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Market Analysis

1. Shares soar on huge cash injection, VN-Index hits fresh peak

Shares advanced for five straight sessions to reach a fresh peak, bolstered by a dramatic injection of cash flow into banking and securities stocks, pushing up indices.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index gained 1.75 per cent, to hit a new peak of 1,364.28 points.

It had risen 4.7 per cent during the last five trading sessions.

The market breadth was positive with 339 stocks climbing, while 75 stocks fell and 47 ended flat.

The liquidity was extraordinarily high as local investors poured VND29.3 trillion (US\$1.27 billion) into the southern market, equivalent to a trading volume of nearly 899 million shares. This is the highest trading volume HoSE has ever recorded.

Strong cash flow poured into blue-chips, spurring the market's gains. Among the most notable gainers were insurer Bao Viet Holdings (BVH), PetroVietnam Gas JSC (GAS), steel maker Hoa Phat Group (HPG), Vingroup (VIC), dairy firm Vinamilk (VNM), brewery company Sabeco (SAB) and Mobile World Group (MWG).

Bank stock prices have witnessed a substantial increase such as Agribank Securities Corporation (AGR), Asia - Pacific Securities Joint Stock Company (APS), Viet Nam Bank For Industry & Trade Securities JSC (CTS), Military Bank (MBB), Petrovietnam Securities Incorporated (PSI), Sacombank Securities Joint Stock Company (SBS), VNDirect Securities Co (VND), FPT Securities Joint

Stock Company (FTS) and Lien Viet Post Bank (LPB).

The VN30-Index, which tracks the 30 biggest stocks on HoSE, increased 1.73 per cent to finish Thursday at 1,504.37 points.

Of the VN30 basket, 28 stocks increased while two dropped.

"VN-Index gradually increased from the beginning of the morning to the end of the afternoon session surpassing the threshold of 1,360 points," said BIDV Securities Co.

"Investment cash flow increased strongly although foreign investors were still net sellers on both the HoSE and HNX.

"Besides, market breadth turned positive with increased liquidity compared to the previous session. According to our assessment, VN-Index may have a short-term correction in the last trading session of the week," it said.

On Ha Noi Stock Exchange (HNX), the HNX-Index rose 2.45 per cent to close Thursday at 329.95 points.

It had risen 1.12 per cent to close Wednesday at 322.05 points.

During the session, over 229 million shares were traded on the northern market, worth over VND5.4 trillion.

Macro & Policies

2. Vietnam striving to enhance transparency in wood sector

Though exports of Vietnam's wood and furniture products have seen strong growth since the beginning of US-China trade tensions, the country has also faced major pressure in the US.

Tran Le Huy, Vice Chairman and General Secretary of the Forest Product Association of Binh Dinh province, said the trade tensions have brought about new challenges for Vietnam, especially relating to fraud in origin due to Chinese companies exporting wood products to Vietnam for local labelling before shipping to the US.

The prevention and settlement of trade fraud in an effective and timely manner is therefore vital for Vietnam's wood sector, Huy stressed.

Meanwhile, Do Xuan Lap, Chairman of the Vietnam Timber and Forest Product Association, said it has proposed that ministries and sectors direct specialised agencies to conduct snap inspections of enterprises suspected of fraud.

Huy suggested that a connection channel be set up between wood associations and management agencies to report signs of fraud, so that timely intervention can be made.

Such measures would not only prevent fraud in exports to the US but also enhance the transparency and prestige of Vietnam's wooden products in markets like the EU, Japan, and the Republic of Korea, he said.

As part of efforts to control the origin of raw materials for export, Vietnam issued Decree No

102/2020-ND-CP detailing regulations on the timber legality assurance system.

Each year, Vietnam imports 2-2.5 million cubic metres of wood from Africa, certain countries in South America, and Laos, Cambodia, and Papua New Guinea, which is equal to 40-50 percent of its total imported logs and sawnwood.

To Xuan Phuc from Forest Trend said it is necessary to apply policies and practical measures to reduce the risks in importing wood materials.

Bui Chinh Nghia, Vice Director of the Vietnam Administration of Forestry, said that along with the application of the timber legality assurance system, businesses should also design their own risk-reduction solutions.

In order to implement Decree No 102, the Vietnam Timber and Forest Product Association proposed that ministries and sectors direct relevant agencies to require wood material importers, apart from strictly declaring information in line with regulations, to provide supplementary documents such as the exploitation licences of the producers or the operational registration of wood processing facilities, the export licences of exporters, and certificates of origin.

According to representatives from wood processing firms, the majority of importers of Vietnamese furniture request that raw materials come from planted forests and licensed sources. Therefore, in the future, Vietnam should strive to have 100 percent of input materials licensed, they said.

