



VIETNAM DAILY NEWS



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Market Analysis

1. Shares open week in red, liquidity slips

Shares inched higher on the first day of the week on the Ho Chi Minh Stock Exchange, propped up by Vietcombank's gain while other blue chips weakened.

The VN-Index edged up 0.26 per cent to close Monday at 1,054.21 points. The southern bourse's index gained 4.4 per cent last week.

Liquidity declined to just 475.2 million shares worth VND8.5 trillion (US\$360 million), down 32 per cent in volume and 29 per cent in value compared to the previous session.

Blue chips' rising momentum weakened in the afternoon. Sixteen of the top 30 shares by market value and liquidity on HCM City's bourse gained while 10 lost and four closed flat.

Vietcombank (VCB) was the biggest gainers in these most influential shares with growth of 3.5 per cent, easing negative impacts of slumps of Vingroup (VIC, down 2 per cent), lender BIDV (BID, down 1.6 per cent) and Mobile World Investment (MWG, down 2.7 per cent).

Regarding sectors, logistics performed well with an average growth rate of 1.4 per cent, the highest among the 25 sectors tracked by vietstock.vn. Growth focused on big companies such as budget carrier Vietjet (VJC, up 1.3 per cent), Vietnam Airlines (HVN, up 5.3 per cent), Logistics Vicem (HTV, up 4.9 per cent) and PetroVietnam Transportation (PVT, up 1.2 per cent).

On the dark side, selling pressure concentrated on retailing with a drop of 2.7 per cent on average. Big losers included MWG and FPT Digital Retail (FRT) down 2.9 per cent.

According to analysts at Viet Dragon Securities Co, prior to the pressure of the 1,065-point resistance level for the VN-Index, the market's upward momentum halted and reversed. When VN-Index got close to this resistance level, cash flow was cautious, and supply pressure picked up at the end of the session.

"After the current surge, it is expected that the market will correct to establish equilibrium in the following session while remaining under selling pressure. Investors should exercise caution and keep an eye out for changes in supply and demand in the near future," said market analyst Phuong Nguyen.

By contrast, the HNX-Index on the Ha Noi Stock Exchange dropped 0.47 per cent to end at 209.67 points. The southern market's index gained 2.6 per cent last week but remained in the downward trend towards the end of the week.

Liquidity also declined here with the trading volume decreasing 33 per cent from Friday's level to 48 million shares while value of trades dropped 23 per cent to VND755 billion (\$32 million).

Macro & Policies

2. Retail businesses see potentials in pharmaceutical retail

The pharmaceutical retail network has expanded strongly. According to market research organisation IQVIA, Vietnam had 55,300 drug stores in 2016, with 185 stores belonging to modern drugstore chains. In 2021, the total number of drug stores decreased to 44,600, but the number of stores belonging to modern pharmacy chains increased to 1,600.

In 2022, the number of large modern drugstore chains continued to increase. As of July 2022, the number of stores of the Pharmacity chain increased by more than 40%, those of the Long Chau chain surged by more than 70%, and those of the An Khang chain nearly doubled compared to the previous year.

Many new companies have also entered the market, including Wincommerce which owns the Winmart convenience store chain of 3,000 stores, and Viettel, which owns a retail network of 370 telecommunications stores.

As explained by SSI Securities Company, modern-model pharmacies are gaining market share from traditional pharmacies, as the Government gradually introduces stricter regulations for pharmaceutical retailers, imposing stricter control over medicine bought with a prescription.

The increase in consumption of vitamin products or supplementary foods during the COVID-19 pandemic also accelerated the opening of pharmaceutical retail stores.

Currently, drugstore chains have also diversified their product portfolios including other fast-moving consumer goods such as personal care products, cosmetics, confectionery and beverages, thereby increasing revenue and profit.

Although consumer spending is clearly affected by rising inflation, spending on pharmaceuticals is likely to remain stable due to the necessity of products, SSI Securities Inc experts said.

On this basis, pharmacy chains will be able to pass on the increased costs to customers. Drugstore chains that are actively opening new stores can negotiate better terms with suppliers, which in turn can increase margins.

