VIETNAM DAILY NEWS

JSI
JAPAN SECURITIES INC.

April 19th, 2021

Table of content

Table of content

Market Analysis

1. VN-Index loses over 8.5 points, foreign investors continue fleeing market

Shares edged lower on Friday as selling pressure persisted but falls were capped by strong performance of real estate stocks.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) closed the last session of the week at 1,238.71 points, down 0.68 per cent or 8.54 points.

The market breadth was still negative as 355 stocks declined while 81 stocks increased during the session. But the market's liquidity stayed high with nearly 986.9 million shares traded on the southern bourse, worth nearly VND21.8 trillion.

Friday's losses are expected to extend to next week, according to Saigon - Hanoi Securities JSC (SHS).

The securities firm expected that the index might struggle and fluctuate around 1,250 points in the last trading session of the week. "The close of above or under 1,250 point-level of the index can suggest the trend for next week," SHS stated in a daily report to customers.

Bao Viet Securities Company said that the VN-Index is expected to test the support territory of 1,225 - 1,232 points again in the next sessions.

Selling pressure weighed on almost every sector, especially materials, banking, utilities and transportation sectors.

The VN30-Index lost 0.57 per cent, or 7.33 points, to finish Friday's trade at 1,276.87 points. Twenty-one of the 30 biggest stocks in the VN30 basket fell while only seven rose.

Vietnam Dairy Products JSC (Vinamilk, VNM) posted the biggest loss in market capitalisation, down 2.22 per cent. Followed by Vietnam Rubber Group JSC (GVR) and Vietcombank (VCB), down 4.32 per cent and 1.23 per cent, respectively.

Big stocks like JSC Bank For Investment and Development of Vietnam (BID), VPBank (VPB), Techcombank (TCB), Saigon Beer - Alcohol - Beverage Corporation (SAB), Vietjet Aviation Joint Stock Company (VJC) all lost more than 1 per cent.

However, gains in real estate and construction stocks limited the losses. Of which Vingroup JSC (VIC) still led the rally, up 1.49 per cent on Friday. Other stocks like No Va Land Investment Group Corporation (NVL) and Investment And Industrial Development Corporation (BCM) also rose more than 5 per cent.

On the Ha Noi Stock Exchange, the HNX-Index slid by 1.02 per cent to 293.11 points due to falls in large-cap stocks. The HNX30-Index, tracking the 30 biggest stocks in HNX, declined 0.76 per cent to 440.43 points.

During the last session, domestic investors poured over VND3.8 trillion into the market, equivalent to a trading volume of over 225 million shares.

On the contrary, foreign investors were still net sellers in the market with a total value of VND535.27 billion. Accordingly, they net sold a value of VND560.83 billion on HoSE and a value of VND3.48 billion on UPCOM, while net buying a value of VND29.04 billion on HNX.

Macro & Policies

2. From manufacturing to retail: Japanese investors' appetite in Vietnam sees shift

Food company Meiji recently announced the establishment of Vietnam operations with a charter capital of JPY200 million ($1.8 million) to import and sell infant formula.

Vietnam has around 1.5 million births a year, 70 percent more than Japan, and the number is projected to grow, it said.

Conglomerate Sojitz Corporation has tied up with Vietnam Livestock Corporation, a subsidiary of dairy giant Vinamilk, to import, process and sell beef in Vietnam.

Vietnamese consume nearly 500,000 tons of beef a year, half of Japan's, and the figure is set to rise with a growing population and increasing incomes, it said.

In November retail chain Muji opened its first outlet in Ho Chi Minh City's District 1.

Pharmacy chain Matsumoto Kiyoshi opened its first outlet in HCMC in October and plans to have 10 in the next three to five years.

Fashion brand Miki House opened its first store in Ho Chi Minh City last year and is preparing to open one in Hanoi.

Existing retail brands are expanding.

Aeon opened a mall in Hai Phong City in December, its sixth in the country, and plans to have 20 by 2025.

In March fashion brand Uniqlo opened its seventh outlet in the country in HCMC.

Hirai Shinji, chief representative of the Japan Trade Promotion Organization in HCMC, said in recent years there has been increasing Japanese investment in non-manufacturing sectors in Vietnam.

