



VIETNAM DAILY NEWS



March 3rd, 2023

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Market Analysis

1. Market reverses on profit-taking pressure

The market retreated on Thursday as some investors seized the chance to take profit from the previous rally, while liquidity decreased and foreign investors continued to be net sellers.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index declined by 2.94 points, or 0.28 per cent, to 1,037.61 points. It soared nearly 16 points, or 1.55 per cent, on Thursday.

The breadth of the market was negative, while liquidity was also lower than the previous session. Specifically, a matching value on the southern bourse dropped 10.4 per cent to VND6.36 trillion (US\$268.2 million), equal to a trading volume of more than 373.1 million shares.

The index's reversal was due to weak sentiment and profit-taking activities of some investors, leading to losses of many large-cap stocks.

The VN30-Index also posted a fall of 5.7 points, or 0.55 per cent, to 1,028.73 points. Of the VN30 basket, 20 out of the 30 biggest stocks in market capitalisation on HoSE inched down, while nine ticker symbols gained and one was flat.

Sabeco (SAB), Vietinbank (CTG), Masan Group (MSN), Hoa Phat Group (HPG) and Vincom Retail (VRE) were the top five stocks with the greatest losses on Thursday, dominating the downward trend. The stocks slid in a range of 1.44-2.24 per cent.

The bearish trend was limited by gains of some pillar stocks, led by one of the Big 4 banks - BIDV with an increase of 1.64 per cent in market cap.

Similarly, the HNX-Index on the Ha Noi Stock Exchange (HNX) also witnessed poor performance on Thursday. It ended the trading day at 206.14 points, a dip of 0.69 points, or 0.33 per cent.

During the session, more than 40.1 million shares were traded on the northern market, worth VND595.09 billion.

Foreign investors continued to run away from the market as they net sold VND120.16 billion on HoSE, while bought a net value of VND1.7 billion on HNX.

Last month, both benchmark indices posted a monthly fall, of which the VN-Index lost 7.8 per cent and the HNX-Index was down 9 per cent.

The market's liquidity was also weak in February, with an average trading volume and value of nearly 567.7 million shares and over VND10 trillion, down 2.14 per cent in average volume and 4.6 per cent on-month, respectively.

The total trading value of foreign investors reached over VND48.4 trillion during the period, accounting for more than 12.08 per cent of the total trading value of the whole market. Foreign investors were net sellers last month with a net sell value of more than VND571.8 billion.

Macro & Policies

2. Vietnamese electrical vehicles reach US customers

These initial deliveries are from the first shipment of 999 City Edition vehicles, which were shipped to the US in December last year. The version comes in both Eco and Plus trim with an EPA-rated range of 207 miles and 191 miles, respectively.

Other vehicles will continue to be delivered to customers at VinFast's stores or through a home-delivery service.

Besides financial promotion for US consumers, VinFast also offers an impressive 10-year warranty

for their vehicles and batteries, as well as mobile repair services, and 24/7 roadside assistance.

According to the website electrek.co, VF 8 City Edition is the version that VinFast exports exclusively to the US market. It integrates Advanced Driver Assistance Systems (ADAS) and smart entertainment and utility applications Smart Services. In addition, VF 8 City Edition will receive free software updates, and upgrade many other features and applications.

3. Coffee chains ditching kiosk model

Phuc Long, the top coffee chain in terms of scale in the Vietnamese market, is likely to see a landmark change later this year as Masan Group, which owns over half of its shares and has full control over its activities, decides on its future direction.

"Management is conducting a comprehensive review in Q1 of 2023 to determine a winning model before further scaling up," said an annual business report published by Masan in early February.

Phuc Long owns 906 stores as of mid-February, surpassing other well-known brands such as Highlands, Trung Nguyen, Starbucks, and The Coffee House, and it boasts the fastest growth rate in the entire market.

Before officially joining Masan's ecosystem in May 2021, the brand only had 80 stores, but that number has skyrocketed since thanks to the integration of kiosks inside the Winmart supermarket chain and Winmart+ stores.

The strategy of focusing on developing small stores within the WinCommerce retail ecosystem helped the brand reduce cost burdens and increase profits during the pandemic, and also initiated the development of the kiosk model with the redirection of The Coffee House, Ong Bau, and Chuk Chuk brands.

However, Phuc Long since last summer has closed a number of inefficient kiosks, which reached 760 at its peak. The chain is now gradually returning to its traditional model by opening 44 more flagship stores in 2022 and is expected to continue to expand in 2023.

