

June 29, 2020

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

Minh Phu Seafood Corp (MPC)

July export surge on completion of 1H delayed shipments

Management confident in meeting optimistic goals but concerns linger on second wave

— Management disclosed preliminary 2Q pretax earnings of about VND200 billion or up 122% YoY. This implies a run rate of VND270 billion (up 50% YoY) in 1H pretax earnings or only 27% of 2020E guidance. Although MPC's revenue goal is set and approved at VND15,206 billion (down 11% YoY) due to the closures of food services during the pandemic, management remains confident in meeting its bullish annual target for VND915 billion in earnings (up 106% YoY). Values of signed export contracts are on track to meet its full-year goal for exports at USD638 million (down 1% YoY) but management already warned that successfully reaching this goal will be contingent on the absence of a second wave of coronavirus infections in overseas markets. Management also estimates higher 2020E gross profit margins after purchasing raw shrimp at 10%-15% lower input prices due to the pandemic. Gross profit margins suffered last year from June 2019's suspension of raw shrimp imports from India in the US on anti-dumping concerns that forced MPC to rely on higher-priced shrimps from external sources to make up for shortfalls.

Export growth should turn positive from July on completion of delayed shipments

— Management expects exports to surge from July due to: 1) the low base effect from falling exports seen during 2H last year due to the antidumping investigation; 2) completion of the initial response to the US antidumping investigation; and 3) delivery of delayed shipments from 1H. The company recently submitted its initial response to antidumping claims to the US Customs & Border Protection (CBP) that should allow the company to refocus efforts on exports. Moreover, management expects to complete delivery of export contracts signed during 1H but delayed due to the pandemic from July with the reopening of food services in most overseas markets.

Cash dividend of VND1,500 per share for 2019 earnings & ESOP from treasury shares

— Shareholders approved a VND1,500 cash dividend per share for 2019 performance and an ESOP of no more than 500,000 shares (0.25% of outstanding). This latest VND300 billion in cash dividend payout should deplete 2019's retained earnings of VND346 billion and force management to rely primarily on current year earnings to meet its VND5,000 cash dividend per share 2020E target agreed with Mitsui (and may explain such aggressive 2020E guidance). MPC agreed to pay VND5,000 per share cash dividends for 2019/2020E and maximum of VND7,000 per share from 2021 onwards when Mitsui bought a 35.1% stake last year. That said, Mitsui already suggested lowering the 2020E payout to VND88 billion or VND440 per share due to weak performance for the first five months of year.

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

trinhhtt@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

congltt@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@kbfq.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.