As of December 2022, the Long Chau pharmacy chain of the FPT Digital Retail Company (FRT) ecosystem has officially surpassed 1,000 stores, covering 63 provinces and cities in Vietnam, exceeding 125% of the plan in 2022. FRT also expects to increase the total number of stores to 3,000 in the next five years.

Analysts of MB Banking Securities (MBS) expect that while FRT's phone business segment is slowing down due to market saturation, the pharmaceutical segment will drive FRT's profit growth in the long term.

FRT will continue to open Long Châu pharmacy stores because the proportion of modern pharmacies in pharmaceutical retail is currently only about 5% and Long Chau pharmacy chain has now recorded a net profit.

An Khang pharmaceutical retail chain managed and operated by Mobile World Investment Company (MWG) has witnessed strong expansion, from 178 stores in 2021 to 529 stores in 2022. In 2023, An Khang is expected to continue to expand its scale.

With MWG's advantage of having a customer base from its technology and consumer electronics supermarket chains, An Khang can benefit to increase cross-selling of products, thereby increasing profit margin.

According to the General Statistics Office, the index of industrial production (IIP) in 2022 was estimated to increase by 7.8%; in which, the production of drugs, pharmaceutical chemicals and medicinal herbs had a high growth rate, at 19.2%.

Analysts said that this was a big space for many retail businesses to continue to grow thanks to operating the pharmaceutical segment.

A survey conducted by Vietnam Report Company (Vietnam Report) shows that the number of health expenditures increased from 16.1 billion USD in 2017 to more than 20 billion USD in 2021, expected to reach 23.3 billion USD in 2025 and 33.8 billion USD in 2030, with a compound growth rate from 2020-2030 of 7.6%.

Vietnam is also one of the countries with the fastest aging population in the world. Consumers' awareness of healthcare is increasing and people's

incomes are rising, leading to more spending on healthcare and pharmaceutical products per capita.

However, General Director of Vietnam Report Vu Dang Vinh said the top four challenges affecting production and business activities of pharmaceutical and healthcare enterprises were increased logistics costs, competition among enterprises in the industry, cost of raw materials and pressure from rising exchange rates.

3. Vietnamese exporters exceed 2022 projections despite Q4 blip

Looking back at results from the last year, a representative of Sao Ta Foods JSC said that sales for 2022 were expected to reach about \$226 million, up 9.4 per cent on-year. Sao Ta's consolidated pre-tax profit is estimated to reach \$14.7 million, up 18 per cent, and exceeding initial projections by 6 per cent.

This marks a high profit mark for Sao Ta in their 26 years of operations. However, looking at the fourth quarter of last year by itself, the company's profit is estimated to decrease by 14.3 per cent over the same period last year, signalling a slowdown towards the end of 2022.

Ho Quoc Luc, chairman of Sao Ta's board said, "The slowdown in the fourth quarter was because the consumer market has been quiet, and off-season shrimp farming has been impacted by diseases causing a significant decrease in commercial shrimp production."

Many other export enterprises have also been impacted by the difficulties in foreign trade. Last month, Le Duc Nghia, chairman at An Cuong Wood Working JSC, said that the company's 2022 profit was expected to reach \$26 million. Although their fourth quarter also disappointed, the strong performance of the first three quarters pushed the whole year's profit to grow by 35-40 per cent on-year, beating projections by 9 per cent.

A representative of Danang Rubber JSC said that the company's profit last year is estimated to be \$16.5 million, up 4.4 per cent from 2021. Sales volumes exceeded 20 per cent of design capacity, even though Danang Rubber had increased prices of their tyre product lines three times over the year.

Similarly, bedding product exporter, Everpia, also saw a slowdown in the fourth quarter. However, it is estimated to reach more than \$43.4 million in revenue and \$3.47 million in profit after tax for the whole of 2022, smashing profit projections by 14 per cent.

HSBC has advised that exporters remain cautious for the immediate future. According to the banking giant, challenges in foreign trade are among of the largest risk factors when projecting growth. The export value of the whole economy increased by 5.2 per cent on-year in October, but quickly reversed that growth to a drop of 8.9 per cent and 14 per cent in November and December respectively, when compared to the previous year.

The Purchasing Managers' Index continued its downward trend for the second consecutive month in December, down to 46.4 points, marking the lowest level in 18 months.

