



VIETNAM DAILY NEWS

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Market Analysis

1. Shares struggle on simultaneous fall of pillars

Vietnamese shares struggled on Monday as large-caps stocks simultaneously dropped putting negative pressure on the market.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 0.19 per cent to end the trading session at 1,191.94 points.

More than 747.4 million shares were traded on the southern bourse, worth VND17 trillion (US\$733.5 million).

Market breadth was neutral with 273 gainers and 201 decliners.

The large-cap tracker VN30-Index was down 0.75 per cent to 1,173.34 points.

Nineteen of the 30 large-cap stocks in the VN30 basket decreased while eleven climbed.

Leading the downtrend were the banking codes of Eximbank (EIB), Sacombank (STB), HDBank (HDB), Vietinbank (CTG), VPBank (VPB) and Military Bank (MBB) with the same drop of more than 2 per cent.

Techcombank (TCB), SSI Securities Inc (SSI), Novaland (NVL), Mobile World Group (MWG), PetroVietnam Gas JSC (GAS) and Khang Dien House (KDH) suffered losses of more than 1 per cent.

On the other side, FLC Faros Construction Joint Stock Company (ROS) was the strongest gainer with 7 per cent increase, Thanh Thanh Cong - Bien Hoa JSC (SBT) also rebounded more than 5 per cent, PVPower (POW) and Masan Group (MSN)

both advanced 2 per cent, Vincom Retail (VRE) and Phu Nhuan Jewellery (PNJ) were up 1 per cent.

“At the beginning of the session, the VN-Index rose quickly above 1,200 points, but profit-taking pressure gradually reduced its uptrend. The Index still ended the session above 1,190 points,” said BIDV Securities Co.

“Foreign investors continued to be net sellers on both exchanges, the HoSE and HNX. Besides, market breadth turned sideways and the liquidity was not much different from the previous session. According to our assessment, the VN-Index may experience declines after a long period of large increases this week,” it said.

Foreign investors net sold VND557.92 billion on HOSE, including Hoa Phat Group (HPG) with VND371.1 billion, SSI Securities Co (SSI) with VND78.5 billion and Vinhomes (VHM) with VND60.8 billion. They were net sellers on the HNX with a value of VND43.74 billion.

Ten out of 25 sector indices on the stock market lost ground, including insurance, retail, energy, securities, IT, banking, agriculture and logistics

On the opposite side, gainers were food and beverage, rubber production, seafood processing, wholesale, real estate, healthcare, construction materials and construction.

On the Ha Noi Stock Exchange, the HNX-Index rose 2.24 per cent to close Monday at 230.50 points.

More than 158 million shares were traded on the northern market, worth VND2.4 trillion.

Macro & Policies

2. What the future holds for logistics industry?

With the global economy being affected by the COVID-19 pandemic, Vietnam drew nearly \$16 billion in foreign direct investment in the first six months of 2020, down 15 per cent compared to the same period in 2019, yet much better than the average 30-40 per cent downturn all over the world in 2020, making Vietnam a promising destination for foreign investors.

Particularly, a raft of bilateral and multilateral free trade agreements (FTAs) taking effect as well as the newly signed Regional Comprehensive Economic Partnership (RCEP) and two other FTAs being negotiated make Vietnam one of the most open economies in the world, offering multiple opportunities to develop the supply chain.

As stated by Trang Bui, head of Markets at JLL Vietnam at the CEO Forum, 26 international brands have shifted or expanded production to Vietnam. This figure has enabled Vietnam to benefit the most from the structural change in international supply chain, followed by Taiwan (11 brands). The shift in supply chain has “transformed” Vietnam into a global “warehouse”.

worthiness of logistics centres to better serve supply chains – and construction materials will be a key area of focus to ensure the safety of goods,” commented Bui from JLL Vietnam.

