

Xin Chao Vietnam

Market performance

	15 May	1D	1M	3M	YTD
VNIndex (pt, % chg.)	827.03	(0.6)	6.4	(11.8)	(13.9)
Turnover (VND bn)	5,253				
VN30 (pt, % chg.)	773.95	(0.9)	7.1	(10.6)	(12.0)

Major indicators

	15 May	1D	1W	1M	YTD
1-yr govt bonds (% bp chg.)	1.57	0.0	(0.6)	(0.1)	0.1
3-yr govt bonds (% bp chg.)	1.93	0.0	(0.5)	0.1	0.3
VND/USD (% chg.)	23,363	0.0	0.3	(0.6)	(0.8)
VND/JPY (% chg.)	21,819	(0.1)	(0.0)	(3.1)	(2.3)
VND/EUR (% chg.)	25,238	0.1	2.0	(0.2)	2.9
VND/CNY (% chg.)	3,290	0.1	0.8	1.1	1.2
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.61	(0.0)	(0.0)	(1.0)	(1.3)
WTI (USD/bbl, % chg.)	28.28	2.6	42.3	(45.7)	(53.7)
Gold (USD/oz, % chg.)	31.99	2.8	15.5	(44.2)	(51.5)

Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
CII	21.1	FUEVFNVD	(265.0)
FPT	10.7	HPG	(10.1)
TCB	10.5	VNM	(6.2)
E1VFN30	10.3	POW	(5.9)
GAB	8.7	STB	(3.2)

Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
FUEVFNVD	260.0	PDR	(29.0)
VCB	79.4	VNM	(26.3)
VPB	21.5	VRE	(22.8)
MSN	8.1	DPM	(19.7)
SAB	5.3	GAS	(15.7)

Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Telecommunication	3.9	Household Products	(3.1)
Real Estate	0.8	Commercial Services	(2.8)
Software & Services	0.3	Automobiles	(2.5)
Pharmaceuticals	(0.1)	Insurance	(2.5)
Media & Entertainment	(0.2)	Consumer Durables	(2.1)

WHAT'S NEW TODAY

Market commentary & News

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Sector & company

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- **Vinamilk (VNM):** 1Q20 review
- **Vinh Hoan Corporation (VHC):** 1Q20 review

New listing & Public offerings

Market view

	OP (VND bn)	NP (VND bn)	EPS growth (% yoy)	PE (x)	PB (x)	EV/EBITDA (x)	ROE (%)
2018	186,396	115,391	35.3	14.7	2.7	14.0	18.2
2019	231,781	139,009	23.3	13.3	2.4	11.1	17.7
2020F	239,645	133,501	(6.3)	12.8	1.9	9.5	14.7
2021F	294,159	164,644	24.9	10.2	1.6	6.9	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)	6.3	6.0	6.0	5.0	6.0	5.9	5.8
VND/USD (avg.)	23,306	23,213	23,195	23,240	23,236	24,000	23,200
US GDP (% qoq)	(3.2)	(27.5)	9.0	6.8	2.3	(4.6)	3.8
China GDP (% yoy)	(6.8)	1.1	5.0	6.0	6.1	1.8	8.0

Note: * Data compiled by Bloomberg

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Market commentary & News

Market commentary

Profit-taking

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Vietnam stock market recorded three consecutive correction sessions as the Vietnam government has been considering reducing the GDP growth target to 5.4% in 2020 from 6.8%.

At the close, the VNIndex lost 0.65% to close at 827.0 pts. Meanwhile, trading volume decreased to 301 million shares or VND5,253bn.

Foreign investors continued to buy with a net value of VND105bn on HSX. They bought FUEVFVND the most with a net value of VND260bn.

Profit-taking pushed some large-cap stocks down more than 2% such as BID (-2.7%), BVH (-2.9%), CTD (-2.9%), CTG (-2.1%), MBB (-2.0%), MSN (-2.8%), PLX (-2.4%), PNJ (-2.5%), SSI (-2.1%), and STB (-2.4%).

In contrast, members of Vingroup were the market leaders due to VIC (+1.0%), VHM (+1.4%), and VRE (+0.2%). Besides, EIB (+0.9%), SBT (+0.3%), and VPB (+0.8%) closed in green territory.

Despite the contraction in the last week, the short-term uptrend has been still intact because of the breakout of the VNIndex, closing above the significant threshold of 800 pts. Therefore, traders can increase long positions and focus on leading stocks.

