

# Xin Chao Vietnam

## Market performance

	1 Mar	1D	1M	3M	YTD
VNIndex (pt, % chg.)	1,186.17	1.5	14.5	17.6	7.5
Turnover (VND bn)	15,556				
VN30 (pt, % chg.)	1,191.83	1.6	15.7	22.1	11.3

## Major indicators

	1 Mar	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.51	0.0	(0.0)	0.0	0.1
3-yr gov't bonds (% bp chg.)	0.93	0.0	0.2	0.3	0.1
VND/USD (% chg.)	23,025	(0.0)	0.1	0.5	0.3
VND/JPY (% chg.)	21,580	0.1	1.7	2.7	3.6
VND/EUR (% chg.)	27,722	0.2	0.8	(0.3)	2.7
VND/CNY (% chg.)	3,562	(0.2)	0.0	(1.2)	(0.7)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	1.43	0.0	0.4	0.5	0.5
WTI (USD/bbl, % chg.)	62.38	1.4	16.5	40.0	28.6
Gold (USD/oz, % chg.)	65.32	1.4	15.9	37.7	26.1

## Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
KBC	108.9	HNG	(145.7)
HDG	36.2	PLX	(109.0)
DBD	16.5	BBC	(96.6)
HPG	15.8	STB	(60.4)
GAS	13.7	MBB	(57.5)

## Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
PLX	129.9	HPG	(166.8)
HSG	20.6	CTG	(96.3)
SSI	19.4	VNM	(79.2)
STB	16.5	HDG	(45.6)
PDR	16.2	KDH	(25.8)

## Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Technology	5.9	Telecommunication	(3.7)
Insurance	4.2	Retailing	(0.1)
Diversified Financials	4.1		
Utilities	2.7		
Transportation	2.2		

## WHAT'S NEW TODAY

### Market commentary & News

- **Market commentary:** Optimistic market sentiment
- **Vietnam:** Manufacturing growth continues at a moderate pace

### Macro & Strategy

- **Fundflow 22 – 26 Feb:** Outflow ticks up across SEA
- **Economic Flash:** CPI growth hits an 8-year high

### Sector & Company

- **Vinh Hoan Corp (VHC):** 4Q20 review

### New listing & Public offerings

## KIS market view

	OP	NP	EPS growth	PE	PB	EV/EBITDA	ROE
	(VND bn)	(VND bn)	(% yoy)	(x)	(x)	(x)	(%)
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	7.2	16.9	2.7	11.7	16.1
2021F	304,264	177,159	18.9	14.2	2.3	10.4	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	2020	2021F
GDP (% yoy)	3.8	0.4	2.6	4.5	7.0	2.9	5.9
Trade balance (USD bn)	3.8	1.9	10.7	2.5	10.4	19.0	1.8
CPI (% yoy, avg.)	4.9	3.2	3.0	0.2	5.2	3.2	2.4
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	23,252	23,231	23,252	23,219
US GDP (% qoq)	(4.8)	(31.7)	33.1	4.0	(3.5)	(3.5)	4.9
China GDP (% yoy)	(6.8)	3.2	4.9	5.8	6.0	2.3	8.4

Source: KIS, Bloomberg

## Market commentary & News

### Market commentary

#### Optimistic market sentiment

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The Vietnam stock market jumped yesterday thanks to optimistic market sentiment after Hai Duong stopped social distancing from March 3.

At the close, the VNIndex gained 0.26% to close at 1,168 pts. Meanwhile, trading volume was 618 million shares or VND15,556bn.

Foreign investors continued to sell with a net value of VND209bn, the seventh consecutive net selling session on HSX. They sold HPG, CTG, and VNM the most with a net value of VND166bn, VND96bn, and VND79bn, respectively.

Energy was the market leader because of GAS (+2.9%), PVT (+3.5%), PVD (+4.3%), PVS (+3.6%), POW (+3.6%), BSR (+13%), PLX (1.4%), and OIL (+7.8%).

Besides, cash flowed into Material and Finance, namely SSI (+5.4%), HCM (+6.2%), VND (+5.4%), BVH (+4.6%), STB (+4.1%), MBB (+2.5%), CTG (+2.3%), HSG (+5.7%), and NKG (+6.8%).

Moreover, some constituents of the VN30Index jumped more than 3% thanks to SBT (+5.5%), TCH (+3.7%), and VRE (+3.2%).

In contrast, MWG (-0.1%), PNJ (-0.2%), and VIC (-0.5%) closed in red territory.

The market sentiment has become cautious in the short term. However, the next strong resistance is the 1,200-pts threshold, the highest level of VNIndex. Therefore, traders should be careful and wait for the breakout signal to confirm the uptrend.