By the end of 2022, Phuc Long Heritage boasted 111 of these stores, doubling in number since it was acquired by Masan and closing the gap significantly with other food and beverage brands.

The new stores have resulted in marginal earnings before interest, taxes, depreciation, and amortisation (EBITDA). According to a financial report from Masan, Phuc Long achieved \$68.6 million in revenue and \$8.19 million in EBITDA in 2022, missed the target of \$108-130 million set out, primarily due to the strong performance of flagship stores who delivered \$48.3 million in revenue and \$14.4 million in EBITDA.

"On a unit economics basis, flagship stores are estimated to deliver revenue per store twice that of the next industry player and a store EBITDA margin of 35 per cent, superior to that of the best-in-class globally," said the report. "The outstanding unit economics combined with new store opening momentum provides Phuc Long Heritage with lots of confidence in the business to be the number one

tea and coffee player in Vietnam within a few years, with international ambition to follow.”

Similar to Phuc Long, a number of other beverage chains are narrowing the kiosk model after a period of experimentation that did not achieve the expected results.

The Coffee House opened eight new kiosks but has ceased to continue in that direction. The first was opened in October 2021, and the company promised to bring customers a “convenient, safe, and modern experience based on technology”.

After a year of closure, the brand has reopened its flagship store in Ho Chi Minh City, bringing the total number of traditional stores to 154 as of this month.

The Chuk Chuk coffee and beverage chain, meanwhile, also took advantage of the new model when it was established in mid-2021. It set a goal to open up to 1,000 stores of all types by 2025. However, only 55 stores exist, nearly half of which are kiosks that mainly offer take-away.

In that time, KIDO Group, which owns over 60 per cent of Chuk Chuk, announced the withdrawal of capital. The company has yet to announce a new owner, but after name and concept changes, it has been rebranded to Chuk Tea & Coffee.

Elsewhere, Highlands Coffee has officially closed its kiosk model, in which kiosks were placed in front of their main stores for rush hour take-away. As of February, Highlands Coffee consists of just under 600 flagship stores in Vietnam.

According to some experts, kiosks seemed to become less popular because the choice of products was streamlined. Discounting delivery applications up to 25 per cent of order revenue was also the cause of profit erosion of the kiosk model, with no feasible way to increase the price of drinks higher than found in traditional stores.

Starbucks, meanwhile, had been focusing on spacious design to enhance the customer experience pre-2020. But in the last few years, the brand had a slight change in orientation with the opening of more moderate-sized stores.

Despite saying no to kiosks, Starbucks Vietnam's current model is aimed at leanness, seeking more premises in new urban areas or in local communities to connect customers.

Starbucks Vietnam general manager Patricia Marques said the company will continue to open more stores as a priority goal in Vietnam this year and beyond.

4. February industrial production index up 5.1%

The GSO attributed to the rise to a greater number of working days than January and more workers returning to factories after the Lunar New Year holiday.

Compared to a year earlier, the index rose 3.6%, with the mining sector expanding 7%, manufacturing activity 3.3%, power generation and distribution 2.8%, and waste treatment 6%.

However, the figure for the first two months of 2023 fell 6.3% over the same period last year as the global economy continued to face numerous difficulties

and inflation in many countries remained high despite having moderated.

Specifically, mining dropped 3.8%, manufacturing slid 6.9% and power generation and distribution fell 5.2%.

The two-month industrial production index rose in 44 provinces and cities and decreased in the remaining 19.

5. VN an important hub in World Logistics Passport network

He was speaking at a seminar held in Ha Noi on Tuesday to launch the WLP initiative in Viet Nam and discuss the possibility of strengthening cooperation on logistics between Viet Nam and the United Arab Emirates (UAE).

The WLP is a global, private sector-led initiative designed to smooth the flow of global trade, unlock market access and provide economic efficiencies to members.

Enabled by key logistics partners such as airports, ports, and customs, the WLP offers financial and non-financial benefits to traders and freight forwarders as a reward for increasing their trade.

The WLP, the world's first global freight loyalty scheme, benefits businesses by reducing their supply chain costs and ensuring that goods will be moved faster and more efficiently.

Viet Nam is listed among 29 regional logistics and trade hubs of the programme from May 2021 with five businesses becoming its partners.

UAE Ambassador to Viet Nam Bader Abdulla Al Matrooshi said that the UAE is one of the largest trade partners of Viet Nam in the Middle East region with two-way trade reaching US\$8 billion in 2022.