Lee Jae Eun, general director of Everpia, expects that in the coming time, export sales of cotton sheets will be affected, but sales of bedding products will remain stable. He expressed his optimism for the development of a new factory in Dong Nai in March this year.

Regarding shrimp export markets, Luc from Sao Ta suggested that major markets are still "very quiet" as consumption in the US decreased in part due to the impact of the snowstorm at the end of 2022. After two years of pursuing a growth strategy in Japan, he said one of the biggest successes for Sao Ta is that Japanese consumers have finally recognised the quality of their products.

"The current period is for preparing an acceleration plan for when the opportunities come. In 2023, the company will increase the number of shrimp ponds to take the initiative in raw materials, start a new factory from the beginning of the year, train staff, and rearrange the warehouses to minimise costs," said Luc.

For Danang Rubber company, 2022 saw their tyre products penetrate the US market, with export revenue growth for this market expected to reach 20 per cent on-year, although the overall purchasing power of the world's largest economy was affected by a rise in interest rates and the Fed's tightening monetary policy.

4. Livestock industry hopes difficulties will reduce in 2023

After nearly three years of persisting with a zero-COVID policy, China has eased quarantine measures and reopened its borders from January 8.

According to VNDirect, domestic animal feed prices will decrease gradually in 2023.

The gradual easing of disease restrictions by the world's second-largest economy will affect the economies of the ASEAN region, especially Vietnam, China's largest trading partner in the ASEAN bloc since 2016, according to the Agribank Securities Co (Agriseco).

Another factor supporting pig farming and processing enterprises is an increase in consumption demand when consumers' real income increases. Meanwhile, the number of international tourists this year is expected to grow at a rate of 84% in the second quarter and 100% in the fourth quarter, creating a strong recovery of entertainment, accommodation and catering services.

At present, Vietnam is under negotiation to get permission for official exports of pork to China.

Experts from VNDirect believe that the pig farming and processing enterprises will record revenue growth this year. These businesses will likely see a recovery in the growth rates of gross profit, such as Dabaco Vietnam Group Joint Stock Company (Dabaco), Masan Joint Stock Company, BaF Vietnam Agriculture Joint Stock Company, and Hoang Anh Gia Lai Group Joint Stock Company.

Saigon Securities Incorporation (SSI) experts forecast that cross-border trade will support hog prices in 2023. Pork exports through official channel from Vietnam to China could also enjoy this advantage.

However, the pig farming enterprises still face a risk of increasing global grain prices again due to the prolonged tension between Russia and Ukraine that may affect commodity shipping activities in the Black Sea.

Commercial farms developed under the 3F model (Feed-Farm-Food) will be the main beneficiaries of the permission for the official export of pork to China.

However, it is necessary to meet many regulations related to origin traceability and food safety before asking permission to export.

Vietnam imports about 80% of input materials for animal feed production, so the increase in the USD/VNĐ exchange rate also leads to the higher production cost of animal feed.

Analysts at VNDirect Securities Joint Stock Company also said that the difficulties of pork producers would ease from 2023, thanks to the forecasted pork price increase of 5% when the demand for eating outside recovers.

The outbreak of African swine fever has not been controlled completely at all household farms. However, it will not affect the total pork supply because the outbreak is not as severe as it was in the past and vaccination for pigs is expected to begin in 2023 upon completion of the pilot phase.

In addition, grain prices are likely to decrease as exporting countries increase supply and Ukraine's grain products are transported again after having an agreement ending the blockage of the country's ports and reduction in fertiliser prices.

Nguyen Quoc Dat, vice chairman of the Vietnam Livestock Association, said that in 2022, the livestock industry faced many difficulties. However, the livestock sector's supply for the end of 2022 was relatively stable.

The price of poultry products tends to decrease due to abundant supply, while the demand of the food is still quite weak at restaurants, collective kitchens and schools.

Every year, the demand for pork will increase sharply because processing companies promote purchasing pork to process goods for Tet (Lunar New Year). That makes the price of hogs increase gradually from the second half of November to before the Lunar New Year. However, hog and pork prices in 2022 were quite dismal as demand did not seem to increase.

It was forecast that the demand for food during the Lunar New Year 2023 would decrease compared to previous years. It was partly due to weakening consumption amid high inflation.