### Breaking news

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#### ► Vietnam: Manufacturing growth continues at a moderate pace

According to the latest data from the IHS Markit, Vietnam's manufacturing sector continued its growth for the third month at a moderate pace. More specifically, Vietnam's Manufacturing PMI Index recorded 51.6 in February, slightly increasing from 51.3 in January. Output, employment level, and purchasing activity of the manufacturers increased modestly, while new orders also returned to growth thanks to increasing export demand. However, business confidence in the manufacturing sector recorded the lowest level in 6 months, according to the survey. (IHS Markit)

## Macro & strategy

### Fundflow 22 – 26 Feb

#### Outflow ticks up across SEA

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#### ► Vietnam foreign flow

Last week, foreign supply surged. Net sell value recorded at USD120mn, reaching the highest figure since Mar 2020.

Breaking down by sectors, Consumer Staples, Real Estate, and Financials were sold the most. Particularly, the selling pressure mainly focused on VNM, KDH, VIC, VRE, CTG, SSI, and HDB, fading the sharp demand on NVB, MBB, and SHS. Besides, Materials turned around to be net sold due to larger sell orders on HPG and HSG. On the contrary, Health Care attracted the most demand across the market, driven by massive demand on PME.

#### ► South East Asia ETF flow

The flow of money across SEA recorded at the negative figure since Nov 2020. Net outflow was USD28mn, a 3-month high. To be specific, the surge of outflow was mainly driven by the negative flow of money across Vietnam and Singapore. Especially, money outflow across Singapore hit the 2-year high. In contrast, Thailand was the only country which attracted the flow of money

last week.

Vietnam recorded the first week of outflow since Nov 2020. Net outflow was USD5mn. Of which, VFMVN30 ETF led the outflow which recorded the strong divestment (USD13mn) whilst VFMVN Diamond and SSIAM VNFN Lead attracted the total of USD7.5mn.

## Economic Flash

### CPI growth hits an 8-year high

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#### ▶ Tet hinders trade's acceleration

February witnessed a slowdown in trade activity as import and export growth rates became far less compared to January. Specifically, GSO reported that import value posted USD20.80bn, rising by 10.53% YoY, around one-fourth of the previous rate, while export value even declined by 4.70% YoY to post USD20.00bn. Consequently, the trade balance posted a deficit of USD0.8bn this period.

#### ▶ CPI grows at eight-year high

According to GSO, CPI experienced a significant increase compared to the previous month due to increases in food and foodstuff (F&Fs), traffic, and housing and construction materials (HCM) prices. CPI in February 2021 surged by 1.52% MoM, marking the highest monthly rate in eight years. The Lunar new year was the reason for the hike in F&Fs, while the recent upturn in crude oil prices sustained the upward momentum in traffic price.

#### ▶ New FDI surges to one-year high

In the month, the total registered capital climbed to a 10-month high of USD3.44bn (+ 202% YoY), driven by newly registered FDI. On the other hand, a long Tet holiday impacted the disbursement activity when the disbursed amount dropped to a one-year low of USD0.99bn (+ 16.47% YoY), although just temporary.

#### ▶ IIP dives near to 2-year low in Tet-holiday month

A sharp decline in February raised concerns about the sustainability of industrial growth in the future. According to the latest estimates from GSO, as of February-end, IIP plunged by 21.13% MoM and 7.18% YoY, which dragged the production level near to a level seen in April.

## Sector & Company

### Vinh Hoan Corp (VHC)

**BUY (Maintain), TP VND47,000**

**4Q20 review: Earning momentum expected since 2Q21**

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#### ▶ Facts: 4Q20 NPAT dropped due to contracting gross margin

In 4Q20, Vinh Hoan posted nearly VND1,947bn revenue (-8.3% yoy), which was mainly dragged down by 21.4% yoy decrease and 11.2% yoy decrease of export revenue to the U.S. and China, posting VND628bn and VND500bn, respectively. Moreover, revenue of Collagen & Gelatin delivered VND139bn, decreasing 8.6% yoy and increasing 5.3% qoq.

Despite recognizing inventory provision reversal, gross margin still narrowed nearly 2.4%p yoy to post 11.6% in 4Q20, mainly due to flattening average pangasius export price amid the increase of pangasius material price. Overall, Vinh Hoan's 4Q20 NPAT posted VND153bn (-23.1% yoy) in 4Q20.

(\*) For more information about Vinh Hoan's 4Q20 business results, please refer to our VHC 4Q20 business brief.

