

# Xin Chao Vietnam

## Market performance

	23 Dec	1D	1M	3M	YTD
VNIndex (pt, % chg.)	1,078.90	(0.4)	8.5	18.2	12.3
Turnover (VND bn)	14,950				
VN30 (pt, % chg.)	1,045.70	(0.6)	8.9	21.8	19.0

## Major indicators

	23 Dec	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.52	0.0	(0.0)	0.0	(0.9)
3-yr gov't bonds (% bp chg.)	0.91	0.0	(0.1)	0.1	(0.8)
VND/USD (% chg.)	23,134	(0.0)	0.2	0.2	0.2
VND/JPY (% chg.)	22,368	(0.2)	(0.9)	(1.7)	(4.7)
VND/EUR (% chg.)	28,187	0.5	(2.4)	(3.8)	(7.8)
VND/CNY (% chg.)	3,539	(0.1)	(0.6)	(3.8)	(6.0)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.92	0.0	0.1	0.3	(1.0)
WTI (USD/bbl, % chg.)	47.05	0.1	9.3	17.8	(22.9)
Gold (USD/oz, % chg.)	50.10	0.0	8.8	19.9	(24.1)

## Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
DIG	116.9	MSB	(340.8)
NVL	104.5	HNG	(33.5)
HPG	81.7	FUEVFNVD	(20.8)
GEX	54.9	VHM	(17.9)
CDC	41.3	VNM	(17.8)

## Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VHM	66.5	KBC	(81.1)
NVL	30.9	VRE	(49.5)
SBT	27.8	GEX	(45.0)
VCB	25.1	HPG	(41.2)
VCI	20.9	VHC	(32.2)

## Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Telecommunication	6.8	Others	(4.4)
Health Care	4.5	Diversified Financials	(2.3)
Media & Entertainment	4.1	Commercial Services	(1.6)
Insurance	2.6	Retailing	(1.4)
Capital Goods	1.7	Banks	(1.2)

## WHAT'S NEW TODAY

### Market commentary & News

- **Market commentary:** Profit-taking
- **Vietnam:** World Bank sees a more positive outlook for Vietnam 2020's economy

### Sector & company

- **PVI Reinsurance (PRE):** Pre-listing brief

### 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	29.7	15.2	2.7	13.6	17.7
2019	238,659	144,922	24.2	13.8	2.4	11.0	17.4
2020F	270,014	151,973	7.1	15.4	2.5	10.8	16.1
2021F	304,264	177,159	18.9	13.0	2.1	9.6	16.4

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)	33.1	4.6	2.2	(3.5)	3.9
China GDP (% yoy)	(6.8)	3.2	4.9	5.9	6.1	2.0	8.2

Source: KIS, Bloomberg

## Market commentary & News

### Market commentary

#### Profit-taking

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Vietnam stock market reversed to go down in the afternoon session yesterday due to profit-taking on large-cap stocks.

At the close, the VNIndex lost by 0.42% to close at 1,078.9 pts. Meanwhile, trading volume increased to 813 million shares or VND14,949bn, recording a high trading value.

Foreign investors reversed to sell with a net value of VND161bn on HSX. They purchased KBC, VRE, and GEX the most with a net value of VND81bn, VND49bn, and VND45bn, respectively.

Selling pressure pushed Banking and Energy down, namely GAS (-0.7%), PVD (-1.0%), PVS (-1.2%), CTG (-0.9%), VCB (-0.4%), BID (-0.5%), HDB (-2.4%), TCB (-1.7%), ACB (-2.3%), STB (-2.6%), VPB (-3.0%), and MBB (-1.3%).

Some constituents of VN30Index such as FPT (-1.0%), MWG (-1.5%), SAB (-1.3%), SBT (-1.4%), and SSI (-2.7%) slid more than 1%. Among which, MWG announced revenue of VND9,200bn (+10% YoY) and net income of VND316bn (+12% YoY) in Nov 2020.

In contrast, cash flowed into Real Estate thanks to VHM (+0.6%), VRE (+1.0%), NVL (+0.4%), NLG (+0.5%), TCH (+3.8%), and ROS (+6.8%).

Moreover, Material, namely HSG (+1.4%), HPG (+1.7%), and NKG (+0.7%) outperformed the benchmark index.

Despite the contraction, the short-term uptrend is still intact as the VNIndex closes above significant thresholds. Therefore, traders should hold their long position and focus on leading stocks.

### Breaking news

- ▶ Vietnam: World Bank sees a more positive outlook for Vietnam 2020's economy

With success in controlling the COVID-19 pandemic and also several support measures from the state bank and the government, Vietnam's economy grew at a moderate pace of 2.62% YoY in 3Q20 after recording the slowest growth rate of just 0.36% YoY in a decade in 2Q20. According to the latest Vietnam economic update from World Bank, Vietnam 2020's economic growth is projected to grow at 2.8% YoY, much higher than other peers, and the economic growth will expectedly return to a pre-pandemic pace at about 6.5% - 7% YoY from 2021. (World Bank)

## Sector & company

### PVI Reinsurance (PRE)

#### Pre-listing brief

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- ▶ Overview

PVI Reinsurance (PVI Re) was established in 2011. The company is one of two Vietnam reinsurance company (the other is VNR – Vietnam National Reinsurance). PVI Re specializes their business in receiving and transferring reinsurance of non-life insurance, life insurance and other financial investment.

