

# Xin Chao Vietnam

## Market performance

	13 Nov	1D	1M	3M	YTD
VNIndex (pt, % chg.)	966.29	0.7	3.9	13.0	0.6
Turnover (VND bn)	7,871				
VN30 (pt, % chg.)	931.20	0.9	6.0	17.1	5.9

## Major indicators

	13 Nov	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.47	(0.1)	(0.1)	(0.3)	(1.0)
3-yr gov't bonds (% bp chg.)	0.74	(0.2)	(0.3)	(0.6)	(0.9)
VND/USD (% chg.)	23,176	(0.0)	0.0	0.0	(0.0)
VND/JPY (% chg.)	22,060	(0.1)	(0.4)	(1.8)	(3.3)
VND/EUR (% chg.)	27,389	(0.3)	(0.1)	0.1	(5.2)
VND/CNY (% chg.)	3,506	(0.1)	(2.1)	(4.8)	(5.1)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.89	0.0	0.2	0.2	(1.0)
WTI (USD/bbl, % chg.)	40.70	(1.0)	1.2	(3.6)	(33.3)
Gold (USD/oz, % chg.)	43.20	(0.8)	1.8	(3.9)	(34.5)

## Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
TCB	69.6	VJC	(255.7)
VPB	27.6	GEX	(84.0)
VIC	17.9	FLC	(63.8)
GVR	17.5	NLG	(28.4)
VNM	13.1	FUEVFNVD	(11.3)

## Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VJC	266.3	CTG	(103.6)
VHM	51.2	HDB	(54.7)
VRE	38.7	VNM	(43.5)
MBB	23.7	MSN	(23.3)
GAS	21.7	SSI	(15.7)

## Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Insurance	1.8	Media & Entertainment	(1.1)
Banks	1.6	Retailing	(0.3)
Automobiles	1.1	Software & Services	(0.3)
Commercial Services	1.1	F&B	(0.2)
Materials	1.1	Health Care	(0.2)

## WHAT'S NEW TODAY

### Market commentary & News

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- **Vietnam:** FDI disbursement to remain robust

### Macro & strategy

- **Chart of the day:** Retest the last peak

### Sector & company

- **Techcombank (TCB):** 3Q20 review
- **Mobile World (MWG):** AM brief
- **Kinh Bac City (KBC):** 3Q20 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	191,785	119,519	29.6	14.8	2.6	13.6	17.8
2019	238,659	144,922	24.3	13.4	2.3	11.0	17.4
2020F	261,642	146,123	3.0	13.9	2.1	9.8	15.4
2021F	293,650	165,232	14.1	12.2	1.9	8.7	15.4

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	3Q20	4Q20F	2019	2020F	2021F
GDP (% yoy)	3.8	0.4	2.6	5.0	7.0	4.3	5.9
Trade balance (USD bn)	1.7	0.6	7.4	5.1	10.4	7.9	1.8
CPI (% yoy, avg.)	5.6	2.8	3.2	3.5	2.8	3.8	3.5
Discount rate (% EoP)	3.5	3.0	3.0	3.0	4.0	3.0	3.0
VND/USD (avg.)	23,264	23,206	23,188	23,197	23,231	23,214	23,206
US GDP (% qoq)	(4.8)	(31.7)	30.0	4.0	2.2	(3.9)	3.7
China GDP (% yoy)	(6.8)	3.2	4.9	5.7	6.1	2.0	8.0

Source: KIS, Bloomberg

## Market commentary & News

### Market commentary

#### Retest Oct peak

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Vietnam stock markets maintained its uptrend thanks to high demand on banking stocks, namely CTG (+3.1%), VCB (+0.6%), BID (+1.8%), TCB (+3.1%), MBB (+3.2%), STB (+1.5%), and VPB (+2.7%).

At the close, the VNIndex gained 0.73% to close at 966.2 pts. Meanwhile, trading volume increased to 435 million shares or VND7,871bn.

