



VIETNAM DAILY NEWS

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Market Analysis

1. Shares extend rally on bank stocks

Shares ended higher on Wednesday with the VN-Index extending its rally on banking stocks.

The market benchmark VN-Index on the Hồ Chí Minh Stock Exchange (HoSE) rose 1.15 per cent, or 14.23 points, to finish the trading day at 1,256.43 points. The market breadth was still positive as 330 stocks rose while 93 fell and 33 stocks ended flat.

The southern market index had gained 0.23 per cent to closed Tuesday at 1,242.2 points.

The market liquidity was higher than yesterday with nearly 744.4 million shares traded on the southern market, worth VNĐ21.2 trillion (US\$915 million).

The index was boosted by large-cap stocks, mainly in the banking sector. The 30 large-cap stocks tracker VN30-index increased 1.42 per cent to 1,346.89 points. Twenty-five of the 30 biggest stocks in the VN30 basket increased Wednesday while four stocks decreased.

Many big bank stocks posted great performance yesterday with Techcombank (TCB) and HDBank (HDB) leading the gains, up 7 per cent. Military Bank (MBB), Vietinbank (CTG), Sacombank (STB), Vietcombank (VCB) and Asia Commercial Bank (ACB) all jumped.

Some other individual large-caps also made gains such as PetroVietnam Gas JSC (GAS), Vietnam National Petroleum Group (PLX) and SSI Securities Co (SSI), all up more than 2 per cent.

In a daily report to investors, BIDV Securities Co said: “The VN-Index increased gradually from the beginning of the morning session to the end of the afternoon session and is now back above the 1,255 points threshold.”

“Investment cash flow increased while foreign investors were net sellers on HoSE and net buyers on HNX. In addition, market breadth turned to a positive status with the liquidity not much different from the previous session.

“In our opinion, the VN-Index may face short-term profit-taking pressure at 1,260-1,280 points as this is the index's historic peak area,” it said.

Foreign investors net sold VNĐ779.63 billion on HOSE, including Hoà Phát Group (HPG) (VNĐ190.8 billion), Vincom Retail (VRE) (VNĐ187.9 billion) and Vietinbank (CTG) (VNĐ172.8 billion). They were net buyers on the HNX with a value of VNĐ15.51 billion.

Meanwhile, on the Hà Nội Stock Exchange (HNX), the HNX-Index rose 1.16 per cent to 280.93 points. The HNX30-Index gained 2.43 per cent to 423.17 points.

The northern market index had fallen 1.43 per cent to close Tuesday at 277.71 points.

During the session, over 134.8 million shares were traded on HNX, worth nearly VNĐ2.8 trillion. — VNS

Macro & Policies

2. US, European buyers pivot away from China, toward Vietnam

Forty three percent of U.S. companies said earlier this year that Vietnam was among their top three choices of source, twice the rate seen in 2019, according to a survey by Qima, a provider of supply-chain-compliance solutions.

The ratio in Europe was 25 percent, up 11 percentage points, it said.

"The appetite for Vietnam sourcing is far from satisfied and is poised to redefine the sourcing landscape in 2021," the survey said.

It said 38 percent of U.S. buyers named Vietnam among countries from whom they planned to buy more this year. The ratio was 28 percent among European buyers and 33 percent globally.

Demand for inspections and audits in Vietnam in the first quarter rose 16 percent year-on-year, showing that Vietnam remains a first choice for Western buyers diversifying from China, the survey said.

This was the third consecutive quarter of growth since beginning as a post-lockdown rebound in mid-2020, it said.

The most popular product category sourced from Vietnam was adult garments, accounting for 56 percent of all inspections in the country, the survey said.

The survey polled over 700 businesses with international supply chains.

3. Enterprises bump up prices on rising raw material costs

Cement producers have increased prices by VND30,000-40,000 (US\$1.31-1.74), according to Luong Duc Long, vice president and general secretary of the Viet Nam Cement Association.

Sai Gon Food Joint Stock Company hiked prices by 5-15 per cent in the first and second quarters, and the rise in the third and fourth quarters might reach 25 per cent, its representative said.

Nguyen Quoc Anh, director of Duc Minh Rubber Company Limited and chairman of the HCM City Rubber and Plastic Association, said rubber prices are up 60 per cent, and enterprises are planning to hike product prices by 5-10 per cent, but if the cost rises continue in the next two months, 25-30 per cent hikes are likely.

