

Xin Chao Vietnam

Market performance

	20 Jan	1D	1M	3M	YTD
VNIndex (pt, % chg.)	1,134.68	0.3	5.0	20.8	2.8
Turnover (VND bn)	17,790				
VN30 (pt, % chg.)	1,116.21	0.8	6.3	23.2	4.2

Major indicators

	20 Jan	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.52	0.0	0.0	(0.0)	0.1
3-yr gov't bonds (% bp chg.)	0.68	0.0	(0.0)	(0.1)	(0.2)
VND/USD (% chg.)	23,077	(0.0)	0.2	0.5	0.1
VND/JPY (% chg.)	22,279	0.0	0.5	(0.6)	0.4
VND/EUR (% chg.)	28,096	(0.4)	0.7	(2.8)	1.3
VND/CNY (% chg.)	3,569	(0.3)	(1.1)	(2.7)	(0.8)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	1.09	0.0	0.2	0.3	0.2
WTI (USD/bbl, % chg.)	53.06	(0.5)	11.1	32.6	9.4
Gold (USD/oz, % chg.)	56.08	0.3	7.3	29.9	8.3

Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
FLC	90.7	FUEVFNVD	(103.9)
NVL	70.3	VNM	(63.3)
VCB	44.9	E1VFN30	(59.0)
VHM	37.6	VIC	(48.6)
HPG	28.1	VJC	(31.3)

Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
FUEVFNVD	103.3	HPG	(461.5)
VNM	101.6	AGG	(133.8)
VHM	84.1	KBC	(65.5)
VIC	70.4	GMD	(21.3)
MSN	59.6	PVD	(14.1)

Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Telecommunication	7.0	Health Care	(4.2)
Consumer Services	2.4	Media & Entertainment	(2.1)
Retailing	2.0	Diversified Financials	(1.4)
Software & Services	1.9	Insurance	(1.0)
Consumer Durables	1.7	Technology	(1.0)

WHAT'S NEW TODAY

Market commentary & News

- **Market commentary:** High volatility
- **U.S.:** Business activity growth slows down in December

Sector & company

- **Military Insurance Company (MIG):** 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	7.3	16.1	2.6	11.3	16.1
2021F	304,264	177,159	18.9	13.6	2.2	10.1	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	4.2	2.2	(3.5)	4.1
China GDP (% yoy)	(6.8)	3.2	4.9	6.1	6.1	2.1	8.2

Source: KIS, Bloomberg

Market commentary & News

Market commentary

High volatility

Hieu Tran
hieu.ttm@kisvn.vn

After the crash, the Vietnam stock market reversed to go up yesterday. However, the volatility increased.

At the close, the VNIndex gained 0.33% to close at 1,134 pts. Meanwhile, trading volume decreased to 839 million shares or VND17,790bn.

Foreign investors continued to buy with a net value of VND234bn on HSX. They purchased FUEVFNVD, VNM, and VHM the most with a net value of VND103bn, VND101bn, and VND84bn, respectively.

Real Estate was the market leader thanks to NVL (+3.9%), KDH (+2.8%), ROS (+2.7%), VHM (+0.7%), and VIC (+0.6%).

Besides, some constituents of the VN30Index surged more than 1% such as MWG (+2.3%), FPT (+2.1%), PNJ (+2.1%), GAS (+1.8%), VJC (+1.6%), VNM (+1.2%), TCB (+1.8%) and POW (+1.1%).

In contrast, CTG (-0.7%), STB (-1.0%), VRE (-1.3%), SSI (-1.5%), SBT (-2.5%), and TCH (-2.7%) closed in red territory.

Despite the gaining session, the downside risk is still intact in the short term. Thus, traders should reduce long positions and wait for the next signals.

Breaking news

- ▶ U.S.: Business activity growth slows down in December

According to the latest update from the IHS Markit, the services sector of the largest economy continued to recover but at the slowest pace in 3 months due to worsening pandemic conditions. More specifically, the final IHS Markit U.S. Services PMI Business Activity Index recorded 54.8 index point in December, down from 58.4 in the prior month and also lower than the flash estimates of 55.3 a week ago. The slowdown was significantly attributed to weakening domestic demand growth, while an increase in total new business also reached the lowest level in four months. (IHS Markit)

Sector & company

Military Insurance Company (MIG)

Pre-listing brief

Tri Duong
tri.dd@kisvn.vn

- ▶ Overview

The insurance market kick-off 2021 year with the official announcement about listing schedule on HSX from Military Insurance Company (MIG). According to HSX, MIG's listing day is January 21st, reference price will be VND 15,550/ share. In Vietnam non-life insurance market, MIG is standing at 6th position among Top 10 largest companies.

