

21 Apr 2023

## Vinh Hoan Corp (VHC)

### Tumble sales of the key segment in 1Q23

- Low pangasius export dragged 1Q23 revenue down
- US export declined 56.1% yoy
- Maintain HOLD for VHC share with TP of VND77,000

#### Facts: Sales to US market declined by 56.1% yoy in 1Q23

In 1Q23, Vinh Hoan posted VND2,222bn revenue (-32% yoy), which was mainly dragged down by 39.4% yoy of the pangasius export segment. Of note, export revenue to US and China continues to decline by 56.1% yoy to VND707bn. On the contrary, Vinh Hoan's export revenue to EU maintains an uptrend by 31.9% yoy, equivalent to VND505bn in 1Q23. In our estimates, VHC's pangasius export declined backed by -35.8% yoy export volume and -18% yoy ASP.

The gross margin narrowed nearly 6.5%p yoy to post 17.3% as we estimate that the ASP of pangasius export fell approximately 18% yoy (at USD3.4/kg vs USD4.2/kg) outpaced 1Q23 raw material input price decreases (at VND29,067/kg in 1Q23 vs VND26,485/kg in 1Q22).

VHC reached financial income of VND83bn (+17.1% yoy), while financial expenses increased significantly by 113% yoy due to the increase of all items with mainly as interest expenses (+94.7% yoy) and realized foreign exchange loss (164% yoy) in 1Q23. As such, Vinh Hoan's 1Q23 NPAT posted VND225bn (-59.2% yoy), plunged by lower net margin -6.8% yoy. Overall, 1Q23 business result of Vinh Hoan was in-line with our estimates mentioned in [2Q23 Strategic Insight report](#), and fulfill 18.3%/9.2% of our 2023 revenue/NPAT estimates.

#### Pros & cons: Low demand on key markets in 2Q23

We estimate that Vinh Hoan's business results would keep sliding significantly in 2Q23 due to (1) compared to all-time-high record of 2Q22 earnings, (2) the export revenue to US, the largest market of VHC that contributing about 30%-40% VHC revenue, continue to slump.

We considered that the high stockpile since the seafood supplies increase outpaced consumption in recent quarters, and high inflation occurred in the US market, making the seafood importers reduce the purchases of seafood. As such, we expect that a low export volume of pangasius to US market, giving time for consumers to absorb the products in 2Q23.

#### Action: Maintain HOLD with TP VND77,000

We maintain HOLD recommendations for VHC shares with a target price of VND77,000. We considered that the high stockpile and low consumption in US market could slow down pangasius sales of Vinh Hoan in 2Q23.

12M rating **HOLD**

12M TP **77,000** *from 121,500*  
Up/Downside N.A

#### Stock Data

VNIndex (21 Apr, pt)	1,043
Stock price (21 Apr, VND)	61,300
Market cap (USD mn)	478
Shares outstanding (mn)	183
52-Week high/low (VND)	111,526/53,400
6M avg. daily turnover (USD mn)	1.28
Free float / Foreign ownership (%)	49.8/30.4
Major shareholders (%)	
Truong Thi Le Khanh	43.2
Mitsubishi Corp	6.5
Dragon Capital	6.9

#### Performance

	1M	6M	12M
Absolute (%)	9.3	(12.2)	(38.9)
Relative to VNIndex (%p)	8.2	(15.1)	(16.3)

#### Stock price trend



Source: Bloomberg

**Table 1. Quaterly earning**

(VND bn, %, %p)

	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ(%)	YoY(%)	1Q23 (P)
Sales	3,268	4,226	3,261	2,484	2,222	(10.6)	(32.0)	2,247.00
OP	665	882	536	233	258	10.5	(61.2)	265.0
OP margin (%)	20.3	20.9	16.4	9.4	11.6	2.2	(8.7)	11.8
EBT	663	879	546	233	260	11.3	(60.9)	265.0
NP	553	802	460	200	226	13.1	(59.2)	220

