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# Nam Viet Corp (ANV)

## 1Q earnings shock from heavier China exposure

### Preliminary 1Q earnings drop 78% YoY on weak exports

— Preliminary 1Q consolidated earnings fell by 78% YoY to VND43.4 billion on VND811 billion in revenue (down 11% YoY) due largely to: 1) the bigger hit to export volumes coming from the heavier reliance on China; 2) lower gross profit margin from higher fish costs given 100% internal farming operations; and 3) higher selling expenses. Revenue from exports – consisting of 70% of 1Q revenue – decreased by 23% YoY due to the company's higher exposure to the lockdown in China. The higher cost of internally farmed fish – coupled with the industry-wide drop in ASPs (albeit to more sustainable levels) – also saw the gross profit margin fall to 15% from 30% a year ago to VND121 billion in gross profit (-56% YoY). Selling expenses also rose sharply in 1Q, rising by 31% YoY to VND55 billion on higher commission, storage and logistics costs.

### Awaiting more details on the quick shift to ASEAN and EU markets from China

— The quick shift to ASEAN and EU markets to reduce the company's dependence on China (China was 30% of export revenue in 2019) saw some promising results in the first two months of the year, with ASEAN export revenue reaching 39% from 20% and EU moving to 23% from 14% of total export revenue. China exposure fell during this same time period but given the weak 1Q results more details will be needed to see if this trend continued into March.

### Guidance looks for 72% drop earnings for 2020E

— Management guides for only VND200 billion in earnings for 2020E or a 72% YoY drop from 2019 on VND3,000 billion (-33% YoY) in revenue. There was no update whether management would declare an additional VND500 per share cash dividend to meet its VND1,500 per share cash dividend target for 2019 earnings after the VND1,000 per share cash dividend declared in March. The company also revised down its cash dividend target for 2020 to VND1,000 per share from the original target of VND2,000 per share between 2020–2024.

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## Investment ratings & definitions

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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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