VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index declines for a second day, penny stocks in the spotlight

The VN-Index declined for a second day on Friday, concluding the week at 1,231.66 points, down 0.26 per cent from Thursday.

The market on Friday focused on mid-cap and penny stocks with many in these groups hitting the intra-day limit growth of 7 per cent on the Ho Chi Minh Stock Exchange.

Biggest gainers included real estate firm COMA 18 (CIG), Duc Quan Investment and Development JSC (FTM), FLC Faros Construction (ROS), Thai Duong Petrol (TDG), HDC Investment Producing and Trading (HCD), Lao Cai Minerals Exploitation and Processing (LCM) and Duc Long Gia Lai Group (DLG).

The blue chips were mixed with 12 out the top 30 shares by market value and liquidity on HCM City's exchange (VN30) declining while 15 increased. Another three were flat.

The financial sector remained the market driver with big gainers being banks or financial firms, such as Vietnam Prosperity Bank (VPB), Hoang Huy Financial Investment Services (TCH), Sacombank (STB) and Military Bank (MBB), which increased by between 0.5 per cent and 2.3 per cent.

According to analysts, the VN-Index is likely to continue struggling in the sessions next week after a long rally. Before Thursday, Viet Nam's benchmark index had climbed nearly 7 per cent since late March.

Liquidity remained good with nearly 733 million shares traded worth VND18.2 trillion (US$784.5 million shares), up 10.3 per cent in volume and 25.5 per cent in value compared to Thursday.

"The market continues to encounter fluctuations with a sharp divergence following the business results of each company. Overall, the index sustains its short-lived uptrend with the near price target zone at 1,250-1,265 points," said Tran Xuan Bach, a stock analyst at Bao Viet Securities Co, in Friday's market report.

However, he said large-cap stocks, especially the leading ones, will increase to support the current movement of the market.

On the Ha Noi Stock Exchange, the HNX-Index maintained its uptrend with a fourth consecutive rising session this week.

The HNX-Index inched up 0.01 per cent to close the trade at 293.79 points. Nearly 1364.5 million shares worth VND2.8 trillion were exchanged on the northern bourse.

Foreign investors were net buyers on the two exchanges, responsible for a combined value of VND2.34 trillion.

The market is forecast to go up this week, propelled by foreign net buying and positive first quarter business results from listed companies.

Macro & Policies

2. Strong rise in bank profitability in first quarter

As of the end of March 2021, Asia Commercial Bank (ACB) reached VND450 trillion($19.57 billion) of total assets, up 1.1 per cent on-year. Credit reached VND324 trillion ($14 billion), increasing over 4.1 per cent, while mobilisation reached VND352 trillion ($15.3 billion). ACB's pre-tax profit in the first quarter reached VND3.1 trillion ($134.8 million). The non-performing loan (NPL) ratio was controlled below 1 per cent.

This year, ACB's pre-tax profit target is VND10.6 trillion ($460.87 million). According to the bank, if the situation remains unchanged, the target could be achieved.

Also, Military Bank (MB) estimated a profit of nearly VND4.6 trillion ($200 million), the number of new customers is approximately 60 per cent of the whole year 2020.

The ratios of operating efficiency were better than in last year, with return on assets (ROA) reaching 2.71 per cent (against 1.59 per cent in the same period last year) and return on equity (ROE) reaching 27.24 per cent (16.09 per cent last year).

The non-performing loans ratio of the was about 1.14 per cent at the end of the first quarter, much lower than the 1.46 per cent in the same period last year. The provisioning rate for bad debts remained at a high nearly 150 per cent.

Vietcombank also recorded high profit with about VND7 trillion ($304.352 million), equivalent to 28 per cent of the annual plan. This puts it well on its way toward the full-year pre-tax profit target of VND25.2 trillion ($1.1 billion).

SeaBank also reported VND698.3 billion ($30.36 million) pre-tax profit in the first quarter, 2.3 times higher than in the same period last year.

In 2021, the bank targets a 10 per cent increase in total assets to VND198.23 trillion ($8.6 billion). So far, customer deposits increased by 9.7 per cent to VND124.3 trillion ($5.4 billion) while outstanding loans went up 13 per cent to VND123 trillion ($5.35 billion).

SeaBank's pre-tax profit target is VND2.41 trillion ($104.8 million), 40 per cent higher than last year, with after-tax profit being about VND1.93 trillion ($83.9 million). NPL ratio is targeted to be kept below 3 per cent.