For decades Japan has been a major investor in Vietnam, and was second only to South Korea as of last year with total investment exceeding $60 billion, and global names like Honda, Toyota, Panasonic, and Canon have factories in the country, he said.

But investors' focus seems to have changed in recent years, with the growing income of Vietnamese becoming an attraction, and many Japanese companies seeking to serve the expanding middle class in Hanoi, HCMC and other places, he said.

The country's rapid economic growth and success in containing the Covid-19 pandemic are also major factors in attracting Japanese investment, he said.

"In 2021 we will see many Japanese manufacturing and service companies coming to Vietnam and existing ones expanding. They will not only build factories in HCMC and surrounding localities but also seek opportunities in the Mekong Delta."

Vietnam's retail market was growing in double digits before the pandemic, and expanded at 6.8 percent last year to $172 billion.

Not surprisingly, Osamu Ikezoe, CEO of Uniqlo Vietnam, told the media that business has been beyond expectations.

The company would stick to its strategy of opening large outlets in prime locations in Vietnam in the coming years, he added.

Shinji said improvements are needed to infrastructure and supply chains to attract more Japanese investment.

For instance, companies in the Mekong Delta have to transport their goods to HCMC to export due to a lack of infrastructure in their region, he pointed out.

The supply chain needs to improve since Japanese companies in Vietnam are only able to source 37 percent of the items they need locally compared to 68 percent in China and 60 percent in Thailand, he quoted JETRO surveys as saying.

3. Some coastal hotels report full occupancy as tourists are on the rise

Nguyen Van Tuan, manager of Long Hai Hotel in Ba Ria-Vung Tau Province, told Lao Dong Online that over the past one year, the hotel saw few guests and its highest occupancy rate at a mere 20%. However, for some days last week, the number of tourists who booked rooms at the hotel surged, with the occupancy rate at 90%.

For April 17 and 18, the hotel is fully booked, and it is the first time since the coronavirus pandemic that the hotel is seeing some 100 rooms in total fully booked, Tuan said, adding that the hotel was fully booked three weeks ago for the Reunification Day, April 30.

Last weekend, many guests fully booked rooms at Vietsovpetro Ho Tram, said a representative of the resort.

Many hotels at sea tourist destinations near HCMC such as Ho Tram, Long Hai, Vung Tau and Mui Ne are seeing the number of guests soar on weekends.

Do Van Thuc, deputy director of Dat Viet Tour, said that the firm had received rising tour bookings on weekends.

Recently, Dat Viet Tour has been seeing an average 1,500 guests book weekend tours to the sea each week, some 200 kilometers from HCMC, he said.

Apart from this, since March, when the coronavirus outbreak was brought under control in Vietnam, Alo Limo, a transport firm, has become busier on weekends, said Le Gia Thanh Tam, a representative of Alo Limo.

Over the past few weeks, each week has seen some 10-15 groups of tourists book limousines for their trips, mainly to Dalat, Phan Thiet and Vung Tau, Tam said.

4. COVID-19 containment contributes to Vietnam's upgraded outlook: Fitch Ratings

Strong export growth and a successful campaign to contain the spread of COVID-19 have supported Vietnam's economy through the pandemic and allowed the government to adopt a restrained fiscal policy response, says Fitch Ratings.

These factors have contributed to upward pressure on the sovereign's rating, reflected in its decision to revise Vietnam's Outlook to Positive, from Stable, when the agency affirmed the rating at 'BB' on April 1.

According to Fitch Ratings, Vietnam's public finance metrics have improved markedly relative to peers since the start of the pandemic. In December 2019, prior to its April 2020 decision to revise the rating Outlook to Stable from Positive amid uncertainties associated with the pandemic, Fitch Ratings had expected that Vietnam's general government (GG) debt/GDP would stand at 40.3 percent of GDP in 2021, against a median of 41.7 percent for 'BB' sovereigns and 43.8 percent for 'BBB' sovereigns.

