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# Vinh Hoan Corp (VHC)

## May exports show early signs of recovery

### May *pangasius* sales flat but overall revenue down modestly from still weak feed trading

— May revenue was down 3% YoY to VND551 billion primarily due to still weak feed trading but sales for *pangasius* products – VHC’s main revenue generator – were almost flat at VND353 billion (-1% YoY). Feed sales dropped by 67% YoY to VND23 billion amid weak demand as most farmers remain reluctant to start new crops when selling prices for mature *pangasius* are still low at VND18,000 per kg. Revenue from wellness products increased by 47% YoY to VND67 billion but insufficient enough to turn total revenue growth positive.

### Signs of recovery from the COVID-19 pandemic across most markets, except the US

— On a sequential basis, VHC’s revenue recovered by 11% MoM and showed early signs of recovery from the pandemic vs the 25% MoM drop in April sales. China sales demonstrated the strongest recovery and bounced back by 142% MoM and 49% YoY to VND111 billion with the end of lockdowns. The EU market also showed recovery signs, with May export revenue up 0.1% MoM and 29% YoY to VND143 billion to maintain positive growth since the start of the year. Importantly, the EU market surpassed the US to become VHC’s largest export market in May after the US maintained social distancing protocols during that same month. US exports were down 13% MoM and 45% YoY to VND109 billion in May but VHC’s management has already hinted at partial recovery in June results.

### On track to meet the company’s optimistic scenario for revenue guidance in 2020E

— VHC has completed 31% of its optimistic sales scenario for 2020, with total revenue at VND2,685 billion (-6% YoY) for the first five months of the year. Moreover, the EVFTA approved on June 8 should also become effective from August 1 and drop the 5.5% import tariff on *pangasius* to 4.1% and further support recovery to reach the company’s optimistic sales target. That said, one area of concern that will need to be monitored is the recent cluster outbreak in China as management assumes full recovery in *pangasius* exports to China market by 3Q.

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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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