In fact, the number of logistics centres in Vietnam is on the upswing. According to NS BlueScope Vietnam, an industry leader providing high-quality steel solutions for enterprises, recently, every five out of 10 projects provided by BlueScope belong to logistics enterprises such as DHL, Kerry, Mapletree, BW, FM Logistic, or Kizuna.

According to Le Duy Hiep, chairman of the Vietnam Logistics Business Association, previously, warehouses were of a smaller scale. The current trend is that enterprises team up or top players in the industry invest in large-scale warehouses integrated with multiple functions to form logistics centres.

The second trend is improving administration through IT and automation. The third trend is promoting green logistics powered by renewable energy in the management and operation of logistics centres and warehouses.



Priority on safety and quality

For a well-established company like FM Logistic, the prime concerns when building warehouses are fire safety and the temperature inside the warehouses to ensure the safety of goods and staff.

“Construction materials and technique are two important factors that determine the quality of logistics projects,” Vo Minh Nhut, country president of NS BlueScope Vietnam noted.

“Blooming” modern logistics centres

According to JLL Vietnam, in the past 24 months, nearly \$3 billion has been injected into the warehouse system and modern logistics centres.

“Investors and businesses used to pay little attention to the lifespan of logistics centres. However, as customers' requirements are getting stricter, basic infrastructure will not meet their needs. Therefore, investors will need to consider the lifespan and cost-

The company has invested more than A\$100 million (\$77.34 million) in the past more than 22 years into research and development to develop its Activate coating technology, setting a new benchmark for the coated steel industry.

Activate is known for its matrix of four-phase protection for the steel substrate integrated in premium COLORBOND steel, completely different from the aluminium-zinc alloy coating two-phase

technology in the market, which can prevent corrosion in severe environments like marine and polluted industrial sites.

In addition, this Australian-based steel group has also managed to improve the paint coatings to augment dirt and stain resistance and optimise thermal performance through Clean (self-cleaning technology) and Thermatech (solar reflectance technology), ensuring lasting beauty for construction projects.

“We offer the Lysaght solution with a synchronised design and completely non-perforated roof connection. The roof system can move freely, helping to prevent disconnection between clip and cladding while the roof can expand or contract

under thermal change. This kind of roofing solution is especially suitable for the Vietnamese climate, eliminating leaks and limiting wind uplift. In addition, we also work with strategic partners to ensure aesthetics, quality, and modern look for projects,” Nhut said.

Currently, BlueScope's COLORBOND steel and Lysaght solutions are not only widely used by factories and warehouses throughout Vietnam but are also present in a variety of projects worldwide. Its solutions encompasses all that is needed for high-quality logistics warehouses, from steel materials with superior durability and quality to excellent roofing, walling, and other innovative solutions that provide optimum efficiency for investors.

3. How will the dairy industry fare in 2021?

Though milk is considered an essential commodity, the dairy sector is expected to make only a K-shaped recovery with some companies seeing growth and the rest remaining in a slump, brokerage SSI Securities Corporation said in its latest industry report.

Demand from low-income and price-sensitive consumers is likely to continue falling, since the pandemic has affected the income of this group the most.

Some companies like Vinamilk and Vinasoy shifted their production toward low-cost goods in 2020.

According to the General Statistics Office, the average monthly income of workers last year was VND5.5 million (\$240), down around 2.4 percent from the previous year.

But the impact on informal and rural workers was likely to have been more severe, SSI said.

On the other hand, mid- and high-priced dairy products will see consumption rise since higher-income consumer groups are less affected, though the process of premiumization of dairy products could slow down this year, the report added.

Vietnam's total consumption is expected to grow by 7 percent next year in SSI's baseline scenario, which assumes that the pandemic will be controlled by

mid-year and there will be no further social distancing.

According to market research company Euromonitor, the revenues of Vietnam's dairy industry last year were worth VND135 trillion, an increase of more than 8 percent from 2019, thanks to the rapid growth of the yogurt and fresh milk segments.

