



ANALYST MEETING 2017

16/02/017

AGENDA

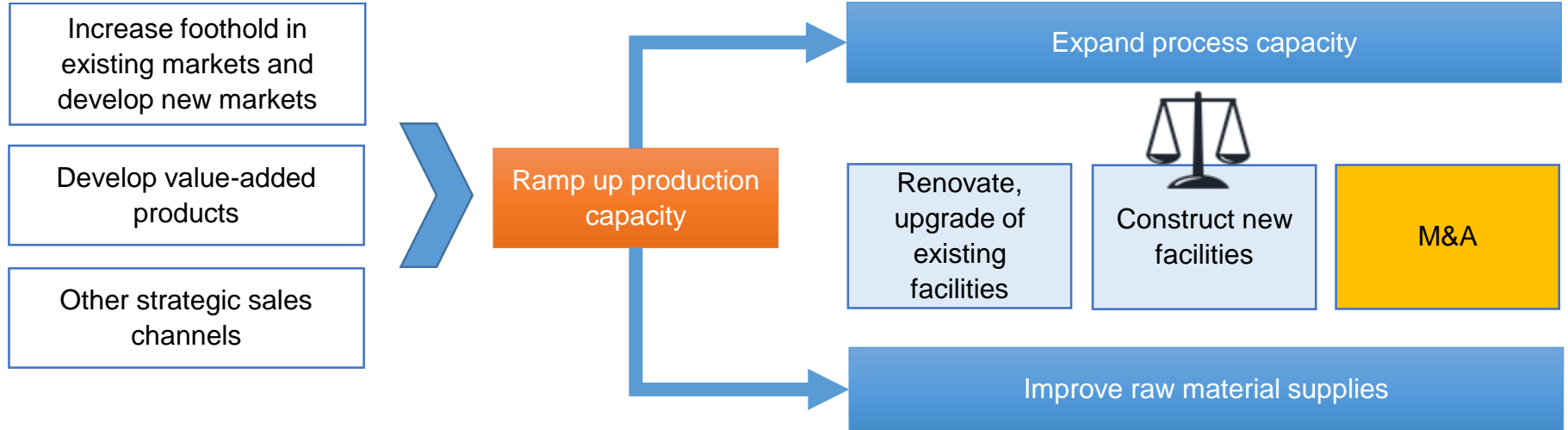
- The rationales and synergies of shares purchase of Thanh Binh Dong Thap Fisheries JSC.,
- Insights into recent Europe claims over Vietnam's pangasius
- Update of the USDA catfish inspection program (Farm Bill)

The rationales and synergies of shares purchase of Thanh Binh Dong Thap Fisheries JSC.,

THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,

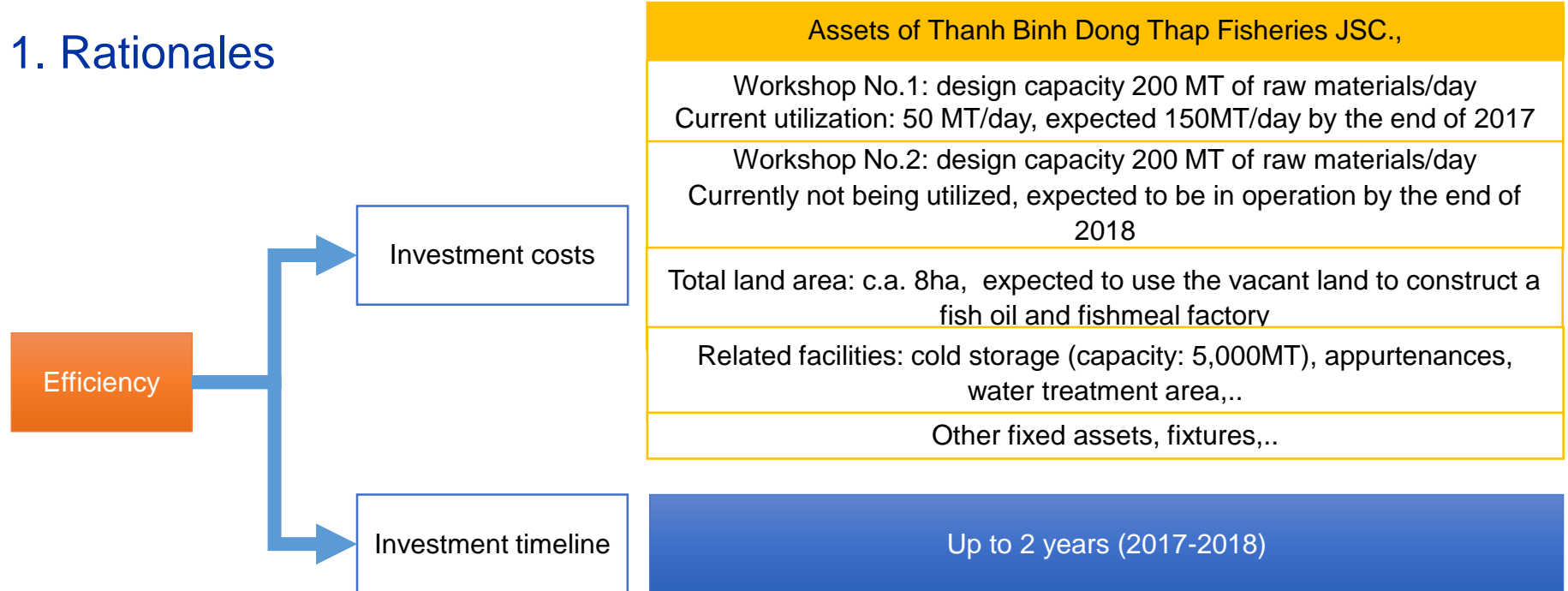
1. Rationales

Three-year sales strategies (2016-2018)



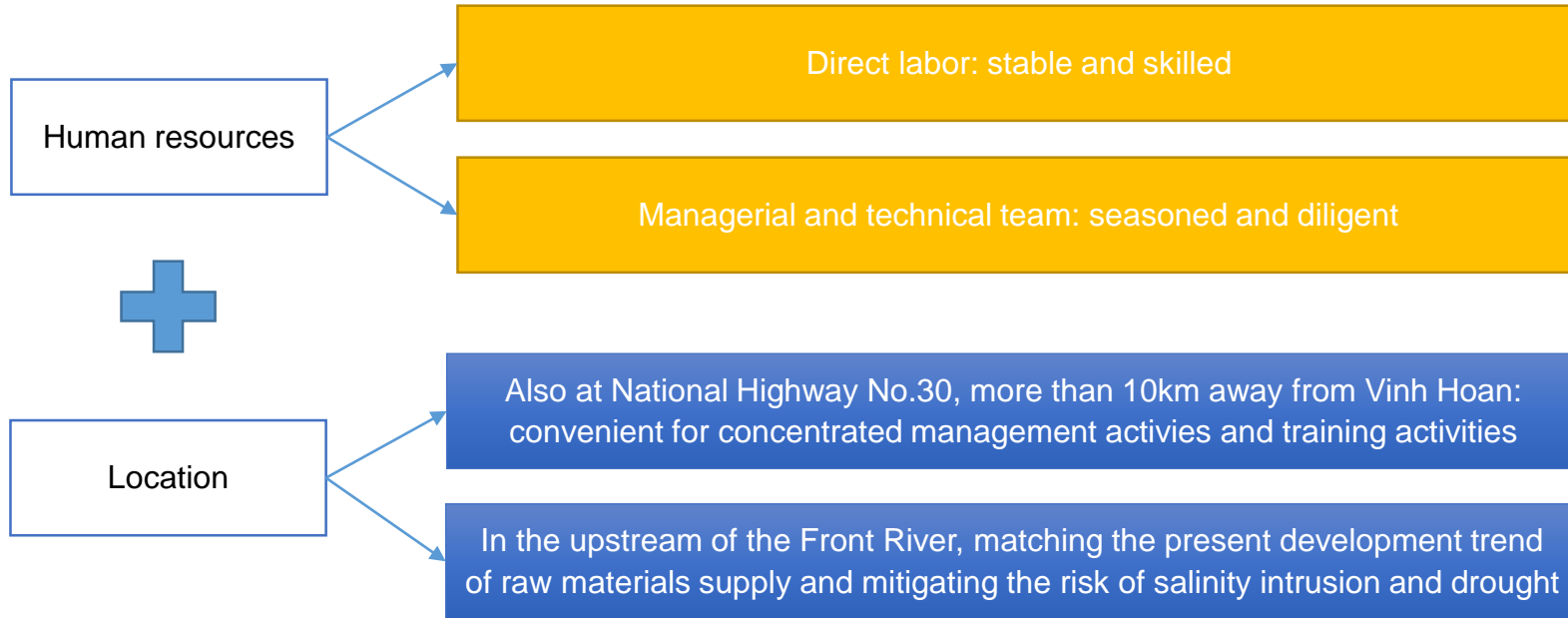
THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,

