



VIETNAM DAILY NEWS

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Table of content

Table of content

1. Shares subside on late selling pressure
2. Exports enjoy surge despite latest COVID-19 challenges
3. Modern pharmacy retail chains ramp up expansion
4. Free trade deals facilitate fruit and vegetable exports: insiders
5. Speedier privatization process of state firms - a key for social advancement
6. Vietnam's rubber export value sees surge in four months
7. German firms report confidence in in Vietnam's economic recovery
8. SMC: Resolution on AGM 2021
9. PLP: Resolution on AGM 2021

Market Analysis

1. Shares subside on late selling pressure

Vietnamese shares declined on Thursday, dragged by market heavyweights as selling pressure increased significantly towards the closing minutes of trading.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) declined 0.56 per cent, or 7.10 points, to finish the trading day at 1,261.99 points.

It had jumped 13.05 points, or 1.04 per cent, to close Wednesday's trade at 1,269.09 points.

The market breadth Thursday was negative as 254 stocks declined while 163 rose and 43 stocks ended flat.

The market's liquidity was high with nearly 711.5 million shares traded on the southern market, worth VND21.6 trillion (US\$931.7 million).

The market witnessed strong volatility at the end of the trading session. A series of large stocks dropped sharply, extending the decrease of the VN-Index. Vingroup (VIC) decreased by 2.5 per cent to VND57,700 per share, Techcombank (TCB) declined by 2.5 per cent to VND126,500 per share, The Vietnam Rubber Group - Joint Stock Company (GVR) decreased by 1.9 per cent to VND26,500 per share, Hoa Phat Group (HPG) decreased by 1.9 per cent to VND61,500 per share.

"The VN-Index is forecasted to test the resistance zone of 1,275-1,285 points in the next few sessions," said Tran Xuan Bach, a stock analyst at Bao Viet Securities Co (BVSC).

"The index might face pressure to correct when approaching this zone. In general, the market is

likely to continue to have cumulative sideways movements to create a new base above 1,200 in the short term.

"The 1,275-1,285 zone remains a strong resistance zone that the index needs to break to reclaim its gaining trend in the short term," he said.

Investors should increase the proportion of shares in the portfolio to 40-45 per cent.

They should consider opening short-term positions if the market breaks the resistance zone of 1,275-1,285 points, he said.

The 30 biggest stocks tracker, VN30-Index, lost 0.72 per cent to finish Thursday at 1,370.18 points.

Of the VN30 basket, seven stocks increased while 23 decreased.

On a sector basis, 19 out of 25 sectors decreased, such as insurance, food and beverage, seafood processing, real estate, agriculture, home appliance production, logistics, construction and construction materials.

Meanwhile, on the Ha Noi Stock Exchange (HNX), the HNX-Index rose 1.66 per cent to close Thursday at 287.03 points.

The northern market index jumped 0.92 per cent to close Wednesday at 282.33 points.

During the session, over 127.7 million shares were traded on HNX, worth VND2.8 trillion.

Macro & Policies

2. Exports enjoy surge despite latest COVID-19 challenges

Statistics released by the Ministry of Industry and Trade (MoIT) indicate that total import and export turnover over the four-month period surged by 29.5% to US\$206.51 billion compared to the same period from last year, with the country posting a trade surplus of US\$1.29 billion.

Most notably, 19 export items recorded an export turnover of over US\$1 billion, therefore accounting for 84.5% of the country's total export turnover, with the United States representing the nation's largest export market.

Than Duc Viet, deputy general director of Garment 10 Corporation Joint Stock Company (Gament 10), says that despite disruption in the supply source of raw materials and a decline in the number of orders in traditional markets due to the COVID-19 pandemic, the company has pivoted to export other products. This includes selling face masks and protective clothing in an effort to fulfill the set targets for last year and the first quarter of this year.

Le Tien Truong, general director of the Vietnam National Textile and Garment Group (Vinatex), notes that the company has received enough export orders for the first half of the year, especially for the garment and yarn industries.

Moving forward, import and export activities are predicted to continue to prosper in the near future due to the implementation of various free trade agreements (FTAs) in a more comprehensive and effective manner, according to the MoIT.

In particular, it is anticipated that new-generation FTAs will create more favourable conditions in which Vietnamese goods can penetrate partner

markets and enjoy preferential tariffs, thereby accelerating export growth as they develop.

Furthermore, as the price of exported goods gradually increases, strong local products will become a key driving force in increasing export value.

