

**Sector** **SEAFOOD**

**Pangasius, Swai or Tra**

**Rating** **BUY**

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**Stock Picks**

**VHC: BUY (VND45k / 20.2%)**

	2019E	2020E	2021E
PER (x)	5.4	4.8	4.3
PBR (x)	1.3	1.1	0.9
EV/EBITDA (x)	4.8	3.8	3.0
DY (%)	0%	5%	5%
EPS (VND)	7,227	8,167	9,178
BPS (VND)	28,966	34,754	42,857

- Pangasius export to the U.S. to recover from 2020
- China to remain as the main growth driver
- Vertically extending value chain to improve profitability

**ANV: BUY (VND26.8k / 32%)**

	2019E	2020E	2021E
PER (x)	5.0	3.7	3.0
PBR (x)	1.3	1.0	0.8
EV/EBITDA (x)	5.3	4.8	3.7
DY (%)	9%	9%	9%
EPS (VND)	4,332	5,945	7,235
BPS (VND)	17,103	20,782	26,020

- Export to China remains high growth of volume
- The operation of Binh Phu farming in 2020
- Pangasius processing factory has large room for volume growth

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**Investment points:**

- **Pangasius to fly higher in China.** We expect pangasius export to China will keep soaring thanks to local large population, favorable seafood policies and low consumption per capita. We estimate Vietnam pangasius export to China will reach 479 thousand tons in 2020 and 599 thousand tons in 2021, rising by 25% p.a over 2020-2021E.
- **CPTPP gives a small edge for Vietnam shrimp in Japan.** As being a member of CPTPP and top traditional market of Vietnam shrimp, we expect Vietnam shrimp export value to Japan will reach USD670mn, increasing by 5% YoY. Of which, bread white shrimp export will reach USD142mn, increasing by 28% YoY. However, Vietnam shrimp may not enjoy a significant prospect in the markets of all members when price war with global rivals may get worse.
- **Integrated value chain to improve profitability.** Developing new farming area and applying high technology are expected to stabilize the material self-supply and production cost, thus improving profit margin of Vietnam seafood business in the long term.

**Risk factors:**

- **Unfavorable changes to the U.S. anti-dumping tariffs.**
- **Threat from “red card” from European Commission (EC).** In case EC concludes that Vietnam fisheries still maintain illegal fishing, they will enact an import ban on all Vietnam fishes.
- **Viral diseases lead to the drop of shrimp production.**

**Recommendation:**

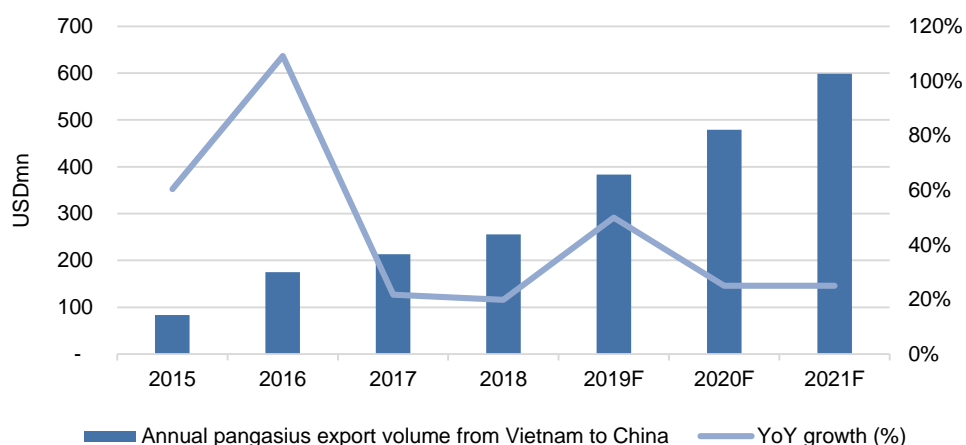
- Remarkable growth of pangasius consumption in China makes pangasius remain in the spotlight in seafood industry in 2020. Meanwhile, bread shrimp export to Japan will find support from CPTPP, but be partially overshadowed by price war with global players. In overall, we have a positive outlook about seafood sector in 2020. **BUY.**
- Stock pick: **VHC, ANV**

## 1. Pangasius to fly higher in China

In 2019, China surpassed the U.S. to become the largest consumption market of Vietnam pangasius, reaching market share of 34% by export value. And we expect this market continues to fly high in the coming years.

