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Privatization process

Ministry of Finance hopes to revitalize privatizations

Ministry of Finance releases 10-point plan to revitalize privatization process

— Recognizing that COVID-19 has slowed the privatization process in the first four months of the year, the Ministry of Finance released a 10-point plan to revitalize the process for 2020. Main points include: 1) improving the performance of state-owned companies; 2) strengthening the legal and institutional frameworks for the organization and management of state-owned companies; 3) designating land for operating use and transferring idle land banks according to current laws; and 4) revising business plans and targets to reflect the negative impact and risks from COVID-19 to ensure recovery.

But many hurdles to overcome before privatizations can accelerate in 2020

— Decision No. 26/2019 / QĐ-TTg signed by the Prime Minister's office in August 2019 identified 93 companies that were scheduled for privatization in 2020 but only one company was successfully completed (Dak Lak Book & School Equipment Company). Slow progress is largely due to three issues: 1) difficulties in valuing many of the large companies due to complicated financials and uncertainties related to the use of idle land assets; 2) unhealthy financials or unstable operations that lowers the attractiveness of investing or government stakes that are too large for the market to absorb; and 3) stock market volatility, especially due to the coronavirus. We believe specific solutions to these issues will likely be needed for any breakthroughs that could allow the privatization process to regain momentum. Given that the current state of planning remains too general it may prove difficult to launch any meaningful privatizations this year.

Little work being done on the blockbuster deals

— Blockbuster deals like Saigon Beer (SAB), PV Power (POW) or Binh Son Refining (BSR) proved to be important catalysts for the overall market in 2017 and early 2018. Although an attractive IPO pipeline exists to attract capital, there are few signs that any deals are being prepared. Potential blockbuster deals are Mobifone (mobile telecoms), Vietnam National Coal-Mineral Industry Group (coal mining and distribution) and Northern Food Corporation or Vinafood1 (food and agricultural products). Moreover, the National Assembly is considering using the state budget to increase capital at Agribank to improve the financial health of Vietnam's second-largest bank. Again, this decision could signal the start of the privatization process but given the time needed it will still be unlikely that any listing could be carried out in 2020.

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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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