The dairy industry is expected to see rapid consolidation this year after a number of major M&A deals involving leading companies took place last year such as Vinamilk's acquisition of a controlling stake in Moc Chau Milk and the acquisition of IDP by investment consultant Blue Point and asset management firm VietCapital.

Both acquired companies saw profits skyrocket after the deal. Moc Chau's net profit grew by 68 percent year-on-year in the first nine months of 2020 and IDP's was up nearly 34 percent.

But competition is intensifying with new players entering the market.

Food conglomerate Masan Group recently launched new dairy products, while Vitadairy has been expanding rapidly in the milk powder segment, the report said.

Vinamilk has the highest market share with over 45 percent following the Moc Chau acquisition.

In second place is Dutch company FrieslandCampina, whose Dutch Lady brand has

been popular in Vietnam for over a decade, with 15.8 percent.

Others have less than 10 percent each.

4. Việt Nam to remain at centre of Asian supply chains: EIU

The report entitled 'Rising star: Việt Nam's role in Asia's shifting supply chains', focused on examining Việt Nam's labour market, investment attraction policy, and trade relationships.

Accordingly, low-skilled manufacturing wages will rise at a moderate pace relative to Việt Nam's regional competitors. However, specialised labour in manufacturing and services professions will remain scarce. In the field of investment, high-tech manufacturers will continue to enjoy incentives for many years to come. In addition, Việt Nam has joined many trade agreements and maintained good relations with trading partners, helping to reduce transaction costs for local businesses.

EIU Senior Analyst John Marrett said tax and foreign direct investment policies, as well as measures to control foreign trade and exchange, are the main strengths of the Vietnamese business climate compared to other countries in the region.

These are underpinned by the country's domestic political stability, which is higher than that of most other Southeast Asian countries with similar economic development level, he added.

The EIU is a global leading resource for economic and business research, forecasting and analysis. — VNS.

5. Long-term development commitments realised through strategic M&A moves

The Vietnamese merger and acquisition (M&A) market has suffered a plunge since the beginning of 2020 as investors took a more cautious tack while restrictions and quarantine measures hindered the evaluation and decision-making of M&A deals.

Such transactions in Vietnam were estimated at \$3.5 billion during 2020, accounting for 48.6 per cent compared to the previous year, but it is believed the market will recover this year when its size may return to previous levels of around \$5 billion.

Beside other traditionally big investors to Vietnam including those from Singapore, Japan, and South Korea, Thai corporates have showcased great confidence in Vietnam in the midst of the global health crisis.

In one case, Stark Group acquired Thinh Phat Cables JSC and Dong Viet Non-Ferrous Metal and Plastic JSC, while a leading Thai conglomerate SCG bought Bien Hoa Packaging JSC. There have also been a few notable power projects in Vietnam involving Thai investors in the past year such as Banpu Pcl., Super Energy Corporation, and Gunkul Engineering Plc.

These transactions, along with many other M&A deals that have been carried out recently, come with worries that many Vietnamese companies may fall by the wayside in the hands of foreign companies.

However, Ong Tiong Hooi, transaction services partner of PwC Vietnam, told VIR that almost all investments made via Thailand have come through corporates that are looking to expand their value chain either horizontally or vertically into sectors such as beverages, retail, construction, packaging-related materials, and industrial products.

“Generally, all foreign investors regardless of corporate or financial investors look for the same thing: supporting their investee to grow, adding value and synergies to their portfolio of investments, and strengthening and generating financial returns,” he said. “For most Thai buyers, our general observation is that they do understand the general business practices in an emerging country like Vietnam, as most of their countries underwent the same business trajectory before.”

Supercharged competitiveness

Meanwhile, Eric Johnson, senior associate in Vietnam at international law firm Freshfields Bruckhaus Deringer LLP, stated that foreign investment into local Vietnamese businesses should be viewed as a positive trend that increases competition and benefits the domestic business community as a whole.