"None of our orders in the first quarter was profitable. It is difficult to get foreign partners to agree to price hikes; they usually ask for further monitoring and renegotiation."

Binh Minh Plastic Joint Stock Company saw after-tax profit drop by 18 per cent in the first quarter as raw material prices rose.

Plastic powder prices soared 25 per cent year-on-year to \$1,085 per tonne in the first two months of the year, Rong Viet Securities Joint Stock Company reported.

With domestic supply only meeting 25-30 per cent of demand, the dependence on imported raw materials has lasted decades, according to Tran Viet Anh, vice chairman of the HCM City Association of Enterprises and general director of the Nam Thai Son Import - Export Joint Stock Company.

Many enterprises are working to cut costs and renegotiate contracts.

Some are hesitant about finalising prices for next year's orders.

"Production cannot be interrupted, and enterprises must thus make use of all raw materials in stock while waiting for further developments," Anh added.

The major increase in prices is merely due to a cyclical upturn in the commodity market, Deputy Minister of Industry and Trade Do Thang Hai said.

Nguyen Duc Thanh, general director of Tan An Foods Processing Export Company Limited, encouraged enterprises to look at the bright side, namely abundant export orders.

According to the latest survey from IHS Markit, Viet Nam's industrial output growth was at a 20-month high, with a sharp rise in new orders and export sales leading to stronger rises in employment and buying activity.

The Vietnam Manufacturing Purchasing Managers Index increased to 53.6 in March from 51.6 a month earlier, the fourth straight month of expansion in

manufacturing sector and the strongest pace since December 2018.

Difficulties in sourcing raw materials persisted, with suppliers' delivery times continuing to lengthen. But vendor performance fell the least in four months, and firms were able to expand their stocks.

Price data showed input cost inflation accelerated to an over three-year high amid higher steel prices and increased costs of items sourced from China.

Output prices rose at the sharpest pace in over four years.

4. Vietnam replaces China as largest furniture exporter to US

Vietnam exported \$7.4 billion worth of furniture to the U.S. last year, compared to China's \$7.33 billion, according to data from U.S. magazine Furniture Today. This marked a 31 percent year-on-year surge for Vietnam, while that of China fell 25 percent.

The shift has happened over the past two and a half years with the U.S. imposing tariffs as high as 25 percent on almost all furniture categories from China, pushing manufacturers to move out.

In 2018 and 2019, Vietnam's furniture shipments to the U.S. rose by double digits each year, while that of China fell by double digits.

"That doesn't surprise me at all," said Fred Henjes, CEO of Riverside Furniture Corp. "We are no longer

buying products out of China, and I know there are many others besides us."

Strong import categories of this company from Vietnam include bedroom, dining room and home office furniture, Furniture Today quoted him as saying.

Another company, Klaussner Home Furnishings, sources all of its wood furniture from Vietnam now. Its sales in the wood segment from Vietnam were up 10 percent last year.

The U.S. was Vietnam's largest export market in the first four months at \$30.3 billion, up 50 percent, followed by China at \$16.8 billion, up 32.4 percent.

5. Vietnam emerges as top alternative for global supply chain shift

Hong Kong-based QIMA specialised in providing supply chain compliance solutions has just released a survey of over 700 companies across the globe. Of this, the number of US-based respondents selecting the Southeast Asian country as the leading sourcing location has doubled against four years ago, to 43 per cent in early 2021.

Similarly, 25 per cent of EU companies also listed Vietnam as one of the three leading sourcing markets in this year's first quarter, down 15 per cent on-year but up 11 per cent against the same period of 2019.

Of all establishments switching to suppliers in new geographic regions last year to avoid COVID-19 impacts, nearly one-third revealed that the 100-million population country is one of their best options. For US-based business, the rate was even higher, at 40 per cent.

QIMA also forecast the trend to continue this year. Of the companies asked for finding new suppliers over the next 12 months, 38 per cent of US-based establishments and 28 per cent of those from the EU stated that they are planning to relocate some sourcing to Vietnam or buy more from current

suppliers there. On the other hand, only 6 per cent of US-based brands and 11 per cent of those from the EU were looking for suppliers in China.

Also, US-based respondents showed some signs of dissatisfaction with Chinese sourcing. While one-third of them are planning to purchase more from Chinese suppliers in 2021, almost as many reported plans to completely stop buying from the market.

Nevertheless, words and actions often differ. Pointedly, in the survey, 73 per cent of companies said they had plans to look for new suppliers in 2020 but only 38 per cent were able to follow through on those schemes. For brands headquartered in the US, 93 per cent declared to diversify supply chains in early 2020 but only 49 per cent carried out these plans.