Foreign investors reversed to buy with a net value of VND266bn on HSX. They purchased VJC, VHM, and VRE the most with net values of VND266bn, VND51bn, and VND38bn, respectively.

Brokerages and Material outperformed the broad index because of HSG (+1.4%), HPG (+1.6%), NKG (+1.6%), SSI (+1.7%), and HCM (+1.3%).

Moreover, some constituents of VN30Index surged more than 1%, such as KDH (+1.4%) and VHM (+1.4%).

In contrast, TCH (-0.2%), SBT (-0.3%), MSN (-3.2%), HDB (-0.1%), and EIB (-0.5%) closed in red territory.

In the short term, the Oct peak is the strong resistance, so the VNIndex needs to close above this threshold to maintain an uptrend. Thus, investors should wait for the breakout to increase their long position.

### Breaking news

#### ► Vietnam: FDI disbursement to remain robust

The latest data in October pointed out that FDI inflows bounced back somewhat compared to two previous months, in which newly registered capital reached a 9-month high after shrinking from August and September. It is also noticed that the FDI inflows concentrated on just a few key industries, including the processing and electricity sectors, while the capital registered in other sectors remained sluggish. In the month, FDI registered into just processing and electricity sectors accounted for more than half of total registered FDI, at USD0.86bn (37.64% of total) and USD0.45bn (19.63%), respectively. Real estate and retail sectors remained less attractive to foreign investors than in the previous year under the severe COVID-19 impact, posting USD0.28bn (12.15%) and USD0.10bn (4.23%), respectively. (MPI, KIS)

## Macro & strategy

### Chart of the day

#### Retest the last peak

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#### ► Market performance

The VNIndex resumed its uptrend, second gaining week in a row, as the cash flowed into some ley tickers.

#### ► Chart: Confirm a short-term uptrend again

In the long term, the uptrend is still intact as the VNIndex closes above 50-period and 100-period moving averages.

Moreover, the index crosses the short-term moving average, implying a bullish market. Besides, volume continues to be high, and the Momentum indicators show a positive signal about the current trend.

The 900-920 pts area, which overlaps with the MA50, acts the significant support, followed by 900 pts. On the upside, 960-970 pts is the short-term resistance for the index, Oct peak.

→ In the short term, the bullish market is dominant, but the last peak is significant resistance. Therefore, the index needs a

breakout to confirm the trend.

- Technical strategy: Wait for the breakout

As mentioned above, the VNIndex needs to close above the peak to maintain an uptrend. Thus, investors should wait for the breakout to open a long position.

## Sector & company

### **Techcombank (TCB)**

**BUY (Maintain), TP VND28,400**

**3Q20 review: Impressive 3Q20 NIM**

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- Facts: Impressive NIM and non-interest income

3Q20 TCB's NP of controlling interest came at VND3.1tn, an increase of 21.3% yoy (+10% qoq), which was attributable to robust non-interest income growth of 35.3% yoy (29.2% qoq) and recorded NIM at 5.7%. TOI increased by 39.9% yoy (+30.3% qoq) to VND7.5tn. Given that TCB 9M20 NP of controlling interest reached VND8.4tn, fulfilling 81% of its 2020 target.

- Pros & cons: Take advantage of low funding cost

Credit growth achieved 9.2% ytd in 3Q20 from 3.5% in 2Q20 thanks to a 41% qoq growth in corporate bond investment. Exciting bond advisory and redistribution activities could be main pushes for that. With its WB customers including top-tier private companies, who are well-qualified with stricter requirements for bond issuance and its affluent retail client base, who may probably meet professional investor definition, we believe TCB's bond services to keep growing in coming years with expected fee of ~VND1.2-1.8tn per annum.

Lending was standstill across all customer segmentations in 9M20. However, we expect a rally in 4Q20 and 2021 given ramp-up construction works and kick-off sales of TCB's property clients including Vinhomes, Masterise and MIK to elevate FPS and BB loans. Overall credit is forecasted at 17% for 2020 and 16% for 2021.