PVI Re is a subsidiary of PVI Holding (HNX: PVI), in which, PVI Holdings accounts for 73.1% of PVI Re's total shares. In 2019, AM Best upgraded Financial Strength Rating for PVI Re to B++ (Good), this reflects its strong operating performance and appropriate enterprise risk management.

- ▶ Financial highlights

In the period 2015-2019, PVI Re witnessed positive growth in their financial figures. In respect of written reinsurance premium,

PVI Re recorded average growth rate exceeding 10% per year. The company forecasts revenue in 2020 will be VND1,500bn, same as 2019 but expected 2020 EBIT will increase to VND180bn (+5.9% yoy). ROE ratio maintains at 16.5% from 2019 and company is focusing on keep the ROE at least 12% in upcoming period.

Along with great business result, total asset of PVI Re also has impressive increase. In 2016, total asset of PVI Re was VND3,400 bn. This number increase by one-third to VND4,490bn in 2019.

Notably, PVI Re's combination ratios for last 5 years remain in the range 88%-94%, which is evaluated as the best number in Vietnam insurance market. Solvency margin records 3 times higher than minimum requirement from MOF.

► Potential field for Vietnam reinsurance market

Currently, there are only 2 Vietnam-based reinsurers in reinsurance market. To be more specific, VNR is leading market share with 10%, followed by PVI Re with 7%. Thus, the remain of reinsurance market is acquired by other foreign reinsurers, approximately 80%. With the advantage from local knowledge and close relationship with enterprise in Vietnam, backed by customized reinsurance program, PVI Re is aiming for occupying higher market share in the future. However, the company put the objective of growing market share along with effective business performance, PVI Re will have to invest more in risk assessment procedure in order to achieve their dual goal.

According to representatives from PVI Re, company's customers include 20 largest insurance companies in Vietnam industry and they also have partnership with insurance brokers, as well as international reinsurance companies in the globe. It should be noted that PVI Re receives increasing support from HDI Global SE (International famous insurance companies holds 42.91% shares of PVI Holdings). HDI Global SE considers PVI Re in their international expansion plan.

► Business strategy for upcoming period

Besides IPO plan in Dec 2020, PVI Re is in preparation for a capital increase in 2021. The current company capital is VND728bn and is expected to rise to VND1,044bn after the capital increase. Insurance law regulates the maximum liabilities with respect to each risk or per individual loss does not exceed 10% of equity, so if PVI Re successfully expands its capital, the ability towards insurance case with high insured value will be more competitive.

In fact, foreign reinsurance companies are superior in financial resource, professional procedure in both risk assessment and claim management. Additionally, long experience in this specialized industry is also a factor that make foreign reinsurers dominate Vietnam's reinsurance market with ~80% market share. To compete with such advantage from foreign competitors, PVI Re is confident with their local knowledge during 10 operating years. By closely communicating with local enterprises, they can have deeper insights and make appropriate adjustment to fit with each customer's need. They not only provide customer with a reinsurance program, but they also bring added value through consulting activities and flexible program.

► Reference price is VND20,000/share in first day

PVI Re will be listed on HNX exchange as ticker PRE from 24 Dec 2020 with reference price for opening date at VND20,000/share. Compared with VNR, PVI Re's PB ratio is doubled at 1.7x. This valuation comes from its positive performance in recent years and their business strategy for following period 2021-2024. In 2019, PVI Re recorded revenue growth rate at 23% and NP growth rate at 12% while these number of VNR was 17% and 5%, respectively.

## New listing & Public offerings

### ► New listing

(VND bn, share, VND)

Date of listing	Ticker	Company	Exchange	Charter	Listed Shares	Reference price
12/24/2020	PRE	PVI Reinsurance JSC	HNX	728.0	72,800,000	20,000
12/24/2020	PGB	Petrolimex Group Commercial JSB	UPCoM	3,000.0	300,000,000	15,500

### ► Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
1/7/2021	HATIFA	Hatifa., JSC	35.0	1,260,000	16,100	Whole lot sale
12/31/2020		Bong Sen Guest House	93.0	5,899,200	10,000	-
12/30/2020		Binh Thuan - Transportation Works JSC	20.7	1,905,177	20,600	Whole lot sale
12/29/2020	BENOVAS	Benovas Oncology JSC	100.0	2,900,000	11,300	Whole lot sale
12/25/2020	SHG	Song Hong Corporation	270.0	13,241,200	10,000	-
12/24/2020	TEC	Traenco JSC	16.6	321,638	10,000	Whole lot sale

- **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- 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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