum 2020 (VBF) taking place on December 22 in Hanoi.

Looking ahead to 2021, Mr. David John Whitehead, Vice President of the Australian Chamber of Commerce Vietnam (Auscham) expected that, by mid-2021, the business performance would make strong progress as international markets would open up and trading activities to be restored. Due to the increase in power demand associated with economic growth, ensuring power supply through rapid development of power generation and electricity grid has become an urgent issue.

Sharing this opinion, a representative from the Japanese Chamber of Commerce & Industry in Vietnam (JCCI) also suggested that the government should consider diversifying energy sources taking into account the unique conditions of Vietnam, as well as environmental aspects.

According to the JCCI, stable policy regime is an important factor for foreign investors to easily map out their medium and long-term investment plans, especially for renewable energy.

The JCCI proposed the government to consider maintaining and expanding a more appropriate feed-in-tariff mechanism, completing a more bankable electricity purchase contract; speeding up and simplifying procedures for adding projects to the Power Development Plan (PDP); granting incentives to companies, factories and industrial zones introducing renewable energies; and the

further relaxation of regulations on the introduction of off-grid power sources.

The JCCI recommended that the government needs to accelerate the completion of energy infrastructure based on the Gas Industry Master Plan (issued in 2017).

In term of nuclear power, the representative of the Indian Business Chamber in Vietnam (IBC) emphasized that Vietnam is expected not to reconsider nuclear power but that the effective use of nuclear technology for civilian purposes should be taken into account, as nuclear power is an extremely low-cost green energy source that no other power generation option can provide. Nuclear power development can also be seen as a strategic movement by the country to maintain the security of its energy-generating investments in the region.

On the sidelines of the forum, Mr. Hong Sun, Vice Chairman of the Korean Business Association in Vietnam also agreed with the IBC's opinion.

Noting Vietnam has been focusing on renewable energy in recent time, according to the VBF Infrastructure Working Group, renewable energy has met a part of Vietnam's needs. More electricity is needed to fuel the country's fast-growing economy. If not from coal, it will have to come from gas or nuclear fuel. These projects can cost between US\$ – 50 billion.

The VBF Infrastructure Working Group said that in order to attract these sorts of flows, these projects

should be viewed separately from other smaller infrastructure projects.

In terms of policy, the VBF Power and Energy Working Group said that a favorable and legal environment should be built up to attract private investment in clean energy production and efficient energy use, removing the generation burden from

EVN and sharing it with many power consumers and power producers in a distributed generation model.

The group suggested that such favorable legal framework would lead to reduced greenhouse gas emissions and air pollution and the other costs relative to a coal-focused energy plan and in alignment with Vietnam's Nationally Determined Contributions commitments.

4. Steel consumption recovered strongly in November

Steel consumption recovered strongly in November after falling in October, as the demand for house and factory repairs after the stormy period, and the favorable weather for construction activities supported sales in all three main steel segments, according to Viet Dragon Securities Company (VDSC).

In addition, due to increasing steel prices, retailers tended to store more products in the short-term. In fact, hot-rolled coil (HRC) prices increased from US\$530/ton in early November to reach US\$700, stated the brokerage firm in a report.

Construction steel prices were predicted to increase due to higher material prices, it added. In the construction steel segment, the selling volume was supported by the domestic market as domestic sales in November increased by 61% month-on-month and 9% year-on-year.

Similarly, steel pipe consumption was still high owing to strong domestic demand. In the coated steel segment, export volume was still high due to the strong demand from the EU. Several coated steel manufacturers have sufficient export orders for production until March 2021.

For December, VDSC expected coated steel consumption can be still good due to high exports, meanwhile, construction steel and steel pipe demand could decrease slightly compared to November.

During the January – November period, total steel consumption (including construction steel, coated steel and steel pipes) was stable compared to the same period last year due to the recovery in late-

2020, but sale results were different between segments.