3Q20 NIM was supported by 1) a lower funding cost as results of downward trend in deposit rates and its historical CASA ratio of 39%; 2) mortgage loans disbursed in 2Q19 have ended preferential periods following massive hand-over of Vinhomes projects; and 3) heavier weight of corporate bonds and medium & long terms loans to total credit.

- CASA ratio keeps upward

TCB has overcome peers in CASA attraction. Its CASA ratio peaked at 38.6% in 3Q20, an increase of 4.2 %p from 2Q20 thanks to retail. E-banking saw a robust growth in number of retail customers, retail transaction volume and retail transaction value. According to TCB, resilient CASA growth has led to admirable NIM in 3Q20 amid COVID-19 situation.

- Action: Reiterate BUY

Given resilient TCB's CASA growth momentum, we raise NIM by 48bps for 2020F and 30-40bps for 2021-2024F. 2020F NP is forecast at VND11.5tn, increasing by 11% vs. latest update. We maintain BUY on TCB and raise TP to VND28,400.

### **Mobile World (MWG)**

**BUY (Maintain), TP VND155,000**

**AM brief: Total revenue grew 10% yoy in Oct 2020**

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- Total revenue reached nearly VND8,700bn (+10% yoy)

On Nov 14, Mobile World held 3Q20 analyst meeting to update more information about business results.

Mobile World's revenue delivered VND8,700bn in Oct 2020, increasing 10% yoy and 4% mom, mainly premised by the positive contribution of Bach Hoa Xanh's revenue.

Bach Hoa Xanh's revenue surpassed VND2,000bn in Oct 2020 with more than 1,650 stores in operation. Bach Hoa Xanh

maintains store expansion at around 30 new stores per month and accelerates the upgrade of “VND5bn” stores in 2H20.

Total revenue for The Gioi Di Dong & Dien May Xanh in Oct 2020 reached nearly VND6,700bn, reducing 3% yoy, due to:

Slow recovery of mobile phones demand and consumer electronics demand post-pandemic.

Negative impact of severe floods and storms in the Central, causing operational interruption at more than 170 The Gioi Di Dong & Dien May Xanh stores located in this area.

However, total revenue of The Gioi Di Dong & Dien May Xanh still increased 3% mom in Oct 2020 thanks to the aggressive expansion of Dien May Xanh Super-mini.

► The Gioi Di Dong & Dien May Xanh: Revenue in the Central has rebounded since Nov 2020

Although revenue dropped 5% yoy in 9M20, The Gioi Di Dong & Dien May Xanh still performed better than rest of market, which recorded revenue decrease of 13% yoy and 8% yoy for mobile phones and electronics (audio & video devices), respectively.

Dien May Xanh Super-mini reached avg monthly revenue per store of VND01bn and gross margin of 23%, higher than average gross margin of the whole The Gioi Di Dong & Dien May Xanh. Dien May Xanh keeps its target of 300 Dien May Xanh Super-mini stores by the end of 2020, and actual store count can even be higher as other consumer electronics retailers are facing difficulties amid weakening demand due to pandemic's impact. Moreover, Dien May Xanh Super-mini can penetrate to the North instead of only focusing on the Southeast.

The Gioi Di Dong & Dien May Xanh has reached domestic market share of 45-48% for mobile phones and 38-40% for consumer electronics. Mobile World estimates domestic demand of consumer electronics can diminish post-2022. Hence, Dien May Xanh's strategies will focus on gaining domestic market share with Dien May Xanh Super-mini as well as placing footsteps in foreign countries.

Due to the negative impact of flood, The Gioi Di Dong & Dien May Xanh's revenue in 5 Central provinces, suffering severely from the flood, dropped nearly 30% mom in Oct 2020. Thanks to price support from The Gioi Di Dong & Dien May Xanh, revenue is estimated to increase 60% mom in Nov 2020.

