

# Xin Chao Vietnam

## Market performance

	19 Aug	1D	1M	3M	YTD
VNIndex (pt, % chg.)	851.21	0.6	(2.4)	0.6	(11.4)
Turnover (VND bn)	3,932				
VN30 (pt, % chg.)	789.41	0.3	(3.0)	(1.2)	(10.2)

## Major indicators

	19 Aug	1D	1W	1M	YTD
1-yr govt bonds (% bp chg.)	0.63	(0.1)	(0.0)	(0.9)	(0.8)
3-yr govt bonds (% bp chg.)	1.02	(0.3)	(0.2)	(0.9)	(0.6)
VND/USD (% chg.)	23,176	0.0	0.1	0.6	(0.0)
VND/JPY (% chg.)	22,003	(0.1)	(1.8)	(1.7)	(3.1)
VND/EUR (% chg.)	27,714	(0.4)	(4.3)	(8.1)	(6.3)
VND/CNY (% chg.)	3,356	(0.3)	(1.1)	(2.2)	(0.8)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.65	(0.0)	0.0	(0.0)	(1.3)
WTI (USD/bbl, % chg.)	42.56	(0.8)	4.9	31.0	(30.3)
Gold (USD/oz, % chg.)	45.07	(0.9)	4.5	30.1	(31.7)

## Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
HPG	25.7	HNG	(35.8)
AAA	24.0	PNJ	(14.2)
VNM	19.2	DBC	(4.9)
FPT	15.9	CII	(4.4)
MWG	13.6	HDG	(3.4)

## Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VHM	21.9	VNM	(36.3)
KSB	14.9	MSN	(14.9)
HPG	7.6	DXG	(11.8)
STB	5.0	HBC	(7.8)
DHC	3.9	SAB	(6.0)

## Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Others	3.6	Telecommunication	(5.6)
Software & Services	2.9	Consumer Services	(0.1)
Household Products	2.7	Automobiles	(0.0)
Health Care	2.3		
Energy	1.8		

## WHAT'S NEW TODAY

### Market commentary & News

- **Market commentary:** Close above the 50-period moving average
- **Global PMI:** PMI grows at the fastest pace since January

### Sector & company report

- **Property development:** 2Q20 review
- **Mobile World (MWG):** 2Q20 review

### New listing & Public offerings

## KIS market view

	OP (VND bn)	NP (VND bn)	EPS growth (% yoy)	PE (x)	PB (x)	EV/EBITDA (x)	ROE (%)
2018	186,396	115,391	35.2	14.7	2.7	14.0	18.2
2019	231,781	139,038	23.9	13.3	2.3	11.0	17.7
2020F	238,766	129,763	(7.8)	13.7	2.0	10.3	14.3
2021F	275,785	142,326	11.2	12.3	1.7	8.9	14.1

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

## KIS macro forecast

	1Q20	2Q20	3Q20F	4Q20F	2019	2020F	2021F
GDP (% yoy)	3.8	0.4	4.1	5.0	7.0	4.3	5.9
Trade balance (USD bn)	1.7	0.6	5.7	5.1	10.4	7.9	1.8
CPI (% yoy, avg.)	5.6	2.8	1.3	0.7	2.8	2.5	2.6
Discount rate (% EoP)	3.5	3.0	3.0	3.0	4.0	3.0	3.0
VND/USD (avg.)	23,264	23,335	23,300	23,317	23,231	23,304	23,296
US GDP (% qoq)	(4.8)	(32.9)	20.1	6.1	2.2	(5.0)	3.7
China GDP (% yoy)	(6.8)	3.2	5.2	6.1	6.1	2.0	8.0

Source: KIS, Bloomberg

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## Market commentary & News

### Market commentary

#### Close above the 50-period moving average

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Vietnam stock markets reversed to go up because the State Bank delayed the schedule of tightening short-term capital for medium and long-term loans by one year

At the close, the VNIndex gained 0.56% to close at 851.2 pts. Meanwhile, trading volume increased to 233 million shares or VND3,932bn.

Foreign investors continued to sell with a net value of VND19bn, the ninth selling session in a row, on HSX. They sold VNM, MSN, and DXG the most with net values of VND36bn, VND14bn, and VND11bn, respectively.

Brokerage was the market leader, namely SSI (+1.0%), HCM (+1.1%), and VND (+1.8%), as investors expected the business results in 3Q20 is positive.

Some large-cap tickers jumped more than 1% such as KDH (+1.5%), PLX (+2.0%), POW (+3.2%), ROS (+1.3%), and TCH (+1.5%).

