

**APRIL**

**10**

**FRIDAY**

**“Light for the mid-term recovery”**

**ADVISORY DIARY**

- **HVG – AGM 2015 meeting update**
- **Light for the mid-term recovery**

**HVG – AGM 2015 meeting update**

Yesterday, our industry analyst attended Hung Vuong JSC’s annual general meeting (HVG – HSX). HVG is considered as one of the leading seafood processors in Vietnam with second highest market share in pangasius export sector, only behind Vinh Hoan JSC (VHC – HSX). Furthermore, HVG has been a notable stock which attracts many investors with average trading volume of 52 weeks is approximately 1 million units.

In 2014, HVG’s revenue and profit after tax achieve 14,902 billion dong (+33%) and 450 billion dong (+54%) consecutively. With this result, the company exceeded the revenue by more than 6% but only 64% of the targeted profit.

**Livestock feed sector is the targeted development in 2015.** With the assessment of low agriculture commodity price in the next three year, the company boosts investment in livestock feed sector. The ownership ratio in VTF could increase from 80.74% to 90.28% if there will be a successful agreement in the end of next April. Along with raising the percentage of ownership, HVG is expected to expand design capacity by 60% from 500,000 tons/year to 800,000 tons/year. In addition, the company’s prospect is to bring Viet Thang into largest fish feed producer with capacity of about 1.8 million tons/year from 2015 to 2018. By the end of 2014, total livestock feed sales (including internal sectors) was only 5,046 billion dong; while in 2015, HVG expected the revenue from this segment could achieve 10,000 billion, increase twice.

**Pangasius export structure is no longer stable.** In 2014, HVG export market had the strong volatility, especially in US.

**Table: The export market of HVG**

Area	2013	2014
US	35%	13%
Russia	12%	9%
West & North Europe	9%	26%
South & North America	11%	23%
Asia	6%	10%
Middle East	3%	7%
East Europe	4%	6%
Africa	16%	1%
Oceania & Others	5%	5%

Source: Annual Report 2014

Due to implied anti-dumping tax, revenue from US market just contributed c. 13% instead of 35% like previous period. To compensate the reduction, HVG pushed exporting to other overseas markets such as Europe (proportion up to 26% from 9%), South America and North America (proportion up to 23% from 11%). Notably, HVG has sacrificed its profit to get sales growth through penetrating new markets. Consequently, HVG’s profit margin was drastically affected. Particularly, while gross profit margin of pangasius selling in domestic market was down from 20.7% (2013) to 18.9% (2014), that of pangasius selling in overseas market had been down to 7.7% (2014) from 11.69% (2013). Therefore, unless risk from anti-dumping tax is removed, it is difficult for the Company to stabilize its export market. According to Mr. Duong Ngoc Minh, the Company has planned a strategy to identify HVG’s brand name as well as products position to widen its export market. To meet this duty, HVG may deal with trade-off problem between revenue and profit.

In 2015, exporting pangasius will continue to be a key contributor in HVG’s revenue. A close chain from input material to output products is attached special importance. Particularly, farming area will be widened from 100 hectares to 543 hectares in this year. In the other hand, HVG will invest three more fish-processing factories in Tien Giang, Sa Dec and Ben Tre provinces with productivity at 200 tons of material/day/factory.

**Additionally, HVG plans to import pollock from Russia.** The business run by 3 associated companies, in which, HVG is in charge of importer and processors, material supplier is a corporation in Russia and a corporation in Europe is a distributor. This fish is farming largely in Russia and ranks 4th (higher than catfish) in top 10 of the most favorite goods in USA. However, the price only reaches US\$ 2.74 – 2.91/kg, lower than catfish one, US\$ 3-3.5/kg. As of January, 2015, the price of Pollock without head and gut (H&G) declined 19% to US\$ 1.350/ton, and the downtrend is able to be on track in the very first months of 2015. To facilitate the production and import activity in Russia, the company formed a joint venture, particularly, BIDV (40%), a company in Russia (20%) and HVG (40%). this investment, as HVG chairman’s view, is considered to be appropriate in the situation of RUB’s downtrend. Therefore, the investment cost is not too large. With supporting policies of Russian government, it is positive for this plan, according to our opinion. However, the time as well as particular phases has not been published. Thus, it takes at least 1-2 years to reach detailed information about this plan

**Shrimp segment will be a new point in 2015’s revenue structure.** As a consequence of increasing the investment at FMC from 37% to 51%, FMC’s revenue will be consolidated to HVG. According to FMC’s plan, the revenue and profit before tax is respectively VND 3,655 billion and VND 100 billion, growing by 25% and 27% y-o-y. Otherwise, FMC has also intended to purchase additional 3 million shares of Tac Van JSC to reach the owning rate of 51%, which shows the HVG’s effort to penetrate further into the shrimp market. Besides, the Company has planned to invest another two shrimp processing plants in Soc Trang to boost production capacity in 2015.