In Cambodia market, Bluetronics has 25 stores until now with avg monthly revenue per store of VND1.2-1.5bn. Mobile World targets to own 50 Bluetronics stores and revenue of USD6.5bn in 2020. Bluetronics's revenue can reach USD55mn in the whole 2021 if Mobile World reaches 80 Bluetronics stores by the end of Jun 2021.

The Gioi Di Dong & Dien May Xanh expects to deliver mobile phones revenue growth of nearly 15% qoq in 4Q20, backed by high demand of new launched products including Iphone 12 series and Samsung Galaxy S21. Until now, The Gioi Di Dong & Dien May Xanh has received 13,000 orders of Iphone 12 series, doubling orders of previous Iphone series. In 4Q20, The Gioi Di Dong & Dien May Xanh expects Iphone revenue can grow 30% and optimistic Iphone revenue growth can extend in 1Q21.

In 2021, management board maintains cautious view about social expenditure for mobile phones due to remaining weakening demand. Management board estimates the whole market can record 5%-10% yoy revenue decrease of both mobile phones and consumer electronics in 2021. However, management board expects The Gioi Di Dong & Dien May Xanh's revenue can grow 10% yoy, based on: (1) The ability to gain larger market share of Dien May Xanh with Super-mini format. (2) Revenue increase of private brands, focusing on mobile phone models running 4G and 5G. (3) Added value services, starting with installment payment directly operated by Mobile World. (4) Distributing products to small stores instead of competing directly.

► Bach Hoa Xanh accelerates store scale for “VND05bn” format

Bach Hoa Xanh reached revenue growth rate of 138% for FMCGs while the whole market's modern trade channel only reached revenue growth rate of 15% and traditional trade decreased 3%. Bach Hoa Xanh has doubled its revenue not only in FMCGs but also in fresh foods. Basing on AC Nielsen's FMCGs statistics in 8M20, Bach Hoa Xanh has increased its FMCGs market share in Ho Chi Minh City and urban areas to 23.5% and 13.2% in Aug 2020, respectively. This increasing trend of market share is expected to continue post-3Q20.

By the end of Sep 2020, Bach Hoa Xanh owned 1,623 stores (+137 stores in 3Q20). Avg monthly revenue per store reached nearly VND1.2bn in 3Q20 and SSSG posted +9% in 9M20. Bach Hoa Xanh has 14 distribution centers (DCs) at the end of Sep 2020, including 12 FMCGs DCs and 2 cold storages.

Gross margin after wastage & shrinkage maintained at 25%-26% in 3Q20. In 9M20, Bach Hoa Xanh has been EBITDA profitable at stores and DC level. Although scaling DCs network in 9M20, Bach Hoa Xanh has not shown much qoq improvement in approaching the break-even point before G&A expenses, caused by:

- The increase of operating expense ratio in store conversion period of “VND05bn” Bach Hoa Xanh stores, whose sizes are converted to larger than 500m<sup>2</sup>.
- The increase of depreciation ratio (on revenue) due to the large-scale store upgrade and new DCs operation.
- Flat DC’s operating expense ratio (on revenue) in 3Q20, compared to that of 2Q20.

By the end of Oct 2020, Bach Hoa Xanh has 72 “VND05bn” stores, whose revenue accounts for 11% of Bach Hoa Xanh’s revenue and avg monthly revenue per store of over VND03bn.

Since 3Q20, Bach Hoa Xanh online has accelerated both transactions and sales value. The successful transactions of Bach Hoa Xanh online in 3Q20 exceeded 1H20 transactions and nearly equaling to the total transactions of the whole 2019.

By the end of Jun 2020, Bach Hoa Xanh online widened its coverage area from 8 to 10 cities/provinces and increased the number of DCs online from 11 to 19.

Bach Hoa Xanh stores located outside large cities has higher fresh food logistic expense ratio. To improve logistic expense ratio, Bach Hoa Xanh targets to completely use provinces’s fresh food supplies for its Bach Hoa Xanh stores located outside large cities in 2021, reducing wastage & shrinkage ratio and input price.