In the construction steel segment, domestic consumption decreased by 3.7% year-on-year due to the slower growth in the construction industry. In contrast, exports were the positive signs in both the construction steel and coated steel segments because Vietnam's steel production was less affected by the pandemic and steel import policy in several countries supported Vietnam's producers, especially the EU.

In the coated steel segment, export volume increased strongly by 13% year-on-year, thus, total consumption recorded a growth of 3.4%.

Regarding the construction steel market share, the competition in each market has been increasing since the second half of last year. In the southern market, Hoa Phat Group (HPG) increased its sales by 77% year-on-year owing to the abundant volume with competitive price from the Dung Quat Steel Complex. In contrast, Pomina and Vinakyoei's sales saw a decrease in selling volume, although Posco SS's exit created room for other producers.

Besides the southern market, export is also a key driver for HPG's growth as its export volume increased by 112% year-on-year. For 2021, the report noted the competition can still increase as Pomina ran its new one-million-ton mill commercially since the second half of 2020.

In the coated steel and steel pipe segment, the market share was relatively stable, but the increasing competition in the next years can change the structure sharply.

5. Vietnam sees strong demand for cold storage facilities

A cold supply chain is the process of maintaining a product within a low temperature range throughout the entire supply chain from production to consumption. Cold chain logistics involve the use of cold storage warehouses for storage and insulated transport vehicles for distribution. These transport vehicles include refrigerated trucks, trains, ships and aircraft.

In an interview with The Saigon Times, Paul Tonkes, Cushman & Wakefield Vietnam's Director for Logistics & Industrial Services, said: "The cold chain in Vietnam is underdeveloped in both logistics transportation and storage facilities, causing a large amount of post-harvest losses. This raises the demand for the cold chain logistics infrastructure to innovate in order to provide quality products, reduce losses and satisfy strict requirements from large export markets such as EU, USA, Japan, ...".

The average loss rate for Vietnam fruit and vegetable products is about 32% of the production, with a 14% and 12% loss rate for meat and seafood respectively.

Cold storage facilities are generally concentrated in clusters, most of which are in industrial parks or within the zones of river and seaports. It is also essential to have stable and sustainable power supply. "The adoption of Industry 4.0 will also help to save energy and increase operational efficiency which will help improve the return on investments for investors in this sector", said the report.

Currently, Vietnam is one of the five largest fruit and vegetable exporting countries in the world, thanks to strong demand from markets such as China, Japan, the U.S., Russia, Indonesia, Taiwan and South Korea. Demand for fruits and vegetables within Vietnam is also rising rapidly, as more people are

consuming higher quality food products on the back of rising living standards.

According to Cushman & Wakefield, fruit and vegetable demand has paved the way for the development of a more modern retail system such as convenience stores, supermarkets, minimarts as well as the e-commerce business.

In 2019, the cold chain market in Vietnam already accounted for about US\$169 million. Given the boom in the sector in anticipation of the Covid- 19 vaccine delivery, growth in seafood processing and consumer demand, it is expected to reach a value of US\$295 million by 2025, which translates to about 12% growth on an annual basis, Cushman & Wakefield predicted.

Cold transportation in Vietnam has two main segments: cold container and bulk. Approximately 11% of container throughput via seaport in Vietnam (equivalent to 2 million twentyfoot equivalent units (TEUs) in 2018) is refrigerated containers, driven by the continuous increment in import-export activities and infrastructure improvement.

The market is now facing fierce competition from many small and medium-sized players. Some of them include local players like ABA Cooltrans, Binh Minh Tai, Tan Hung and Quang Minh. Their competitive advantages are high-capacity fleet of refrigerated trucks, salespersons and service quality (delivery time, temperature control and value-added solution).

With the rise of the coastal HCMC, there is a growing need for intermodal solutions and barging ports and railway linkage, including the east west corridors linking to Laos, Cambodia and Thailand.

6. Goods demand for Tet up due to domestic confidence on economic recovery

The higher purchasing power is due to consumer confidence in macro-economic stability, along with increasing income of people at the end of the year, he said.

Therefore, enterprises have plans to prepare enough supply of goods and consumption stimulus programmes to meet people's needs, Dong said.