In its banking sector report, SSI Research analysts estimated that the pre-tax profits of listed banks increased by 55-65 per cent on-year in the first quarter.

Of this, state-owned commercial banks have likely achieved even more spectacular growth (75 -85 per cent) by increasing provisioning to solve problematic assets.

Meanwhile, joint-stock commercial banks were estimated to have achieved pre-tax profit growth of about 45-55 per cent on-year. Part of this came from the lower deposit rates, helping banks reduce input costs.

In fact, credit growth in the banking sector was not all that high in the first quarter. Data from the General Statistics Office showed that as of March 19, the total means of payment for the whole banking industry increased by 1.49 per cent compared to the end of 2020 (it increased by 1.55 per cent in the corresponding period last year).

Credit growth of the economy reached 1.47 per cent, higher than the figure of the same period last year (0.68 per cent) but still lower than the rate before the pandemic (in the first quarter of 2019, it was 1.9 per cent). Credit institutions mobilised 0.54 per cent more capital, while this figure was only 0.51 per cent in 2020.

Assessing the profit outlook of the banking industry in 2021, FiinGroup also forecast that the growth of the after-tax profit of the 12 listed banks will be 18.2 per cent, higher than the 14.9 per cent in 2020. Of this, banks are forecast to have strong increases in profit, including Vietcombank (+ 14.9 per cent), BIDV (+ 41.3 per cent), and VietinBank (+ 41.9 per cent).

According to FiinGroup, this positive outlook is based on both credit activities as well as services, especially the sale of bancassurance by many banks, especially the major ones such as Vietcombank, VietinBank, ACB, MSB, and HDBank.

3. Vietnam announces 84 business lines restricted for foreign investors

Vietnam has for the first time released a list of sectors which foreign investors are restricted or banned from accessing.

The list was issued along with Government Decree No 31/2021/ND-CP dated March 26, 2021.

The list specifies 25 business lines prohibited for foreign investors, including trading in goods and services subject to State monopoly; press activities and information gathering in any form; fishing; judicial administration services; temporary import for re-export activities; and tourism services, except for inbound tourism services for international visitors.

Meanwhile, there are 59 business lines where market access for foreign investors is conditional, for example the production and distribution of cultural products, including visual recordings; the production, distribution, and broadcasting of TV programmes and music, stage performances, and motion picture works; postal and telecoms services; educational services; the exploration, extraction, and processing of natural resources, minerals, and oil and gas; hydropower, offshore wind power, and nuclear energy; and gambling and the casino business, among others.

The release of the list of restricted sector was a daunting effort, as it was quite complex and time-consuming to identify business lines restricted to foreign investors in accordance with Vietnam's international commitments, according to Tran Thi Thanh Huyen, a lawyer from NHQuang and Associates.

Investors can make a decision only if they know what they are allowed to do and under what conditions, she said.

Foreign investors are treated as domestic investors in terms of market entry conditions when investing in business lines that do not fall within either of the two lists.

The decree took effect on the date of issuance.

4. Vietnam's wood industry gains new foothold in global market

Despite the impacts from the COVID-19 pandemic, wood and wooden product exports still posted impressive growth due to the efforts of many businesses to apply advanced technology, develop new products, and make use of online marketing channels.

Despite being repeatedly disrupted by the pandemic, the exportation of wood and wooden products still posted growth of over 16 percent in 2020 and the upwards trend continued in the first quarter of 2021.

Forestry shipments neared 4 billion USD from January to March, up 41.5 percent year-on-year. This included almost 3.7 billion USD worth of wood and wooden products and 243 million USD worth of non-wood forestry products, up 41.5 percent and 38.4 percent, respectively, according to the Ministry of Agriculture and Rural Development.

That turned the wood industry into the leading driver of agricultural and forestry exports during the period.

Nguyen Chanh Phuong, Vice Chairman of the Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA), said that by tapping into its production advantages and market opportunities, Vietnam has surpassed Poland, Germany, and Italy to become the world's second-largest wood and wooden product exporter, behind China.

He explained that the COVID-19 pandemic has hampered global trade, including the export of wood and wooden products, but at the same time created new market opportunities.

The outbreak forced people in many countries and regions, especially the US, the EU, Japan, and the Republic of Korea, which are major importers of Vietnamese wooden items, to be at home more frequently, leading to greater demand for products used in the home.

Many international purchasers, he added, have switched to Vietnamese products as the country has a safe production environment thanks to its successful pandemic control, while producers in many other countries have had to suspend production and close factories.

Vietnam's wood and furniture businesses are also relatively accomplished at recognising and seizing market opportunities.