In overall, Vietnam is the largest pangasius producer with estimated market share by production of 44% in 2019. According to VASEP (Vietnam Association of Seafood Exporters and Producers), Vietnam export value of pangasius was USD1.97bn in 2019, decreasing 15% YoY, mainly because of the decline of average export price in the U.S and China, which we estimate to drop by 15.3% YoY and 28.8% YoY, respectively. However, we estimate while pangasius export to the U.S. recorded 74.4 thousand tons, decreasing 41% YoY, China was in the spotlight when importing 383 thousand tons from Vietnam, skyrocketing 50% YoY, in 2019.

**Fig 01. Annual pangasius export volume from Vietnam to China**



Source: VASEP, KIS estimate

In China, Vietnam pangasius has blossomed for several years. We estimate pangasius export volume to China achieves 5-year CAGR volume growth rate of 49%, remarkably outperforming the overall industry export growth. The still-low pangasius consumption per capita of China (reaching 0.14 kg in 2018 at 8-year CAGR of 27.5%) has backed for Vietnam pangasius's export performance. In the coming years, we expect China to remain as the growth driver for Vietnam pangasius export, based on the following ideas:

- **Large population**, which is 4 times higher than the U.S., will support the expansion of domestic catering services and the development of direct trading activities with Vietnamese exporters via e-commerce channel.
- **Favorable policies on imported seafood**. Since 01 Apr 2019, Chinese government has reduced VAT on imported seafood products from 10% to 9%.

Besides, import tariff exemption gives a competitiveness edge for the pangasius of Vietnam.

- **Low pangasius consumption per capita.** Despite skyrocketing for a few years, pangasius consumption per capita in China is still low, approximately 0.14 kg compared to 0.32 kg of the U.S.

Thanks to high product quality verified at developed markets such as the U.S. and EU, Vietnam pangasius finds no difficulty penetrating Chinese market as this market requires lower standards and easier regulations than U.S. and EU. However, lower standards and regulations also result in tougher competition and make Chinese market more price-sensitive.

We project that the export volume of Vietnam to China will maintain double-digit growth, at 25% growth rate per year over 2020-2021E. We estimate export value to China will record USD700mn in 2020 and USD872mn in 2021, as the severe decline of export price in 2019 will not recur in the following years.

	2016	2017	2018	2019E	2020E	2021E
Export volume from Vietnam to China (Thousand Tons)	175	213	255	383	478	596
Export price from Vietnam to China (USD/kg)	1.75	1.93	2.06	1.46	1.46	1.46
Export value from Vietnam to China (USDmn)	306	411	526	561	700	872
<i>Export volume growth (%)</i>	<i>109%</i>	<i>22%</i>	<i>20%</i>	<i>50%</i>	<i>25%</i>	<i>25%</i>
<i>Export price growth (%)</i>	<i>-9%</i>	<i>10%</i>	<i>7%</i>	<i>-29%</i>	<i>0%</i>	<i>0%</i>
<i>Export value growth (%)</i>	<i>90%</i>	<i>34%</i>	<i>28%</i>	<i>7%</i>	<i>25%</i>	<i>25%</i>

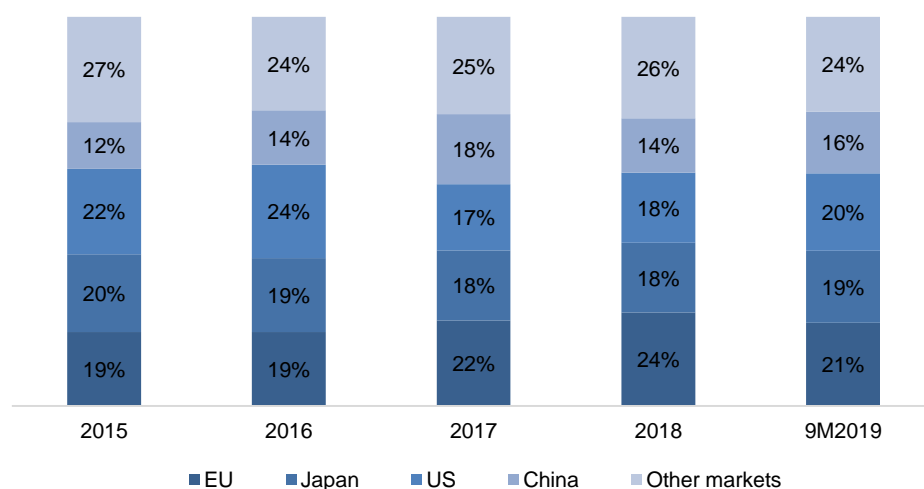
Source: KIS estimate

## 2. CPTPP gives a small edge for Vietnam shrimp

Despite suffering an extending decline of export value because of the price war from global players, Vietnam shrimp may return in 2020 thanks to effective FTAs such as CPTPP.