Those plans would not cause a great change in selling prices, according to the ministry.

Meanwhile, at local markets, the prices of fresh food items will regularly fluctuate in the days approaching Tet due to strong increase in food demand. However, growth rate of the prices may be curbed partly because of stable prices at supermarkets and commercial centres and points selling stabilised-priced goods in localities, Dong said.

According to Nguyen Quoc Toan, director of the Ministry of Agriculture and Rural Development (MARD)'s Department of Agricultural Product Processing and Market Development, all agricultural sectors such as cultivation, husbandry and fisheries are promoting production and processing to meet the needs of consumers at year-end and the Lunar New Year festival.

Toan said the demand for livestock products, especially meat and eggs, until Tet is expected to increase by 5-10 per cent compared to the monthly average demand at about 250,000-350,000 tonnes of meat and 1-1.7 billion eggs.

With the maintenance of stable cattle and poultry herds after re-production and disease is strictly controlled, the market will keep a balance between supply and demand for all kinds of meat to avoid a shortage of food.

Tran Thi Phuong Lan, deputy director of the Ha Noi Department of Industry and Trade, said by the end of 2020 and until the Lunar New Year in 2021, shopping demand in Ha Noi will increase by between 3-20 per cent for each commodity group.

To meet the needs of the people, the department has asked businesses in Ha Noi to prepare sufficient supply for commodities with high demand before and during Tet, such as dried agricultural products (up 25-33 per cent against normal months); gasoline (up 20 per cent); and flowers and ornamental plants (up 25-35 per cent).

The total value of goods for Tet in Ha Noi is estimated to reach about VND39.4 trillion, up about 5 per cent compared to that for Tet in 2020.

Besides diversified supply sources, Lan said, the department opened 12 local markets and 300

mobile vendors to bring products to the people in suburban districts and mountainous communes, as well as employees in industrial zones.

Retailers will also sell goods for Tet at 28 shopping malls, 142 supermarkets, 455 markets, 11,382 e-commerce websites, thousands of convenience stores and agricultural product distribution chains.

Ha Noi will open 28 sales points for producers and traders from other localities to sell their regional specialties, ensuring quality, origin and reasonable price, said Lan.

At the same time, the departments of industry and trade of localities in the Mekong Delta region have also completed preparation of goods for Tet.

According to the Department of Industry and Trade of Kien Giang, the province has a total volume of 51,500 tonnes of goods for Tet worth about VND2.3 trillion, an increase of 6.73 per cent over the same period last year.

In Tien Giang, the provincial People's Committee has plans to ensure the supply of essential goods for Tet in 2021. Under the plan, enterprises and cooperatives will store goods worth about VND443.6 billion, including VND98.4 billion in essential goods such as rice, sugar, cooking oil, meat and poultry.

A representative of the Department of Industry and Trade of An Giang Province said 22 businesses have registered to sell stabilised-price goods such as rice, canned products, fresh and processed foods, instant noodles, sugar and milk at 430 places, including seven supermarkets, 54 Bach Hoa Xanh stores and 20 Vinmart + stores and 343 petrol stations.

To Nguyen Kieu Trinh, purchasing director of Big C supermarket system, said that since October, purchasing power and consumption of goods have increased again. Purchasing power at Big C until the Tet festival is expected to increase sharply by 30-40 per cent. Therefore, the supermarket must order more goods and also look for more sources of goods from localities, especially regional specialties, reported the Cong thuong (industry and trade) newspaper.

Meanwhile, Nguyen Van Vo, director of Co.opmart Cai Lay in Tien Giang Province, said this

supermarket is coordinating with suppliers to prepare goods according to the plan on stockpiling and supply of goods that are registered to the Tien Giang Department of Industry and Trade.

He said this year, prices of cattle and poultry meat are likely to increase due to shortage of supply.

7. Ministry to push ahead with major transport projects

The Ministry of Transport (MoT) will move forward with major transport projects such as the North-South Expressway and the Long Thanh International Airport in the time ahead, a conference on December 24 heard.

