

21 Jul 2022

Vinh Hoan Corp (VHC)

VHC conquered new record in 2Q22

- VHC's 2Q22 revenue surged 80% yoy to VND4,226bn and net profit jumped 2.0x yoy to VND788bn
- The high demand of most markets could strongly drive robust export volume and ASP in 2Q22.

Facts: Selling price led 2Q22 NPAT to a new high record

- VHC's 2Q22 revenue surged 80% yoy to VND4,226bn and net profit jumped 2.0x yoy to VND788bn, above 1%/40% our 2Q22F estimation and fulfilling 56%/80% our forecast.
- The fillet pangasius revenue surged 85% yoy to VND2,810bn and related-pangasius products revenue rose 85% yoy to VND1,064bn driven by strong demand and high average selling price (ASP). Moreover, the revenue of Collagen & Gelatin delivered VND231bn (+48% yoy). Of note, VHC export revenue was mainly driven by +136% yoy, +49% yoy and +46% yoy increase of export revenue to the US, EU, and other markets, posting VND2,125bn, VND536bn and VND4,223bn, respectively. On the contrary, export revenue to China reached a slower growth rate by +8% yoy, equivalent to VND419bn.
- Despite recognizing inventory provision, gross margin still improved impressively 8%p yoy to post 25.9% in 2Q22 that setting all time high recorded, as the ASP strongly surged about +91% yoy. The SG&A/revenue declined by -1.4%p yoy to 5% since VHC could delivered FOB orders to reduce logistic expenses amid the shipping fee escalated in 2Q22. Thereby, the NP strongly increased by +2.0x yoy to VND788bn in 2Q22.

Pros & cons: 3Q22 export revenue could be soft landing qoq

- In 3Q22, we expect that VHC still maintain solid business results compared to 3Q21 but is merely equivalent to new high record at 2Q22, mainly driven by the soft landing qoq of export fillet pangasius product in key market US. Due to the soaring export volume for months in US market in 6M22, we considered that the supply is outpacing demand, making inventory abundant in 3Q22F. As such, we estimate that the export volume would be dragged down qoq while the ASP export to US could be maintained or slightly declines qoq.
- We expect that VHC export revenue to China market would rebound in 3Q22 and contribute more than 12% of the revenue of fillet pangasius since the import process into China has been easing as 1) China government dropped its policy of suspending imports from frozen food testing positive to COVID-19.
- We projected that the gross margin could persist lofty since we assumed that the raw material would be downward in 3Q22.

12M rating **BUY (Maintain)**

12M TP **121,500**

Stock Data

VNIndex (21 Jul, pt)	1,198
Stock price (21 Jul, VND)	84,000
Market cap (USD mn)	658
Shares outstanding (mn)	183
52-Week high/low (VND)	114,500/38,564
6M avg. daily turnover (USD mn)	5.96
Free float / Foreign ownership (%)	50.6/27.0
Major shareholders (%)	
Truong Thi Le Khanh	43.16
Mitsubishi Corp.	6.50

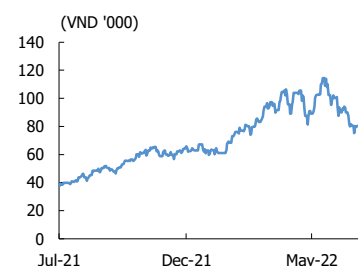
Valuation

	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)	6162.9	9020.3	11349.9
BPS (VND)	31472.4	38347.1	47268.5

Performance

	1M	6M	12M
Absolute (%)	(10.6)	32.9	125.4
Relative (%p)	(13.3)	50.8	129.6

Stock price trend



Source: Bloomberg

Linh Pham

linh.pt@kisvn.vn

Action: Earnings are under review.

Although pangasius export could be solid yoy, we consider that the 3Q22F business result growth rate could be a challenge compared to the high base of 2Q22 growth. Thereby, we will revisit our forecast and target price.

Table 1. Quaterly earning

(VND bn, %, %p)

	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ(%)	YoY(%)	Consensus
Sales	2,342.6	2,230.5	2,692.9	3,267.6	4,226.3	29.3	80.4	N/A
OP	302.6	301.1	535.2	664.7	883.6	32.9	192.0	N/A
OP margin	12.9	13.5	19.9	20.3	20.9	2.8	61.9	N/A
EBT	302.0	292.7	541.9	662.9	879.7	32.7	191.3	N/A
NP	260.6	256.2	461.2	553.3	788.1	42.4	202.4	N/A

Source: Company data, KISVN

■ Company overview

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 equivalents	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	1,879	2,237	2,932	3,803	4,346
Fixed assets	1,551	1,887	2,329	3,244	3,830
Investment assets	329	350	602	559	516
Others	318	727	561	561	561
Total assets	6,612	7,192	8,734	10,960	12,918
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 & due bonds	866	1,106	1,723	1,851	2,069
LT debt & bonds	0	69	168	634	450
Total liabilities	1,735	2,031	2,852	3,891	4,241
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
Shareholders' equity	4,877	5,161	5,882	7,069	8,676

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)
Increase in cash	927	(123)	66	(23)	322

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 expenses	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 expenses	90	107	107	140	127
Interest expenses	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
EBITDA	0	0	(0)	(0)	(0)

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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Prepared by: Linh Pham

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