6. Why Vietnamese brands struggle in other markets

Did you ever wonder why Vietnam is a successful exporting country of so many products, but no Vietnamese brand stands out overseas? From textiles, footwear, and furniture to coffee, pepper, exotic fruits, and fish, Vietnam ships a lot of products to Europe, the Americans, and many other countries in the world. Yet, there is not even one reputable Vietnamese brand?

Sometimes corporations announce that they have sales in the United States, Czech Republic, or in Germany. They are right: they have sold something to the Czechs, they may even have passively sold their brand, and some consumers may find it in some unpopular stores.

But through this brand value is not built. On the contrary; brand value is damaged for the long run and the brand is stuck without any professional positioning study. That brand risks being stuck in that poor position for decades and only reaching fewer than 5 per cent of its potential consumer base.

Meanwhile, companies from nations all over the world use that time to build their brand and widen the winning gap.

Just think about all the brand cosmetics from Japan or South Korea; think about all the nutrition supplements from Australia, and the US; think about the kitchen equipment from Germany; and think about the luxury bags or home furniture from Italy or France. Have in mind the price-point of such a French luxury bag versus a local or regional bag and see the “value creation”.

Even though trading and producing for others as an original equipment manufacturer (OEM) brings in important revenue for corporations and tax

collectors, it only produces low value sales. Companies and the state miss out on high-value branded sales of final premium products as it happens the other way round: overseas companies bring in high-value brands into Vietnam.

Vietnamese businessmen are strong and successful in manufacturing and trading like in the case of peppers or cashews; and companies make good revenues in OEM and passive-selling, but that's it. Some Vietnamese companies do a great job in brand-building locally and have built strong brands inside Vietnam, but why do we fail across the borders?

Vietnamese companies and the mindset of local executive directors master perfectly the left side of the scale and this brings in important revenues for the state in tax collection and companies paying corporate taxes. OEM and passive selling of a brand both have reason for existence for its benefits, and it is a workable model.

Succeeding on the left scale and failing on the right scale is a combination of several factors: lack of financial resources, hurdles in overseas capital investments, shortcomings in competencies and capabilities of teams, and the mindset of executive directors or shareholders to focus on short-term profits.

Live Forever Young (LFY) has worked for several Vietnamese companies to bring them into the US or EU. It only focuses on Europe and the US with a team of expert associates in both regions.

Whilst working for many strong companies of local success, LFY experts from Vietnam, Europe, and the US can clearly see the shortcomings for Vietnam to

enter the race of creating brand value overseas, and of cashing in from the beautiful things that Vietnamese businessmen have to offer.

The day will come that Vietnamese companies learn the rules of success of brand-building in the US or EU, though this day is still far away. If that day comes revenues will double or triple, and subsequently cash will come into the state coffers.

Most OEMs that made their first steps in passive selling got used to some benefits, which are not there when carrying out brand-building or “selling with owned overseas marketing investment”. These benefits are receiving cash against documents; no need to send any money overseas for paying marketing activities; and avoiding the hurdles of overseas banking systems.

If a company invests in brand-building, this Vietnamese company would own the goods still in a warehouse in, for example, Austria or California. Payment terms usually delay the reception of payment after the final retailer has received the branded goods.

On top of this, the manufacturer or brand-owner needs to pay, upfront, marketing agencies or merchandising teams for their work. Very often the brand owner will have expenses with the retailers even before the first revenues. In the US, retailers may ask for a slotting fee, in Europe the retailer may ask for a listing fee. These upfront investments are so painful to the Vietnamese businesses' mindset, but they are common practice and a rule to succeed in the US market.

The overseas banking system is so scary to Vietnamese companies that while some take the effort and time, many others do not want to waste their time and energy.

Another element is the capabilities and the mindset of people, which can be explained in a short example. LFY got a Vietnamese brand into 170 stores in New

Jersey and another 160 stores in New York with all the needed infrastructure and all required marketing and sale materials. That is the starting point of the difficulty: many people are not trained or never had the learned experience of setting up and managing all that infrastructure in the US, starting with the logistics and documents, leading into selecting and managing a warehouse. The invoicing, consumer handling, and much more infrastructure needs to be ready.