After dropping 7.8% YoY to USD3.55bn in 2018, Vietnam shrimp export value suffered another decline of 7% YoY to USD2.4bn in aggregate 9M2019. Of which, while export value to EU dropped significantly 21% YoY to USD513mn, those figures to Japan and U.S. were flat at USD445mn (-2% YoY) and USD477mn (+1% YoY), respectively. Accounting for almost 75% of total export value, EU (21%), Japan (19%), U.S. (20%) and China (16%) are the four largest export markets of Vietnam shrimp.

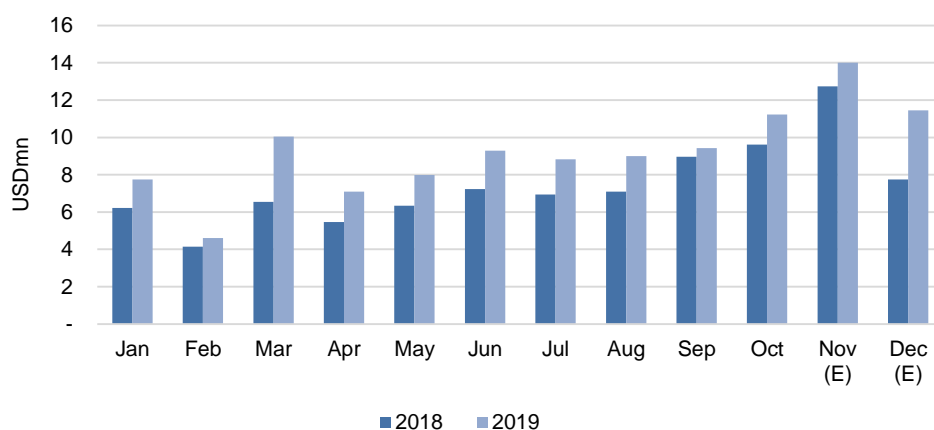
**Fig 02. Vietnam shrimp export share by market**



Source: VASEP

Growth opportunity for Vietnam shrimp comes from the tariff preference from effective FTAs. Following CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), which was effective from the early 2019, export tariffs for Vietnam shrimp products have been cut to 0%. CPTPP will promote export to traditional market like Japan (accounting for 19% Vietnam shrimp export) as well as support Vietnam shrimp in other potential markets of the agreement. For example, Vietnam bread shrimp, of which import tariff to Japan was reduced to 0% from 1.3%, saw its export value jump 24% YoY in 2019.

**Fig 03. Export value of Vietnam bread white shrimp to Japan**



Source: VASEP, KIS estimate

However, tariff preference is negligible advantage of Vietnam shrimp, taking into consideration a large price gap between its price and that of other rival shrimps. Because Vietnam market of shrimp post feed (which accounts a bulk of shrimp feed, which in turn accounts for 50% of shrimp production) depends heavily on foreign suppliers, export price of Vietnam shrimp is average 20% higher than other rivals. Although top Vietnam shrimp exporters have invested in farming to expand vertically value chain, they still depend on foreign feed suppliers. Therefore, we expect the export price gap will remain and price war with other global exporters continues to be severe in the coming years.

We project the export volume of Vietnam shrimp to Japan will grow 13% YoY in 2020, which will be led by 37.6% YoY volume growth rate of bread shrimp. We estimate shrimp export value to Japan will record USD670mn in 2020, increasing 5% YoY.

	2018	2019E	2020E
<b>Bread white shrimp</b>			
Export value (USDmn)	89	111	142
Growth (%)		24%	28%
<b>Unbread white shrimp</b>			
Export value (USDmn)	274	231	200
Growth (%)		-16%	-13%
<b>Black tiger shrimp</b>			
Export value (USDmn)	276	295	326
Growth (%)		7%	11%
<b>Shrimp export value to Japan</b>			
Export value (USDmn)	639	636	670
Growth (%)		-0.4%	5%

Source: KIS estimate

### 3. Integrated value chain to improve profitability

Despite being one of the top global seafood players, Vietnam seafood sector is highly cyclical because of the wild fluctuation of input price, effect of diseases and self-supply ability of seed feed. In particular, while material price is the weakest point of Vietnam pangasius, shrimp usually suffers from diseases and depends heavily on foreign post feed foreign supply.

These weak points lead to the requirement of building a complete value chain for Vietnam seafood, including investment into farming and application of high technique to improve input quality and self-supplying. The higher material quality, self-supply ratio and more vertically-integrated value chain, the higher profitability for Vietnam

seafood sector. Therefore, sustainable growth is only achievable by seafood exporters which have serious investment into vertically expanding their value chains.