With the introduction of more ideas like the WLP, trade between the two countries is expected to increase through the improvement of trade and economic interests of signature partners, thus drawing more partners.

He thanked the Ministry of Industry and Trade (MoIT) and relevant agencies of Viet Nam for creating optimal conditions for bilateral economic cooperation, expressing his hope that the partnership between UAE and Vietnamese businesses will continue to rise.

Tran Thanh Hai, Deputy Director of the Foreign Trade Agency under the Ministry of Industry and Trade, held that facilitating trade and strengthening national competitiveness have been a focus of not

only the industry and trade sector but the whole logistics ecosystem of the country.

Hai said he hoped that with the launch of the WLP initiative in Viet Nam, the domestic logistics sector will reap more successes, optimising and sharing the interest of the programme amid extensive international integration. The launch should also help promote trade between Viet Nam and the UAE as well as trade among members of the whole WLP network.

Products and goods of Viet Nam when granted WLP by the UAE would be supported in terms of customs clearance, air tax exemption, reduction of inspection time and loading, reducing storage time by up to 48 hours and early customs clearance which could help save up to 40 per cent of costs.

To date, 22 enterprises providing logistics services in Viet Nam registered to participate as members of the WLP programme.

Nguyen Phuc Nam, Deputy Director of the ministry's Asia-Africa Market Department, underlined that the WLP and Vietnamese stakeholders should work together to remove bottlenecks in the supply chains in particular areas and sectors, especially amid the interruption of supply chains, thus adding more Vietnamese firms to the WLP network and optimising the efficiency of Viet Nam's strategic location.

At the seminar, the WLP signed agreements to implement the initiative with Vietnamese partners, including Vietnam Airlines Corporation, Railway Transport and Trade JSC (RATRACO), T&Y Superport Vinh Phuc JSC, Viet Nam Shippers' Council (VNSC), and Vietnam Coffee Cocoa Association (Vicofa).

WLP is built to reduce non-tariff barriers in international trade by reducing the time and cost of operating logistics services. The WLP network spans over 48 countries on all continents and over 15 trade corridors in the global supply chain, accounting for 47 per cent of global trade.

6. Vietnam lures 3.1 billion USD in FDI in two months

Of the total, 1.76 billion USD was poured into 261 new projects while an additional 535.4 million USD was committed to 133 existing projects. Stake purchases by foreign investors were estimated 797.9 million USD.

The manufacturing sector was the largest recipient of FDI, with 2.17 billion USD, accounting for 70.1% of total pledges, followed by property trading with 396.9 million USD, and wholesale and retail with 202.1 million USD.

Singapore was the largest foreign investor in Vietnam during the period, with 978.4 million USD, equivalent to nearly one third of the total figure.

Taiwan (China) and the Netherlands came second and third with 407.1 million USD and 369 million USD, respectively. Other large investors included China, the Republic of Korea and Sweden.

Bac Giang was the largest FDI recipient with 824.3 million USD, followed by Ho Chi Minh City with 369.1 million USD.

During the two-month period, disbursement was estimated at 2.55 billion USD, down 4.9% from last year.

Exports by foreign-invested firms (including crude oil) fell by 5.3% year-on-year to 38.4 billion USD, accounting for over three quarters of the country's total export revenue.

7. Pangasius industry needs a push in deep processing for higher value

Currently, the cost of raising tra fish is around VND29,000-VND30,000 (US\$1.23-\$1.27) per kilo and the price of raw fish has risen sharply from VND28,000 per kilo to VND31,000-VND32,000 per kilo in farming areas in the Mekong Delta such as An Giang, Dong Thap and Can Tho. Consequently, the current market price has created a profit for tra fish farmers.

The surge in tra fish prices can be attributed to China's recent relaxation of COVID-19 restrictions. As a result, trade between the Vietnamese and Chinese markets has become increasingly favourable, with China purchasing large quantities of the fish.

In addition, fish farming costs have been on the rise due to an increase in the price of fish food, which has led to a selling price below the break-even point for many farmers. Consequently, several fish farmers have reduced their operations to cope with the costs, exacerbating the supply shortage and contributing to the surge in pangasius prices.

Despite the growing market demand for tra fish, the production has been limited due to the shortage of fingerlings, as it is currently an unseasonal time for their cultivation.