3. Bright prospects ahead for fruit, vegetable exports to major markets

Businesses raked in US\$1.77 billion worth of fruit and vegetable exports in five months, up 18.0% against the same period from last year. In May alone, such exports brought home US\$400 million, representing an annual increase of 48.3%.

Despite these positives, the current fourth wave of the COVID-19 pandemic to hit the country, coupled

with the oversupply source in the Chinese market, is anticipated to hinder local fruit and vegetable exports in the coming months.

In contrast, there remains many positive signs for the export of major Vietnamese fruits, especially lychee, to key markets such as the US, Japan, Russia, and Australia.

According to industry experts, Vietnamese lychee exports are expected to enjoy additional advantages in the Japanese market following the first successful consignments of the product to this demanding market.

At present, Vietnam's Trade Office in Japan has coordinated with relevant authorities, supermarkets, and distribution chains in Japan to promote lychee consumption in the near future. Roughly 1,100 tonnes of lychees are set to be shipped to Japan this year.

Meanwhile, Vietnam's Trade Office in Australia has also requested that Australian agencies facilitate customs clearance procedures when batches of lychees arrive there.

Approximately 100 tonnes of Vietnamese lychees are due to be exported to South Australia and Western Australia this year, according to the trade office.

The US mainly imported fresh mangoes during the first quarter of the year, accounting for 74.6% of their total mango imports.

Vietnam represents the 13th largest supplier of mangoes of all kinds to the US, and the ninth largest provider of fresh mangoes to the demanding market.

The amount of fresh mangoes imported from the Vietnamese market accounted for 0.1% of the US's total imports.

Most notably, the US increased imports of dried mangoes and mango juice from Vietnam during the reviewed period.

Of the figure, the US purchased 97 tonnes of mango juice worth US\$102,600, representing an annual rise of 340% in volume and 160.5% in value as dried mango imports reached 68 tonnes worth US\$83,000.

4. Rubber exports soar over five-month period

May alone saw the country ship approximately 80,000 tonnes of rubber worth US\$139 million abroad, increasing 26.1% in volume and 7.2% in value from May 2020.

The average export price stood at US\$1,738 per tonne, a drop of 2.2% compared to April but a rise of 44.6% compared to May.

Most notably, China continued to increase rubber imports from Vietnam between January and April, with import turnover reaching US\$705.6 million, an annual rise of 81.6%, making it Vietnam's second largest rubber consumer.

The market share of Vietnamese rubber in relation to China's total import value accounted for 16.6%, a sharp increase compared to 11.65% seen during last year's corresponding period.

Amid a shortage of supply sources of rubber in world market coupled with the complicated developments of the COVID-19 pandemic, Vietnam's rubber exports are projected to continue to pick up thanks to an increasing demand from both China and the United States.

This positive outlook can be attributed to the recovery of the Chinese automobile industry and the US' commodity market in the post-pandemic period.

The US has officially approved an economic stimulus package worth US\$1.9 trillion, while the demand for natural latex from factories in this market has also skyrocketed due to the high demand for medical equipment in the global market.

5. Fourth Covid-19 wave impedes manufacturing growth in May

Firms said they faced difficulties in completing orders and securing materials. A further sharp

increase in input costs led to the steepest selling price inflation for just over a decade.

The Vietnam Manufacturing Purchasing Managers' Index posted 53.1 in May, down from 54.7 in April. The figure indicated a sixth successive improvement in business conditions although it weakened from the previous month.

The latest data showed that the recent outbreak of the Covid-19 pandemic limited the growth of both output and new orders midway through the second quarter of the year.

The rate of expansion in production eased to a three-month low but remained solid as new orders continued to rise. Solid growth was recorded for new orders from abroad as some export markets showed signs of a recovery from the pandemic.

Rising Covid-19 case numbers also impacted hiring in the Vietnamese manufacturing sector. Employment increased for the fourth consecutive month, but only modestly.

Staff shortages contributed to a near-record rise in backlogs of work as firms struggled to cope with inflows of new orders.

Operations were also hampered by the lengthening of suppliers' delivery times, the greatest in just over a year. The pandemic was a factor behind longer

lead times, together with shipping delays and material shortages.

Despite delivery delays, firms expanded both their quantity and stocks of purchases amid efforts to build reserves. However, in both cases, the increase was slower than in April.

Meanwhile, stocks of finished goods were broadly unchanged amid the use of inventories to help meet new orders, while production volumes were restricted. The stabilization ended a three-month sequence of rising stocks of finished goods.

The rate of input cost inflation quickened to a 40-month high in May. Supply shortages contributed to rising raw material prices, with iron, oil and steel all mentioned in particular as costing more.

In turn, manufacturers raised their own selling prices at a substantial pace. Moreover, the rate of inflation was the fastest in just over a decade.