1. Rationales



THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,

2. Synergies



THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,

P&L of Thanh Binh Dong Thap Fisheries JSC (3y forecast 2017-2019)

<i>(VND billion)</i>	2017	2018	2019
Sales	881	1,058	1,269
Deductions	-	-	-
Net sales	881	1,058	1,269
Costs of goods sold	778	934	1,120
Gross profit/ (loss)	103	124	149
Financial income	-	-	-
Financial expenses	11	13	15
Selling expenses	31	37	44
Administrative expenses	11	14	16
Net operating profit/(loss)	50	61	73
Other profit/(loss)	-	-	-
Profit/(loss) before tax	50	61	73
Corporate income tax	9	10	12
Profit/(loss) after tax	42	50	60

THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,



Trimming area at Workshop No.1 - Thanh Binh Dong Thap Fisheries JSC.,

THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,



Freezing area at Thanh Binh Dong Thap Fisheries JSC.,

THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,

Q&A session No.1

Mdm. Khanh added some points on the rationales for purchasing shares at Thanh Binh Dong Thap Fisheries JSC., (“Thanh Binh”):

Corporate Income Tax incentive applied to companies in the industrial zone: 1 year of tax exemption, 4 years of 50% tax cut.

Thanh Binh is located just a couple of hundred meters from Vinh Hoan’s current fish oil, fishmeal factory; which is convenient for transporting the fresh leftover from pangasius filleting facilities to that factory and helps improving the recovery rate of fish oil and fishmeal

Available well-maintained cold storage of 5,000MT (c.a. 9,000 pallets in storage capacity), sufficient for both workshops in Thanh Binh, without the need to lease storage outside.

Each workshop in Thanh Binh surpasses Vinh Hoan’s largest workshop in terms of realized capacity.

Both workshops in Thanh Binh are already constructed.

The vacant land area is 2ha, sufficient to construct the fish oil, fishmeal factory and/or additional cold storage.

The infrastructure planning there is neat, easing the additional construction work compared to building everything from scratch.

How much is the deal proceeds?

Enterprise Value was VND360 billion (~USD16 million)

Financing source for the deal?

From retained earnings.

THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,

Q&A session No.1

To fully utilize both workshops at Thanh Binh (i.e. operating at full capacity of 400MT of raw materials per day), how much is the additional capital expenditures?

Depends on the products expected to manufacture there and the choice of tangible assets, the additional capex required may range from VND 200-300billion (~USD 9-13.5 billion)

Is the labor recruitment and training for new workshops easy?

The company is located in the neighborhood of many districts in Dong Thap province, which is convenient for recruitment. The training period often lasts 2 months.

When is the first workshop operating?

It is already in operation.

The capacity utilization scheme?

In 2017: average 100 MT of raw materials per day.

By the end of 2017: may reach 150 MT/day

By the end of 2018: after completion of renovation and construction work in workshop No.2, average capacity 300 MT/day

By the end of 2019: expected 350-400MT/day.

THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,

Q&A session No.1

The expected capacity by the end of 2018 will be 300MT/day, that is nearly half of Vinh Hoan's existing capacity, however Net Profit after Tax is forecast at merely VND 50 billion (~USD2.3m), is that too low of the forecast?

The required capex in the initial outlay is high, which will lead to high depreciation costs. Besides, it takes time to train skilled workers to produce high-quality products and the initial's rate of loss/wastage will be higher than normal due to labor skill is not up-to-standard. The optimal capacity isn't realized in the initial stage, thus the costs are not optimal either. Further if the workshops are running at optimal capacity, the profit will be improved.

The actual profit may outdo forecast thanks to Vinh Hoan already had experience in purchasing new company (e.g. its M&A deal back in 2014 to purchase Van Duc Tien Giang) and Thanh Binh's planning has been well-managed from its inception.

With increase in capex and capacity from purchasing the new company, will Vinh Hoan adjust its 2017 plan?

Yes, although it is said that 2017 will going to be a tough year due to hiking material prices, Vinh Hoan has taken the initiative in expanding its own material supply (maintaining the self-supply rate at 60%-65%). Considering the materials hike has caused the corresponding increase in selling price, and created the momentum for this year ASP increase, we expect 20% year-on-year growth in revenue and Net Profit after Tax of VND 600 billion (~USD 26.5m), a year-on-year growth of 8% (our previous forecast: 15% year-on-year growth in revenue and a flat profit vs 2016).

THE RATIONALES AND SYNERGIES OF SHARES PURCHASE OF THANH BINH DONG THAP FISHERIES JSC.,

Q&A session No.1

Forecast revenue of Thanh Binh will be realized from orders placed with Thanh Binh's existing customers or Vinh Hoan's customers? Any conflict?

From Vinh Hoan's customers. We runned out of capacity by the end of 2016 and did not have enough capacity for new market development. With additional capacity from Thanh Binh, now we can suffice our customers' orders. It is Thanh Binh's assets that Vinh Hoan purchased, not the customers and markets.

Upcoming Vinh Hoan's market expansion strategies?

2 momentum for expansion:

1. In existing markets: increase shares.
2. In new markets: forge into new markets with high potentials such as: China, Japan, Latin America (Mexico, Brazil), and the rest of Europe (besides current markets in Europe)

Insights into recent Europe claims over Vietnam's pangasius

INSIGHTS INTO RECENT EUROPE CLAIMS OVER VIETNAM'S PANGASIUUS

2008

A French newspaper article described the waters where the fish are grown as “polluted Mekong”

2010

In November 11/2010, World Wildlife Fund (WWF) placed the fish on its Red List of species to avoid for consumers.

- In December 2010, after working session between WWF and Vietnam representatives, the fish was released from the Red List;
- WWF signed with VASEP a mutual agreement on long term cooperation to support tra fish to achieve global sustainable certificates.

INSIGHTS INTO RECENT EUROPE CLAIMS OVER VIETNAM'S PANGASIUUS

2011

A documentary filmed by WWF was aired on the German TV channel. In which, an expert warned “tra fish are being farmed on dirty waters.”

2012

- Vietnamese pangasius exportes strived to achieve global sustainable aquaculture certificates such as: ASC, BAP, Global GAP;
- In 2012, there were first five companies certified by ASC, in which Vinh Hoan's Tan Hoa farm is the first of the pack.

INSIGHTS INTO RECENT EUROPE CLAIMS OVER VIETNAM'S PANGASIOUS

2017

- In Jan, a report broadcasted on Spanish channel's Cuatro“ described pangasius as “being raised in unclean cages and fed with non-industrialised feed like dead fish and other food waste“, and went on to imply this was the reason for low prices of Vietnamese tra fish;
- French retail giant Carrefour announced its decision to halt selling pangasius in its Belgium, Spain, and Italy locations. The impact was insignificant though as Carrefour only sells a couple of hundred metric tons of pangasius per year, far behind Aldi and Coryut.

- Global aquaculture certification bodies all defended against negative media campaigns engulfing pangasius: [ASC](#), [GAA](#)
- [Other large retailers, including Metro, Lidl, and Dehaize declined to follow Carrefour's suit](#)
- EU suppliers were baffled by Carrefour's decision
- [Vietnam's pangasius industry decries “fake news” around food safety scare](#)

VIETNAM'S REACTION TO SPANISH “SENSATIONALIST” TV PROGRAM

2017

What Cuatro TV intends to broadcast is absolutely not our pangasius industry, which has been providing safe, sustainable and delicious fish products to more than 130 countries worldwide.

Mr. Truong Dinh Hoe, [VASEP's secretary general told Undercurrentnews](#)

The documentary looks like it only showed the bottom-of-the-barrel, mom and pop feed mills...None of the major production companies' food safety systems were shown at all...The segments I saw did not show any professional packers, farms or feed mills...90%, if not more, of Europe's imports come from the top ten producers and exporters. This fish is highly controlled, by both Vietnam's government and VASEP.

An executive with a pangasius producer, [told Undercurrentnews](#)

The documentary focused on small scale operators who are not approved to, nor do they intend to, export the goods they produce...Because the filmmakers did not actually get in contact with any approved pangasius exporters, they did not have the opportunity to film any operations that utilize modern food-safety systems and production techniques.

Another source with a large, vertically-integrated producer and exporter, [told Undercurrentnews](#)

FACTS DON'T SUPPORT CARREFOUR POSITION - INDUSTRY

2017

Pangasius has been in the media again recently, with reports that the fish is allegedly bred in dirty water and may therefore contain bacteria. We at Pittman Seafoods think this is an unfortunate case of **misleading reporting**. A great many norms and certification standards apply in fish farming, which means that the consumer can rest assured they are purchasing healthy and sustainably-sourced fish.

Pittman Seafoods, in its statement [“Our goal: sustainable pangasius”](#) released on its website

It is a strange allegation, we don't see any reason, neither from environmental impact, nor food safety standpoint, because it's all very well taken in Vietnam nowadays...We haven't seen any signals that other retailers will follow suit but in fact the opposite, we see signals that several retailers have all said they don't see any reason to stop selling pangasius - and especially not for the reasons Carrefour is putting forward...**Delhaize was quite clear it will keep on selling it and everything is ASC and the supply chain is fine** - and of course Delhaize is the main competitor to Carrefour in Belgium.

Rens Elderkamp, manager of strategic sourcing at Anova Seafoods, a key supplier to Carrefour Belgium, [told Intrafish](#)

The whole retail market in western Europe is 100-percent ASC. So if everybody can have a supply chain for ASC-certified pangasius, **why not Carrefour Belgium? I really don't understand that.**

An executive with a supplier selling pangasius and other products into major EU retailers, [told Intrafish](#)

It's stupid that one supermarket stopping selling a product can be such big news, because in my opinion they stop products every day – but because it's pangasius, it's news...When one door closes another door opens -- people will not stop buying it, and why would others [retailers] follow suit? If a supermarket is selling between 2,000 and 3,000 metric tons, why should they stop?

Another source for major EU pangasius supplier, [told Intrafish](#)



FACTS DON'T SUPPORT CARREFOUR POSITION – CERTIFICATION BODIES

2017

The ASC is sorry to see that a few retailers have decided to halt sales of pangasius. When farmed responsibly, and according to robust environmental and social criteria as defined in the ASC Pangasius Standard, buyers and consumers can have confidence in their selection of pangasius for their families... Strict procedures must be followed to make sure that waste water does not pollute the ecosystem.

Farms must also adhere to rigorous requirements to minimise disease outbreaks, must not use antibiotics unless truly necessary and then can only do so under the supervision of a veterinarian....

Because pangasius can be farmed efficiently, with low land use and limited use of feed, and can be produced in a way that respects the environment and communities, we feel there is space for the product in the competitive white fish market. It is an excellent and nutritious source of protein and it is well known for its relative low prices.

Extracted from ASC's statement [“Certified pangasius, a great choice”](#)

Pangasius can be produced responsibly and to rigorous food-safety standards and therefore can be purchased with confidence on these grounds. Pangasius producers certified to Best Aquaculture Practices (BAP) standards are subject to rigorous food-safety inspection and environmental production controls. These producers have invested in their businesses to meet these requirements and should be respected for their leadership in doing so.

There have been anti-pangasius campaigns, often promoted by competing seafood interests and spread on social media, that can easily misrepresent the realities. However, the claims made in these campaigns have been successfully challenged by scientific studies and published science literature.

Extracted from GAA's press release [“GAA Supports Responsible Pangasius Producers”](#)

20



Q&A session No.2

Ms. Nguyen Ngo Vi Tam summarized on recent negative media engulfing Vietnam's pangasius. In the past, the industry reacted quickly to defense itself, e.g. in 2010, it worked with World Wildlife Fund to remove the fish from the Red List just 1 month after it is placed on the list. Another example was in 2012 when the global aquaculture certification bodies immediately worked with pangasius producers to support them in achieving the sustainability standards.

No question asked for this session

Vinh Hoan's strategies to meet USDA's new regulatory requirements

VINH HOAN'S STRATEGIES TO MEET USDA'S NEW REGULATORY REQUIREMENTS

Presentation

Ms. Nguyen Ngo Vi Tam presented Vinh Hoan's strategies to meet USDA's new regulations (which will be fully implemented from September 2017)

Meeting equivalency process: The responsible Vietnam's government agency (NAFIQAD) is preparing the equivalency documentation.

VASEP hired a consultant to support NAFIQAD during the preparation phase. Vinh Hoan plays the role of coordinator between NAFIQAD and the consultant.

