

**Sector** SEAFOOD **Coronavirus to hit pangasius export to China**

**Rating** HOLD **Coronavirus makes a negative impact on seafood sector**

**Stock coverage**

Ticker	Rating	TP (VND)	Return (%)
VHC	BUY	37,800	16%
ANV	BUY	20,600	20%
IDI	SELL	2,300	-45%
MPC	HOLD	19,000	11%
FMC	HOLD	23,100	1%

Coronavirus 2019-nCoV has become the top risk for China economy this year and we estimate to slow down Chinese domestic consumption and economic growth in 2020. In our view, 2019-nCoV will make a negative impact on Vietnam pangasius export, based on the following points:

- **Chinese pangasius demand to decelerate.** Because of weak catering service and domestic consumption, 2019-nCoV epidemic will lead to the reduction of Vietnam seafood export to China in 2020.
- **Cargo transportation to China's distribution centers to be delayed.** Pham Binh Minh, Vietnam Vice Prime Minister, said that Vietnam should not mention about closing its border with China. However, in an effort to prevent the spread of 2019-nCoV, Hubei province blocked down some cities, including Wuhan, Huanggang and Ezhou. Meanwhile, Yunnan province has limited the traffic of cargo transportation, checked body temperature of all drivers and prohibited some markets at its border. These orders will cause the delay of cargo transportation to China's distribution centers.

	Previous	Current	Change in Projection
<b>Export volume from Vietnam to China in 2020 (kTons)</b>	<b>478</b>	<b>438</b>	<b>-40</b>
<b>Export price from Vietnam to China in 2020 (USD/kg)</b>	<b>1.46</b>	<b>1.46</b>	<b>0</b>
<b>Export value from Vietnam to China in 2020 (USDmn)</b>	<b>700</b>	<b>641</b>	<b>-59</b>
<i>Export volume growth (%)</i>	<i>25%</i>	<i>15%</i>	<i>-10%</i>
<i>Export price growth (%)</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<i>Export value growth (%)</i>	<i>25%</i>	<i>15%</i>	<i>-10%</i>

Source: KIS estimate

**Stock pick: Share price plunge makes lowered target price attractive**

Because of the bad prospect of Chinese market in the early quarters of 2020, Vietnam pangasius exporters in this market will see a direct hit in overall 2020. Besides, the risk of the intermittent blockage at China-Vietnam border will lead to higher operating cost for exporters. We expect the negative impact will peak by the end of the 1<sup>st</sup> quarter and diminish in the remaining quarters of 2020 when China is able to contain the 2019-nCoV disease (which is estimated to be at the end of

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February. according to Xi Chen, Professor of China Health Policy and Management Society).

Among Vietnam exporters, Vinh Hoan (VHC), Nam Viet (ANV) and I.D.I (IDI) are three listed companies which will likely see their businesses getting hurt. Therefore, we revise downward our business projection and target prices for these companies' stock in 2020. However, we maintain BUY recommendation for VHC and ANV as the short-term price plunge makes these companies' share price attractive. Meanwhile, we remain cautious about I.D.I prospect and keep SELL recommendation.

#### Valuation update for covered pangasius companies

	Vinh Hoan (VHC)		Nam Viet (ANV)		I.D.I (IDI)	
	Previous	Current	Previous	Current	Previous	Current
Recommendation	BUY	<b>BUY</b>	BUY	<b>BUY</b>	SELL	<b>SELL</b>
Target Price (VND)	45,000	<b>37,800</b>	26,800	<b>20,600</b>	3,100	<b>2,300</b>
1-Y total return	20%	<b>16%(*)</b>	32%	<b>20(*)</b>	-36%	<b>-45(*)</b>

(\*) Market price as of 06 Feb 2020

Source: KIS estimate

#### Business update for covered pangasius companies in 2020

	Vinh Hoan (VHC)		Nam Viet (ANV)		I.D.I (IDI)	
	Previous	Current	Previous	Current	Previous	Current
<b>Net revenue (VNDbn)</b>	<b>9,667</b>	<b>9,714</b>	<b>5,475</b>	<b>5,295</b>	<b>9,013</b>	<b>8,033</b>
Growth (YoY)	23%	23%	22%	18%	17%	4%
<b>Net profit (VNDbn)</b>	<b>1,506</b>	<b>1,394</b>	<b>762</b>	<b>659</b>	<b>298</b>	<b>227</b>
Growth (YoY)	28%	18%	8%	-6%	-8%	-30%
<b>EPS (bonus-adjusted, VND)</b>	<b>8,167</b>	<b>7,553</b>	<b>5,945</b>	<b>5,138</b>	<b>1,243</b>	<b>938</b>
Growth (YoY)	26%	16%	7%	-7%	-20%	-39%

Source: KIS estimate

#### Recommendation

The impact of 2019-nCoV will slow down Vietnam pangasius export to China and makes us more cautious about seafood sector. Therefore, we downgrade the sector rating to **HOLD** for 2020.