**Overall, we believe that the plan from 2015 to 2018 of HVG is very optimistic, but also has many notable points.**

**Table: Business results from 2015 to 2018**

Year	Revenue	Profit	Dividend
2015	20,000	800	30%
2016	24,000	1,200	30%
2017	28,000	1,500	40%
2018	32,000	1,800	50%

Source: Annual Report 2014

In 2015 plan, the company expects 34% growth in revenue and PBT growing 1.8 times. Meanwhile, the minimum cash dividend is about 10%. HVG will give priority to use profits to invest in production expansion plans as fish, shrimp processing plants and cold storage system with a total value of VND1,400 billion. On the other hand, the company also plans to change capital structure of significantly short-term loans to long-term financing. In late 2014, the company has successfully issued VND1,000 billion convertible bond with term of 3 years for BIDV worth VND700 billion and Vietnam International Commercial Joint Stock Bank worth 300 billion . In 2015, the Company expects to continue to issue additional VND500 billion worth bond for ANZ Vietnam and sign loan agreements with a term of 5 years’ worth USD20 million for DEG . At the same time, HVG is expected to sell 43,999,936 shares totaling VND 440 billion for additional working capital during the year.

Currently, the PE trailing is about 9.4 and quite high compared to average of the fisheries industry, about 8. We can see the ambition of expanding production and business as well as increasing the

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market share of HVG. In the process of implementing these plans, HVG will trade off between revenue and profit. Therefore, in the short term, the production will be unlikely to achieve expectations. Therefore, considering the prospects in 2015, we believe that the current price reflects quite closely with those plans. Meanwhile, the longer-term, more explicit details about the projects, particularly in Russia will be the factors for investors interested in tracking this stock.

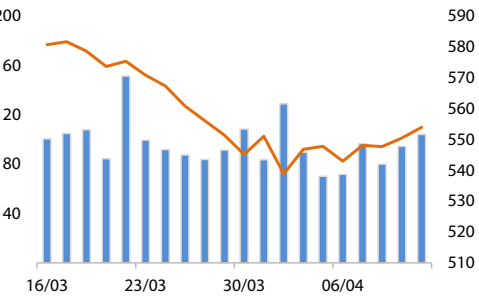
### **Light for the mid-term recovery**

Today is considered as a "completed" session for the market this week. After the improved in liquidity from yesterday due to speculative stocks (FLC, HAI, KLF and FIT), the market has more consensus from Blue-chip stocks today. In particular, VIC had a successful session and bustling with more than 1.2 million shares in volume. According to published information published in session, VIC has made a further step in plans to boost its retail sector with the acquisition of VinatexMart. Specifically, the Vinmart Supermarket JSC has owned supermarket chain of VinatexMart with 39 stores operating in 19 provinces and cities.

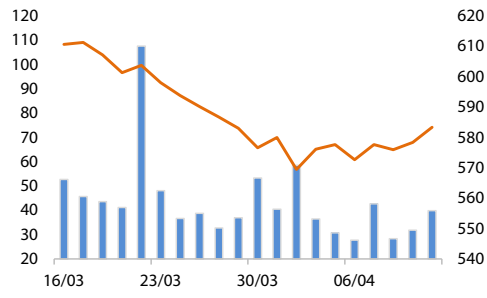
In addition, the State Securities Commission will retain the provisions of Circular 210 and unrestricted the flow of securities loans, which helped the liquidity of the market increased, up by 12.6% of trading volume and 16.7 % of the trading value. In addition, this information has also had a positive impact to the securities company including SSI, HCM, SHS, VND, AGR. Furthermore, foreign investors have a net buy of about VND234 bn.

