

Vietnam Fisheries

Strong shrimp exports but negative tariff event

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

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Positive maintain

Recommendations

Vinh Hoan Corporation (VHC)	BUY
Current Price	VND43,000
Target Price	VND47,100
Nam Viet Corporation (ANV)	BUY
Current Price	VND19,200
Target Price	VND21,700
Minh Phu Corporation (MPC)	HOLD
Current Price	VND29,500
Target Price	VND31,700

September shrimp exports building momentum and now up 25% YoY

September shrimp exports reached USD385 million or up 25.3% YoY ahead of seasonally strong 4Q holiday quarter and maintaining positive growth since February. Total shrimp exports for the first nine months of the year increased by 10.5% YoY to USD2.7 billion as Vietnam gains share in major overseas markets amid on-going coronavirus disruptions in rival countries and the positive impact from the EVFTA. We expect this momentum to accelerate into the peak 4Q season and keep performance on track for full-year growth of 10.0% YoY barring any negative outcome related to Vietnam's currency manipulation probe in the US.

US exports at risk from negative outcome from MPC's antidumping probe

Vietnam's shrimp exports to the important US market were up 39.6% YoY to USD90 million and added to positive growth seen since October 2019. US exports so far this year reached USD634 million or up 33.0% YoY. Exports are still benefitting from India's supply disruptions that have inflated the country's export prices and forced many buyers to switch to products from Vietnam, Indonesia and Ecuador. That said, Minh Phu's (MPC, HOLD, TP VND31,700) negative outcome from its US antidumping probe may start to negatively impact export momentum from October and we await further developments related this issue (refer to our recent MPC downgrade report *Profit taking ahead of antidumping event*, Sep 28, 2020).

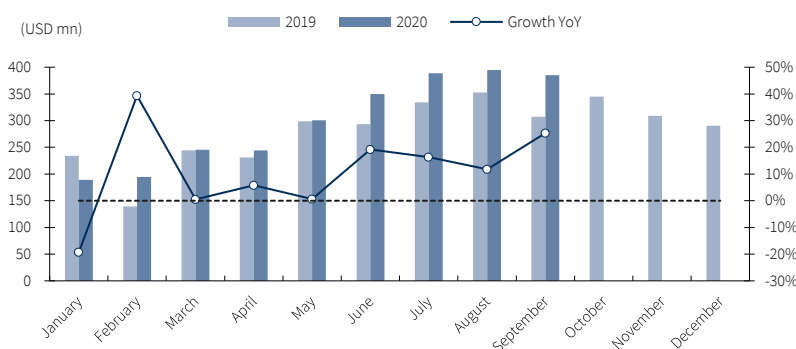
Year-to-date EU shrimp exports turned positive again thanks to EVFTA

August's start to the EVFTA has already has a positive impact with September exports to the EU up 35.4% YoY to USD58 million. This adds to August's 15.5% YoY growth and July's 2.1% YoY growth after falling into negative territory between March and June due to the pandemic. EU shrimp exports for the year have now turned positive at 2.3% YoY growth to USD371 million versus minus 1.6% YoY for the first eight months of the year. The EVFTA immediately removed the 4.2% import tariff on frozen shrimp to help boost demand in this price sensitive market.

Re-entry into MPC may take longer due to the antidumping event

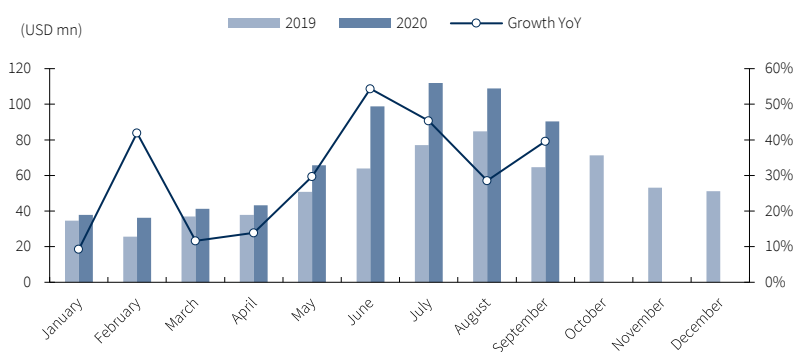
Despite strong shrimp exports, we continue to recommend investors take short-term profits on MPC and switch holdings to Vinh Hoan Corp (VHC, BUY, TP VND 47,100) until the full extent of tariffs on MPC's exports to the US can be assessed. Moreover, MPC's management and local press have not yet commented on this negative outcome and the stock may need to better reflect the potential impact from US tariffs applied to MPC's shrimp exports to the US.

Fig 1. Vietnam fisheries – Total shrimp export values & growth, Jan 2019–September 2020 (million USD, % YoY)



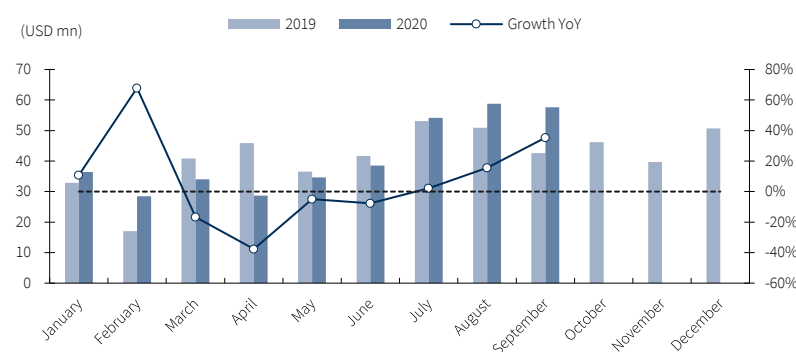
Source: Vietnam Association of Seafood Exporters & Producers, KB Securities Vietnam

Fig 2. Vietnam fisheries – Shrimp export values to the US & growth, Jan 2019–September 2020 (million USD, % YoY)



Source: Vietnam Association of Seafood Exporters & Producers, KB Securities Vietnam

Fig 3. Vietnam fisheries – Shrimp export values to the EU & growth, Jan 2019–September 2020 (million USD, % YoY)



Note: Export values to the EU exclude the UK

Source: Vietnam Association of Seafood Exporters & Producers, KB Securities Vietnam

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 International 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

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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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