USDA also helps with the training program via Michigan State University (MSU).

The year 2016 recorded many efforts of the industry, with certain successes naming the Senate passed the repeal of Catfish Inspection Program and the House hearing which pointed the Bill is duplicative and wasteful [of US taxpayers' money].

The supporting marketing and communication activities were also carried out to improve the fish reputation to support exports to the U.S and other markets.

VINH HOAN'S STRATEGIES TO MEET USDA'S NEW REGULATORY REQUIREMENTS

Q&A session No.3

While FSIS reviews the equivalency documentation submitted by Vietnam, the exports will go on as normal?

The shipments will go on normally.

During the review process, there will be frequent communications between NAFIQAD and FSIS.

Does Vietnam Department of Agriculture need to enact any additional regulation to meet equivalency?

No, the equivalency documentation is a questionnaire for Vietnam's authority to respond. During the review of equivalency, if FSIS needs anything else, MSU will help in the training to ensure Vietnam can meet it.

Your opinion about raw material price trend in 2017?

Based on supply and demand law in the material market.

The current price has been very high, and in my opinion, it already reaches the peak.

Will the selling price follow the upward trend in material price?

It will follow with some time delay. Vinh Hoan expect a slight decline in volume in 2016 to stabilize the price. We won't push the sales which consequently will drop the price as once it drops, it will be more difficult to rally.

VINH HOAN'S STRATEGIES TO MEET USDA'S NEW REGULATORY REQUIREMENTS

Q&A session No.3

How is the change in farming in 2017?

There has been a movement from private farming to corporate farming.

After some trials with other fish, the farmers started to realize pangasius farming is the most stable and profitable as other fish don't have space for export like pangasius.

How long is the period from signing a contract till shipment?

Depends on specific order, it takes some time for inspection, placing packaging orders, etc., the processing period will take 1 month on average.

Pros and cons in China market?

Pros :

Strong purchasing power thanks to high population, new 2-child policy, and increasing GDP. China government encourages fish producers to serve domestic market (previously they mainly exported), yet the supply remains short, thus China imports many food, not only pangasius but also beef, pork, dairy products, ..

The pangasius consumption is spreading to Northern area as well, e.g. in Beijing.

The Chinese cuisine is diversified, we can develop many recipes from pangasius for it. The pangasius is easy to cook and eat, which is very suitable for Chinese cuisine.

In term of pricing, there is no other fish as competitive as pangasius in China. Therefore, it's very cost-efficient when using pangasius as the main ingredient in industrial meals, school meals prepared by foodservices and in restaurant chains. In China, it's different from other markets as the sales to foodservices is stronger than other channels

VINH HOAN'S STRATEGIES TO MEET USDA'S NEW REGULATORY REQUIREMENTS

Q&A session No.3

Cons:

The quality control is first and foremost. Vietnam government also should control border-trade transactions (e.g via issuance of Health Certificate)

Payment management: no longer a great concern as many years ago, but producers should be cautious.

Vinh Hoan sells to China market via traders or direct sales?

Both, at the beginning often through traders but later will change to direct sales.

How is the selling price in China compared to others?

The prices depend on products' specifications. Sometimes the selling price is even higher than in EU's orders.

How is the gross profit margin of products sold to China versus to US?

In general, the margin is lower in China. It makes sense as we are forging into the market so the price policy is more competitive. As aforementioned, the prices vary according to products' specs.

In 2017, the outlook for the US and EU market is not so bright, will other companies flock to China? If so, will the competition will be tough there?

China's growth potentials are huge, as such it's understandable that all companies here want to push sales into the market. However, each company will have its own sales channels, price policy, and products' quality.

VINH HOAN'S STRATEGIES TO MEET USDA'S NEW REGULATORY REQUIREMENTS

Q&A session No.3

When will it be possible for China to “make it up” for the US?

The question itself is wrong as we're not evading the US. Each market has its own characteristic. Based on a target growth rate, and the potential of each market, we will allocate each market a specific growth rate. As China has fastest growth potentials, its contribution in total growth. Having said that, we are not escaping from the US, just its growth speed is slower than China's.

In 2016, did Vinh Hoan's share in US decline?

Due to limited capacity in 2016, in several months we have to allocate our total capacity to other markets, thus the volume to US dropped during those months.

Thank
 You