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

# Vinh Hoan Corp (VHC)

## October exports remain on track

### Continued positive October sales growth amid recovering ASPs

— Total October revenue increased by 11% YoY to VND735 billion largely due to the ongoing recovery in ASPs with *pangasius* sales up 9% YoY to VND538 billion. Export prices for frozen *pangasius* fillets across Vietnam's industry reached 2.65–2.70 USD per kg in October from the depressed USD2.20 per kg levels seen in 1Q and 2Q. Sales from wellness products (collagen & gelatin) were back on track at VND46 billion or up 44% YoY after last month's decrease of 26% YoY ahead of mid-October's partial lockdowns across the EU. That said, feed sales still remain weak at VND28 billion or down 41% YoY but we expect higher new crop demand in coming months when farm-gate prices for mature *pangasius* recover further. Currently, farm-gate prices have risen to VND22,000 per kg from 3Q's VND18,000 per kg.

### Recovery across most markets, albeit exports dragged down by the EU

— On a sequential basis, VHC's revenue increased by 33% MoM with positive growth in most markets. Sales to the company's most important US market increased by 27% MoM to VND242 billion and remained flat compared to last year. Demand recovery from the China market continued to post strong sales growth of 53% MoM and 33% YoY to VND210 billion. EU export sales were up 3% MoM to VND70 billion but still down 11% YoY due to the EU's partial lockdowns ahead of the upcoming winter season.

### On track to beat the pessimistic sales guidance; Maintain BUY at VND47,100 target price

— We reiterate our BUY rating on our sector top pick Vinh Hoan Corporation (VHC, BUY, TP VND47,100) as the most leveraged to the expected 4Q turnaround in *pangasius* exports. VHC leads the sector – with the company's exports having already turned positive since last month – and continue to expect Vietnam's overall pangasius exports to turnaround by the end of the year and act as a positive catalyst for the entire fishery sector. VHC's total revenue reached VND5,840 billion for the first ten months of the year and although still down 8% YoY (versus minus 10% YoY for the first nine months of the year) and unlikely to meet management's optimistic sales objective, sales are nonetheless tracking ahead of the pessimistic guidance at 91% of the target in October and well in line with consensus. Recovery in China is promising but lingering pandemic conditions in the US and EU continue to pressure earnings but we expect recovery to gain momentum well into 2021E. Moreover, we have not fully-reflected the new expansion line for collagen & gelatin (completed at end-October) into our forecasts yet. The new line could increase annual gelatin output by 75% to 3,500 tonnes from 2,000 tonnes currently and boost profit in the wellness segment by 50% in 2021E.

## KB SECURITIES VIETNAM RESEARCH

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**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 analyst – Tran Thi Phuong Anh**

anhttp@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 – Nguyen Ngoc Hieu**

hieunn@kbsec.com.vn

### **Equity (Ho Chi Minh)**

**Head of International Research (Ho Chi Minh) – Harrison Kim**

harrison.kim@kbf.com

**Consumer & Retailing Analyst – Dao Phuc Phuong Dung**

dungdpp@kbsec.com.vn

**Oil & Gas & Fisheries Analyst – Nguyen Thanh Danh**

danhnt@kbsec.com.vn

## KB SECURITIES VIETNAM (KBSV)

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### Head Office:

Levels G, M, 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](mailto:ccc@kbsec.com.vn)  
Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

## 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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