Prices are heavily influenced by market forces, with the current price of over VND30,000 per kilo considered inadequate for farmers to sustain profitability. To achieve and maintain profitability, the price of raw tra fish must remain at or above this level, or the cost of feed must be reduced.

However, meeting the growing market demand for this fish is not a major concern as the farming and harvesting process is relatively fast, taking only 6-8 months to complete.

While the tra fish price is rising sharply, seafood exports including tra fish plunged in January, why is this?

In January, seafood exports were estimated at \$600 million, representing a year-on-year drop of 31 per

cent, of which tra fish exports decreased by 50 per cent. This was mainly due to the considerably high inventory in cold storage by imported enterprises.

Furthermore, as the market reopened in 2022, there was a surge in demand, causing the price of pangasius to skyrocket to unprecedented levels. As a result, all factory businesses are running at full capacity.

As we exported too much in 2022, import markets like the US and EU will reduce imports in 2023. This presents an opportunity for seafood exporters, including tra fish farmers, to recover. However, the decrease in exports is temporary and when major import markets such as the US, EU, mainland China and Hong Kong start demanding again, supply may not be enough.

Notably, there are positive signals for the Chinese market as 23 Vietnamese seafood enterprises were recently approved by the General Administration of Customs of China (GACC) to export to the market. The China Import Food Enterprise Registration (CIFER) system has over 800 Vietnamese enterprises that are eligible to export to China.

However, it is expected that tra fish exports to mainland China will not prosper until the end of the second quarter of 2023, as import markets must consume their existing stockpiles. In 2022, Hong Kong was the largest importer of Vietnamese tra fish with around \$600 million in export turnover, accounting for over 30 per cent of the country's export turnover.

How likely do you think it is for the pangasius industry to surpass its record export value of \$2.4-\$2.5 billion from last year?

Exporters are now optimistic, with their sights set on the mainland Chinese and Hong Kong markets. Nevertheless, these markets are known for their erratic fluctuations, so exporters are diversifying their markets and monitoring the US, EU, Middle

East, Southeast Asia and other markets closely to avoid overreliance on any one market.

Positive signals for the industry include recent imports of Vietnamese tra fish by Cambodia, Thailand and India, despite the fact that these countries also produce pangasius.

In 2022, the tra fish industry played a crucial role in Viet Nam's record-breaking seafood export value of \$11 billion.

Looking ahead to 2023, the industry aims to improve quality and increase exports to \$2.4-\$2.6 billion. However, I believe that with the right market conditions and support for businesses to add value, the industry could achieve even more.

The majority of exported pangasius products are in preliminary processing form, with a modest proportion of deeply processed products that offer added value. Specifically, frozen pangasius fillets made up 86 per cent of export products in 2022, while fresh/frozen/dried pangasius whole or cut into pieces accounted for 12 per cent, and value-added processed pangasius only accounted for 2 per cent.

To ensure the sustainable growth of the pangasius industry, a number of solutions must be implemented in a synchronised manner. These include creating links and value chains between farmers and businesses, planning production areas and processing facilities, diversifying products to add value, effectively utilising by-products, developing e-commerce, building brands and expanding consumer markets for both domestic and export consumption.

By promoting the production of value-added products using by-products, the pangasius industry can achieve an export turnover of up to \$3 billion. To achieve this goal, it is crucial for the Government to implement policies that incentivise enterprises to invest in technology development, particularly in deep processing and improve product quality.

Corporate News

8. PC1: Plan to hold AGM 2023

↓ -2.63%

On February 27, 2023, the BOD of Power Construction Joint Stock Company No 1 approved to hold the Annual General Meeting 2023 as follows:

- Record date: March 21, 2023

- Meeting time: expected in April 2023
- Meeting venue: 583 Nguyen Trai, Thanh Xuan, Ha Noi.

9. VPB: Record date for AGM 2023

↓ -0.86%

On February 28, 2023, the Hochiminh Stock Exchange issued Announcement No. 292/TB-SGDHCM about the record date of VietNam Prosperity Joint Stock Commercial Bank as follows:

- Ex-right date: March 14, 2023
- Record date: March 15, 2023

- Reason & purpose: To hold the Annual General Meeting of Shareholders 2023.
- Content:
 - Exercise ratio: 01 share – 01 voting right
 - Meeting time: April 18, 2023
 - Meeting venue: in Ha Noi.

Research Team:**Tsugami Shoji** *Researcher*jsi@japan-sec.vn**Disclaimer:**

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Japan Securities Co., Ltd – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn