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# Divestment process

## Prime Minister hopes to accelerate divestments

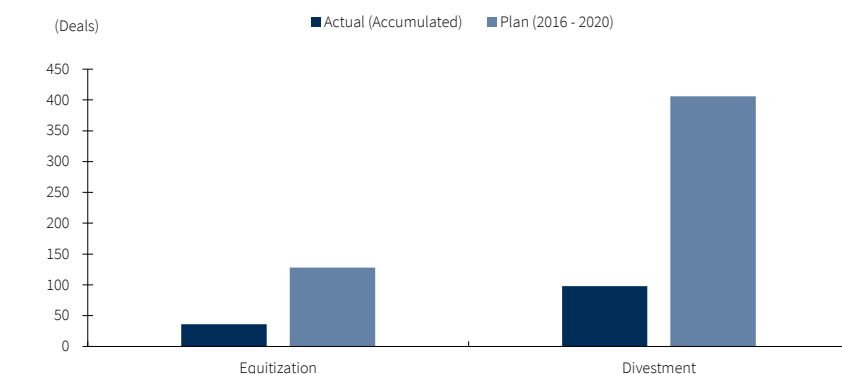
### PM approves list of SOEs to carry out divestment in 2020 to accelerate divestment progress

- 120 enterprises will be divested by the representative agencies of the State capital (companies under ministries and provincial People's Committees) including Vietnam Machinery Installation (LLM), Vietnam Pharmaceutical (DVN), Hanel (HNE)...
- 4 enterprises will be transferred to the State Capital Investment Corporation (SCIC) for divestment by December 31 if divestment by the representative agency is not complete before November 30.
- 14 enterprises will be transferred to the SCIC before August 31 to accelerate divestment process including VINAINCON (VVN), Saigon Beer (SAB), Song Da (SJD)...
- 18 enterprises will have separate divestment plans including Vietnam National Petroleum (PLX), Vietnam airline (HVN), Viglacera (VGC)...
- 69 enterprises will suspend divestment until the end of this year in order to review and build rearrangement and divestment plans for 2021-2025.

### Low chance to complete the target, although some big deals can be expected if the market condition is favorable

- 2 main factors determine the success of SOE divestments: 1) effort of the government and 2) market condition.
- For the first factor, the government is highly determined in accelerating the process of divesting SOEs this year due to 1) this year is the last year of divestment plan for equitization of state-owned enterprises in the period of 2016-2020 and the workload carried out far from the set target; 2) the need to fund unexpected budget deficit this year due to sharp drop in tax revenues from VND 180 trillion tax support packages and "huge" investment disbursement plan of 700 trillion to support economic growth.
- For the second factor, past successful SOEs divestments occurred in favorable market condition with bullish environment, high liquidity and the participation of foreign capital flows. However, given the current state of market remains highly volatile and uncertain, this favorable market condition is unlikely to occur, leading to the shortage of demand for divestment process. As a result, the divestment target has low chance to be completed.
- However, SOEs divestment can still be the catalyst for 2H 2020 with some large deals are expected to occur including Sudico (SJS), Sabeco (SAB) and Viglacera (VGC).

Fig 1. Vietnam – SOE Privatizations and Divestments, 2016 – 2020 (Deals)



Source: Ministry of Finance, KB Securities Vietnam

Table 1. SCIC Divestment plan in 2020

No	Company	Ticker	Government ownership (%)
1	Bao Viet Bank	BVH	3%
2	FPT Group	FPT	6%
3	Vietnam Steel Corporation	TVN	94%
4	Hai Phong Thermal Power Joint Stock Company	HND	9%
5	The Vietnam National Textile and Garment Group	VGT	53%
6	Quang Ninh Thermal Power Joint Stock Company	QTP	11%
7	Pha Lai Thermal Power Joint Stock Company	PPC	0%
8	Vietnam Seaproducts Joint Stock Corporation	SEA	63%
9	Vietnam Vegetable Oils Industry Corporation	VOC	36%
10	Tien Phong Plastics Joint Stock Company	NTP	37%
11	Bao Minh Insurance Corporation	BMI	51%
12	LICOGI Corporation – JSC	LIC	41%
13	Binh Minh Plastics Joint-Stock Company	BMP	0%
14	Vietnam Electronics and Informatics Joint Stock Corporation	VEC	88%
15	Traphaco Joint Stock Company	TRA	36%
16	An Giang Agriculture and Foods Import – Export JSC	AFX	51%
17	Domesco Medical Import Export Joint Stock Corporation	DMC	35%
18	Vinatrans International Freight Forwarders Company	VIN	99%
19	Viet Nam Plastic Corporation	VNP	66%
20	Sai Gon Machinery Spare Parts JSC	SMA	3%
21	Vinacontrol Group Corporation	VNC	30%
22	Sa Giang Import Export Corporation	SGC	50%
23	An Giang Fruit-Vegetables & Foodstuff JSC	ANT	49%
24	Vietnam Hydraulic Engineering Consultants Corporation-JSC	HEJ	49%
25	Petroleum Information Technology Telecom and Automation JSC	PAI	14%
26	Quang Nam Transportation Construction JSC	QTC	54%
27	TRAENCO JSC	TEC	19%
28	Khanh Hoa Seafoods Exporting Joint Stock Company	KSE	9%

Source: SCIC, KB Securities Vietnam

**Table 2. 14 enterprises will be transferred to the SCIC for divestment in 2020**

No	Company	Ticker	Government ownership (% common stock)
1	Vietnam Industrial Construction Corporation	VVN	83%
2	Saigon Beer Alcohol Beverage Joint Stock Corporation	SAB	36%
3	International Manpower Supply and Trade JSC	SON	98%
4	Sovilaco International Manpower	SVL	98%
5	Construction Machinery Corporation JSC	TCK	99%
6	Vietnam National Construction Consultants Corporation - JSC	VGW	87%
7	Building Materials Corporation No 1 Company Limited	FIC	40%
8	Song Da Corporation	SJG	100%
9	Vietnam Water and Environment Investment Corporation	VIW	98%
10	Giai Phong Film Joint Stock Company		100%
11	Vietnam Investment Promotion and Tourism JSC		10%
12	Printing Material & Equipments Export - Import JSC		32%
13	General Construction & Export - Import JSC		60%
14	Vietnam Agriculture Product JSC		23%

Source: Ministry of Planning and Investment, KB Securities Vietnam

**Table 3. 18 enterprises will have separate divestment plans in 2020**

No	Company	Ticker	Government ownership (%)
1	Vietnam National Petroleum Group	PLX	76%
2	Vietnam Airline	HVN	86%
3	Vietnam Engine and Agricultural Machinery Corporation	VEA	88%
4	Machines and Industrial Equipment Corporation	MIE	100%
5	Viglacera Corporation JSC	VGC	39%
6	Vietnam Exhibition Fair Centre JSC	VEF	10%
7	Vietnam Waterway Construction JSC		37%
8	Printing Export - Import Company		30%
9	Vietnam Feature Film Development and Investment JSC		29%
10	Vietnam Sport JSC		51%
11	Construction and Building Materials JSC		18%
12	Thang Loi Hotel JSC		19%
13	Xuyen Moc Urban and Public Services JSC		32%
14	Ba Ria - Vung Tau International Tourist Services JSC		27%
15	Con Son Export- Import JSC		40%
16	Hai Phong Auctions and Price Appraisal Consulting Company		90%
17	Hai Phong Ship Chandler JSC		39%
18	Phu Yen Environment JSC		91%

Source: Ministry of Planning and Investment, KB Securities Vietnam

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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