

5 May 2022

## Vinh Hoan (VHC)

### 1Q22 spotlight

- VHC's 1Q22 revenue surged 82.8% yoy to VND3,267.6bn and NP leaped 3.2x yoy to VND553.3bn.
- The high demand of most markets could strongly drive robust export volume and ASP in 2Q22.
- We reaffirm BUY with a TP of VND121,500

### Facts: 1Q22 NP +3.2x yoy amid higher selling price

- VHC's 1Q22 revenue surged 82.8% yoy to VND3,267.6bn and net profit leaped 3.2x yoy to VND553.3bn, fulfilling 24.2%/33.7% of our 2022 forecast.
- The fillet pangasius revenue grew VND2,145bn (+79% yoy) and related-pangasius products revenue rose VND775bn (+1.0x yoy) driven by strong demand and stellar selling price. Collagen & Gelatine products (C&G) recorded a softer growth rate at +31% yoy to VND205bn revenue in 1Q22. Of note, VHC' total sales jumped by +127% yoy, +46% yoy, +33% yoy in US, China and EU markets, respectively.
- The high average selling price (ASP) of pangasius products boosted gross profit margin (GPM) to expand by +9%p to 24% in 1Q22. The SG&A / revenue declined by -2%p yoy to 4% thanks to the logistic expenses reduced 10% yoy in 1Q22. Thereby, the NP strongly increased by 3.2x yoy in 1Q22.

### Pros & cons: The selling price could rise more in 2Q22F.

- 1Q22 ASP keeps increasing steeply in most markets with +56% yoy, +36% yoy and +33% yoy in US, EU and China markets, respectively. The high demand of pangasius in many markets represented in [Seafood In-depth report](#) is expected to keep increase export volume and ASP in 2Q22F. Also, VHC management commented that they estimated to increase 25% export volume in 2022F, without taking into account the pent-up demand from China market after easing lockdown. VHC revealed that the orders were signed till 4Q22. Thereby, 2Q22F solid topline could be secured.
- 1Q22 input price increased 30% - 40% yoy, slower than ASP growth rate. The pangasius input price increased rapidly in April to VND32,000 per kg, + 51% yoy due to the disrupted supply, heavier feed price, and costlier packaging expenses. We expected that VHC with 70% of self-sufficient could maintain 2Q22 GPM.

### Action: Maintain BUY rating

- We reaffirm BUY with a TP of VND121,500. We believe that the high demand of most markets could strongly drive robust export volume and ASP in 2Q22. Despite the brisk of input price, we keep our view that the faster of ASP growth rate and high self-sufficient supply could keep VHC 2Q22 GPM stable.

12M rating **BUY (Maintain)**

12M TP **121,500** From *N/A*

Up/Downside **+18.7%** (incl 1.9% on par cash dividend)

#### Stock Data

VNIndex (04 May, pt)	1,349
Stock price (04 May, VND)	104,000
Market cap (USD mn)	824
Shares outstanding (mn)	182
52-Week high/low (VND)	106,400/34,683
6M avg. daily turnover (USD mn)	3.76
Free float / Foreign ownership (%)	50.3/25.0
Major shareholders (%)	
Truong Thi Le Khanh	43.16
Mitsubishi Corp.	6.50

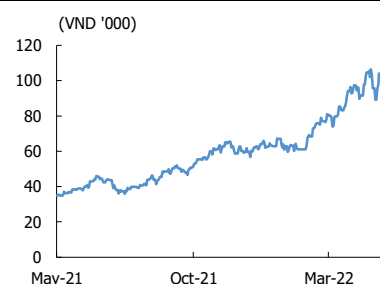
#### Valuation

	2021A	2022F	2023F
PE (x)	17.1	11.5	9.2
PB (x)	3.3	2.7	2.2
ROE (%)	19.4	23.5	24.0
DY (%)	2.0	2.0	2.0
EV/EBITDA (x)	13.8	8.7	7.0
EPS (VND)	6,162.9	9,020.3	11,349.9
BPS (VND)	31,472.4	38,347.1	47,268.5

#### Performance

	1M	6M	12M
Absolute (%)	10.1	70.6	196.8
Relative (%gp)	21.6	77.1	187.0

#### Stock price trend



Source: Bloomberg

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**Table 1. Quarterly earnings**

(VND bn)

	1Q21	2Q21	3Q21	4Q21	1Q22	QoQ(%)	YoY(%)	Consensus
Sales	1,788.0	2,342.6	2,230.5	2,692.9	3,267.6	21.3	82.8	N/A
OP	152.1	302.6	301.1	535.2	664.7	24.2	337.1	N/A
OP margin (%)	8.5	12.9	13.5	19.9	20.3	2.4	139.2	N/A
EBT	152.2	302.0	292.7	541.9	662.9	22.3	335.5	N/A
NP	131.6	260.6	256.2	461.2	553.3	20.0	320.5	N/A

Source: Company, FiinPro, KISVN

**Company overview & Glossary**

Vinh Hoan Corporation was established in 1997 in Dong Thap Province. The company specialized in farming, processing and exporting related-pangasius products, Collagen & Gelatin products. Since 2010, VHC has been the leading company in pangaius industry, accounting for 14% of industry shares. The products are available in well-known retail chain and distributing in leading food service companies globally.