For example, for founders looking to sell a family-owned business, selling to a foreign investor is an attractive option, and there is still plenty of demand from foreign investors for well-run local businesses.

“For growing Vietnamese companies, funding from a well-known foreign financial investor can provide capital, know-how, and a reputational boost that can supercharge their expansion plans. Of course, too much investment done in the wrong way could freeze out local businesses and actually reduce competition,” Johnson said.

“But the government has plenty of means at its disposal to review foreign investment transactions to guard against this risk, including the new Law on Competition that became effective in 2020,” he added.

Tran Quoc Phuong, Deputy Minister of Planning and Investment, stated that M&A have become an effective capital mobilisation channel, helping to diversify investment sources for the Vietnamese economy, accelerate economic restructuring and renewal of the growth model, and bring variety to the types of business ownership.

“Therefore, the ministry is completing the draft of a new strategy on attracting foreign direct investment with the aim of prioritising high-tech projects and those backed by advanced and clean technologies, with modern governance, and likely to yield high added values, create spill-over effects, ensure technology transfer, and commit to assisting Vietnamese enterprises in joining global production chains,” Phuong said.

SCG is one such example. M&A has become the most effective channel for the company to realise its commitment to long-term investment in the Vietnamese market. At present, SCG boasts 21 subsidiaries in Vietnam focusing on petrochemicals, cement, and building materials, and packaging, many of which have been established via M&A activities. Following the acquisitions, SCG coordinates with companies within its portfolio to

foster growth by improving operation and safety standards as well as productivity. SCG's M&A efforts in Vietnam also reflect its vision to become a regional business leader.

The group has a relentless commitment to driving innovative products, services, and solutions that meet the diverse needs of consumers whilst creating business success in accordance with the circular economy concept to contribute to the sustainable growth of each and every society and community.

Performance boosts

Thanks to its vision, Vietnamese companies have elevated their businesses into higher levels after becoming members of SCG. Typically, Song Gianh Cement JSC has recorded improved business performance after the 100 per cent buyout to SCG. The company also adopted state-of-the-art technology to make innovative products for the market. The new cement products in line with international standards have helped Song Gianh Cement enhance its competitiveness in the market.

Meanwhile, Binh Minh Plastic was honoured as one of Vietnam's 50 Best-Performing Companies in 2019 by Nhip Cau Dau Tu magazine, in tandem with Thien Viet Securities. Making that the ninth consecutive year in the top 50, Binh Minh Plastic has a consistent performance thanks to excellent corporate governance and strong commitment to quality improvement. The achievement can be attributable to SCG's efforts to build a sustainable business in line with social and environmental welfare.

Over the past few years, such Vietnamese companies as Binh Minh Plastic are working with deep-pocketed international partners to strengthen their operations. Indeed, Vietnamese companies realise that they can compete globally if they shake hands with foreign investors and combine each other's resources, creating a larger entity with bigger distribution networks, economies of scale, and more talent at senior levels.

As a result, more and more Vietnamese companies are eager to find the right strategic investors who is keen on their businesses and would accompany them on their development journey, rather than just paying regard to their assets.

M&A is typically carried out in order to penetrate markets and leverage the advantages of their partners in a global context; however, deals need proper understanding from both law-makers and businesspeople to grab the best benefits.

And with the international and regional situation remaining complicated and unpredictable in 2021,

businesses and investors are changing their way of thinking and taking more drastic action to overcome the difficulties. As a result, more efforts have been made to improve mobilisation and efficient use of resources. As such, according to industry insiders, a reasonable M&A strategy could be a key tool for businesses to conquer the hardship and thrive in a new normal.

6. Difficulties still ahead for coffee sector: insiders

The export of coffee declined in both volume and value last year due to certain difficulties that are forecast to linger on for the time to come, insiders have said.

