

# Xin Chao Vietnam

## Market performance

	06 May	1D	1M	3M	YTD
VNIndex (pt, % chg.)	764.16	0.22	8.89	(17.47)	(20.48)
Turnover (VND bn)	3,416				
VN30 (pt, % chg.)	711.01	0.23	9.53	(15.89)	(19.12)

## Major indicators

	06 May	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	1.77	(0.13)	(0.68)	0.15	0.34
3-yr gov't bonds (% bp chg.)	2.00	(0.18)	(0.68)	(0.00)	0.33
VND/USD (% chg.)	23,423	0.12	0.13	(0.85)	(1.07)
VND/JPY (% chg.)	21,916	0.26	(2.01)	(3.53)	(2.70)
VND/EUR (% chg.)	25,558	(0.55)	(0.71)	0.17	1.64
VND/CNY (% chg.)	3,316	0.12	(0.24)	0.41	0.36
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.67	0.04	0.08	(0.98)	(1.25)
WTI (USD/bbl, % chg.)	22.26	9.17	(21.45)	(56.14)	(63.54)
Gold (USD/oz, % chg.)	29.09	6.95	(14.72)	(47.38)	(55.92)

## Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
Gemadep	32.77	FPT Corp	(8.89)
Eximbank	29.72	PVTrans	(3.07)
Vinhomes	8.51	Long Hau	(1.97)
HCM Infrastructure	7.70	Techcombank	(1.27)
FLC Mining Investment & Asset Management	7.67	VPBank	(1.09)

## Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
Vinhomes	26.02	Hoa Phat Group	(23.73)
Vinamilk	23.64	Sacombank	(22.52)
Khang Dien House	7.14	Novaland	(15.77)
Petrolimex	5.47	VietinBank	(12.29)
Phuoc Hoa rubber	3.30	Phu My Fertilizer	(11.99)

## Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
NullGroup	3.50	Health Care	(3.10)
Telecommunication	2.33	Media & Entertainment	(1.83)
Insurance	2.09	Transportation	(1.28)
Household & Personal Products	1.97	Automobiles & Components	(0.88)
Utilities	1.61	Consumer Services	(0.66)

## WHAT'S NEW TODAY

### Market commentary & News

- **Market commentary:** Energy in the spotlight
- **Vietnam PMI:** PMI fell to a historical low in April
- **SAB:** Profit after tax hits bottom since 1Q16

### Macro & strategy report

- **Fixed-Income April 2020:** "Temporary liquidity withdrawal, not a trend"

### Sector & company report

- **Khang Dien House (KDH):** 1Q20 review
- **Hoa Phat Group (HPG):** 1Q20 review

## KIS market view

	OP (VND bn)	NP (VND bn)	EPS growth (% yoy)	PE (x)	PB (x)	EV/EBITDA (x)	ROE (x)
<b>2018</b>	186,396	115,391	35.3	14.7	2.7	14.0	18.2
<b>2019</b>	231,781	139,009	23.3	13.3	2.4	11.1	17.7
<b>2020F</b>	239,645	133,501	(6.3)	11.4	1.7	8.5	14.7
<b>2021F</b>	294,159	164,644	24.9	9.1	1.4	6.2	15.8

Note: KIS Universe coverage of 35 companies that account for 58% of all listed (VNIndex) firms' earnings based on the past three-year average

## Macro forecast

	2Q19	3Q19	4Q19	1Q20	2019	2020F	2021F
GDP (% yoy)	6.7	7.3	7.0	3.8	7.0	5.9	7.4
Current account (USD bn)	n.a	n.a	n.a	n.a	4.0	1.8	2.1
CPI (% yoy)	2.1	2.0	5.2	4.9	5.2	4.0	3.5
Refinancing rate (% EoP)	6.25	6.00	6.00	5.00	6.00	5.85	5.75
VND/USD (avg.)	23,306	23,213	23,195	23,240	23,236	24,000	23,200
US GDP (% yoy) *	2.0	2.1	2.1	1.0	2.3	-3.5	3.8
China GDP (% yoy) *	6.2	6.0	6.0	-6.8	6.1	3.0	6.5

Note: \* Data compiled by Bloomberg

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## Market commentary & News

### Market commentary

#### Energy in the spotlight

Hieu Tran  
hieu.ttm@kisvn.vn

Vietnam stock market resumed its uptrend yesterday after the global financial market rebounded.

At the close, the VNIndex gained 0.22% to close at 764.1 pts. Trading volume decreased to 212 million shares or VND3,416bn.

Foreign investors continued to sell with a net value of VND111bn on HSX. They sold HPG, STB, and NVL heavily with net values of VND23bn, VND22bn, and VND15bn, respectively.

Energy was the market leader driven by GAS (+2.7%), PVT (+0.7%), PVD (+3.0%), PVS (+2.6%), PLX (+0.7%), and BSR (+1.7%). In which, GAS's shareholders approved the plan to pay 45% cash dividend for FY19 in the 2020 Annual General Meeting.

Moreover, VNM surged by 3.0% as its internal persons has bought its shares.

In contrast, few constituents of the VN30-Index tumbled more than 1% such as EIB (-1.3%), PNJ (-1.0%), POW (-1.3%), SAB (-1.9%), VHM (-2.0%), and VJC (-2.4%). Notable, SAB recorded negative business results in 1Q20.

Despite the recovery, the market sentiment has become cautious thanks to high selling pressure. The downside risk is still high in the short term. Therefore, traders should stay on the sidelines and wait for confirmation signals of a trend.