#### ▶ Pros & cons: Revenue to be flat yoy in 1Q21

In 1Q21, we estimate Vinh Hoan's fillet-related products revenue will reach VND1,397bn (-6.8% yoy and -22.6% qoq), mainly caused by the yoy 5.0% and yoy 10% decreases of export revenue to the U.S. and EU, respectively. As supply of worldwide white-fish species, including tilapia, pollock, cod..., will recover at mid single-digit rate in 2021, we have cautious view that higher

competition among white-fish species in the U.S. and EU will drag down pangasius export price to these markets, at -2.9% yoy and -5.6% yoy, respectively. Besides, Vinh Hoan's export volume to the U.S. and EU will drop 2.2% yoy and 4.6% yoy, per our estimates.

We estimate Vinh Hoan's pangasius export revenue to China will reach VND85bn (+16.3% yoy) in 1Q21, thanks to yoy 25.0% volume growth. Despite being hit by Chinese stringent import policy to control Covid-19's spread and container shortage, we expect Vinh Hoan's pangasius volume at double-digit growth rate, mostly thanks to the low 1Q20 volume base, as Vietnam seafood export to China plunged 44.6% yoy and 44.4% yoy in Jan 2020 and Feb 2020 due to strict lockdown of many Chinese cities.

Although fillet-related products revenue to drop 6.8% yoy, we expect that Vinh Hoan's 1Q21 total revenue will reach VND1,665bn, increasing slightly 1.8% yoy, thanks to (1) yoy 34.8% revenue growth of Collagen & Gelatin, reaching VND186bn and (2) nearly VND83bn revenue contribution of Sa Giang Import-Export JSC (Sa Giang).

► Inventory provisions to hit 1Q20 NPAT

After surging in 4Q20, pangasius material price is dropping down fast as decreasing 13% qoq. We estimate the qoq decrease of pangasius material price will lead to Vinh Hoan's inventory provision of VND63.3bn in 1Q21, equivalent to 4.0% of 1Q21 total revenue. Inventory provisions will be core factor dragging down gross margin in 1Q20. We estimate Vinh Hoan's gross margin at 11.0% (-2.2%p yoy and -0.7%p qoq) in 1Q20.

When excluding the impact of inventory provision, we expect Vinh Hoan's gross margin before inventory provisions to see a qoq improvement as reaching 14.8% in 1Q21 (+7.7%p qoq) thanks to (1) qoq decrease of pangasius material price amid stable export price, (2) larger revenue contribution of Collagen & Gelatin, increasing from 7.2% in 4Q20 to 11.2% in 1Q21, and (3) VND17.7bn gross profit contribution of Sa Giang with higher gross margin compared to fillet-related products.

In overall, we estimate Vinh Hoan's 1Q21 NPAT will reach VND158bn (-13.2% yoy and -11.7% qoq), hit by yoy 15.0% decrease and qoq 19.0% decrease of Vinh Hoan's 1Q21 gross profit.

► 2021 NPAT to rise on the surge of Collagen & Gelatin

In the whole 2021, we expect that Vinh Hoan will achieve better business results than those of 2020. Particularly, we estimate Vinh Hoan's revenue at VND7,733bn (+9.9% yoy), mainly driven by Collagen & Gelatin's revenue growth of 52.8% yoy in 2021, thanks to capacity contribution of second production line. Basing on our assumption that Collagen & Gelatin second production line will run at 50% capacity in 2021, equivalent to 70% capacity for both production lines. We estimate Collagen & Gelatin will account for 12.0% of Vinh Hoan's total revenue in 2021.

Besides, we estimate Vinh Hoan's fillet-related products revenue will recover slowly at yoy 1.1% revenue growth to reach VND6,473bn in 2021, premised by volume increase amid single-digit yoy decrease rate of export price.

After completing M&A deal with Sa Giang JSC, we estimate that Sa Giang will contribute VND330bn to Vinh Hoan's total revenue in 2021, equivalent to revenue portion of 4.2%.

Because of Collagen & Gelatin's revenue surge and revenue contribution of Sa Giang, delivering higher estimated profit margins than those of fillet-related products, we estimate Vinh Hoan's 2021 NPAT at VND823bn (+16.7% yoy).

► Action: Maintain BUY for VHC share with TP of VND47,000

Although fillet-related products can recover slowly, we believe Vinh Hoan's business results can improve better in 2021 thanks to earning pillar of Collagen & Gelatin as well as earning contribution from Sa Giang. Therefore, we maintain BUY for VHC share with TP of VND47,000. Total expected return is 22.0%.

## New listing & Public offerings

► New listing

(VND bn, share, VND)

Date of listing	Ticker	Company	Exchange	Charter	Listed Shares	Reference price
3/3/2021	HHP	Hai Phong Hoang Ha Paper JSC	HSX	180.0	18,000,000	12,900
3/3/2021	BAB	Bac A Commercial JSB	HNX	7,085.0	708,500,000	16,000

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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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