Besides that, retailers will only list you if you commit to them with a marketing and sales plan. Without marketing, the 170 stores in New Jersey cannot reach the expected velocity and kick your product out of the store 4-6 weeks later and request you to take back the stocks from their shelves. Don't expect this brand to see that buyer a second time.

To many people brand building is designing a logo with some icons and then registering it as a trademark – that's wrong, as anybody on the street can do that. Designing a logo and paying the registration fee can be done by any person, but building a brand is much more. Many people think brand building is marketing. Again, that is wrong. Marketing can support brand building, but building a brand is more than running a campaign.

These are examples and real experiences that let us understand why at the beginning we said it would still take many years before a Vietnamese company succeeds in brand building.

We hope to see that distant future day. To make it happen we are here to support companies in the US or EU. If you are really and truly serious, we know how to get you into the EU or US, but we only do brand-building. We may support you on “selling with owned marketing investment”, which means you are in charge of marketing and brand building.

Together we own the marketing programmes and we decide how to communicate for the brand. If you want the distributor to own it, then don't work with us. You are just selling, but not creating a brand.

7. Airports serve about 1.5 million travellers during holidays

Domestic airports welcomed close to 1.5 million air travellers from April 28 to May 2, the peak travel period around the four-day public holidays marking

the National Reunification (April 30) and May Day (May 1), according to the Airports Corporation of Vietnam (ACV).

On April 29 alone, Ho Chi Minh City's Tan Son Nhat International Airport served a record of nearly 108,500 flyers.

The average daily traffic during the peak time surged roughly 65 percent compared to that of March, with most airports seeing increases of 30 percent to 175 percent in passenger volume.

The ACV has directed its busiest airports, such as Tan Son Nhat, Hanoi's Noi Bai, Da Nang and Khanh Hoa's Cam Ranh, to well manage and coordinate the operation of flights so as to avoid congestion.

Only 66 million passengers passed through the country's airports in 2020, a 43.5 percent decrease given the impacts of the COVID-19 crisis and unfavorable weather conditions.

Corporate News

8. AAA: An Phát Bioplastics mobilises VND 1.06 trillion from auction of 75 million shares

↑ 1.98%

Before the auction, 92 investors registered to buy AAA shares, with the total number of registered shares up to 82.6 million shares, 10 per cent higher than the offering volume.

With the highest bid price of VNĐ16,000 per share, the average winning price was VNĐ14,236, per share; the entire amount raised from 75 million shares will be used for business development, restructuring debt, and production expansion.

In 2021, AAA set a revenue target of VNĐ9.5 trillion, increasing 28 per cent, and after-tax profit of VNĐ550 billion, increasing 94 per cent compared to the previous year, and dividend payout ratio of 15 per cent. The highest profit growth plan in the history of AAA is based on the expectation of positive contributions from three segments including industrial real estate, compostable products, and industrial packaging.

In the first quarter of 2021, AAA's revenue and export volume of green products recorded double growth over the same period last year. In the long term, when the PBAT manufacturing plant invested by An Phat Holdings is put into operation, AAA will

have the initiative in green materials, cutting production costs by about 20-30 per cent, thereby increasing competitiveness to expand its market.

With great market potential, along with many countries implementing policies to promote production growth and green product consumption, AAA's shift to production of green products is a long-term growth driver for AAA in the coming years. Green products are expected to contribute 40-50 per cent to AAA's packaging revenue in the next five years.

The successful auction of 75 million shares will help AAA have additional capital and restructure debt to develop new projects. In business results for the first quarter of 2021, despite the impact of the COVID-19 pandemic in Hải Dương, AAA recorded revenue of VNĐ2.2 trillion, an increase of 45 per cent compared to the same period last year. After-tax profit in the first quarter of 2021 reached VNĐ90 billion, an increase of 43 per cent compared to the same period last year, completing 24 per cent and 16 per cent of the revenue and profit plan for 2021, respectively.

9. VJC: Coteccons profits plunge by half, blames higher costs

↑ 0.64%

It blamed the fall on a 10 percent rise in operating expenses.

Revenues were down 28 percent to VNĐ2.57 trillion as many construction projects were delayed due to the Covid-19 pandemic, it said.

It has set revenue and post-tax profit targets of VNĐ17.4 trillion and VNĐ340 billion for 2021, 20 percent and 2 percent up from last year.

To achieve the targets, it has to sign new contracts worth VNĐ21.5-25 trillion this year, according to deputy CEO Michael Tran.

The company and its construction subsidiary Unicorns signed 10 contracts during the quarter worth VNĐ2.5 trillion.

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