According to our previous prediction, the market has had some positive recovery belong with some corrections since the 12 point-decrease at 1 April. Besides, the market sentiment is being more stable thanks to the support information from the company such as Q1 business result, dividends and 2015 business plan. The market has consolidated the "laying foundation" process in the past few weeks. Next week, investors should care about the improvement in liquidity and the stability of foreigner investors.

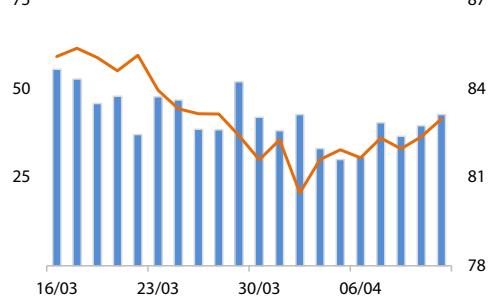
**VNINDEX** 0.64% **554.03**



**VN30** 0.86% **583.34**

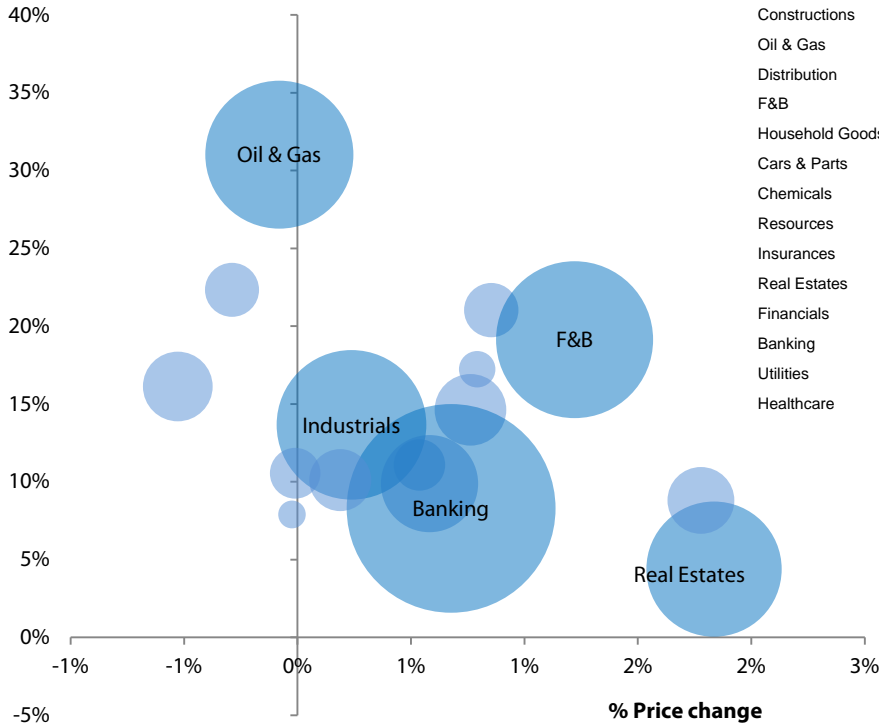


**HNXINDEX** 0.74% **82.98**

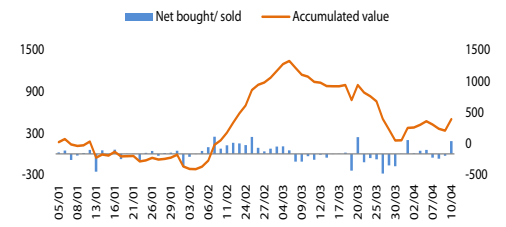