Despite this, the MoIT have acknowledged that import and export activities face hurdles due to difficulties relating to the transportation of goods, low market demand, coupled with the high cost of logistics and imported materials. This is alongside changes in terms of trade remedies and food safety regulations which are set by import markets.

Tran Thanh Hai, deputy director of the Import-Export Department under the MoIT, has advised businesses to strictly monitor developments in the global market in order to seize upon export opportunities amid complicated developments of the pandemic.

The US is predicted to see high export growth moving forward, followed by the European market, along with both the African and Oceanian markets, Hai emphasised.

Hai therefore recommends that local firms improve their competitiveness and adaptability to overcome challenges and seize upon these opportunities in the new context, adding that the MoIT will continue to support businesses in providing information relating to the market. They will also make efforts to simplify administrative procedures for local firms whilst organising online trade promotion activities.

3. Modern pharmacy retail chains ramp up expansion

Pharmacy, Vietnam's largest pharmacy chain that currently operates close to 600 stores in 15 cities and provinces, with plans to expand to 1,000 stores across several provinces by the end of 2021, by opening an average of two new stores per day. By the end of 2025, the company aims to open 5,000

stores in several provinces in Vietnam, allowing 50 per cent of the population access to a Pharmacy store within a 10-minute drive.

In the next five years, the company aims to develop a healthcare ecosystem, integrating its traditional

retail business with primary medical services, insurance products, and healthcare services.

Pharmacy is also strengthening its digital infrastructure. As part of its 2025 vision, Pharmacy will launch a "super app" that will provide various services, such as e-pharmacist and e-doctor, healthcare records, emergency ambulance booking, and at-home or in-patient care services.

It is hoped the ambitious five-year plan will help Pharmacy earn a turnover of over \$1.5 billion and create a workforce of more than 29,000 employees, up from the current 4,000 employees.

Founder and CEO Chris Blank said, "My vision is to turn Pharmacy into the most convenient pharmacy chain that Vietnamese people can entrust with their health and wellness. The company is a pioneer in the pharmaceutical sector in Vietnam, creating the first modern pharmacy chain and brand in the country, offering convenience and product variety, with a price and quality brand promise to our customers."

Pharmacy has strong local and international financial backing, including by Vietnam-based private equity firm Mekong Capital and by TR Capital, a leading secondary private equity investment firm based in Hong Kong.

Another player, FPT Retail – part of technology firm FPT Corporation – is ramping up the expansion of its Long Chau Pharmacy chain. FPT Retail has so far opened 222 stores and plans to reach 350 stores by the end of this year. The retailer also focus on applying technology to optimise its sales process. For example, its real-time system can monitor the expiration date of its 5,000 products, thereby cutting the cost of disposing of expired drugs.

According to the chairwoman of FPT Retail's Management Board Nguyen Bach Diep, Long Chau Pharmacy aims to become a sustainable market leader and will make heavy investment in expansion efforts over the next few years. Thus, the chain will continue to incur losses in 2021-2022 and start to make profit in 2023. As of the first quarter of 2021, 90 per cent of Long Chau Pharmacy stores operating for over six months have broken even or made profit.

Diep added that Vietnam's pharmaceutical retail market has huge potential for growth in the long

term. Long Chau is building a reputation in the market although it has fewer stores than some rivals. Compared with traditional drug chains, Long Chau Pharmacy has the edge in technology solutions as well as experience in managing supply chains and seeking store locations. By adopting technology, the company can gain actionable insight into the shopping habits of customers, thereby offering suitable products to meet their needs.

According to the 2020 healthcare committee white book by the American Chamber of Commerce in Vietnam, the pharmaceutical retail sector in Vietnam has undergone significant development in terms of accessibility and quality improvement over the past decade. The market is shifting from the model of traditional independent pharmacies to modern pharmacy chains which benefit consumers, in terms of accessibility, product and service diversity, and quality consistency.

"Currently capturing just 3 per cent of the market, modern pharmacy chains are gaining traction with consumers and are attracting private investment from both domestic and foreign players," the report said. "Market competition has become increasingly intense with the rapid expansion of modern pharmacy chains, such as Pharmacy, Long Chau, Medicare, Phuc An Khang, and others, competing for brand positioning and market share."

Findings from a Ken Research report show that Vietnam's pharmacy retail industry is expected to witness a compound annual growth rate of 8.1 per cent on the basis of revenue by 2025. A fast-growing and ageing population is projected to positively impact the industry with median age in the country expected to hit 42.1 years by 2050.