Although revising downward on target prices for pangasius companies' stock, we remain our previous recommendation for stock pick in 2020.

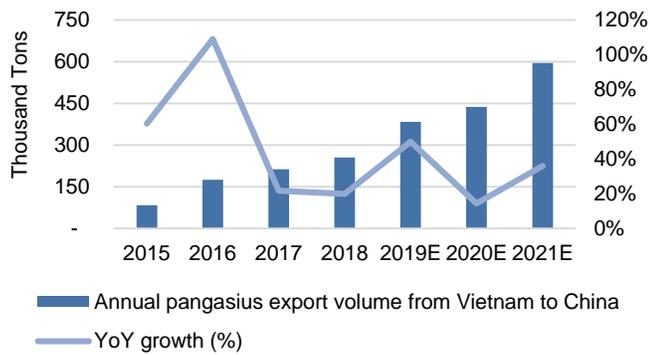
Stock pick: **VHC, ANV**

## Coverage Valuation

Recommendation & TP				Earnings & Valuation									
Company				Sales (VNDbn)	EBIT (VNDbn)	NPAT (VNDbn)	EPS (VND)	BPS (VND)	PER (x)	PBR (x)	ROE (%)	EV/EBITDA (x)	DY (%)
<b>VHC</b> (HOSE)	Recommendation	BUY	2017	8,151	761	637	6,551	31,844	8.0	1.6	23%	6.8	4%
	Target Price (VND)	37,800	2018	9,271	1,685	1,440	15,391	43,452	3.3	1.2	41%	3.5	8%
	Price (VND)	34,200	2019E	8,384	1,358	1,225	7,239	28,979	4.7	1.2	29%	4.2	0%
	Market cap (VNDbn)	6,154	2020E	9,714	1,482	1,336	7,553	34,165	4.5	1.0	24%	3.7	6%
			2021E	10,818	1,655	1,492	8,561	41,664	4.0	0.8	23%	2.9	6%
<b>ANV</b> (HOSE)	Recommendation	BUY	2017	2,949	247	214	1,142	11,179	8.6	0.9	10%	6.2	12%
	Target Price (VND)	20,600	2018	4,118	693	606	4,810	14,779	4.8	1.6	37%	4.7	6%
	Price (VND)	18,800	2019E	4,297	657	590	4,332	17,103	4.3	1.1	27%	4.7	11%
	Market cap (VNDbn)	2,352	2020E	5,295	783	739	5,138	19,974	3.7	0.9	28%	5.0	11%
			2021E	6,517	1,064	1,020	7,209	25,186	2.6	0.7	32%	3.5	11%
<b>IDI</b> (HOSE)	Recommendation	SELL	2017	5,327	443	420	1,859	11,608	28.1	4.5	16%	21.8	2%
	Target Price (VND)	2,300	2018	6,341	771	691	3,465	12,836	14.8	4.0	27%	14.3	3%
	Price (VND)	4,250	2019E	8,301	499	462	1,594	12,151	2.7	0.3	13%	6.5	0%
	Market cap (VNDbn)	967	2020E	8,033	402	372	938	13,089	4.5	0.3	7%	8.2	0%
			2021E	9,792	434	402	959	14,049	4.4	0.3	7%	8.4	0%
<b>FMC</b> (HOSE)	Recommendation	HOLD	2017	3,498	129	126	3,417	16,073	5.3	1.2	21%	9.3	25%
	Target Price (VND)	23,100	2018	3,807	217	202	4,554	17,138	5.8	1.5	29%	6.6	8%
	Price (VND)	24,950	2019E	3,792	244	227	5,161	19,175	4.8	1.3	25%	5.9	8%
	Market cap (VNDbn)	1,354	2020E	4,012	250	233	4,203	21,303	5.9	1.2	21%	5.4	8%
			2021E	4,601	291	270	4,954	24,488	5.0	1.0	22%	4.6	8%
<b>MPC</b> (UPCoM)	Recommendation	HOLD	2017	15,665	930	838	9,254	35,492	2.1	0.6	30%	5.3	0%
	Target Price (VND)	19,000	2018	16,925	1,104	992	4,936	22,595	5.4	1.2	25%	6.3	19%
	Price (VND)	21,700	2019E	15,943	656	574	2,493	28,537	8.7	0.8	9%	6.7	23%
	Market cap (VNDbn)	4,307	2020E	18,388	659	576	2,379	25,983	9.1	0.8	9%	8.1	23%
			2021E	20,769	780	682	2,657	23,707	8.2	0.9	11%	8.1	23%