Military Insurance Company established in 2011 and its major shareholder is Military Commercial Joint Stock bank with 68.37% ownership. In the first place, company plays a role as insurance provider serving for units under the Ministry of Defense. But, from 2011, company have expanded their business to other segments. Besides traditional partners from Ministry of Defense, they also target for both retail and corporate customers from various economic sectors. Updated as December 2020, MIG has a headquarter in Ha Noi and 66 branches spreading over Vietnam.

- ▶ Financial highlights

Within the five-year period 2016-2020, MIG recorded positive change in revenue from insurance premium. Particularly, their average growth rate in revenue is in-line with market trend with 15%, compared to 13.7% average growth rate of non-life insurance market. Up to 9M20, revenue spiked to VND1,936bn (+30.3% yoy). Having to be mentioned that, the fourth quarter

revenue of insurance companies is often higher than 2Q and 3Q figures.

In addition, Earnings After Tax (EAT) is also uptrend. Specially, in 2018, company's EAT hiked 145.5% from 2017. According to full year 2019 statistics, MIG'S EAT is VND142bn (+31.5% yoy). ROE ratio maintains at 11% while ROA is kept at 3%. Solvency ratio gained from to 1.27x in 2019.

- ▶ Company strategy is more focusing into specific types of insurance products

Previously, MIG provides customers with a variety of non-life insurance products. From 2018, their business strategy narrowed down into focusing development in a few insurance products which are vehicle insurance, personal insurance and property insurance. Company are more favorable to products with low risk and high cost efficiency while trying to restrict high risk insurance business. As a result, loss ratio of MIG have stayed around 50%, approximate to average number of the market But, there is an increase in underwriting expense which causes the rise in combination ratio.

- ▶ Business strategy is spurred by government policies

The insurance market experienced growth rate with 2 digits despite of impacts of coronavirus outbreak in 2020. MIG shows their ambition in upcoming period when targeting to join Top 3 largest non-life insurance until 2025. They also developed business strategy for 2020-2025 to boost their business towards personal insurance and vehicle insurance.

In 2020, the bancassurance revenue climbed 50% compared to 2019. MIG will continue to develop this distribution channel through augmenting cooperation with bank branches from MBBank, Vietcombank, MSB... Furthermore, the company had applied digitalization in distribution from beginning of 2020 and received positive feedbacks. As one of the key targets, MIG will invest more in digitalization. This strategy will help MIG to reach more target customers, enhance user experience in order to gain more market share in this segment.

In addition, the decree 70/2020-ND-CP is a positive signal towards company's main insurance business. For MIG, vehicle insurance is the most critical when it generated more than 50% percent in insurance premium for the company in 2019. The decree 70/2020 provides 50% decrease in registration fee for automobiles until the end of 2020. Besides that, the government aims to encourage the development of domestic car market in the short future. The sale growth rate for automobile under 9 seats is steady at 20%-30%. The number of car sold is forecasted to reach 1 million per year in 2025. Therefore, if MIG can materialize this opportunity from this trend, the rise in the ranking will be more promising.

- ▶ PB valuation is higher than other peers

MIG will be officially traded on HSX from January 21st 2021 with reference price at VND15,500/share. At this price, PB ratio is 1.36x, higher than P/B ratio of other non-life insurance players which are listed. At this point of time, our recommendation for MIG is HOLD with target price at VND15,500/share.

New listing & Public offerings

▶ New listing

(VND bn, share, VND)

Date of listing	Ticker	Company	Exchange	Charter	Listed Shares	Reference price
1/21/2021	NHA	Ha Noi South Corporation	HSX	241.4	24,144,965	20,600
1/21/2021	MIG	Military Insurance Corporation	HSX	1,300.0	130,000,000	15,550

▶ Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
2/8/2021	EVNGENCO2	Power Generation Corporation 2	11,866.4	580,120,840	24,520	IPO
1/27/2021	BCE	Binh Duong Construction & Civil Engineering JSC	300.0	5,000,000	10,000	-

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- BUY: Expected total return will be 15% or more
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