Source: Company data, Korea Investment &amp; Securities Estimates

### ■ 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.	2020A	2021A	2022F	2023F	2024F
Current assets	4,228	5,242	7,476	8,547	9,877
Cash & cash equivalents	1,457	1,523	2,338	4,029	5,195
Accounts & other receivables	1,273	1,929	2,515	2,194	2,258
Inventory	1,498	1,790	2,623	2,325	2,424
Non-current assets	2,237	2,932	3,803	4,113	4,392
Fixed assets	1,887	2,329	3,244	3,597	3,919
Investment assets	350	602	559	516	473
Others	727	561	561	561	561
<b>Total assets</b>	<b>7,192</b>	<b>8,734</b>	<b>11,840</b>	<b>13,222</b>	<b>14,830</b>
Advances from customers	0	0	0	0	0
Unearned revenue	436	545	848	761	767
Trade payables	326	337	494	438	456
Others	94	79	85	89	94
ST debt & due bonds	1,106	1,723	1,980	2,206	2,440
LT debt & bonds	69	168	634	450	300
<b>Total liabilities</b>	<b>2,031</b>	<b>2,852</b>	<b>4,040</b>	<b>3,943</b>	<b>4,057</b>
Controlling interest	5,157	5,777	7,708	9,199	10,705
Capital stock	1,834	1,834	1,834	1,834	1,834
Capital surplus	224	224	224	224	224
Other reserves	(114)	(114)	(0)	(0)	(0)
Retained earnings	3,214	3,833	5,651	7,141	8,648
Minority interest	4	105	92	80	67
<b>Shareholders' equity</b>	<b>5,161</b>	<b>5,882</b>	<b>7,800</b>	<b>9,278</b>	<b>10,773</b>

**Income Statement**

(VND bn)

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**Cash flow**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	420	640	1,684	2,728	2,182
Net profit	722	1,121	2,304	1,862	1,878
Dep'n & Amort'n	201	285	352	403	456
Net incr. in W/C	(502)	(766)	(972)	464	(151)
C/F from investing	(311)	(856)	(1,224)	(713)	(734)
Capex	(604)	(605)	(1,224)	(713)	(734)
Incr. in investment	293	(251)	0	0	0
C/F from financing	(55)	421	355	(325)	(282)
Incr. in equity	0	63	0	0	0
Incr. in debt	309	717	722	42	85
Dividends	(364)	(359)	(367)	(367)	(367)
C/F from others	(177)	(139)	0	0	0
<b>Increase in cash</b>	<b>(123)</b>	<b>66</b>	<b>815</b>	<b>1,691</b>	<b>1,166</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Per-share data (VND, adj.)					
EPS	3971	6162	13442	9665	9687
BPS	28361	31767	42874	50515	58179
DPS	2000	2000	2000	2000	2000
Growth (%)					
Sales growth	(10.5)	28.7	57.4	(14.9)	2.9
OP growth	(39.7)	75.2	133.3	(25.3)	(3.2)
NP growth (Adj)	(38.7)	55.2	118.9	(27.8)	0.2
EPS growth (Adj)	(35.5)	55.2	118.1	(27.8)	0.2
EBITDA growth	(31.9)	67.7	112.1	(20.8)	(0.6)
Profitability (%)					
OP margin (Adj)	9.7	13.2	19.6	17.2	16.2
NP margin (Adj)	10.3	12.4	17.2	14.6	14.2
EBITDA margin	12.6	16.4	22.1	20.5	19.8
ROA	10.0	12.8	20.4	13.3	12.0
ROE	14.0	19.4	31.2	19.1	16.7
Dividend yield	2.0	2.0	2.0	2.0	2.0
Dividend payout ratio	50.4	32.0	15.0	20.7	20.6
Stability					
Net debt (VND bn)	(289.0)	463.5	270.8	(1363.1)	(2354.4)
Net debt/equity (%)	(5.6)	8.0	3.4	(14.7)	(22.1)
Valuation (x)					
PE	18.1	11.7	5.4	7.4	7.4
PB	2.5	2.3	1.7	1.4	1.2
EV/EBITDA	13.5	8.0	3.8	4.8	4.8

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