Business sentiment eased to a three-month low over worries about the Covid-19 outbreak, but firms remained optimistic overall that output will increase over the coming year. Hopes that the pandemic would be brought back under control and the prospects of further new order growth supported confidence.

6. Air passengers down in first five months due to COVID-19

There were 122,000 flights from and to Vietnamese airports in the first five months of this year, down 5.9 percent year-on-year, according to the Civil Aviation Authority of Vietnam (CAAV).

The number of passengers stood at 25.5 million, down 4.9 percent. Of these, 116,000 were international passengers, down 98.3 percent, while the remainder were local travellers, up 27.7 percent.

Vietnamese carriers catered to 12.8 million passengers, up 1.8 percent year-on-year, including 66,000 international passengers, down 97.5 percent, and 12.7 million local travellers, up 28.3 percent.

Passenger numbers were 1.35 million in May, down 27.8 percent year-on-year, of whom 14,000 were international passengers, up 55.6 percent, and 1.32 million were domestic passengers, down 28.8 percent.

Some 570,000 tonnes of cargo were transported during the period, up 15 percent year-on-year.

CAAV General Director Dinh Viet Thang said the COVID-19 pandemic has seriously damaged civil aviation activities around the country, with domestic airlines being the hardest hit.

7. Laptop, computer prices on the rise

A representative of The Gioi Di Dong (Mobile World) told VnEconomy online newspaper said that due to the scarcity of chips, it had slightly increased the price of some new models and might increase the price of other models in the near future.

A retailer said that normally, for many laptop and computer models, the price would gradually drop after three to six months after launching. But from the beginning of this year, the price of laptops and computers had increased.

In the short term, demand was very large in the low-price segment under VND16 million (US\$696). Meanwhile, those in the segment above VND16 million were still enjoying promotions, he added.

Nguyen The Kha, Senior Director Mobility Groups of FPT Shop, said increased prices and the shortage of components did not affect the shop much as FPT Shop had taken careful preparations for changes amid the pandemic.

Key products have been forecasted and stocked, ensuring there were always enough supplies for 30-45 days while waiting for new shipments to arrive, said Kha.

Nguyen Ngoc Dat, CEO of the retail chain Di dong Viet (Viet Mobile), shared that in the context of insufficient supply and demand, product price increases were inevitable. However, he forecast that the scarcity could be quickly overcome.

If purchasing power increases, product prices from now to the last quarter of the year might increase

slightly, ranging from 1-3 per cent, an insignificant increase.

Most retail systems in Viet Nam forecast that the laptop, computer and accessories segment would be able to meet market demand by the fourth quarter of this year.

Market research firm TrendForce reported that global laptop sales exceeded 200 million units for the first time last year.

This is a new record high for the global laptop market. It is forecasted that global laptop shipments will have a chance to reach 217 million this year. Thus, personal computer (PC) growth will be 8.1 per cent compared to last year.

Meanwhile, Gartner estimated the number of PCs (including desktops and laptops) sold rose by 32 per cent in the first quarter of this year compared to the same period last year.

With the potential for demand and the growth of the laptop and computer market, many retailers are racing to expand their business chains and take advantage of new opportunities despite the COVID-19 pandemic.

For example, Viet Mobile recently opened a new store in Bien Hoa City, Dong Nai Province. To date, this retail system has up to 18 stores in HCM City and 11 stores associated with the 'shop in a shop model' with network operator MobiFone.

In the first quarter of this year, FPT Shop also opened 70 laptop retail centres nationwide.

Corporate News

8. MSN: Masan Group to distribute over \$47.7 million as advance dividend for 2021

↓ -0.66%

On May 31 it had announced it would make advance payment of the 2021 dividend at a rate of 10 per cent as approved by shareholders at the annual general meeting.

It will first pay 9.5 per cent with the record date and payment date decided by the board of directors based on cash flows and business plans.

The decision to advance dividend payment was made earlier this year. The company decided not to pay dividends for 2020 to focus resources on the consumer-retail segment, including accelerating building the Point of Life foundation to serve consumers' everyday needs, both offline or online.

Masan Group paid dividends of 10 per cent in 2019 and 30 per cent in 2016, including 11 per cent in cash and 19 per cent in stock.

The company currently has a charter capital of more than VNĐ11.746 trillion (\$509.26 million), equivalent to more than 1.17 billion outstanding shares. Each share will get VNĐ950 in dividends, meaning the company will distribute a total of VNĐ 1.1 trillion for the first advance dividend payment.

Recently Masan Group announced stake sales worth more than \$810 million.

It included the sale of a 16.26 per cent stake in VinCommerce to SK Group (South Korea) for a total cash value of \$410 million.

A consortium of investors, including Alibaba Group, bought a 5.5 per cent stake in The CrownX, Masan's integrated consumer retail arm that consolidates its interests in Masan Consumer Holdings (MCH) and VinCommerce (VCM), for a cash consideration of \$400 million.