Bach Hoa Xanh targets to have 1,750-1,800 stores by the end of 2020 and open new 500-700 stores in 2021, focusing on opening “VND05bn” stores in large cities and standard stores in provinces. In provinces, “VND05bn” Bach Hoa Xanh stores will play role of online DCs as management board views that online transactions in provinces has not been high enough to build online DCs.

## **Kinh Bac City (KBC)**

**Hold (Downgrade), TP VND16,300**

**3Q20 review: Recovery will take time**

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- Facts: 9M20 net profit hits 7-year low

KBC reported the worst 3Q20 net profit since listed at VND0.6bn, bring total 9M20 net profit unchanged vs 1H20 to VND56bn, -85.8% yoy, completing 9.4% our full-year estimate. Moderate revenue from industrial transfer in 3Q20 (-89.6% yoy) and in 9M20 (-71.0% yoy) due to the restricted commercial visits was the main attributor to the sluggish 9M20 revenue growth of -62.6% yoy to VND929bn

- Pros and cons: Nam Son Hap Linh shines 4Q20F net profit

In Oct 20, the government approved the zoning adjustment at Nam Son Hap Linh industrial park (IP). Thus, we increase from 30ha land area to a 60ha land area out of 100ha (phase 1) could deliver in 4Q20F. We expect no contribution from Quang Chau IP and Tan Phu Trung IP in 4Q20F, reducing our estimates in land area in Quang Chau from 30ha to 22ha and in Tan Phu Trung from 30ha to 17ha. Coupled with the handover of shop houses and villas from Trang Due Urban area in end-4Q20F, we expect 4Q20F net profit to be VND537bn, 51.3% yoy.

- Cautiously optimistic on strong land presales in FY21F

Even though Vietnam resumed the international flight for specialists and businessmen, COVID resurgence risk seems to set the world to the new lockdown wave, putting a pressure on the global recovery. We believe the recovery prospect for FDI to Vietnam could not back to normal as pre-COVID before 2H21F. We reduce the land presales in FY21F by 50% and revise the FY21F net profit to VND780bn.

- Actions: Downgrade to Hold

We think the recent price rally have been reflected the fact NSHL IP is approved in Oct and there is no stronger price growth in months ahead. We downgrade to Hold as we are uncertain on the solid FDI recovery to Vietnam which compresses KBC’s business performance.

## New listing & Public offerings

### ► New listing

(VND bn, share, VND)

Date of listing	Ticker	Company	Exchange	Charter	Listed Shares	Reference price
12/1/2020	GMA	Viet Nam Enteco Corporation	HNX	60.0	6,000,000	11,600
11/17/2020	VE9	VNECO 9 Investment & Construction JSC	UPCoM	125.2	12,523,613	1,200

### ► Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
12/10/2020	VTK	Viettel Consultant and Design JSC	41.6	630,748	27,500	-
12/7/2020	CTR	Viettel Construction JSC	704.1	7,746,801	46,600	-
12/4/2020		Thanh Hoa Industrial Zone Infrastructure Investment JSC	25.0	1,143,633	39,900	Local investors only
12/3/2020	AFX	An Giang Agriculture and Foods Import-Export JSC	350.0	17,850,000	18,900	Whole lot sale; Local investors only
12/2/2020		Phat Tai JSC	18.1	50,000	27,210	Whole lot sale
11/30/2020	ITJ	Becamex Infrastructure Development JSC	1,371.0	80,000,000	12,500	-
11/27/2020	IDC	IDICO Corporation	3,000.0	108,000,000	26,930	Local investors only
11/26/2020		Chau Duc Construction and Urban Development JSC	17.4	1,152,000	29,750	Whole lot sale; Local investors only
11/25/2020	CC1	Construction Corporation Number 1 JSC	1,100.0	44,583,500	23,030	-
11/24/2020	ITS	Vinacomin – Investment, Trading and Service JSC	2,649.8	4,536,000	17,500	-
11/23/2020		Vinh Long Public Works JSC	35.4	1,569,728	40,800	-



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#### ■ Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months

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