**Balance sheet**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Current assets	4,415	4,228	5,242	6,595	8,011
Cash & cash equivalent	1,580	1,457	1,523	1,500	1,822
Accounts & other receivables	1,422	1,273	1,929	2,440	2,964
Inventory	1,414	1,498	1,790	2,655	3,224
Non-current assets (Adj.)	1,879	2,237	2,932	3,803	4,346
Fixed Asset	1,551	1,887	2,329	3,244	3,830
Investment assets	329	350	602	559	516
Others	318	727	561	561	561
<b>Total assets</b>	<b>6,612</b>	<b>7,192</b>	<b>8,734</b>	<b>10,960</b>	<b>12,918</b>
Advances from customers	0	0	0	0	0
Unearned revenue	534	436	545	823	1,028
Trade payables	282	326	337	500	607
Others	52	94	79	83	88
ST debt & bond	866	1,106	1,723	1,851	2,069
LT debt & bond	0	69	168	634	450
<b>Total liabilities</b>	<b>1,735</b>	<b>2,031</b>	<b>2,852</b>	<b>3,891</b>	<b>4,241</b>
Controlling interest	4,875	5,157	5,777	6,977	8,600
Capital stock	1,834	1,834	1,834	2,198	2,198
Capital surplus	224	224	224	224	224
Other Reserves	(114)	(114)	(114)	(0)	(0)
Retained earnings	2,932	3,214	3,833	4,556	6,179
Minority interest	2	4	105	92	76
<b>Shareholders' equity</b>	<b>4,877</b>	<b>5,161</b>	<b>5,882</b>	<b>7,069</b>	<b>8,676</b>
Current assets (Adj.)	4,415	4,228	5,242	6,595	8,011

**Cash flow**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
C/F from operations	1,489	420	640	1,058	1,705
Net profit	1,178	722	1,130	1,654	2,081
Dep'n & Amort'n	165	201	285	352	421
Net incr. in W/C	146	(502)	(775)	(949)	(797)
C/F from investing	(743)	(311)	(856)	(1,224)	(963)
Capex	(361)	(604)	(605)	(1,224)	(963)
Incr. in investment	(383)	293	(251)	0	0
C/F from financing	(703)	(55)	421	157	(403)
Incr. in equity	(114)	0	63	0	0
Incr. in debt	(403)	309	717	593	34
Dividends	(185)	(364)	(359)	(437)	(437)
C/F from others	884	(177)	(139)	(13)	(16)
<b>Increase in cash</b>	<b>927</b>	<b>(123)</b>	<b>66</b>	<b>(23)</b>	<b>322</b>

**Income statement**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Sales	7,867	7,037	9,054	13,486	16,382
COGS	6,334	6,036	7,302	10,832	13,153
Gross profit	1,533	1,001	1,752	2,654	3,229
SG&A expense	401	318	556	701	819
Operating profit	1,132	683	1,196	1,953	2,410
Financial income	87	58	137	251	233
Interest income	76	97	72	90	119
Financial expense	90	107	107	140	127
Interest expense	60	38	35	98	109
Other non-operating profit	1	(18)	(2)	(2)	(2)
Gains (Losses) in associates, subsidiaries and JV	14	0	(0)	0	0
Earnings before tax	1,308	809	1,290	1,888	2,376
Income taxes	130	86	178	260	327
Net profit	1,178	722	1,130	1,654	2,081
Net profit of controlling interest	1,178	722	1,121	1,641	2,065
Other comprehensive profit	0	0	(0)	(0)	(0)
Total comprehensive profit	1,178	722	1,130	1,654	2,081
Total comprehensive profit of controlling interest	1,178	722	1,121	1,641	2,065
EBITDA	1,298	883	1,482	2,305	2,831

**Key financial data**

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Per-share data (VND, adj.)					
EPS	6,155	3,971	6,163	9,020	11,350
BPS	26,580	28,187	31,472	38,347	47,269
DPS	0	2,000	2,000	2,000	2,000
Growth (%)					
Sales growth	(15.1)	(10.5)	28.7	48.9	21.5
OP growth	(32.8)	(39.7)	75.2	63.3	23.4
NP growth	(20.9)	(38.7)	55.2	46.4	25.8
EPS growth	(61.5)	(35.5)	55.2	46.4	25.8
EBITDA growth	(29.5)	(31.9)	67.7	55.6	22.8
Profitability (%)					
OP margin	14.4	9.7	13.2	14.5	14.7
NP margin	15.0	10.3	12.4	12.2	12.6
EBITDA margin	16.5	12.6	16.4	17.1	17.3
ROA	17.8	10.0	12.8	15.0	16.0
ROE	24.2	14.0	19.4	23.5	24.0
Dividend yield	0.0	2.0	2.0	2.0	2.0
Dividend payout ratio	15.7	50.4	32.0	26.6	21.1
Stability					
Net debt (VND bn)	(711.6)	(289.0)	463.5	1066.5	761.9
Net debt/equity (%)	(14.6)	(5.6)	8.0	15.3	8.9
Valuation (x)					
PE	16.8	26.2	17.1	11.5	9.2
PB	3.9	3.6	3.3	2.7	2.2
EV/EBITDA	15.1	22.2	13.8	8.7	7.0

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- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- Vinh Hoan (VHC) does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to Vinh Hoan (VHC) sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

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