

# HUNG VUONG JSC (HVG)

January 29, 2016

## COMPANY UPDATE BRIEFS



### HVG sets target for profit before tax of VND500 billion (USD22 million) for FY2016

Hung Vuong Group (HVG) held its annual general meeting on January 29, 2016.

In FY2015 (January 1, 2015 to September 30, 2015), HVG's net revenue was VND12,337 billion (USD548 million), fulfilling 88 percent of the net revenue target. Profit before tax (PBT) was VND151 billion (USD6.7 million), fulfilling only 27 percent of the PBT target, mainly due to high interest expenses and FX losses in FY2015.

For FY2016 (October 1, 2015 to September 30, 2016), HVG plans to reach VND24,000 billion (USD1,067 million) in net revenue with a total export value of USD500-600 million, including USD200-250 million of pangasius exports and USD300-350 million of shrimp exports. Animal feed output is expected to reach 1.5 million tonnes in FY2016 and 2.5 million tonnes in FY2017. FY2016 PBT is targeted to be VND500 billion (USD22 million). HVG's Chairman and CEO, Mr. Duong Ngoc Minh, also said that the new US Farm Bill will not affect the company as it has already met the most rigorous standards, such as Global Gap, HACCEP, and ASC.

Due to high capital expenditure in 2015 and 2016, HVG has changed its FY2015 dividend policy from 20 percent on par in cash to 20 percent in stocks.

		FY2014 (01/01/2014-31/12/2014)	FY2015 (01/01/2015-30/09/2015)	FY2016 (01/10/2015-30/09/2016)
Net revenue	VND million	14,901,695	12,337,017	24,000,000
Profit before tax	VND million	450,473	151,323	500,000
Net income	VND million	290,553	119,526	N/A
EPS	VND	1,933	750	N/A

Source: HVG

**Pangasius is still HVG's main seafood product.** Europe was the largest pangasius export market for HVG, contributing 33.9 percent of HVG's total pangasius export value in FY2015, followed by Asia (19.6 percent) and the Americas (20.9 percent). Besides pangasius products, HVG will process Alaska pollock which are imported from Russian partners, then exported to European partners for consumption. This will help HVG diversify its fish products and enhance revenue from its fish business.

**In 2016, HVG will focus more on animal feed.** This is a key factor in HVG's closed system that brings lower production costs for the company. In 2015, HVG invested VND600 billion (USD27 million) in a subsidiary, Viet Thang Feed JSC (VTF), to build two new seafood feed factories in Dong Thap province, increasing VTF's total capacity to 1.5 million tonnes per year. By the end of 2016, VTF's seafood feed capacity will reach two million tonnes per year, making VTF the second-largest seafood feed producer in Vietnam, behind C.P. Vietnam Corporation. In 2017, VTF's total animal feed is expected to reach 2.5 million tonnes, with the contribution of the new livestock feed business.

**Logistics is also an important part of HVG's closed system.** The demand for warehouses in Vietnam is predicted to be high in the next few years with the signing of numerous FTAs, which will boost total export-import value by an average of 10 percent per year, with commensurate increase in demand for storage. HVG has its own

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modern warehouses in Vietnam, and following the building of three new factories with new technology in 2015, HVG's production costs have decreased by VND500 per kg.

**HVG is also investing in the pig-raising business.** Pig consumption in Vietnam is very low at less than 200 grams per capita. The pig market in Vietnam is controlled by C.P. Vietnam Corporation due to excess demand for this product, so the potential for the business is quite high. HVG's first new farming areas will be located in An Giang and Binh Dinh provinces, where it is easier for HVG to produce and supply to the central and southern provinces. The total pigs raised are expected to reach 100,000 in 2018.

**M&A strategies continue in 2016.** HVG plans to spend USD15 million to acquire 51 per cent of Russia Fish Joint Stock Company (RF JSC). According to Mr. Minh, RF JSC is a fish distribution company in Russia with five percent of the fish consumption market. In 2015, RF JSC sold 108 thousand tonnes of fish with a total estimated revenue of RUB15.9 billion (USD200 million). The company's profit after taxes in 2015 is estimated to be RUB1.2 billion (USD15 million). RF JSC's main products are fish from the Far East, Pelagic fish, Salmon, and fish from other Asian countries. The acquisition of RF JSC will help HVG more easily penetrate the Russian market in the future.

Today's stock price increased by 6.8 percent and closed at VND11,000 per share, trading at a P/E of 20.6x and P/B of 9.2x.

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