**Industry Movement**

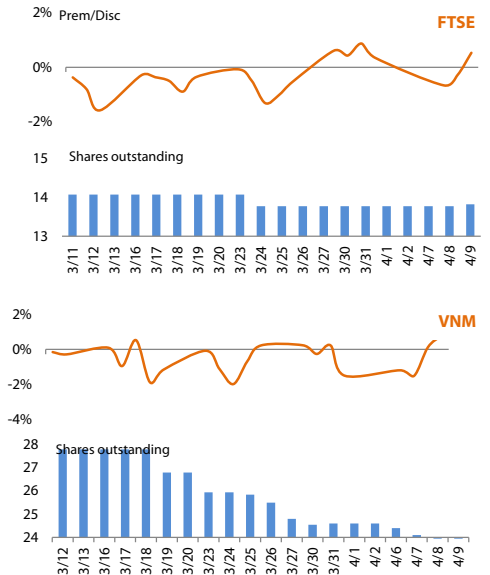
**Industry ROE**



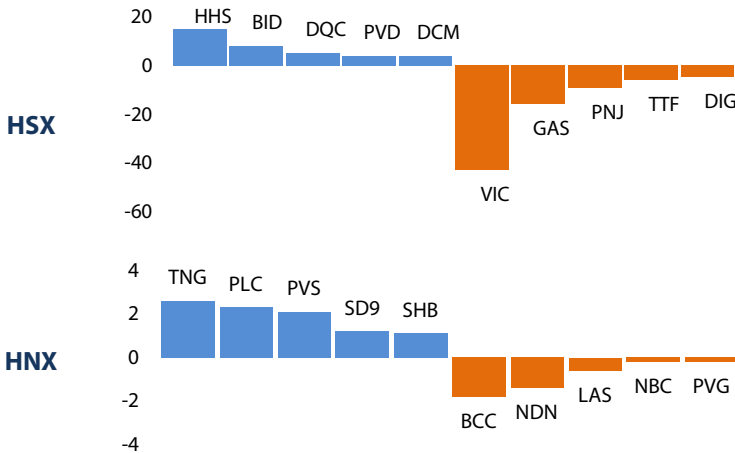
**Foreign Investors Trading**



**ETF**



**Top net bought/sold by foreigners (VND bn)**



**Top Active**

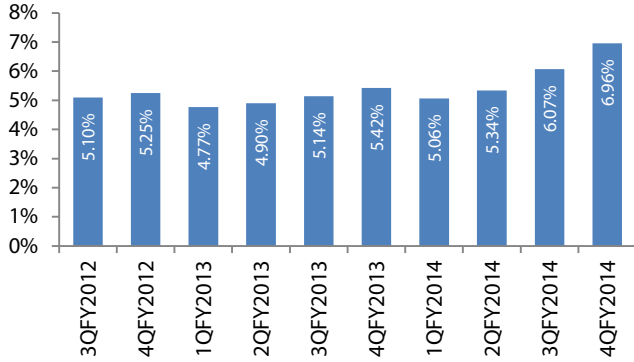
Ticker	Price	Volume	% price change
FLC	10.6	6.89	1.0%
HAI	11.3	6.30	0.9%
DLG	9.8	5.12	2.1%
CII	20.3	4.93	0.0%
BID	19.0	3.85	0.5%

Ticker	Price	Volume	% price change
FIT	14.4	4.27	9.9%
KLF	9.0	3.95	1.1%
ITQ	19.9	2.38	9.9%
KLS	9.5	2.23	-1.0%
PVX	4.6	1.76	0.0%

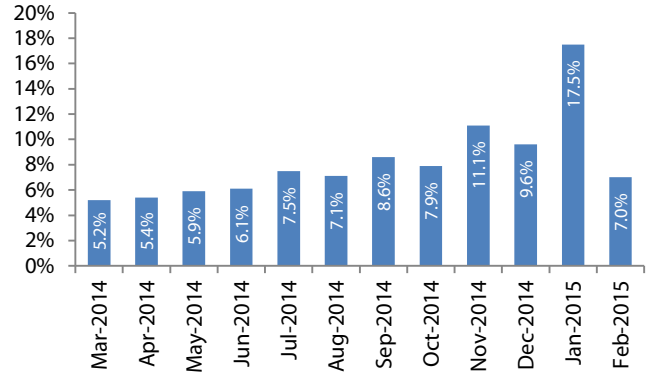
**MACRO WATCH**

**Graph 1: GDP Growth**



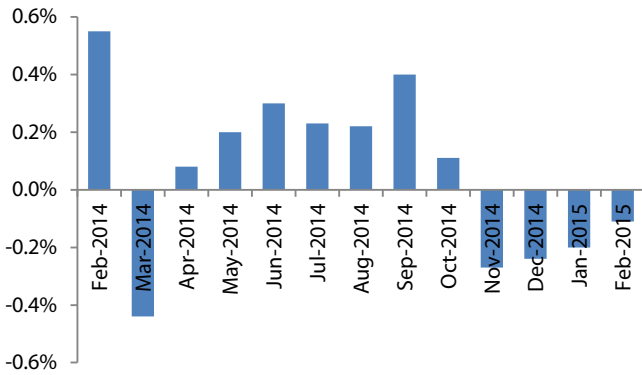
Sources: GSO. Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