Nguyen Viet Hai, Vice Chairman of the Vietnam Coffee - Cocoa Association (Vicofa), told a meeting in Ho Chi Minh City on January 15 that in the 2019 - 2020 crop, 1.61 million tonnes of the bean was shipped abroad at the average price of 1,740 USD per tonne, bringing home 2.8 billion USD.

The figures respectively fell 5 percent, 0.4 percent, and 5.3 percent from the previous crop.

The export volume of processed coffee (roasted and ground coffee, instant coffee) dropped by over 17 percent to 110,000 tonnes, resulting in a fall of 8.7 percent in value to more than 443 million USD, he pointed out.

Hai noted coffee prices remain unstable, leading to a plunge in the purchase of the produce from farmers in the 2020 - 2021 crop. Fresh coffee is currently priced at 6.7 million - 6.9 million VND (about 289 - 298 USD) per tonne and coffee bean, 32 million - 32.5 million VND per tonne, which has continued exposing farmers to difficulties.

Vicofa Chairman Luong Van Tu cited experts as forecasting that the coffee market may recover in the time ahead but very slowly because the COVID-19 pandemic remains complicated and many regions around the world have yet to resume tourism activities. Domestic consumption still falls short of expectations as many coffee shops have had to shut down due to the lack of customers.

Meanwhile, coffee production has also endured the impact of storms, climate change, ageing trees, he added.

Facing that fact, Vicofa will carry out some programmes to improve the sector's efficiency, Tu said, elaborating that it will step up coffee re-cultivation, increase support to help businesses capitalise on export chances under the EU-Vietnam Free Trade Agreement (EVFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and boost the export of processed coffee for higher value.

Efforts will also be augmented to stimulate domestic demand to overcome the current trying time, he said.

For his part, Thai Nhu Hiep, Director of the Vinh Hiep Coffee Company, held that Vietnam now has a number of opportunities to expand its presence in major markets like the EU, Japan, and the Republic of Korea thanks to FTAs.

However, he noted, to make use of those chances, the coffee sector needs to standardise farming, harvesting, and processing and ensure quality and food safety meets importers' requirements.

In the domestic market, specific quality standards are also necessary to differentiate coffee and coffee products added with other farm produce in order to promote fair competition and a true coffee culture, according to Hiep./.

7. Vietnam beats China, India to become next manufacturing hub in Asia

The Southeast Asian nation has received increasing attention as an alternative manufacturing hub to China amid the US-China trade war. It also rise as a low-cost manufacturing base in Asian supply chains predates these more recent international tensions.

The report suggests that factors that make Vietnam better than its peers are the incentives for international firms for setting up units to manufacture hi-tech products, the pool of low-cost workers, and the proliferation of free trade agreements.

In the report, Vietnam was said to have scored more than India and China in the FDI policy. India remains behind both China and Vietnam in foreign trade and exchange controls.

According to the EIU, while Vietnam scored 6 on a scale of 10 in the FDI policy, both India and China have scored 5.5 each.

Similarly, India scored just 5.5 in foreign trade and exchange controls, while Vietnam scored 7.3 and China 6.4. As for the labour market, Vietnam's score was 5.6, against India's 5.4.

However, China here scores over both India and Vietnam with 5.7. While both Vietnam and India see a huge infrastructure deficit, New Delhi scored less than Hanoi (3 vs 3.5 out of 10).

In the labor market, Vietnam has higher score than in India. India, which has a population of 1.38 billion, has been left behind by Vietnam, which has a population of 97.34 million people.

In term of investment incentives, Vietnam is expected to continue to offer generous arrangements for international firms with incentives for investment, with the downside that local supply linkages in more advanced

manufacturing will remain limited for the next decade.

Vietnam is beginning to secure vertical integration in the production of smartphones, with the largest foreign investor in this industry, Samsung, opening a research and development facility and a phone screen manufacturing plant, in addition to its existing assembly operations.