Tran Lam Son, director of marketing and quality management at the Thien Minh Furniture company, pointed out that the recent shift in global wood product and furniture supply chains has benefited Vietnam.

International purchasers have increasingly valued the production capacity, design, and technology of Vietnamese wood producers. Moreover, due to supply chain disruptions caused by COVID-19, global distributors now tend to diversify and seek safer supply sources, and Vietnam meets their requirements, he went on.

Pham Thi Hong Quang, General Director of the Viet Source Handicraft Co. Ltd, revealed that her company's revenue soared 40 percent last year despite the tense developments from coronavirus outbreaks at certain points of time. The number of orders in the opening months of this year continued to rise as foreign importers began stockpiling products to prepare for the year-end shopping season.

She noted that after recognising that the pandemic could be a chance for wood and furniture products to grow, her company moved to modernise its factory and technology to improve productivity while developing new products to meet demand.

However, Duong Thi Minh Tue, member of HAWA's executive board, suggested that as wood industry trade fairs could not take place due to the pandemic, businesses should optimise all possible trade promotion channels, from online to offline, to maintain links with partners.

Phuong also spoke of the need to capitalise on technology and digital transformation to further access buyers, adding that it is also important to promote workplace productivity and manufacture products with clear origin and that are environmentally-friendly, so as to maintain Vietnam's new foothold in the global wooden product market.

5. Garment export turnover target of 39 billion USD achievable: Official

The target of Vietnam earning 39 billion USD from garment and textile exports in 2021 is perfectly feasible, Vu Duc Giang, Chairman of the Vietnam Textile and Apparel Association (VITAS), has said.

Talking to the Newspaper of Industry and Trade, Giang attributed his optimism to the shifting of major orders from other countries to Vietnam, the recovery of the US market - one of Vietnam's largest, and the activeness of Vietnamese businesses in applying technologies and taking advantage of opportunities brought about by new-generation free trade agreements (FTAs).

Vietnam's garment and textile exports were valued at nearly 9 billion USD in the first quarter of this year, up 6 percent year-on-year.

The figure, he said, shows that consumption is bouncing back, which positively affects export activities.

Garment and textile enterprises have been adaptive to market fluctuations through measures to diversify products and markets and invest in automated technologies and equipment.

New-generation FTAs have also added to their advantages. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), for example, has made Vietnamese garment and textile products available in selective markets such as Canada, New Zealand, and Australia, Giang said.

However, he also pointed to several challenges facing the sector, including a shortage of materials and workers and high logistics costs, especially the cost of leasing empty containers rising more than five-fold compared to last year.

A lack of capital at small and medium-sized enterprises (SMEs) for investing in high technology and an imbalance in the production structure are also challenges to the sector, he added.

6. Local mergers and acquisitions portray businesses' confidence

In January, seafood processing company Vinh Hoan Corporation scooped up 51.29 per cent stake in Sa Giang Import Export Corporation. The company spent nearly $15.2 million buying 3.56 million shares from State Capital Investment Corporation which held Sa Giang's stake.

Vinh Hoan is also preparing to purchase 25.43 per cent of Sa Giang from four individual investors to raise its ownership to 76.72 per cent. Sa Giang produces instant noodles and crackers made from crab and squid. The company exports its products to Europe, especially Germany and the Netherlands, as well as some Asian countries.

Meanwhile, GTNfoods, a subsidiary of Vinamilk, has approved the merger into Vietnam Livestock Corporation (Vilico). Following the merger, GTNfoods will cease existence, with all assets, rights, and obligations transferred to Vilico. Meanwhile, Vilico is oriented to become a major player in the field of breeding and processing meat products in Vietnam.

The deal also marks the completion of Vinamilk's restructuring. At GTNfoods' recent AGM, Vinamilk chairwoman Mai Kieu Lien said that the dairy group will not engage in any mergers and acquisitions (M&A) deals for the next 5-10 years.

Meanwhile, other local companies are still preparing plans to diversify their portfolios. At last week's AGM, REE chairwoman and CEO Nguyen Thi Mai Thanh said that the board has seen enormous opportunities for M&A this year.

The company needs to set aside cash to purchase projects instead of relying on loans. Therefore, REE will not pay dividends to save capital for potential deals in electricity, water, and real estate this year.

In the same vein, Hau Giang Pharmaceutical Joint Stock Company's Board of Directors predicts that M&A transactions in Vietnam's pharmaceutical industry have become more vibrant as several international pharma brands have entered into partnership with local players.