Seeing the opportunity in the country, pharmacy chains with large presence in Southeast Asia, including Matsumoto Kiyoshi and Watsons, have recently entered the market and more players are expected to enter into the industry and expand their presence.

On the back of the aggressive expansion, modern pharmacy chain sales are growing significantly. However, according to the report, the overall strong growth is hiding a very distinctive dynamic by pharmacy chain, with many having difficulties to grow sales per established outlet and few top players experiencing both a double-digit growth of sales in their established outlets as well as

incremental growth from rapidly opening new stores.

Following the acquisition of a 40 per cent stake in the Phuc An Khang pharma chain in 2017, Mobile World remains cautious in its expansion. Mobile World chairman Nguyen Duc Tai said that the company has not acquired majority interest in the pharmacy retail chain due to regulatory barriers and unfavourable business environment. Also, the scale of the pharmacy retail market remains small and highly fragmented with 57,000 mum-and-pop pharmacies.

According to its financial statement for the first half of 2020, Mobile World invested VND62 billion (\$2.68 million) in the pharmacy chain, suffering losses of VND8 billion (\$348,000). The company is incorporating some pharmacy outlets inside its

Bach Hoa Xanh grocery store to explore growth opportunities.

Other pharmacy chains such as Phano and My Chau have been present in Vietnam for over a decade but have yet to leave any impressive marks on the market. Analysts at Viet Dragon Securities Company have also pointed out that it is not drug retail chains but individual stores which dominate the market. These stores have advantages in low rent and store owners who offer consultancy to buyers; they also have high flexibility and competitive operation costs.

Meanwhile, drug retail turnover in Vietnam only accounts for 30 per cent of the total revenue of the pharmaceuticals market. In comparison, the figures are 64 per cent in Brazil and as much as 80 per cent in the Philippines.

4. Free trade deals facilitate fruit and vegetable exports: insiders

Free trade agreements are opening the doors for Vietnamese fruit and vegetable firms to increase export revenue this year, according to the Vietnam Fruit & Vegetables Association (VinaFruit).

With the effectiveness of the UK-Vietnam Free Trade Agreement (UKVFTA), more than 94 percent of the 547 tax lines for vegetables, fruits and products from vegetables and fruits will have the tax rate of zero percent.

There will be more market access advantages for many products that are the strengths of Vietnam such as lychee, longan, rambutan, dragon fruit, pineapple and melon in the context of competitors such as Brazil, Thailand, Malaysia, which have no FTAs with the UK on tropical fruits.

Noting that requirements in quality, food safety, quarantine and origin are becoming higher in foreign markets, Nguyen Thanh Binh, VinaFruit Chairman, held that it is necessary to strengthen linkages in all stages from production, processing, storage and selling to connections among localities and regions, creating a sustainable and effective value chain.

He said that localities and businesses should focus on large-scale production and the application of high technology as well as good production practices such as VietGAP and Global GAP, thus increasing the organic percentage in farm produce and providing a large volume of high quality materials for processing and exporting.

Meanwhile, authorised agencies should provide market information and help enhance producers and businesses' awareness to minimise problems and risks when engaging in fruit and vegetable production and import activities, he said.

Statistics from the Ministry of Agriculture and Rural Development showed that fruit and vegetable exports in the first four months of this year hit 1.35 billion USD, up 9.5 percent year on year.

China was the largest market of Vietnamese fruit and vegetable products in the first quarter of 2021 with 64.7 percent of the market share.

From the beginning of 2021, Vietnam has increased exports to other potential markets such as Egypt, Kuwait, Ukraine and Senegal. Particularly, fruit and vegetable export revenue to Ukraine rose 7 times in the period, making it a promising market in this year and beyond./.

5. Speedier privatization process of state firms - a key for social advancement

A speedier privatization process of state-owned enterprises (SOEs) would be key to boost their efficiency, in turn contributing to economic development, social advancement and equality.

The Ministry of Finance (MoF) made the view clear as it referred to the ongoing process of drafting a legal framework for SOEs restructuring process in the 2021-2025 period.

During the 2016-2020 period, only 39 were sold on the Government's list of 128 must-be-privatized SOEs in 2020, meeting just 30% of the target.

Among the remaining SOEs that are required for privatization, those in Hanoi and Ho Chi Minh City make up 54% of the total, including 13 in the capital city and 38 in the country's southern hub. The others include six managed by the Committee for State Capital Management (CSCM), four under the Ministry of Industry and Trade (MoIT), and two under the Ministry of Construction (MoC).