Moreover, cash flowed into mid- and small-cap stocks such as HNG (+6.7%), HAG (+7.0%), CTR (2.2%), GMD (+4.8%), LCG (+7.0%), and PHR (+5.9%).

In contrast, HDB (-0.9%), SBT (-0.7%), and VNM (-0.2%) closed in red territory.

Base on the rebound, market sentiment has become optimistic as the VNIndex closes above its 50-period moving average. Therefore, traders should increase their long position and focus on leading stocks.

### Breaking news

- ▶ Global PMI: PMI grows at the fastest pace since January

According to the leading source of information IHS Markit, the worldwide benchmark PMI in June indicates a remarkable improvement of global economic growth, largely attributable to rebounding economic activities globally. Specifically, the JPMorgan Global PMI increased for a third consecutive month in July, up to 50.8 index points from 47.8 in June. This is the first time that the benchmark entered into the upward trajectory since the pandemic spreading globally in February. Most notably, France, the United Kingdom, Russia, and Germany saw the most improvement in the economic output in July in descending order. (IHS Markit)

## Sector & company

### Property development

#### Neutral (Maintain)

#### 2Q20 review: Headwinds have not subsided

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- ▶ Condo: A challenging first half

Both the major condo markets in Vietnam delivered a staggering performance in 1H20 in a swirly COVID-19 outbreak. HCMC market was double attacked while Hanoi market braked

- ▶ Landed property: Performance rehabilitation

Limited new launches alongside increasingly cautious buyers saw primary supply at its lowest for five years. First half supply of villa/townhouse/land lot in HCMC were minimum while shophouse supply was buoyant thanks to hundreds of units in Vinhomes Grand Park. However, we expect positive quarters ahead since landed property is traditionally preferred as a long-term

investment compared to stock markets or bank yield.

- ▶ Mortgage rate ease to trigger sale growth

Mortgage rates witnessed just a minor drop of 20-40 bp in July and early August since local banks try to leverage the credit growth in mortgage when loan demand in other sectors is sluggish. We expect this low level could maintain until next year as an amendment is recently passed to reschedule the timeline to 12 months of meeting the ratio of short-term funds used for medium-and long-term loans from 40% to 37%.

- ▶ Developers facing difficulties amid tight funding

We think developers will face challenges in raising funds in 2H20F as the Decree 81 will impose stricter regulations in bond private placement. They are following: 1) expected outstanding balance is not higher than 5 times of issuer's shareholder equity 2) interval between two different issuances is at least 6 months 3) issuance must be completed in 3 months. We could see a ramp up in bond issuance in 3Q20F before cooling down in 4Q20F when the decree becomes valid.

- ▶ 1H20 earnings lackluster despite lucrative financial gains

The listed developers recorded 1H20 revenue decrease of 21.7% yoy and NPATMI slump of 12.7% yoy, completing 27.5% and 27.7% their guidance respectively. The big attributor to the lower decrease in NPATMI was financial gains increase of 76% yoy. As most of delivery schedule is more skewed in favour of 4Q20F, we expect the second half could see exciting revenue and NPATMI yoy growth driven by the handover of thousand units of condo.

- ▶ Maintain NEUTRAL on conservatively unexciting outlook

We maintain our Neutral rating on Vietnam's residential property sector due to a lack of significant improvement in the regulatory approval process, which might continue to bottleneck the market's new supply over the next 5 months. Furthermore, the slower economic growth could threaten the homebuyers' affordability.

## **Mobile World (MWG)**

**BUY (Maintain), TP VND134,000**

**2Q20 review: 2H20 to focus on profit protection**

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- ▶ Facts: Pandemic hits consumer electronics in 1H20

Mobile World recorded VND55,639bn revenue (+7.8% yoy) and VND2,027bn NPAT (-4.4% yoy) in 1H20, completing 51% and 59% of the year targets, respectively.

Bach Hoa Xanh was revenue driver in 1H20, contributing VND9,459bn (+132% yoy), thanks to SSSG of 12% YoY and the full contribution of more than 400 stores opened in 2H19. After reaching VND1.6bn monthly revenue per store in Mar 2020, Bach Hoa Xanh's revenue per store has decreased since Apr 2020 to deliver VND1.1bn in Jun 2020.

On the contrary, The Gioi Di Dong & Dien May Xanh recorded revenue of VND46,180bn in 1H20 (-2.9% yoy), due to (1) store closure in Apr 2020 amid pandemic and (2) SSSG of -12% YoY in the context of lower consumer expenditure. However, The Gioi Di Dong & Dien May Xanh still gained market shares in most of the product lines.