Fitch Ratings now expects Vietnam's GG debt/GDP to average around 39 percent in 2021-2022, but the equivalent peer median forecasts have risen to around 60 percent and 58 percent for 'BB' and 'BBB' sovereigns, respectively.

The improved fiscal position reflects Vietnam's broader economic strength. Tourism earnings have been severely hit by the pandemic, but other parts of the economy have proved robust. Vietnam was one of only a few countries globally to post positive economic growth in 2020, of 2.9 percent. Growth was buoyed by external demand, with goods exports rising by 6.9 percent. Domestic activity was also supported by the limited spread of COVID-19 in the country.

Fitch Ratings expects growth to remain strong, at around 7 percent annually, in 2021-2022, buoyed by continued export expansion and higher investment. A pandemic fiscal package covering 2020-2021, worth about 292 trillion VND (about 3.6 percent of 2020 GDP), will reinforce growth prospects.

Goods exports rose by 23.8 percent year-on-year in the first quarter of 2021, supporting real GDP growth in the quarter of 4.5 percent year-on-year. Vietnam is benefiting from trade diversion, new trade agreements such as the EU-Vietnam Free Trade Agreement (EVFTA) and the Regional Comprehensive Economic Partnership (RCEP), and Vietnam's cost competitiveness. Rapid increases in public infrastructure investment and FDI should bolster the sustainability of strong medium-term growth.

Fitch Ratings points out that sustained high growth that reduces Vietnam's GDP per capita gap against its peers while maintaining macroeconomic stability could put upward pressure on the sovereign rating. Upward pressure could also stem from sustainable fiscal consolidation, a reduction in contingent sovereign liabilities, or improvements in banking-sector capitalisation, transparency and regulation.

5. Exports to the EU reach nearly $5 billion thanks to EVFTA

Goods exported to the EU are mainly aquatic products, textile-garment, footwear, and farm produce, reported the Import and Export Department under the Ministry of Industry and Trade.

Importing markets are mostly countries with ports and distribution and transshipment centres of the EU such as Belgium, Germany, Netherlands, and France.

The EVFTA, which took effect from August last year, has opened up great export opportunities for Vietnamese goods to the market with a GDP scale of $15 trillion.

The EU is Viet Nam's fourth largest export market. Export turnover of Vietnamese goods to this market reached $43.7 billion last year and imports from the EU totalled $18.5 billion last year.

The proportion of exports to the EU increased by 18 per cent in the first three months of this year, equivalent to an increase of $1.5 billion.

Certificates of origin have been used to help about 32 – 34 per cent of annual export revenue benefit from preferential treatment under FTAs, showing that Vietnamese businesses and goods are increasingly tapping into concessionary tariffs in the markets that have FTAs with the country, said the Ministry of Industry and Trade.

The MoIT noted from August 1 last year, when the EVFTA took effect, to April 4 this year, authorised agencies and organisations in Viet Nam granted about 127,300 sets of certificate of origin form EUR 1 for nearly $4.8 billion of exports to the 27 EU countries.

Enterprises shipping goods to the EU also conducted self-certification of origin for more than $10.88 million worth of commodities to utilise preferential tariffs.

The Ministry of Industry and Trade said that in addition to the EVFTA, new generation trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the UK-Viet Nam Free Trade Agreement (UKFTA) would continue to create conditions for Vietnamese goods to enter partner markets with more preferential tariffs, and with commitments to facilitate and minimise barriers.

6. Wood export expected to hit a new record

The export turnover of wood and wood products has seen an average increase of 15.4 per cent per year in the 2017-2020 period, or US$1.35 billion, even greater than the total turnover of many items.

The export turnover of wood and wood products reached approximately $3.7 billion in the first quarter of this year, up 41.5 per cent, nearly double the growth rate of the total export turnover of the country at 22 per cent.

It is expected the export turnover of wood will surpass the $14.8 billion milestone, an increase of nearly 20 per cent, or $2.4 billion compared to the previous year.

Export turnover of wood and wood products is the sixth largest among Vietnamese export sectors. Wood and wood products are also the items with the largest trade surplus, contributing to improving the trade balance.

This sector has achieved such great results due to many factors, including the rate of forest cover being kept at around 42 per cent. Every year, the concentrated afforestation area is over 260,000 hectares.