Vietnam's proliferating membership of free trade agreements represents a strong point of its trade relations, reducing export costs. There are only modest risks to this advantage, mainly in the form of trade tensions with the US.

The recent free trade agreement between Vietnam and the European Union has benefitted the country as the EU lifted 85 percent of its tariffs on Vietnamese goods in 2020. The report states the FTA's biggest gains were witnessed by footwear manufacturers in Hanoi.

Vietnam's footwear, and textile and garment industries are now well developed with advanced labour specialisation and scaled-up manufacturing operations in multiple areas throughout the country. The highest concentration is in southern Vietnam, in Ho Chi Minh City municipality and surrounding provinces.

Around 40% of exports to the EU in footwear manufacturing faced 30% tariffs, which were completely withdrawn from August 2020. The country had registered FDIs worth over \$12 billion between January and April 2020.

Even amid the pandemic, in 2020 the whole country attracted \$28.53 billion or 75 percent compared to the same period last year, according to Ministry of Planning and Investment.

Corporate News

8. SCIC to invest VND8 trillion in Vietnam Airlines

↓ -0.65%

In accordance with the Government's Resolution 194 on supporting Vietnam Airlines to overcome difficulties caused by the Covid-19 pandemic, the national flag carrier will issue shares to its existing stakeholders to raise its charter capital. SCIC would represent the Government, which owns 86% of the national flag carrier, to buy the shares.

Thanh said Vietnam Airlines is drawing up the share issuance plan, which will be submitted to the State Securities Commission of Vietnam for consideration, and working with SCIC to determine the issue price.

According to the SCIC leader, to determine the issue price, Vietnam Airlines and SCIC have to evaluate the carrier's enterprise value, which is

based on its business plan for the next at least five years.

“The Covid-19 pandemic is still developing complicatedly globally, making it hard to determine Vietnam Airlines' business plan. We cannot evaluate the carrier's enterprise value without the business plan,” Thanh said.

SCIC has selected a world-renowned audit firm to help evaluate the enterprise value of Vietnam Airlines. SCIC is also working with the airline, the Commission for the Management of State Capital at Enterprises and other relevant agencies to ensure effective, careful and lawful investment in Vietnam Airlines.

9. German fund to buy 1 million shares of Taseco

↑ 0.34%

The transaction will be conducted from January 19 to February 9.

After the purchase, the fund will increase its ownership from 17.42 per cent to 19.64 per cent of charter capital in Taseco.

PENM IV Germany GmbH & Co.KG bought 105,910 AST shares from December 15, 2020, to January 13, 2021. On December 9 last year, the organisation purchased 169,970 AST shares.

In the first nine months of 2020, Taseco recorded net revenue of more than VND296.8 billion (US\$13 million), down 64.9 per cent compared to the same period in 2019.

Of the estimate, revenue from outlets at domestic terminals was more than VND149.5 billion and international terminals VND147.3 billion, down by 47.25 per cent and 73.75 per cent year-on-year, respectively.

Due to lower revenue, Taseco reported a loss of VND28.69 billion after the first nine months of the year.

In the same period of 2019, the company gained VND154 billion in profit. The COVID-19 pandemic has affected the entire tourism sector and aviation services industry.

Taseco operates in the airport commercial services field in Viet Nam. It provides restaurant and mobility catering, as well as hotel and advertising services.

The company also offers telecommunication retailing services, road passenger transport services, travel agency, tourism operations, and short-term lodging services, massage services, and foreign exchange services. It is also involved in retailing in general trading stores, and trading of souvenirs, alcohol, tobacco, and confectioneries, as well as in other supporting activities. The company, headquartered in Ha Noi, was formerly known as Taseco Noi Bai Air Services Joint Stock Company and changed its name to Taseco Air Services Joint Stock Company in May 2017.

Research Team: Tsugami Shoji *Researcher* jsi@japan-sec.vn

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Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn