

Date: 30/03/2020

HIGHLIGHTS

* **Market:** VN-Index Range: Support 650/ Resistance 700 | Volume: USD 186.50mn vs 30 days avg of USD 183.68mn | Foreign net buy USD0.77mn.

* **Headlines:** Mobile World Investment Corporation (MWG VN), GTNFoods JSC (GTN VN), PVI Holdings (PVI VN).

* **Research:** Flash News - COVID-19: A global pandemic, Vietnam Rubber Group Pre-Listing Note (GVR VN). | Company Reports SCS Update - Maintain BUY recommendation with lower target price, VIC Update – Reiterate our HOLD recommendation with a lower target price, MWG Update – Reiterate our BUY recommendation with a lower target price, NLG Update – Reiterate our BUY recommendation with a lower target price.

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MARKET

* **Thoughts:** Overall, the surge of VN-Index was mainly contributed by VIC. Market sentiment remained in the negative mode as there were 105 gainers and 241 laggards. Although market liquidity was in the good range, the returning support from foreign capital inflow was relatively weak. As the number of coronavirus cases in Vietnam still increases, downward movement is still the main trend in the time coming.

Index	Close	Performance (%)			Liquidity (mn USD)		Net Foreign Flows (mn USD)		
		1 Day	MTD	YTD	1 Day	30 Day Avg	1 Day	MTD	YTD
VNI	696.06	0.27	-21.10	-27.57	186.50	183.68	0.77	-392.07	-344.14
HNX	97.35	-0.47	-11.16	-5.04	18.79	28.37	-0.37	-42.33	-47.89
UPCOM	48.82	-0.38	-11.32	-13.68	6.73	13.63	0.92	-8.65	-6.32
Total					212.02	225.68	1.32	-443.05	398.35

Source: Bloomberg, FiiPro, ACBS

SECTOR MOVEMENT - HOSE

Sector/ Index	Current % Wgt.	% Change			P/E	P/B	Net foreign funds flow (bn VND)		
		1 Day	30 Days	YTD			1 day	30 Days	YTD
Financials	29.0%	-0.4%	-28.8%	-24.53%	11.1	1.8	46.2	-1,309.0	-1,287.8
Real Estate	27.4%	2.3%	-24.8%	-25.32%	23.4	3.2	-5.5	-2,636.2	-3,192.2
Consumer Staples	15.5%	1.0%	-16.5%	-23.20%	16.1	4.1	25.6	-1,485.6	-1,583.7
Industrials	8.1%	-0.4%	-21.8%	-27.03%	11.4	1.8	-8.9	-1,135.3	-1,296.5
Utilities	7.1%	-0.4%	-28.0%	-32.25%	9.7	1.9	2.0	-577.1	340.1
Materials	3.8%	-2.4%	-17.3%	-7.75%	13.2	1.2	-11.9	-1,154.4	-884.1
Consumer Discretionary	2.6%	-4.1%	-30.4%	-35.06%	9.9	2.0	-0.2	-407.0	157.8
Energy	2.4%	-0.2%	-27.0%	-31.68%	11.3	1.8	8.7	-311.5	-430.4
Unclassified	1.5%	-0.9%	-20.4%	-18.47%	11.1	0.8	-37.0	-271.1	21.9
Information Technology	1.3%	-2.2%	-19.3%	-26.20%	9.5	2.0	0.2	1.9	49.3
Health Care	1.1%	-1.7%	-12.2%	-11.33%	15.3	2.4	-1.2	-4.1	-41.7
Communication Services	0.1%	4.7%	8.4%	37.93%	26.9	1.4	0.1	1.7	-4.3
VNINDEX	100.0%	0.3%	-21.1%	-27.6%	10.9	1.6	18.2	-9,287.8	-8,151.7
VN30	79.0%	-0.7%	-22.8%	-26.9%	9.0	1.4	61.0	-6,676.2	-5,645.5
VN100	88.7%	-0.4%	-21.8%	-26.6%	9.2	1.4	50.9	-8,255.8	-8,203.9

Source: Bloomberg, FiiPro, ACBS estimated



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HEADLINES

- * **Mobile World Investment Corporation (MWG VN):** The company to temporarily closed several Mobile World and Dien May Xanh stores in the epidemic areas of Hanoi from Mar 26 until further notice. (ndh.vn)
- * **GTNFoods JSC (GTN VN):** The company to buy back 9m shares from Apr 06 to May 05. (hsx.vn)
- * **PVI Holdings (PVI VN):** The company to buy back 11.6m shares (~5% outstanding shares) from Apr 03 to Apr 29. (ndh.vn)

ACBS RESEARCH

FLASH NEWS:

* **COVID-19: A global pandemic:** The ongoing COVID-19 pandemic, also called SARS-CoV-2, or “macroeconomic flu” as stated in a publication by CEPR (Centre for Economic Policy Research) has started to disrupt the global supply chain given temporary manufacturing operations shutdown in affected countries. Provided the outbreak is contained fairly quickly, we could expect a quick recovery of the world economy as it did in 2003 following the SARS outbreak or in 2012 following the MERS epidemic as productions have to speed up to fill the supply shortage. To date, the COVID-19 has hit 162 countries causing borders to lockdown, travels restrictions to be imposed, schools, restaurants, bars and large events and assemblies to be restricted. Those preventive measures would impact global trades and world economy on a large scale.

* **VIETNAM RUBBER GROUP PRE-LISTING NOTE (GVR VN):** 2019 (audited): PER (x) @ 12.5 | PBR (x) @ 0.91 | ROE (%) @ 7.9 | Div Yield (%) @ 2.4 | EBITDA (VNDbn) @ 5,615 | EPS (bonus-adjusted, VND) @ 831, Growth (%) @ 28.4. Four billion shares of Vietnam Rubber Group (GVR) has been announced to be re-listed on the HoSE (formerly UpCOM) on Tuesday, Mar 17th. On the first trading day, GVR will have a starting price of 11,570 VND/share. Being a leading company in the rubber industry, GVR owns a significant land bank (data table included in full report). GVR’s land bank consists of mostly rubber plantations that can be converted to industrial park or real estate at low clearance cost. By 2025, GVR will have over 7,000 ha of additional convertible land ready for industrial park purpose in Dong Nai, Tay Ninh, Binh Duong, Binh Phuoc. This plan has also been approved by the government. Besides having a huge clean land bank, GVR also have a large amount of cash and cash equivalents at about 13,600 bil. VND, which accounts for over 17% of company’s total asset. In short term, we cannot expect a great recovery of rubber price because of the effect of corona virus and low demand from China.

COMPANY REPORTS:

* **SCS Update - Maintain BUY recommendation with lower target price:** 2019 :PER (x) @ 9.8 | PBR (x) @ 4.6 | ROE (%) @ 49.4 | Div Yield (%) @ 7.4 | EBITDA (VNDbn) @ 582 | EPS (bonus-adjusted, VND) @ 9,307, Growth (%) @ 20.6. SCS audited FY19 result reported 10.8% YoY increase in revenue (to VND748.0bn) and 14.9% YoY increase in NP (to VND537.8bn) despite softened global trade in 2019 (-0.4% YoY based on 2010 USD term). SCS audited FY19 result reported 10.8% YoY increase in revenue (to VND748.0bn) and 14.9% YoY increase in NP (to VND537.8bn) despite softened global trade in 2019 (-0.4% YoY based on 2010 USD term). Thus, we forecast SCS to deliver VND712.2bn of revenue in 2020 (-4.8% YoY), resulting in a lower GM of 76.6% and a declining NP of VND408.0bn (-12.5% YoY). We believe the COVID-19 will be contained within 2020 and expect SCS’s performance to gradually recover by 2021 onwards. As a debt-free company with strong OP cash flow above VND500bn per annum, no significant capex, stable cash dividend and its position in HCMC market as the only one able to expand capacity, we believe SCS is attractive for long term investors. Currently traded at 11.2x 2020 EPS while the avg. peer of logistics and airport services companies in emerging markets are traded at 20.2x. We lower our TP to VND133,700/sh (+54.3% TSR), based on a DCF model, to reflect negative performance in 2020 but reiterate our BUY recommendation.