The transaction implied a valuation of \$6.9 billion for The CrownX.

The company also revealed that another transaction worth \$300-400 million is in the works and is expected to be completed this year.

Thus an estimated more than \$1 billion will flow into Masan this year, ensuring its cash flows are abundant.

This could be the basis for Masan advancing the dividend payment to compensate for 2020 when shareholders did not get dividends.

The money flowing in from these transactions will also generally help improve its financial health.

At the end of last year its consolidated net debts were 4.6 times its earnings before interest, taxes, depreciation, and amortization (EBITDA) (excluding the consolidation of VinCommerce).

Masan seeks to bring this ratio down to 2.5-3 this year by reducing the debts of its subsidiaries and improving EBITDA across all business segments.

In the first quarter of the year revenues grew by 13.3 per cent to VNĐ19.977 trillion (\$869.09 million).

Revenues were up 18.8 per cent at Masan Consumer, 38.5 per cent at MEATLife and 178.2 per cent at Masan High-Tech Materials, making up for a decline in revenues at VinCommerce (VCM) due to the closure of 700 stores to improve profitability.

Masan's EBITDA margin was 15.7 per cent in Q1, 2021, compared to 11 per cent in Q1, 2020.

It improved to 1.8 per cent at VinCommerce, while remaining steady at Masan Consumer Holdings and Masan MEATLife. Masan High-Tech Materials saw lower EBITDA as a result of the consolidation of H.C. Starck (HCS) and the lag effect of the recent price recovery which is expected to be realised in the following quarters.

On the stock market, the strategy of integrating VinCommerce with Masan's current business segments and, especially, information about M&A transactions with SK Group and Alibaba Group attracted particular interest in the MSN stock.

The average daily liquidity of the stock in the last two months exceeded two million shares.

Its price is currently hovering at around VNĐ106,000, up 30 per cent since the beginning of the year.

But in an updated note, Viet Capital Securities Company has rerated the stock and set a fair value of VNĐ142,000 for it.

This is based on the expectations of VinCommerce improving its profitability thanks to VCM's plans to cooperate with Phúc Long to open around 1,000 kiosks this year and increase its online sales through the proposed cooperation with Lazada as part of the deal between MSN and Alibaba Group.

MSN's valuation is also boosted by the cash flows from the transactions with SK Group and Alibaba Group, which will bring in around \$650 million this year, and a 20 contribution from Techcombank, whose market capitalisation has increased by 60 per cent this year thanks to its positive business outlook.

9. HSG: Hoa Sen expects revenue growth of 104% in April

↑ 2.77%

The company estimated product consumption to reach 216,390 tonnes in April, resulting in a surge of 104 per cent year-on-year to VNĐ4.55 trillion in revenue. Its profit after tax is expected to rise 498 per cent compared to last year to VNĐ538 billion.

In the first seven months of the fiscal year 2020 - 2021, from October 1, 2020 to April 30, 2021, Hoa Sen's product consumption is estimated at nearly 1.3 million tonnes, completing 72% of the company's business plan.

During the same period, its revenue is forecasted to grow 68 per cent against last year to nearly VNĐ24.5 trillion, completing 74% of the plan, leading to an increase of 368 per cent to over VNĐ2.2 trillion in profit after tax.

That means the steel producer's profit after tax in the first seven months of the fiscal year 2020 - 2021 has nearly doubled the amount of the whole financial year 2019 - 2020.

Hoa Sen owns 10 factories across the country, with a total designed capacity of more than two million tonnes per year and a distribution system with more than 536 retail stores nationwide.

The company said that the current export market is favourable for steel products, especially galvanised steel sheets due to the economic stimulus packages of countries to cope with the

impact of the COVID-19 pandemic, leading to global rising demand for steel.

The steel maker also announced the payment of dividends for the fiscal year 2019 - 2020 in shares.

Accordingly, Hoa Sen will issue 44,462,521 new shares to pay a 10 per cent stock dividend. Shareholders owning 100 shares will receive 10 new shares. Total issuance value is over VNĐ444.5 billion. After paying dividends in shares, Hoa Sen's charter capital will increase to more than VNĐ4.89 trillion.

The capital for issuing new shares comes from the accumulated undistributed profit after tax according to the company's audited consolidated financial statements for the fiscal year 2019 - 2020.

The company plans to finalise the list of shareholders on June 15 and complete the dividend payment in July.

In the stock market, the HSG shares, which are listed on the Ho Chi Minh Stock Exchange (HoSE), closed Wednesday's trade at VNĐ43,300 per share, down 0.46 per cent.

The share price jumped nearly 83 per cent since the beginning of the year thanks to higher steel price in the international market.

At the current price, the company's market capitalisation is nearly VNĐ19.3 trillion.



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