The ministry held the conference to put forth major solutions and targets for 2021 and the next five years.

Ministry leaders told the conference the MoT will step up inspections over the observance of legal regulations on the management of project quality and progress, and continue to complete mechanisms and policies to mobilise the involvement of different economic sectors in transport infrastructure.

Limitations and obstacles in regard to toll booths will be settled, and automated non-stop toll collection services will be enhanced.

The ministry will continue to seriously implement COVID-19 prevention and control measures, and restructure the transport market share.

During the conference, the ministry reviewed the implementation of tasks in 2020 and the 2016-2020 period, including those regarding administrative reform.

Deputy Minister Le Dinh Tho reported that the ministry has approved a plan to cut 35

administrative procedures and simplified 166 others, and cut 384 out of 570 business conditions.

The ministry has synchronously adopted solutions and maximised resources in an effort to create breakthroughs in transport infrastructure development. Many big, modern projects have been rolled out, contributing to giving the nation a facelift.

Some 1,074 km of expressways were completed during the 2011-2020 period, raising the total to 1,163km.

The quality of services in railway, navigation, and aviation has improved significantly, especially aviation, and met booming demand in recent times, the report noted.

In 2020, however, COVID-19 adversely impacted the transport sector, particularly aviation and railway, with cargo volumes falling 7.9 percent this year as of November and passenger numbers 35.1 percent.

Officials identified issues that need to be addressed, such as limited investment in science and technology and difficulties in investment mobilisation.

Over the last five years, though the number of fatal accidents has fallen 19 percent compared to the 2011-2015 period, there were still some extremely serious cases, the meeting heard.

Corporate News

8. BBC: Lotte Corporation to full divest from Bibica, making the PAN Group the largest shareholder

↑ 6.90%

The divestment will take place from December 29, 2020 to January 27, 2021, through order matching or negotiation. The sale is conducted in the midst of the ongoing COVID-19 pandemic which has had far-reaching consequences for businesses, including Lotte. Following the sale, The PAN Group can fulfil its target to raise ownership at Bibica to 100 per cent.

At present, The PAN Group holds 50 per cent in the confectionery company, with long-term designs to buy 49.93 per cent. The group says that Bibica is an important piece in The PAN Group's 3F (farm – food – family) strategy to penetrate deeper into the food market.

Indeed, Lotte and The PAN Group have long been butting heads over Bibica's strategic course. Thus,

The PAN Group has been vying for a controlling stake and then to become the sole owner of Bibica, with the aim of keeping some Vietnamese confectionery brands in the market amid the aggressive expansion of foreign confectionery products.

Lotte has made significant contributions to the development of Bibica. The South Korean firm has provided financial support, developed brands and Choco Pie production lines, as well as increased exports to the Asian market.

When the internal competition ends, Bibica will be able to turn its focus on increasing its scale, revenue, sales, and market share.

9. CMX: Planning to issue shares to existing shareholders

↑ 3.55%

The Board resolution dated December 24, 2020, the BOD of Camimex Group Joint Stock Company approved to execute the plan to issue shares to existing shareholders according to the Resolution of General Meeting of Shareholders with the following details:

- Issuer: Camimex Group Joint Stock Company
- Stock name: Camimex Group Joint Stock Company
- Stock type: common share
- Par value: 10,000 dong
- Number of outstanding shares: 30,408,751 shares
- Expected issue volume: 30,408,751 shares

- Charter capital before the issuance: VND 304,087,510,000
- Expected charter capital after the issuance: VND 608,175,020,000
- Issue ratio: 1:1 (shareholder who owns 01 share will receive 01 right, and with every 01 right will be entitled to purchase 01 new share).
- Issue price: VND 10,000/share
- Expected execution time: after being approved by the State Securities Commission of Vietnam (SSC).
- Plan to deal with fractional shares: due to the issuance ratio 1:1, so this issuance will not have fractional shares.



- Plan to deal with unsold shares: the number of unsold shares (if any) will be decided by the Board of Directors.

The new shares are freely transferable.

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