- ▶ Pros & cons: 2H20 strategy to focus on profit protection

We maintain our view that Bach Hoa Xanh will play revenue key driver in 2H20, premised by double-digit SSSG and higher contribution of new stores opened in 1H20. Although the Southeast region has entered the rainy season which can increase spoilage rate, we expect Bach Hoa Xanh can maintain profit margins in 2H20, backed by contribution of 11 DCs and deceleration of store expansion as Bach Hoa Xanh has completed 83% of the store count's year target.

Referring to the impact of pandemic on Da Nang market, The Gioi Di Dong & Dien May Xanh has had to close 29/38 stores due to the current city lockdown. Meanwhile, more than 150 other stores in the Central are operating limitedly under control of social distancing. As accounting for only 9% Mobile Word's total revenue, we estimate The Gioi Di Dong & Dien May Xanh in the Central to have a negligible impact on Mobile Word with revenue loss of only VND500bn, assuming social distancing in the Central will extend till the end of Sep 2020. However, we are concerned that pandemic will spread negative impact beyond the Central, when higher unemployment rate and personal income decrease will further tighten consumer spending, significantly

undermining demand for ICT and CE in 2H20.

Despite of nationwide weakening demand of ICT and CE, we expect The Gioi Di Dong & Dien May Xanh can deliver more optimistic results in 2H20, compared to the rest of market, thanks to (1) scale advantage, (2) higher revenue contribution of high-margin products, including home appliances, watch and accessories, (3) maximizing revenue per store by switching from high-traffic The Gioi Di Dong stores to Dien May Xanh stores, and (4) promoting after-sales service to strengthen customer loyalty.

Overall, we estimate Mobile World to record VND48,938bn revenue (-3.2% yoy) and VND1,552bn NPAT (-9.5% yoy) in 2H20, mostly driven by management board's efforts to protect earnings of The Gioi Di Dong & Dien May Xanh and yoy widening profit margins of Bach Hoa Xanh. In aggregate 2020, we expect Mobile World's revenue and NPAT to reach VND104,576bn and VND3,577bn, increasing 2.3% yoy and decreasing 6.7% yoy, respectively.

► Strong earnings growth to resume post-2020

We believe Mobile World will maintain long-term bright outlook, driven by:

(1) Management board's initiatives to expand market share of ICT and CE in small areas via Dien May Xanh's super-mini format. Besides, we expect demand of ICTs and CEs to recover in 2021 as the economy recovers after the crisis.

(2) Bach Hoa Xanh to see profit margin uptrend, which we estimate to achieve positive operating profit in 2022 and bolster Mobile World's earning growth in the long term.

In the period of 2020-2024, we estimate Mobile World's revenue to reach 5-year CAGR growth of 16%. Mobile World's NPAT to reach 5-year CAGR of 34%, thanks to the annual double-digit NPAT growth of Dien May Xanh and profit contribution of Bach Hoa Xanh since 2022.

► Action: Recommend BUY at TP of VND134,000

Despite being hit by weakening demand of ICT and CE, we expect that earnings protection efforts of The Gioi Di Dong & Dien May Xanh, in combination with profit margin improvement of Bach Hoa Xanh, will support Mobile World to complete 2020 business targets.

Moreover, we expect Mobile World will maintain strong earnings growth post-2020, thanks to management board's strong business execution, highlighted by business initiatives of Dien May Xanh and profit contribution of Bach Hoa Xanh since 2022.

Based on 3-Y average PE multiple of 13.0x, we evaluate MWG share value at VND134,000 per share. At today (19 Aug, 2020) price of VND81,800, the total expected return is 63.8%, including no cash dividend. Our recommendation on MWG is BUY.

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

## New listing & Public offerings

### ► Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
9/16/2020	VICOSA	Vinacomin Shipping Agency JSC	25.0	52,255	182,200	-
9/11/2020	IBD	Binh Duong General Printing JSC	90.0	4,514,300	12,600	Local investors only
9/10/2020	AFX	An Giang Agriculture and Foods Import-Export JSC	350.0	17,850,000	18,900	Whole lot sale; Local investors only
9/4/2020	TEL	Telecommunication Project Construction Development JSC	50.0	2,450,000	21,801	-
9/1/2020	CC4	Investment and Construction JSC nO.4	160.0	4,137,500	16,100	Local investors only
8/31/2020	HDLB	Hai Duong livestock genetics one member Co., Ltd	37.8	2,414,700	13,800	IPO
8/21/2020	TSCC	Truong Son Advisory JSC	27.3	1,389,750	12,300	-
8/20/2020	BMF	Dong Nai Building Material and Fuel JSC	41.6	443,500	28,600	-

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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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