### Breaking news

- ▶ Vietnam PMI: PMI fell to a historical low in April

Following the service sector, manufacturing is now feeling the heat of the COVID-19 pandemic as the data shows that the business conditions have been worsening than expected. According to the leading IHS Markit, the manufacturing PMI index posted only 32.7 in April, which is far worse than March's level of 41.9, due to the order of national lockdown in almost the month. Manufacturing output, new orders, employment, and purchasing also fell to their lowest level, while the business sentiment turned negative for the first time. (IHS Markit)

- ▶ SAB: Profit after tax hits bottom since 1Q16

Due to the negative impact of the Covid-19 pandemic, consolidated revenue of Sabeco (HOSE: SAB) dropped 47% yoy to VND4,909bn. Besides, profit after tax dropped by 43% yoy to VND700bn, recording at the lowest level since the first quarter of 2016. (Sabeco)

## Macro & strategy

### Fixed Income April 2020

#### "Temporary liquidity withdrawal, not a trend"

Y Nguyen  
y.nt@kisvn.vn

- ▶ SBV slightly drains liquidity

SBV reduced the magnitude of liquidity withdrawal significantly in this month. Also, we see that SBV used repo contracts to adjust the liquidity in short-term rather than expressed the stance of money-injection in longer-term. Hence, we predict the liquidity to remain stable in the next month.

- ▶ The interbank yield downturn becomes weak

The overnight rate still moved in the interest rate corridor but more frequently lay around the lower bound. The low overnight

interbank rate indicates an excess in liquidity in the banking system due to the risk of the pandemic. However, the reduction in trading value and SBV's liquidity support (via repo instrument) likely predict a weak downturn in the interbank rate in next month.

► Correction in G-bond yields

In April, the G-bond yield curve shifted downward for all tenors after a sharp re-bounce in March, showing modest corrections in the g-bond yields rather than any worrisome signs of the weak economy. Ample liquidity in the banking system and massive QE programs from major central banks are expected to put downward pressure on the g-bond yields with all tenors in May, and the former may make a greater impact on short-term yields.

## Sector & company

### Khang Dien House (KDH)

**BUY (Maintain), TP VND25,000**

**1Q20 review: Strong fundamental reaffirmed**

**Nhan Lai**  
nhan.lt@kisvn.vn

► Facts: Strong fundamental reaffirmed

KDH's 1Q20 results were in line with our estimates. Revenue came in at VND701bn, -16.7% yoy and net profit was VND154bn, +51.2% yoy, exceeding 2.9% our forecast. Only a few units from the Verosa landed-property project is handed over to buyers in 1Q20F versus a huge handover of condos from Jamila projects in 1Q19.

► Pros & Cons: Solid FY20F net profit growth

We expect KDH could maintain quarterly momentum growth in 2Q20F backed by the starting of delivery from Safira condo project. Consequently, we expect KDH could complete our FY20F net profit forecast at VND1,067bn, +16.6% yoy and revenue at VND3,498bn, +24.3% yoy. Our forecasts are below the KDH's prelim guidance by 3% as we conservatively assume higher discount expense to incur in FY20F.

► Action: Attractive valuation, firm footprint

We like KDH given its strong brand name in property market, healthy balance sheet and current potential upside of 21.4% for short-term investment. We believe the strong promotion packages offered to homebuyers' of Venita Park and Lovera Vista projects will partially remove the shadow over KDH which has emerged due to the slower demand for real estate

### Hoa Phat Group (HPG)

**Hold (Maintain)**

**1Q20 review: Soaring through the clouds**

**Vinh Chu**  
vinh.cd@kisvn.vn

► Fact: Sales and OP beat our estimate

Hoa Phat sold 732k tonnes of long steel, growing by 5.1% YoY. Combined with 350k tonnes of billet, total long product consumption expanded by 55.3% YoY. However, it only sold 145k tonnes of pipe steel, contracting by 15.8% YoY. Net revenue came in at VND19,233bn, up 28.5% YoY and above our forecast by 13.9% of which (1) steel revenue was VND15,591bn, up 30.3% YoY, and (2) agriculture revenue was VND2,779bn, up 58.5% YoY. OP was VND2,588bn, up 44.1% YoY and surpassing 158% of our forecast with steel gross margin at 16.9% and agriculture gross margin hitting the peak of 23.2%. The company also recorded unrealized foreign exchange loss of VND293bn in 1Q20 due to the VND17,044bn of foreign debt at the end of 2019. As the result, NPAT of controlling interest reached VND2,285bn, up 26.9% YoY

► Pros and cons: 2Q20 impact may be less severe

We believe the differences between our revenue estimation and the actual number came from (1) lower-than-expected input cost of steel segment (2) galvanized flat steel factory going online in 1Q20 and (3) more favorable market condition of agriculture segment.

In term of production cost, the upbeat performance in 1Q20 implies a less severe than our previous estimation in 1Q20 earnings preview. In term of sales, despite of COVID-19, Hoa Phat sold 450k tonnes of long product in April, up 90% YoY, including 270k tonnes of long steel and 180k tonnes of billet. Therefore, we forecast long steel volume in 2Q20 will be 840k tonnes, up 29.5% YoY. Combined with 350k tonnes of billet, long product will grow by 83.4% YoY.

Moreover, because we assume VND/USD to increase 2%, making a FX loss of VND340bn in 2020, we expect no further significant FX loss in the rest of the year given big loss in 1Q20.

► Action: Eyes on the 2nd phase and China inventories

We catch our eyes on the progress of 2nd phase of Dung Quat as Italian engineers still cannot go to Vietnam. This delay will negatively affect the cash flow of Hoa Phat and its profitability. Moreover, we concern the large steel inventory of China. Therefore, we maintain Hold recommendation.

*Please click on the underlined companies and sectors to see the full reports.*

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- BUY: Expected total return will be 15%p or more
- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
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- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

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