The MoF expressed concern that none in the list has made significant progress in the privatization process during the first four months of this year, while SOEs have divested a total VND286.6 billion (US\$12.37 million) in book value for VND2.16 trillion (US\$93.3 million) in proceeds in January-April.

The ministry attributed the slow progress in privatization and divestment of SOEs to the Covid-19 pandemic, as well as a lack of commitment from

localities and SOEs in complying with the PM's instruction for SOE restructuring.

To further speed up the privatization process, the MoF urged SOEs under the list to review their restructuring processes and identifies difficulties in privatization and state capital divestment.

"The focus should be to deal with 12 loss-making projects formerly under the administration of the Ministry of Industry and Trade," noted the MoF. As of last October, total accumulated losses of 12 projects had reached VND26.3 trillion (US\$1.14 billion).

According to the MoF, state firms are requested to list share on the stock market following the completion of the privatization process.

"Leaders at SOEs having not gone public would be subject to disciplinary measures," noted the ministry.

According to the MoF, some large SOEs are facing difficulties in business valuation, including Vietnam Posts and Telecommunications Group (VNPT), Vietnam National Chemical Group, Vietnam National Coal – Mineral Industries, MobiFone, and Vietnam Bank for Agriculture and Rural Development (Agribank).

6. Vietnam's rubber export value sees surge in four months

Vietnam exported 486,000 tonnes of rubbers worth 817 million USD in the first four months of 2021, up 79.6 percent in volume and 111.6 percent in value compared to the same period last year, according to the Ministry of Agriculture and Rural Development.

In April alone, the country shipped an estimated 80,000 tonnes of rubber abroad, earning 143 million USD.

China, India and the US were the largest importers of Vietnamese rubber in the first three months of the year, accounting for 64.2 percent, 5.1 percent, and 2.7 percent of Vietnam's total export volume.

The export price of rubber reached averagely 1,660 USD per tonne in the first three months of the year, up 14.1 percent year-on-year.

Vietnam has the fifth largest rubber cultivation area in the world, but its output ranked third, only after Thailand and Indonesia.

It has exported mainly raw material of latex, accounting for about 78.4 percent. The rest (21.6 percent) has been processed products such as tires, gloves, accessories and soles of shoes./.

7. German firms report confidence in in Vietnam's economic recovery

Despite the COVID-19 epidemic, Vietnam recorded economic growth of 2.9 per cent in 2020 and is expected to achieve a growth rate of 7.5 per cent this year. The simultaneous implementation of the EU-Vietnam Free Trade Agreement (EVFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will help Vietnam's GDP increase by up to 3.2 per cent in the decade 2021-2030.

Vietnam is still one of the countries with the fastest economic growth in Southeast Asia. Foreign-invested enterprises, especially German businesses also show optimism about Vietnam's economy in the medium and long term.

German business leaders in Vietnam maintain positive economic expectations as well as outlook on their situation in Vietnam and they look forward to a year of recovery in 2021 and 2022. Vietnam will become a strategic investment destination in the process of restructuring the global and regional supply chain, a potential domestic market to attract international corporations.

"While 46 per cent had a positive view of the local economic development in 2020, 66 per cent expects a significant improvement in 2021. One-third of survey participants think that the economy of Vietnam will recover in the first half of this year, 30 per cent says that the recovery will happen next year, in 2022," says the report.

In addition, German businesses operating in Vietnam assess both their own business situation and future business expectations significantly better than in 2020. 55 per cent rate their current business situation in Vietnam as "good" and 11 per cent as "poor".

The great increase in business expectations is positively surprising. While the positive ratings rose from 36 to 55 per cent, the number of negative ratings fell from 23 to 11 per cent. Investment and employment intentions grow 47 per cent as German

companies in Vietnam intend to expand their activities in Vietnam and 50 per cent assume an increase in employment in 2021/2022.

There is a great increase in business expectations of German investors in Vietnam

These results show that the Vietnamese government has taken decisive and forceful action against the impact of the corona crisis. These measures should be taken as fast as possible to counter the economic impact of the coronavirus, in order to bring the economy back onto a growth path as quickly as possible.

Moreover, the Vietnamese government creates the most favourable conditions for foreign investors and businesses, as well as the EVFTA and this commitment will boost the economic growth of this country and attract more investors to Vietnam. Vietnam has been implementing a number of activities and effective methods in order to achieve the dual objectives of promoting socio-economic development and effectively preventing epidemic in the "new normal" condition of Vietnam. However, there are also some challenges for German investors to expand in Vietnam, particularly concerning the growing lack of qualified workers in Vietnam. After 18 per cent in 2020, 42 per cent of companies cited this as the greatest factor of uncertainty for their businesses in 2021 in Vietnam.