Breaking news

- ▶ Vietnam Credit growth: Credit growth slows down due to weak business activity

At a conference between banks and businesses, the Director of the Credit Department of the State Bank of Vietnam Nguyen Quoc Hung unveiled a poor result of credit growth in the first half of May. As of 13th May 2020, the total credit increased by just 1.2% after reaching 1.42% by the end of April, which means the businesses seem to not absorb available funding on the market even with lowered-borrowing cost. Recently on Tuesday, the SBV made a further policy rate cut as attempts to support the wounded economy due to the COVID-19 pandemic, and this easing policy is expected to lower the borrowing costs to the households and businesses in a near term. (State Bank of Vietnam)

- ▶ FPT: Revenue and profit after tax are improved

In the first 4 months of 2020, revenue and profit after tax of FPT Corp (HOSE: FPT) recorded at VND8,841bn and VND1,041bn, up 13.5% yoy and 17.3% yoy, respectively. (ndh.vn)

Macro & strategy

Chart of the day

Short-term consolidation phase

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- ▶ Market performance

The VNIndex moved in a tight range of 820-840 pts, implying the short term consolidation phase.

- ▶ Chart: Wait for a confirmation signal

The medium-term uptrend is still intact as the medium-term moving average (the MA 50) has been going up. However, volume reduces amid the consolidation of the VNIndex, showing the cautious sentiment. Moreover, leading indicators imply negative signals as the Stochastic crossed its signal going down.

On the upside, 850 pts level is the resistance of VNIndex which overlaps with the benchmark for trend direction – MA100. On the other side, 800 pts level is the significant support

→ The upward trend is dominant in the medium term, but the consolidation phase is formed

► Technical strategy: Hold the position

In this scenario, the tightening phase or correction period this week will provide the opportunities for investors to earn price advantages or re-enter the market. Therefore, investors can hold their long positions and focus on leading stocks.

Sector & company

Vinhomes (VHM)

BUY, TP VND90,000 [+27.3%]

1Q20 review: Unrivalled FY20F earnings growth

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► Facts: Robust earnings driven by financial gain

1Q20 prelim net profit surged 169.4% yoy to VND6,843.8bn on the back of: 1) an extraordinary income of VND7,508bn from Grand Park project 2) a gross margin expansion of 22.5%p yoy to 45.2% in 1Q20 driven by the better margin from better GM from Smart City and Ocean Park projects, and the absence of one-off high-construction-cost Landmark 81 project recorded in 1Q19. 1Q20 topline growth sustained by 11.4% yoy to VND6,519bn.

► Pros & Cons: 2020F earnings continues topping those listed

Despite the hiccups in licensing process and COVID-19 impact that dampening the presale activity, VHM could be sheltered from FY2020F earnings contraction thanks to starting delivery from mega township. We forecast VHM's FY20F revenue to jump 35% yoy to VND69.7tn, and FY20F PATMI to grow 11.6% yoy to VND24.3tn, underpinned by retail delivery at Ocean Park, Grand Park and Smart City and a huge financial income from land transfer in Grand Park project.

► Action: Cheap valuation but solid growth

We retain our BUY rating with a RNAV-based TP of VND90,000, thanks to its leading and dominant position in the Vietnam market in both land bank and execution aspects. Its flexible sales strategy in combining retail and bulk sales seems to help the firm withstand market headwinds, maintaining constant pre-sale activities and earnings growth. We think investors can do worse than accumulating VHM stock currently after pressure from net sold by foreign investors since COVID-19 has been weak in recent days.

Vinamilk (VNM)

BUY (Maintain), TP VND124,400

1Q20 review: Heading for higher profit growth post pandemic

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► Facts: 1Q20 revenue growth decelerates due to the pandemic

In 1Q20, Vinamilk recorded consolidated revenue of VND14,153bn, increasing 7.3% yoy. Despite of adverse impact of COVID-19 pandemic, domestic revenue of Vinamilk reached VND12,092bn, increasing 7.9% yoy, mainly driven by GTN consolidation. Export reached VND2,061bn, increasing only 4.2% yoy due to weaken milk demand in export markets in 1Q20. Direct export by Vinamilk reached VND1,081bn (+7.5% yoy) and indirect export via foreign subsidiaries (Driftwood, Angkor Milk) reached VND980bn (+0.8% yoy) in 1Q20.