These are among the factors to protect and improve the environment, as well as a fundamental factor to create jobs, reduce poverty rates in the mountainous and midland provinces, and as a source of raw materials for wood processing industry and wood export.

The amount of annual exploited wood has increased, surpassing 10 million cubic metres in 2015 and 16 million cubic metres in 2019.

Exploited wood grew by 33.9 per cent last year compared to 2016, an average annual increase of 7.6 per cent, or 1.07 million cubic metres.

In terms of market, the US is the largest export market, accounting for 60.4 per cent of Viet Nam's total wood export turnover, followed by China with 9.9 per cent, Japan 9.5 per cent, and South Korea 5.7 per cent. These four markets alone account for 85.5 per cent of the total.

In terms of production capacity, excluding individuals, production groups and cooperatives, Viet Nam currently has nearly 12,000 enterprises, with about 500,000 employees and VND320 trillion (nearly $14 billion) of production-business capital over VND120 trillion in value of fixed assets, and nearly VND360 trillion in net revenue.

7. Korean firms look to invest in auto parts industry in Vietnam

Many businesses from the Republic of Korea (RoK) are looking to connect and get more information about the Vietnamese market as well as investment policies of the country, especially in auto parts, mechanics, and electronics, said Vu Ba Phu, Director of the Vietnam Trade Promotion Agency (Vietrade) under the Ministry of Industry and Trade (MoIT).

Speaking at seminar jointly held by Vietrade, the Korea Trade Investment Promotion Agency (KOTRA) and the Vietnam National Trade Fair and Advertising Company (Vinexad) in Hanoi on April 15 in the framework of the 30th International Trade Fair (Vietnam Expo 2021), Phu said this was a good opportunity for Vietnamese industrial parks and businesses to connect with Korean firms to attract investment and expand cooperation in developing value chains in manufacturing.

Auto parts manufacturing is one of the top areas attracting interest from businesses in Vietnam at present, Phu said.

Participant focused their discussions on policies for developing the automobile manufacturing and assembling industry in Vietnam, as well as how to form a sustainable manufacturing link chain in the auto parts sector.

Pham Tuan Anh, Deputy Director of the MoIT's Industry Agency, said that a number of domestic firms have actively participated in the global automobile manufacturing chain.

Accordingly, the country's total designed assembling capacity is about 755,000 vehicles per year, of which foreign-invested firms account for about 35 percent. Domestic manufacturing and assembling of many large firms have meet about 70 percent of the domestic automobile demand with the total output of passenger cars hitting 200,000 units per year.

However, Anh noted that the automobile manufacturing industry has not yet formed a system of large-scale suppliers of materials and components, which makes car prices in Vietnam still remain high compared to other countries in the region.

In order to further promote the domestic automobile manufacturing and assembling industry and help the auto parts manufacturing industry participate deeply in the global value chain, experts said attention should be paid to developing healthily the automobile market by creating a market large enough for domestic automobile manufacturers, and encouraging the use of locally-manufactured cars.

Vietnamese automobile manufactures should be supported more to improve their manufacturing ability and competitiveness, they added.

Corporate News

8. CTS: VietinBank Securities bags $90 million syndicated loans from international banks

↓ -3.22%

VietinBank securities has received additional funding support with the recent signing of $60 million of syndicated loans, following a $30 million facility just a month ago.

On April 15, a consortium of major international lenders operating in Vietnam – Woori Bank Vietnam (Bac Ninh Branch), Taipei Fubon Commercial Bank Vietnam, and Cathay United Bank Vietnam – has inked an agreement to facilitate $60 million for the additional financial needs of VietinBank Securities.

In particular, Woori Bank Vietnam (Bac Ninh Branch) specifically provided $50 million, while Taipei Fubon and Cathay United provided $10 million altogether.

Last month, a group of four Taiwanese lenders – the Union Bank of Taiwan, Taichung Commercial Bank Co., Ltd.'s Labuan branch, Taishin International Bank, and Huanan Commercial Bank – also rolled out a $30 million syndicated loan with a 12-month tenure for VietinBank Securities.