Other issues such as low demand (42 per cent) and economic policy (36 per cent) threaten their businesses here. Another factors that might affect German businesses in Vietnam are financing, legal certainty, and infrastructure.

The pandemic has affected local and German businesses and caused a decline in their business performance. Factors such as travel restrictions, reduced consumer demand for products and

services, the cancellation of trade fairs and events hurt German companies in Vietnam. Due to this, 67 per cent of German participants would diversify their supply chains by finding additional suppliers, changing delivery routes or increasing their inventory. Addressing the event, Juan Freer, vice chairman of the Board of Directors of BANCOEX, emphasised that through the ongoing Venezuela Exporta scheme, BANCOEX hopes to promote the commercialisation of key Venezuelan products, including crude oil, coffee, cocoa, and green beans, to generate hard currencies for domestic production.

Freer went on to state that Venezuela's export turnover to Vietnam over recent years has significantly increased, climbing from US\$1.2 million in 2017 to US\$4.8 million in 2019, and the figure is expected to rise in the coming years.

In response, Vietnamese Ambassador to Venezuela Le Viet Duyen briefed participants on Vietnamese products of highly competitive advantage, such as farm produce, telephones and electronic

components, garment and textiles, footwear, and aquatic products.

Most notably, several Vietnamese agricultural products have maintained their prestige within the international market in terms of both quantity and overall product quality, the Vietnamese diplomat noted.

Ambassador Duyen also stressed that the teleconference will allow firms to gain greater insights into the Vietnamese market, thereby drawing companies with proper business strategies, whilst simultaneously ramping up further trade transactions between both sides.

As part of the event, the Vietnam Embassy in Venezuela has released a manual aimed at providing Vietnamese firms with useful information about market and investment opportunities in the Venezuelan market.

Corporate News

8. SMC: Resolution on AGM 2021

↑ 3.67%

On April 24, 2021, SMC Investment Trading Joint Stock Company announces the resolution of the Annual General Meeting 2021 as follows:

1) Approving the business result in 2020:

- Net revenue: 15,735 billion dongs
- Profit after tax: 361.1 billion dongs.

2) Approving the report from the Supervisory Board in 2020.

3) Approving the audited financial statements in 2020.

4) Approving the profit distribution in 2020.

5) Approving the remuneration of the BOD and Supervisory Board in 2020.

6) Approving the business plan in 2020:

- Total revenue: 18,000 billion dongs
- Profit after tax: 300.0 billion dongs
- Dividend: 20%/par value.

7) Approving the remaining dividend for the last phase of 2020 (5% in cash).

8) Approving the selection of auditing firm to audit financial statements in 2020.

9) Approving the remuneration of the BOD and Supervisory Board in 2021: 1.5% profit after tax.

10) Approving the plan for dividend payment for 2021: 10% (in cash and in stock).

11) Approving the additional election of member of the BOD for the period 2021 – 2025:

- Nguyen Ngoc Y Nhi
- Nguyen Thi Ngoc Loan
- Nguyen Huu Kinh Luan
- Kishimoto Hideki
- Vu Anh Nguyen

12) Approving the additional election of member of Supervisory Board for the period 2021 – 2025:

- Vo Thi To Ngan
- Le Thi Cam Tu
- Dang Thi Thu Trang.

9. PLP: Resolution on AGM 2021

↓ -1.04%

Pha Le Plastics Manufacturing and Technology Joint Stock Company (PLP) announces the Resolution of the Annual General Meeting 2020 dated April 24, 2021 with the following contents:

1) The AGM approved the 2020 BOD report and plan for 2021.

2) The AGM approved the 2020 Supervisory Board and plan for 2021.

3) The AGM approved the resignation of member of BOD for the term 2017 – 2022 according to

Proposal No.01/2021/TTr-HĐQT dated April 02, 2021.

4) The AGM approved the audited financial statements in 2020.

5) The AGM approved the selection of the auditor for the financial statements.

6) The AGM approved remuneration, salary of the BOD, Supervisory Board in 2020 and plan for 2021.

7) The AGM approved the plan for 2020 profit distribution.

8) The AGM approved the amendment of the Company's Charter.

9) The AGM approved the report on the result of stock issuance to raise charter capital according to the issuance plan of the Annual General Meeting 2020.

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