In light of the official entry of the EU-Vietnam Free Trade Agreement, EU companies can make deeper penetration into the supply chain, production, and distribution in the Vietnamese market, fuelling a stronger wave of pharmaceutical M&A deals, and creating opportunities for local companies to increase competitiveness. At present, Japan's Taisho Pharmaceutical Co., Ltd. currently holds 51.01 per cent in Hau Giang Pharmaceutical.

Elsewhere, Dong Nai Plastic also acquired 18.76 million shares of brick producer CMC JSC, equivalent to 51.14 per cent of the ownership. The acquisition of CMC is considered an important step in realising Dong Nai Plastic's strategy to become the number one supplier of materials for civil and infrastructure construction works in Vietnam.

In another case, at the upcoming AGM on April 29, Transimex will submit a proposal about buying shares of seafood producers and exporters Special Aquatic Products JSC. Masan HighTech Material, a subsidiary of Masan, is seeking shareholders' approval to raise its capital through a private stock offering to serve investment and M&A activities.

"Reflecting the global trend, the Vietnamese M&A landscape is likely to remain active this year," said Ong Tiong Hooi, partner of transaction services at PwC Vietnam. "While the market has adopted a cautious approach so far, Vietnam's M&A market is in a strong position for recovery as the country started 2021 with a positive economic outlook. Furthermore, the pent-up demand is likely to kick in as investor and consumer confidence increases in light of COVID-19 vaccine developments."

Simon Kavanagh, partner and head of Industrials at BDA Partners said, "Vietnam is one of the most active M&A markets in Asia. Its favourable demographics, manufacturing and supply chain infrastructure, and economic and political stability make it particularly attractive to investors. Given the government's successful control of the COVID-19 pandemic, we expect 2021 to be a record year for investment in Vietnam, and for industrial M&A deals in particular."

Experts agree that the emergence of a local M&A market is a sign that local management teams are maturing in their abilities and consider different options to grow, with more local players seeing the attractive opportunities in Vietnam.

It is believed that successful M&A projects rely on smart decision-making and integration of the business acquired, so the pressure on management to successfully implement the deals is huge.

7. Robust growth trends projected for investment in healthcare

Kim Dental, Vietnam's largest private dental care platform, has recently raised $24 million in a series B round. The investment was led by ABC World Asia, a private equity fund dedicated to investing across Asia, seeded by Temasek. Proceeds from the round, which saw the participation from existing backer Aura Private Equity, will support Kim Dental in expanding the delivery of affordable and reliable oral health services across Vietnam.

Kim Dental owns and operates a fast-growing network of 19 dental clinics across four cities. The clinics provide dental check-ups and treatments as well as more advanced orthodontics, prosthodontics, oral surgery, and implants. Kim Dental employs 120 dentists and dental surgeons, as well as over 600 clinical and operational staff serving over 23,000 patients per month. Kim Dental also operates a dental laboratory to support its clinic network with in-house production of crowns, dentures, and bridges.

Huynh Minh Viet, CFO of Kim Dental said, "With this successful round, we're now well-positioned to expand our delivery of international quality dental care to the fast-growing communities across the country, thus improving community access and helping to elevate the standards of oral healthcare in Vietnam, so that we achieve more positive overall healthcare outcomes in our country."

Meanwhile, SK Group is said to be mulling over an investment in Vietnam's largest pharmacy retail chain, Pharmacity, with an expected value of up to $90 million, according to Dealstreetasia.

Phamarcity is Vietnam's largest pharmacy retailer with approximately 500 drugstores. The company has a plan to open its 1,000th store this year.

If the deal is concluded, it would make up SK Group's second investment in Vietnam's pharmacy and healthcare market. Last May, SK Investment III, a subsidiary of South Korea's third-largest conglomerate SK Group, received 12.32 million shares of Imexpharm Corporation, equivalent to 24.9 per cent.

Michael Han, head of SK Group's Representative Office in Vietnam told VIR, "There are dozens of industries and companies that we are trying to get to know better here, and healthcare happens to be one of them. It does not necessarily mean that an investment is imminent though."

However, Han remains upbeat about Vietnam's healthcare and pharmacy market. Historically, this sector's growth has been backed by people's growing concerns about the wellbeing of their family members, environmental factors, rising household income, and the high urbanisation rate – which leads to changes in lifestyles and a higher demand in personal healthcare.

"We believe that the robust growth will continue into the foreseeable future. We have seen a similar trend in South Korea over the last 20 years or so. In terms of market size, Vietnam is still at the emerging stage, with estimated total value of $7 billion in 2019, growing at a robust pace of 8 per cent from 2019-2024," he said.