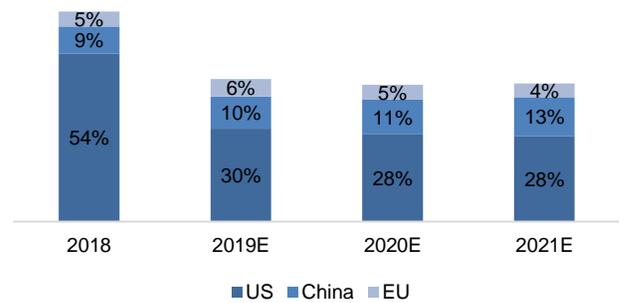
Source: Bloomberg, KIS

**Fig 01. Pangasius export volume from Vietnam to China**



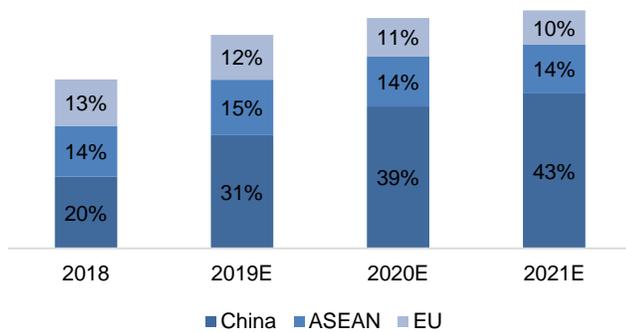
Source: KIS estimate

**Fig 02. Vinh Hoan's core export market by pangasius fillet revenue portion**



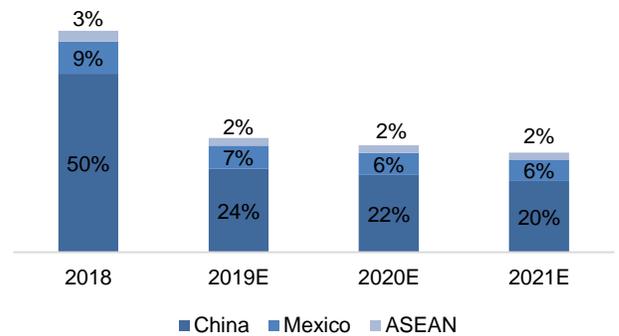
Source: KIS estimate

**Fig 03. Nam Viet's core export markets by pangasius fillet revenue portion**



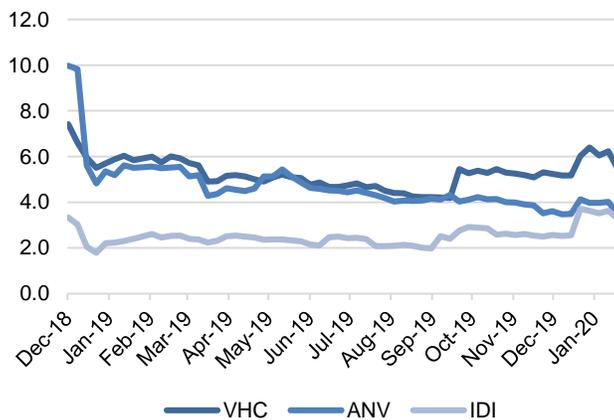
Source: Bloomberg, KIS

**Fig 04. I.D.I's core export markets by pangasius fillet revenue portion**



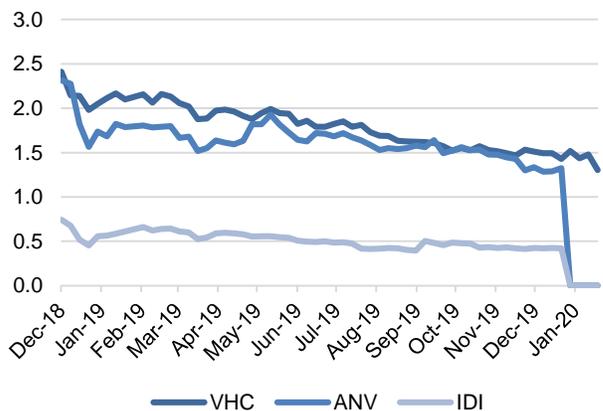
Source: Bloomberg, KIS

**Fig 05. Covered pangasius stocks's historical P/E**



Source: Bloomberg, KIS

**Fig 06. Covered pangasius stocks's historical P/B**



Source: Bloomberg, KIS

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## Recommendation System

**BUY:** where we believe prospective 12 months VND total return (including dividends) will be 15% or more.

**HOLD:** where we believe it will be -5% to 15%.

**SELL:** where we believe it will be -5% or less.

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