Vinamilk's gross margin was almost flat at 46.7% in 1Q20. Although WMP (Whole milk powder) price per volume unit increased 3.1% yoy (as our estimate), gross margin was stable because of higher selling price (+3% yoy) in 1Q20.

Because of higher SG&A ratio (+1.6%p yoy) due to GTN consolidation and rising corporate income tax rate (+1%p yoy) of some factories, Vinamilk recorded NPAT at VND2,777bn, decreasing slightly 0.7% yoy in 1Q20.

► Pros & Cons: Domestic market to strengthen post pandemic

We expect Vinamilk to benefit from stronger domestic demand post COVID-19 pandemic and expand its market share, which

was narrowed by 1%p qoq in 1Q20. Meanwhile, we estimate revenue volatility of export to Middle East, coupled with the adverse impact of COVID-19 pandemic in the U.S., to hinder Vinamilk's export in the coming quarters.

Gross profit will grow because low average import milk price (-20% yoy, per our estimates) and revenue contribution of high-margin products will widen overall margin.

► Action: Maintain BUY at TP of VND124,400

We expect brighter domestic market and favorable milk input price will strengthen profit growth in the coming quarters. Therefore, we maintain BUY for VNM share with TP of VND124,400. Total expected return is 16%.

Vinh Hoan Corporation (VHC)

BUY (Maintain), TP VND37,800

1Q20 review: China rebound to offset the U.S. slump in 2Q20

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► Facts: China market and COVID-19 pandemic hits 1Q20

In 1Q20, Vinh Hoan recorded consolidated net revenue of VND1,636bn, decreasing 14.1% yoy. Export to the U.S. and China recorded VND757bn and VND73bn, decreasing by 4% yoy and 68% yoy, respectively. Export to EU reached VND272bn, increasing 11% yoy. We estimate the export interruption to China due to COVID-19 pandemic and lower export price were the main factors dragging down Vinh Hoan's revenue in 1Q20.

The plunge of export price led to the decline of gross margin, which dropped 10.4%p yoy in 1Q20. Because of contracting gross margin, Vinh Hoan recorded gross profit of VND215bn, decreasing 49% yoy. In overall, Vinh Hoan recorded NPAT of VND152bn in 1Q20, decreasing 50.5% yoy.

► Pros & Cons: Export to the U.S. to weaken in 2Q20

We expect Chinese pangasius demand to see a strong rebound in 2Q20 as China has re-opened its economy. In Apr 2020, Vietnam export volume to China reached 24.8 thousand tonnes, jumping 46.2% yoy to record a 4-month increase. Per Vinh Hoan's management, export volume of Vinh Hoan to China can see volume recovery to 80% of pre-virus level in April 2020, 90% in May 2020 and 100% in June 2020 thanks to the rebound of China's catering services.

On the contrary, COVID-19 pandemic will undermine pangasius demand and weaken Vinh Hoan's export to the U.S. in 2Q20. Per our estimate, Vietnam export volume to the U.S. recorded only 3.5 thousand tonnes in Apr 2020 (-13.4% yoy), which was mainly hit by COVID-19 pandemic.

► Action: Cheap valuation but solid growth

In 2Q20, we believe the strong recovery of export to China, thanks to Chinese re-opening, to offset the decrease of export to the U.S. Furthermore, we expect negative impact of COVID-19 pandemic will fade away in Vinh Hoan's top three export markets from 3Q20. Therefore, we maintain BUY for VHC share with TP of VND37,800. Total expected return is 23%.

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

New listing & Public offerings

► New listing

(VND bn, share, VND)

Date of listing	Ticker	Company	Exchange	Charter	Listed Shares	Reference price
5/20/2020	VXT	Transport - Warehousing and Trade service JSC	UPCoM	23.5	2,350,400	11,900
5/18/2020	SCL	Song Da Cao Cuong JSC	UPCoM	138.9	13,889,973	2,300

► Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
6/12/2020	PTT	Indochina Petroleum Transportation JSC	100.0	1,000,000	31,931	Whole lot sale; local investors only
6/9/2020	HLENNVI	Ha Long Urban Environment Company	25.7	2,208,105	18,079	
6/8/2020	BTU	Ben Tre Urban Project JSC	36.0	864,000	14,630	

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- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

- **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- 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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