

COMPANY UPDATE BRIEFS



HVG – 2015 annual general meeting update

Hung Vuong Corporation held its annual general meeting on April 9, 2015.

2014 business results

According to audited results, 2014 consolidated revenue was VND14,901 billion (USD694.4 million) up 33 percent y-o-y, and net profit was VND425 billion (USD19.8 million) up 44 percent y-o-y).

	Unit	2013	2014	Growth
Net revenue	VND billion	11,179	14,901	33%
PBT	VND billion	292	450	54%
Net profit	VND billion	296	425	44%
EPS	VND/share	1,890	2,201	16%

Update on business lines

Feed livestock (30 percent of net revenue): up 12.0 percent y-o-y

Pangasius (70 percent of net revenue): HVG's pangasius export value reached USD215 million in 2014 (up 12.0 percent y-o-y), accounting for 12.3 percent of national pangasius exports. The breakdown of destination markets has changed significantly: exports to the US decreased from 35 percent to 13 percent, and exports to the Eurozone and other North American nations increased to 49 percent from 20 percent. The anti-dumping tax applied in the US was the main culprit, making this market less attractive to HVG. Pangasius revenues recorded strong growth, almost twice that of 2013, reaching VND4,379 billion (USD204.1 million).

2015 outlook

New opportunities for the fisheries industry from free trade agreements including the Customs Union of Belarus, Kazakhstan and Russia (signed at the end of 2014) and the Vietnam–Korea agreement. Other trade pacts are being negotiated and are expected to be finalized soon, including the Trans-Pacific Partnership (TPP), Vietnam-Euro (2015), and ASEAN+6 (2016).

Higher revenue growth of 34 percent and higher PBT growth of 78 percent is planned in 2015, which should accrue from organic growth and M&A deals. HVG intends to increase its ownership in Viet Thang Feed Joint Stock Company (VTF) from 80.7 percent to 90.0 percent, in Agifish (AGF) from 79.5 percent to 85.0 percent and Fimexvn (FMC) from 38.0 percent to 51.0 percent. With FMC's results consolidated, total HVG exports are expected to reach USD600 to 700 million in 2015, half in pangasius and half in shrimp. If they meet the target, the EPS growth would reach roughly 44 percent compared to that of 2014 of only 16 percent.

Feed livestock: according to HVG the main raw material in manufacturing and processing of feed livestock is soybean oil cake, whose price has been in a trough and which is likely to continue until 2017. This is the main growth driver of HVG via its subsidiary VTF, which benefits from large-scale manufacturing, modern technology, and good human resources. VTF accounted for roughly 30 percent of market share compared to its competitors. Revenue plans for this sector are VND9,000 to 10,000 billion (USD 419.4 to 466.1 million).

Pangasius and shrimp: HVG expects stronger growth based on a full-value chain, high feed livestock quality, good cost-control, and a price five to 10 percent lower than its competitors. HVG will also focus on developing value-added products, especially shrimp.

Capital expenditures

HVG will spend about VND14,000 billion (USD652.4 million) to expand its production capacity in 2015. The company will build three more pangasius processing plants in Tien Giang, Sa Dec, and Ben Tre; two more shrimp processing plants in Soc Trang; and one cold storage in Bac Lieu. This will increase VTF's capacity from 500,000 to 800,000 tonnes per year. They are expected to be completed by September 2015.