“We firmly believe that $90 million of high-profile syndicated loans would bring about more additional capacity for us to increase our foothold in Vietnam's equity market and access to more potential customers,” noted Ho Thi Thu Hien, chairwoman of the board at VietinBank Securities.

On the same note, Lee Myoung Ho, Woori Bank Vietnam (Bac Ninh Branch) director and chief representative, applauded the brokerage's vast potential and how the syndicated loans could pave the way for the company to bolsters its strength thanks to the competitive capital.

“Woori Bank is one of the largest South Korean banks with extensive years of experience in providing top-notch financial services. With our vast experience, we believe in VietinBank Securities' strong standing and impressive performance in the past year,” he told VIR.

The deal is envisaged to lay concrete foundations for the company to boost its activities related to international loan advisory and financing arrangements.

At the signing ceremony, VietinBank Securities also connected businesses in various areas, such as Novaland Group, Minh Phu Seafood Group, Viet Hung Industrial Investment JSC, Louis Agro Group JSC, and other enterprises.

As one of the eldest, most experienced seven brokerage companies in the country, VietinBank Securities – as a part of state-owned lender VietinBank – has a proven customer-centric approach, with a wide range of tailored financial services such as underwriting-capital raising, mergers and acquisitions advisory, and asset management, to name a few.

9. PDR: Great benefits for investors and shareholders from Phat Dat’s shares in 2021

↑ 5.03%

At the 2021 annual general meeting of shareholders, Phat Dat approved the third dividend payment (the final dividend) of 2020 at the rate of 11.7 per cent in shares, resulting in a total of 3-time share dividends for 2020 at 28.7 per cent. This is a strong affirmation of the benefits the company offers from dividends for its shareholders and investors.

Dividends have been made regularly and continuously, bringing the total dividend ratio up to 53.7 per cent since 2019.

In 2020, Phat Dat made three share dividend payments to shareholders: 7 per cent, 10 per cent, and 11.7 per cent for the last payment expectedly made in the middle of the second quarter of 2021. Previously, tapping 2019's profit, Phat Dat paid two dividends, including 12 per cent in cash and 13 per cent in shares.

Distributing 2020's profit by stock dividends enables outstanding benefits to shareholders and investors, showing the Board of Directors and Board of Management's great determination to promote the interests of the company's investors and shareholders.

Thus, by way of share dividends, shareholders and investors will receive the following benefits:

First, compared to cash dividends, the total value of 2020's share dividends (return on investment) would be over 7 times higher if the shareholder held shares during all three dividends to the end of May 2021 and 5.7 times higher if the shareholder sold shares right after the payment date. In this way, shareholders and investors can accumulate assets faster in the current context where the company made such strong growth and development.

As of April 6, 2021, Phat Dat's shares price were valued at VND67,800. According to SSI's assessments on investment and valuation, "SSI produces recommendations by applying RNAV [area navigation] method, and PDR's RNAV is 4 per cent higher than the current share price. Presently, PDR is trading with 2021's P/E and P/B of 12.4x and 3.8x, respectively."

Simultaneously, PDR's share price has increased by 138 per cent compared to 2019 and is expected to continue to grow in the coming time, providing even greater benefits to investors and shareholders.

Second, the average time shareholders receive additional shares is only 1 month (compared to the market average of at least 2-3 months) thanks to the company's synchronous process to create favourable conditions crediting shares on investors' accounts.

Finally, PDR's liquidity on the market is considerably high, especially after PDR entered the VN30 basket.

In 2015-2020, Phat Dat achieved a high growth rate in terms of business results, sustainable financial structure, and improved profitability, resulting in the net revenue increasing by 8.8 times (a compound annual growth rate [CAGR] of 54 per cent) and in the after-tax profit of the parent company's shareholders increasing by 7.6 times (a CAGR of 50 per cent).

Therefore, the company possesses a stable cash flow to pay cash/share dividends to shareholders regularly at a rate of 20-30 per cent per year from the distribution of after-tax profit.

Thus, with the upcoming 11.7 per cent share dividend, PDR wishes to constantly increase benefits and surplus value for shareholders and investors in the future.

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