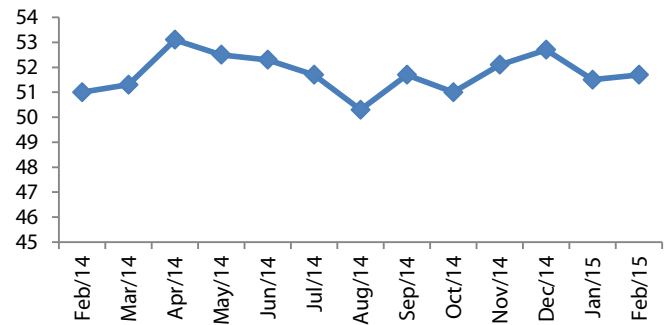
Sources: GSO. Rongviet Securities database

**Graph 3: Monthly CPI**



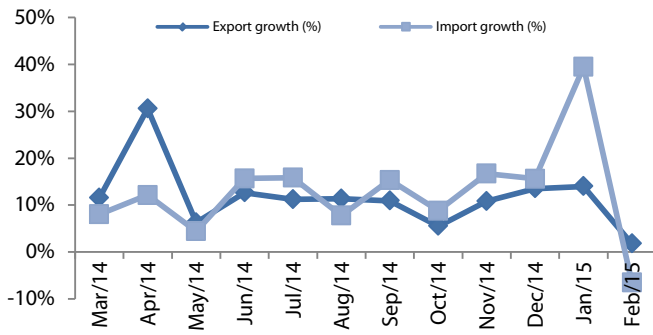
Sources: GSO. Rongviet Securities database

**Graph 4: HSBC - PMI**



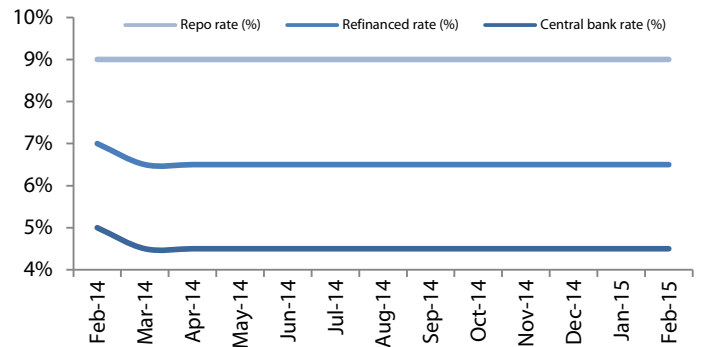
Sources: GSO. Rongviet Securities database

**Graph 5: Trade Growth**



Sources: GSO. Rongviet Securities database

**Graph 6: Interest**



Sources: SBV. Rongviet Securities database

**RONG VIET NEWS**

COMPANY REPORTS	Issued Date	Recommend	Target Price
PAC- Opportunities along with challenges	Jan 14 <sup>th</sup> , 2015	Accumulate – Intermediate term	27,500
HMH - Positive outlook from various supporting factors	Jan 06 <sup>th</sup> , 2015	Accumulate – Long term	33,800
DPM - Tail wind from crude oil	Dec 26 <sup>th</sup> , 2014	Buy – Intermediate term	36,100
VNM - 2014 - At the pit stop	Dec 19 <sup>th</sup> , 2014	Accumulate – Long term	110,000
PCT – Restructuring	Dec 11 <sup>th</sup> , 2014	Monitor	

Please find more information at <http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx>

**FUND CERTIFICATION INFORMATION**

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	10/03/2015	0%-0.75%	0%-2.5%	11,730	11,725	0.04%
VEOF	10/03/2015	0%-0.75%	0%-2.5%	9,871	9,695	1.82%
VF1	16/03/2015	0.2% - 1%	0.5%-1.5%	21,715	21,772	-0.26%
VF4	11/03/2015	0.2% - 1%	0%-1.5%	9,530	9,552	-0.23%
VFA	13/03/2015	0.2% - 1%	0%-1.5%	7,402	7,457	-0.73%
VFB	13/03/2015	0.3% - 0.6%	0%-1%	12,187	12,179	0.06%
ENF	06/03/2015	0% - 3%	0%	10,951	10,868	0.76%
MBVF	26/02/2015	1%	0%-1%	11,081	11,100	-0.17%
MBBF	11/03/2015	0%-0.5%	0%-1%	12,032	11,966	0.55%

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