

June 18, 2020

Fisheries & Pharmaceuticals Analyst
Nguyen Thanh Danh
danhnt@kbsec.com.vn

Minh Phu Seafood Corp (MPC)

Outlook still overly optimistic despite lower guidance

Outlook remains overly optimistic despite officially revising down 2020E guidance

— Management officially revised down 2020E guidance in the proposal for the annual general shareholders' meeting to VND994 billion for pretax earnings or still double last year's results on VND15,206 billion in revenue or down 11% YoY. Previous guidance in the 2019 annual report expected pretax earnings of VND1,368 billion or a 175% increase but this outlook did not factor in any pandemic impact (no sales expectations were released before). Based on the new guidance, MPC completed 19% of its revenue goal and 7% of pretax earnings plan in 1Q. That said, management lacks a credible track record in meeting full-year guidance and has not met targets since 2015. Shareholders will meet on June 27.

More focus on cutting costs and expanding production

— Management plans to boost internal shrimp farming at the *Kien Giang* and *Loc An* sites to 1,000 ponds from 150 ponds last year to actively hedge against the input shortages it witnessed in 2019. MPC lacked raw shrimps to supply its processing plants last year due to 1) suspension of raw shrimp imports from India over US anti-dumping concerns; and 2) inadequate internal sourcing due to bad weather conditions. MPC stopped processing Indian raw shrimps at its plants in June 2019 after a US congressman filed a claim against MPC that accused the company of evading antidumping duties levied on Indian shrimp imports into the US. This severely impacted 2019 earnings when farming sites directly-owned by MPC could only meet 10% of its internal processing demand and forced the company to meet the shortfall using higher-priced shrimp from external sources to satisfy supply contracts. Management also plans to automate and modernize its production chain to minimize costs in cooperation with FPT Corporation and Mitsui as its new strategic shareholder.

Will suspend cash dividends for 2019 performance

— MPC will suspend cash dividends again for 2019 performance. The company has effectively maintained a zero payout ratio policy since 2014, with the exception of the VND7,000 per share cash dividend paid for 2018's record performance year. Management also excluded any mention of dividends for 2020E performance, which may largely be attributed to the company's high debt levels and weak retained earnings at only VND346 billion (vs about VND2 trillion in short-term borrowings).

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

congl@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

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

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.