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*** VIC Update – Reiterate our HOLD recommendation with a lower target price:** 2019 (unaudited): PER (x) @ 30.9 | PBR (x) @ 3.2 | ROE (%) @ 7.0 | Div Yield (%) @ 0.0 | EBITDA (VNDbn) @ 19,7462 | EPS (bonus-adjusted, VND) @ 2,488, Growth (%) @ 75.4. In the past five years, VIC achieved a high CAGR of 36% in net revenue thanks to strong growth of all segments, especially the Consumer Retail segment - Vincommerce - with revenue CAGR of 134%, to nearly VND30trn in 2019 and a dominant market share in the grocery retail market with nearly 2,900 supermarket and convenient stores. Given the divestment of Vincommerce and VinEco and a big drop in the hospitality and entertainment, 2020 revenue is estimated to decrease by 12% YoY, to VND115trn. PAT is expected to drop by 15% YoY, to VND6.5.trn due to higher depreciation and interest expenses and lower financial income as 2019 recorded VND8.4trn of gain from partly divestment of Vincommerce and VinEco to Masan Group. This estimated PAT does not include the profit that VIC may earn from the buying option in the merger entity between VinCommerce and Masan Consumer Holdings. Despite solid performance of Vinhomes and Vincom Retail, we still have concerns about Vinpearl and VinFast, which are negatively affected by the Covid-19 on consumer spending on discretionary goods. Using the sum-of-parts method, we value VIC at VND88,245/share and reiterate our HOLD recommendation for this stock.

*** MWG Update – Reiterate our BUY recommendation with a lower target price:** 2019: PER (x) @ 8.7 | PBR (x) @ 2.8 | ROE (%) @ 36.3 | Div Yield (%) @ 2.0 | EBITDA (VNDbn) @ 6,706 | EPS (bonus-adjusted, VND) @ 8,661, Growth (%) @ 29.8. MWG's 2019 audited business results reported 18.1% YoY growth in net revenue, to VND102,174bn, and 33.2% YoY growth in EAT, to VND3,836bn. For the 2020 business plan, MWG targets 20% YoY growth in net sales and 26% YoY growth in EAT. Mobile phones and consumer electronics retail businesses remain the company's main pillars. In the first two months of 2020, the company reported 18% YoY growth in net revenue and 16% YoY growth in EAT. Despite investors' concerns on probable influences of the Covid-19 epidemic on merchandise supply for stores, especially technology devices and consumer electronics, the company is confident that it has already fixed orders with suppliers for 1H2020 and the probability of supply interruption is low. However, on demand side, we predict that escalating movements of the epidemic since early March coupled with the government's recommendations and measures to control it may intensify people's caution, possibly lessening store visits. We forecast MWG may complete 95% of its revenue target and 91% of EAT target, equivalent to 14.1% and 14.8% YoY growth, respectively due to our view that the epidemic could ease from 2H2020 thanks to the government's strong efforts; part of consumers' demand can be met through online shopping activity; and consumption for food and essential products is still high. Combining DCF and EV/EBITDA comparison methods, we value the stock at VND140k/share, equivalent to a total return of 88.2% at the end of the year. BUY.

*** NLG Update – Reiterate our BUY recommendation with a lower target price:** 2019 (unaudited): PER (x) @ 6.0 | PBR (x) @ 0.9 | ROE (%) @ 16.7 | Div Yield (%) @ 2.3 | EBITDA (VNDbn) @ 783 | EPS (bonus-adjusted, VND) @ 3,647, Growth (%) @ 9.1. Nam Long ended FY2019 with net revenue of VND2,546bn (-27% YoY) and PATMI of VND960bn (+26% YoY), equivalent to 73% and 100% of targets, respectively. The decline in the top line was mainly due to lower revenue from project transfer driven by delay in transferring 50% of Akari City and Southgate projects to 2020-2021. The growth in the bottom line was mainly thanks to VND383bn profit from transferring 50% of Paragon Dai Phuoc project. As of 12/31/2019, NLG had net cash of nearly VND1,100bn, translating to a healthy net cash/equity ratio of 17.7%. Total debt was VND870bn, of which over 70% was long-term bonds with a very low annual interest rate of 6.5%. In 2020, NLG will launch ~2,500 units (-10% YoY) from Flora Mizuki (1,200 units), SouthGate (800 units), Can Tho 43 (330 units) and VSIP Hai Phong (200 units) and deliver over 1,000 units (-59% YoY) from Flora Mizuki, Flora Novia and Southgate. We forecast a 30% YoY decrease in revenue, to VND1,775bn but a 10% YoY increase in NPATMI, to VND1,053bn as delivery of Mizuki and SouthGate projects will not be consolidated in revenue but their profit will be realized in financial income as profit shared from business cooperation. NLG also planned to sell 35% stake in Dong Nai Waterfront City project in 2Q2020 with an estimated profit of ~VND400bn. Using the RNAV method, we reiterate our BUY recommendation with 2020 target price of VND31,379/share, 10% lower than our previous target price given lower estimated pre-sales as the outbreak of corona virus will reduce the demand.



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