Duong Tat Thang, director of the Department of Livestock Production, said the total production value of the livestock industry in 2022 was estimated at over 506 trillion VND, up 5.5% over the figure in 2021.

Of which, the total output of live hogs in 2022 was estimated at seven million tonnes, the highest ever. The industry produced about 18.4 billion eggs and 1.1 million tonnes of milk.

According to SSI, the live hog price remained stable in the first half of 2022 at an average of 55,000 VND per kilo, down 25% over the same period.

Then, it increased significantly to 70,000 VND per kilo in July and August. The sharp increase in prices was due to a recovery in the cross-border trade activities of live hogs from Vietnam to China.

However, this increase was for a short time, and the live hog price fell to 53,000 VND per kilo because China applied stricter restrictions on border trade activities under its COVID-19 control policy.

While the price of raw materials peaked in the second quarter of 2022 with an increase of 17% on year for corn, 60% for wheat and 10% for soybean. However, these raw material prices reduced from the peak in the third and fourth quarters of 2022.

Therefore, feed production cost increased by 38% year-on-year and even doubled the cost in 2020, significantly impacting household farms and commercial farms because feed accounts for 75% of total livestock cost.

The average production cost of the household farm was estimated at 55,000-60,000 VND per kilo of pig, while the average production cost of the commercial farm was estimated at 50,000 VND.

With the prices, farmers were hardly profitable, while commercial farms also saw much lower profits than that in previous years.

The commercial farms' profit stands at the lowest rate in five years.

5. Viet Nam affirms position in international integration

It has also set up economic ties with around 230 nations and territories and is now a strategic partner of 17 countries.

This position has created outstanding motivation, helping the country realise its growth goals, continue comprehensive innovation, and steadily move forward in its development path with great achievements after 36 years of doi moi (Renewal) and the 16-year WTO membership.

With its increasing international position and reputation, Viet Nam is entering a new phase of international economic integration with a completely new posture, and is confident in participating in global economic linkages.

Despite a lot of difficulties caused by the COVID-19 pandemic in the 2020-22 period, Viet Nam's import-export turnover surpassed the US\$700-billion mark for the first time last year to top \$732.5 billion, up 9.5 per cent year-on-year.

Notably, 2022 also marked the seventh consecutive year Viet Nam has recorded a trade surplus, with a value of over \$11 billion.

In addition, Viet Nam has also become an attractive destination for foreign investors. As of late 2022, the country had attracted nearly \$439 billion in 36,278 projects from more than 140 nations and territories.

According to statistics from the General Department of Customs under the Ministry of Finance, in 2021, Viet Nam's trade with FTA partners hit \$480 billion, up 22.5 per cent year-on-year, accounting for nearly 72 per cent of its total import-export turnover with the whole world.

Nguyen Thi Thu Trang, director of the World Trade Organisation (WTO) and Integration Centre at the

Vietnam Chamber of Commerce and Industry (VCCI), attributed the achievements to the country's bravery in opening its economy through the accession to the WTO and participation in FTAs.

FTAs have opened doors for Vietnamese exports and created more opportunities for the country to join the global value chain and production network, she said.

In particular, in the context of COVID-19, new-generation FTAs such as the EU-Vietnam Free Trade Agreement (EVFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the UK-Vietnam FTA, and the Regional Comprehensive Economic Partnership (RCEP) have become "medicine" for Viet Nam's economy to recover post-pandemic, Trang added.

6. PM's conclusions to draw foreign tourist arrivals released

According to the document, departments, agencies, localities, business community and stakeholders need to further strive, stay more flexible and creative, change mindset and renew methods to revive the tourism sector following the COVID-19 pandemic, thus creating a breakthrough development for 2023 and subsequent years.

The general view and perception is that the tourism sector should take into account the diversification of markets, products and service supply chains in the spirit of providing products and services in need, not just those available.

The PM asked the Ministry of Public Security to work closely with the Foreign Ministry and

concerned agencies to adopt technological advances and reform administrative procedures related to the issuance of e-visas at international border gates, and review and submit amendments and supplements to visa policies to competent agencies to create favourable conditions for tourists.

The Ministry of Culture, Sports and Tourism was assigned to join hands with the Government Office and relevant agencies to seriously acquire feedback on the PM's Directive on attracting international foreign tourists in Vietnam in the new situation, soon complete and submit it for issuance in January.