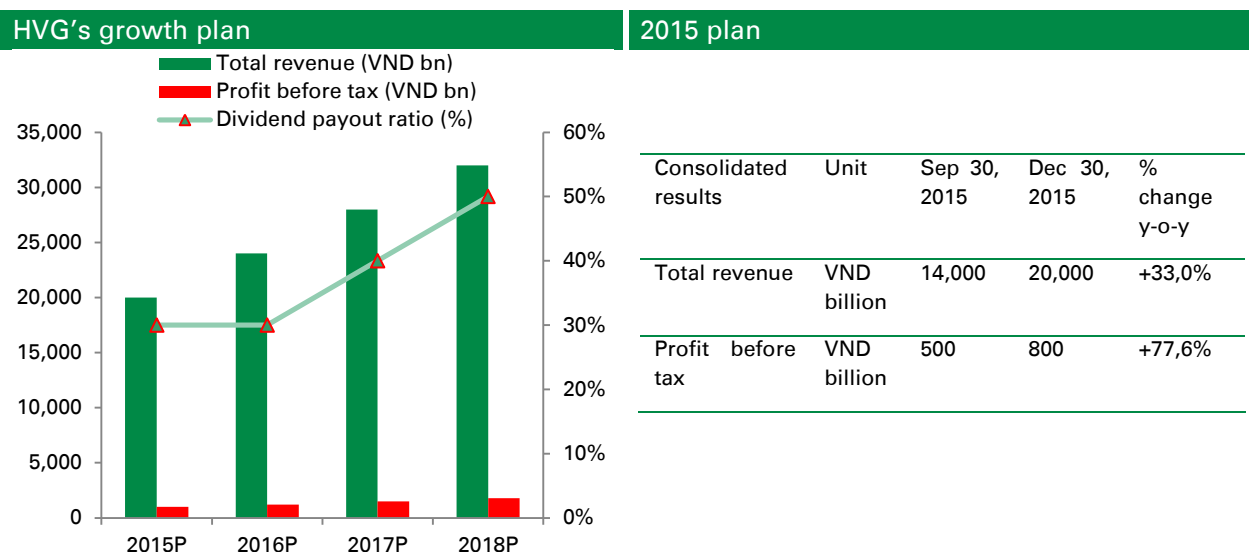
Other long-term investment plans in 2015:

Tripartite cooperation: HVG has formed a joint venture with a Russian company and the Spanish company Masgato. The Russian company, with 49 percent ownership, will supply unprocessed pangasius; HVG, with 31 percent ownership, will be the processor; and Masgato, with 19 percent ownership, will be the European distributor.

Investment in Mascova industrial site. HVG will take charge of cold storage and processing on the Mascova site as part of a cooperative investment with BIDV and Thuy Nga company.

Dividend

HVG plans a high dividend payout ratio from 2015 to 2018 with a minimum of 10 percent in cash. The company paid a 10 percent dividend in cash, a preferred share ratio of 3:1, and a share dividend ratio of 10:1 in January 2015.



Source: HVG

Comment: Though HVG sets ambitious plans, every year it has actually managed to meet its revenue target but not its PBT target. In 2013, HVG's PBT target was VND800 billion (USD37.3 million) but the company only recorded VND292 billion (USD13.6 million). In 2014, the PBT target was VND700 billion (USD32.6 million) but its PBT result was only VND450 billion (USD21.0 million). Therefore, the ability to accomplish its PBT plan should be reviewed further.

Capital raising scheme:

First issue: HVG issued a three-year bond of VND300 billion (USD14.0 million) in October 2014 to Vietnam International Bank (VIB) with an interest rate of 10.5 percent for the first 12 months and a margin of 3.5 percent for the remaining time.

Second issue: HVG issued a three-year bond of VND700 billion (USD32.6 million) in November 2014 to BIDV with an interest rate of 8.5 percent for the first 12 months and a margin of 2.0 percent for the remaining time.

This fulfilled HVG's 2014 nonconvertible bond issuance plan worth VND1,000 billion (USD46.6 million). Though the issue date for BIDV was only one month after VIB, the interest rate was significantly more competitive. In 2015, HVG will issue VND500 billion (USD23.3 million) of bonds to ANZ, and sign a five-year loan contract worth USD20 million with Deutsche Investitions und Entwicklungsgesellschaft (DEG).

Today's stock price closed at VND20,500/share (-0.96 %), trading at a P/E of 9.30 and P/B of 1.49.

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