Meanwhile, a consortium led by Singapore's state investor GIC Pte. Ltd. has agreed with Vietnam's largest conglomerate Vingroup to buy a stake in its medical unit, Vinmec, for over $200 million. However, Vingroup will remain the controlling shareholder of the unit after the deal, Vingroup said in statement last December.

Other funds like Vinacapital and Mekong Capital have seen the prospects of the market and decided to cash in on local healthcare and pharmaceuticals. Last August, VinaCapital invested in Thu Cuc International General Hospital by purchasing a 30-per-cent stake for $26.7 million. In 2019, Mekong Capital also financed pharmacy chain Pharmacity out of its Mekong Enterprise Fund III.

Private equity investments in healthcare are on the rise. Nguyen Thi Vinh Ha, head of advisory at Grant Thornton Vietnam, cited the firm's survey showing that healthcare is among the most attractive industries for investors, with its growth prospects coming from higher healthcare spending per capita.

“However, the shortage of qualified personnel and inadequate healthcare infrastructure results in a huge supply gap, and the increasing ageing speed of the Vietnamese population will further boost the healthcare demand,” Ha added.

Corporate News

8. FPT: Pandemic challenged FPT to do 'more with less': chairman

↑ 3.14%

He said at the FPT annual general meeting Thursday that as businesses faced financial difficulties because of the pandemic last year, they had to "do more with less," and this created opportunities for his company.

"FPT can compete with anyone in this strategy," he said.

The company secured three contracts with a value of over $100 million each last year, something that had never happened before the pandemic.

One of the contracts was from a leading U.S. automaker which wanted to do a digital makeover of its company.

FPT won the contract, beating out competition from 193 leading tech companies including U.S.'s IBM and India's Tata.

Binh said that in the past, companies that wanted to "do more with less" did not want to award big contracts to Vietnamese companies, but FPT has bucked that trend.

The tech giant is working to help companies transform digitally. One of its customers, a bank, has seen profits triple in the last three years without increasing the number of staff, he said.

This was done by using 75 FPT robots, each of them capable of replacing 45 employees. The bank plans to purchase another 135.

"FPT can provide A-to-Z solutions to corporations," he said, adding that he expects these examples to change people's thoughts about the corporation, which is often described as a mere software developing company.

The corporation is now providing tools for companies to conduct digital transformation in various sectors including education, healthcare and transportation, Binh said.

Last year, FPT's revenues rose 16.4 percent to VND34.7 trillion, while pre-tax profit surged 18 percent to VND6.2 trillion.

The company targets being a top 50 company in the world in providing digital transformation solutions by 2030.

9. DGW: Digiworld reports high profit growth in 2020

↓ -0.49%

At the shareholders' meeting on Tuesday in HCM City, the company reported that it had achieved total net revenue of VND12.5 trillion (US$539 million) and an after-tax profit of VND267 billion ($11.5 million) for 2020.

The figures represented 123 per cent and 132 per cent over the annual plan, DGW said.

According to audited data, as of December 31, 2020, Digiworld's total assets reached more than VND3.07 trillion ($132 million), an increase of more than VND660 billion ($28.5 million) compared to the beginning of the year.

At the meeting, the company announced its plan for 2021 with revenue of VND15.2 trillion ($655 million) and profit of VND300 billion. The mobile phone segment still accounts for the largest proportion, followed by laptops, office equipment and consumer products.

Recently, Digiworld announced its plan to pay dividends for 2020 in cash of 10 per cent and to issue shares from equity at the ratio of 1:1 (1 share equals 1 new share). Expected implementation time is from the second quarter to the third quarter of 2021.

Digiworld plans to issue shares under the Employee Stock Ownership Plan (ESOP) in 2021. The maximum quantity is 2.5 per cent of outstanding shares at the price of VND10,000 per share.

Doan Hong Viet, general director of Digiworld, said: “In 2021, Digiworld is expected to continue to achieve positive growth thanks to the strategy of focusing on premium laptop and mobile phone market, as well as seizing the opportunity associated with the Government's programs of national digital transformation and 5G network development."

At the meeting, DigiWorld announced its goal of focusing on organisational development. The company is looking for young talents in an aim to create a dynamic and creative workforce.

Furthermore, Digiworld is consistently pursuing its goals to connect internal affairs with practical activities, and create the best working environment for each individual to maximise their capabilities and remain with the organisation.

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