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

Vinh Hoan Corp (VHC)

September exports turn positive

Sales growth turns positive in September for the first time since May 2020

— September sales logged positive 3% YoY growth for the first time since May 2020 largely due to the 222% YoY surge in by-product sales to VND142 billion. Total September sales were VND554 billion with *pangasius* sales down by 13% YoY to VND347 billion as ASPs in the US remained at depressed levels. Feed sales also remain weak at VND19 billion or down 57% YoY with weak farm-gate prices for mature *pangasius* continuing to discourage farmers from starting new crops. Revenue from wellness products (collagen & gelatin) decreased by 26% YoY and 47% MoM to VND28 billion following the second wave in coronavirus cases in its main markets in the EU.

Demand recovery in China market, albeit EU market dragged down VHC's total exports

— On a sequential basis, VHC's revenue decreased by 10% MoM due mostly to the EU market. EU export sales were down 42% MoM to VND68 billion ahead of partial lockdowns across the EU in mid-October with the upcoming winter season. US sales were down slightly by 8% MoM to VND191 billion on lower selling prices. One bright spot was demand recovery from the China market with positive sales growth of 29% YoY and 20% MoM to VND137 billion. Total revenue of VND5,105 billion for the first nine months of the year is still down 10% YoY (versus minus 12% YoY for the first eight months of the year) and lagging the company's optimistic annual sales target (but at 79% of the company's pessimistic scenario for sales).

Completion of new expansion line for gelatin

— The expansion of gelatin line has been fully completed and could boost profit in the wellness segment by 50% in 2021E when fully operating. The new line will increase annual gelatin output by 75% to 3,500 tonnes from 2,000 tonnes currently. VHC's revenue from wellness products (ie, collagen and gelatin) saw 23% YoY growth to VND442 billion in the first nine month of the year despite the pandemic. VHC's *Vinhwellness* brand launched the world's first ASC-certified Collagen Supplement (a by-product of *pangasius* processing) in Sweden in October 2019.

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

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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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