7. Mechanisms needed for new investments to increase oil refinery capacity

The Dung Quat Refinery, Nghi Son Refinery and Petrochemical Complex, and processing plants with a total annual capacity of 14 million tonnes of petrol and oil, meet about 70 per cent of the domestic demand, according to the Ministry of Industry and Trade. Imports make up for the shortage.

The Vietnam Oil and Gas Group (PetroVietnam) proposed to increase the Dung Quat Refinery to 7.5 million tonnes per year and does not have any plans to expand Nghi Son.

The ministry estimated that by 2045 Viet Nam would face a shortage of 12 million tonnes of petrol and oil per year and 3.5 million tonnes of petrochemical products.

PetroVietnam anticipated bigger shortages compared to the ministry's estimate, nearly 12 million tonnes of petrol and oil by 2025 and nearly 20 million by 2030.

PetroVietnam proposed a refinery complex to be developed in Ba Ria – Vung Tau with a capacity of 12-13 million crude oil per year in the first phase, together with 660,000 tonnes of condensate, LPG and Ethane to bring to the market 7-9 million tonnes petrol and oil and 2-3 million tonnes petrochemical products per year.

In the second phase, the project would be expanded to increase the production capacity by 3-5 million tonnes of petrol and oil and 5.5-7.5 million tonnes of petrochemicals.

In addition, PetroVietnam also proposed a national crude oil and petroleum product reserve project with a scale of one million tonnes of crude oil and 500,000cu.m petroleum products per year.

PetroVietnam estimated that around US\$12.5-13.5 billion was needed to build the complex in the first phase and \$4.5-4.8 billion in the second phase.

According to the Ministry of Industry and Trade, there were some grounds for the proposal. In the context of complicated world developments with the risk of energy supply disruptions and rising energy prices, it was important to ensure energy security, in which ensuring adequate petroleum supply and increasing national reserve capacity were vital, the ministry said.

The ministry asked PetroVietnam to continue to study the projects to raise it for comments.

While it would take a lot of time to prepare issues related to the investment process of the refinery and oil reserve complex, the increase in petrol and oil domestic production capacity could only be expected from the Dung Quat refinery expansion project.

According to Binh Son Refining and Petrochemical Joint Stock Company, which operated Dung Quat Refinery, the expansion would cost around \$1.2 billion to increase the capacity from 6.5 million tonnes to 7.5 million tonnes and be implemented in 37 months before being put into commercial operation in the first quarter of 2026. To date, the evaluation of the expansion project has not been completed.

Corporate News

8. PET: Notice of stock issuance for the dividend payment

↓ -0.75%

Petrovietnam General Services Corporation announced the information on a stock issuance to the dividend payment:

- | | |
|---|---|
| <ul style="list-style-type: none"> 1) Stock name: Stock of Petrovietnam General Services Corporation 2) Stock type: common share 4) Total issued volume: 90,450,124 shares 5) Outstanding volume: 89,837,424 shares 6) Treasury volume: 612,700 shares | <ul style="list-style-type: none"> 7) Expected issue volume: 8,983,742 shares 8) Total issue value: VND89,837,420,000 9) Issue ratio: 100:10 10) Financial resource: Undistributed profit after tax. 11) Record date: January 19, 2023 12) Plan to deal with fractional shares: The distributed shares will be rounded down. The fractional shares (if any) will be bought back with VND10,000/share. |
|---|---|

9. BWE: Notice of the record date for the 2023 AGM and dividend payment

↓ -1.56%

Binh Duong Water Environment Joint Stock Company announces the record date for the 2023 annual shareholders' meeting (AGM) and the dividend payment as follows:

Record date: January 31, 2023

The payment for the 2022 cash dividend

Dividend pay-out ratio: 13%/ par value
(VND1,300/ share)

Payment date: April 26, 2023

Place & procedure of payment:

-Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.

-Shareholders whose shares have not been deposited: Binh Duong Water Environment Joint Stock Company as from April 26, 2023.

For the 2023 annual shareholders' meeting (AGM)

Meeting date: expected in March 2023

Meeting venue: Binh Duong Water Environment Joint Stock Company.

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