

June 15, 2020

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Nam Viet Corp (ANV)

Earnings guidance down 72%

Guidance looking for 72% YoY drop in earnings for 2020E

— Management released cautious earnings guidance of VND200 billion for 2020E or down 72% YoY on revenue of VND3,000 billion or down 33% YoY in the proposal for the annual general shareholders' meeting. This target is in-line with preliminary guidance released alongside the 2019 annual report and already takes into account the COVID-19 pandemic. ANV has shifted exports to the ASEAN market to mitigate the hit from its largest overseas market in China but a severe contraction in exports is likely inevitable in 2020E as demand has only started to weaken in the EU and Latin America from last month. With little control over falling exports, management plans to continue investing in the production chain to gain better control over input costs and quality of farmed fish to prepare for post-pandemic demand recovery. An automatic feeding system was installed at the *Binh Phu* farming site to reduce staff costs for farming. Moreover, the company established Nam Viet Solar Ltd. in May 2020 with charter capital of VND54 billion to build a roof-top solar system to supply electricity for its cold storage facilities. Shareholders meet on June 26 in *An Giang* province.

Adding solar energy as new line of business and eliminating the Supervisory Board

- Management will ask shareholders to approve an amendment of the company's charter to add solar energy as a new line of business. Roof-top solar systems should support ANV's expansion of its cold storage facilities, with the *Binh Phu* farm already starting operations and set to double production this year and possibly triple it next year depending demand recovery. The company is currently on target to harvest 105,000 tons in 2020E from 156 ponds (out of a total 229 finished ponds) from this new farming site.
- Management will also seek approval to remove the Supervisory Board and replace with an internal auditing committee. As the company's Chairman cum CEO and his sons have about an 80% shareholding in the company, this proposal should be approved. This change to an internal auditing committee will reflect the reporting and governing structure used by Vinamilk (VNM), Novaland (NVL) and Refrigeration Electrical Engineering Corporation (REE).

Cash dividend target of VND1,000 per share for 2020E performance

— Management has already slashed its cash dividend target for 2020E performance to VND1,000 per share from the original VND2,000 goal for payouts between 2020E-2024E. This comes after cutting 2019's cash dividend to VND1,000 per share paid as an interim dividend last month. As this was only an interim dividend, management could still declare another VND1,000 dividend to meet its original VND2,000 cash dividend target for 2019 but gave no indication of when or if this would occur.

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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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