Company	Farming area (ha)		Projects
	2018	2019-2021E	
<b>Vinh Hoan</b> (HOSE: VHC)	725	735	In 2013-2018, VHC expanded its own farming area from 300ha to 725ha. In 2019, VHC invested VND220bn to develop a new 220ha farm to offset 200ha of Van Duc Tien Giang.
<b>Nam Viet</b> (HOSE: ANV)	250	850	Binh Phu farming will operate in 2020 with fingerlings farming of 150ha and material farming of 450ha.
<b>I.D.I</b> (HOSE: IDI)	40	40	No specific investment plan.
<b>Sao Ta</b> (HOSE: FMC)	180	270	Increasing shrimp farming area from 180ha to 270ha in 2020 to boost shrimp self-supply up to 30%.
<b>Minh Phu</b> (UpCOM: MPC)	900	900	Developing high-tech application for current shrimp farming of 900ha in 2020, doubling farming productivity and rising shrimp self-supply up to 30%.

Source: KIS estimate

## 4. Risk factors

### 4.1. Anti-dumping tariff of the U.S.

Vietnam seafood export to the U.S has faced the uncertainty of anti-dumping tariffs by U.S. DOC for many years. Until now, Vietnam seafood has not completely gotten rid of anti-dumping tariffs, with nationwide levels reaching 2.39 USD/kg for pangasius and 25.76% for shrimp. Although Vietnam sees more and more exporters like Vinh Hoan and Minh Phu to enjoy zero anti-dumping tariff, any unexpected increase in this tariffs will make a direct negative impact on Vietnam seafood export.

### 4.2. “Red card” of European Commission (EC)

EC has given “yellow card” for Vietnam seafood export to this market, which has forced all Vietnam seafood cargo to be inspected at EU’s loading ports. In case EC concludes Vietnam fisheries still maintain illegal fishing, they will enact a “red card” with import ban on all Vietnam fishes. However, EC has recently acknowledged Vietnam’s effort to prevent IUU after their periodic fishing survey trip in Vietnam, lowering this “red card” risk.

### 4.3. Viral diseases of shrimp

Viral disease is the most risk factor of shrimp industry. According to Shrimp Production Review issued in 2018 of Global Outlook Aquaculture Leadership (GOAL), disease is the biggest problem of shrimp industry. In which, early mortality syndrome (EMS), enterocytozoon hepatopenaei (EHP), and white feces disease are of concern for Vietnamese shrimp farmers.

## 5. Stock coverage

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)	45,000 2018	9,271	1,685	1,440	15,391	43,452	3.3	1.2	41%	3.5	8%
	Price (VND)	39,100 2019E	8,384	1,358	1,223	7,227	28,966	5.5	1.4	29%	4.9	0%
	Market cap (VNDbn)	7,198 2020E	9,667	1,605	1,444	8,167	34,754	4.9	1.2	26%	3.9	5%
		2021E	10,661	1,770	1,593	9,178	42,857	4.4	0.9	24%	3.1	5%
<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)	26,800 2018	4,118	693	606	4,810	14,779	4.8	1.6	37%	4.7	6%
	Price (VND)	21,800 2019E	4,297	657	590	4,332	17,103	5.1	1.3	27%	5.3	9%
	Market cap (VNDbn)	2,753 2020E	5,475	890	840	5,945	20,782	3.7	1.1	32%	4.8	9%
		2021E	6,517	1,064	1,020	7,235	26,020	3.0	0.8	31%	3.7	9%
<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)	3,100 2018	6,341	771	691	3,465	12,836	14.8	4.0	27%	14.3	3%
	Price (VND)	4,860 2019E	8,301	499	447	1,540	12,101	3.2	0.4	12%	6.8	-
	Market cap (VNDbn)	1,125 2020E	9,013	500	448	1,243	13,344	4.0	0.4	10%	7.8	-
		2021E	9,792	434	389	877	14,221	5.6	0.3	6%	8.7	-
<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)	25,650 2019E	3,792	244	227	5,161	19,175	5.2	1.4	25%	6.4	7%
	Market cap (VNDbn)	1,395 2020E	4,012	250	233	4,203	21,303	6.5	1.3	21%	5.9	7%
		2021E	4,601	291	270	4,954	24,488	5.5	1.1	22%	5.0	7%
<b>MPC</b> (UPCoM)	Recommendation	HOLD 2017	15,665	930	838	9,254	35,492	2.1	0.6	30%	5.3	-
	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)	24,700 2019E	15,943	656	574	2,493	28,537	9.5	0.8	9%	7.2	21%
	Market cap (VNDbn)	4,723 2020E	18,388	659	576	2,379	25,983	10.0	0.9	9%	8.5	21%
		2021E	20,769	780	682	2,657	23,707	9.0	1.0	11%	8.6	21%

Source: Company data, KIS

Data as of 09 Jan 2020

## 6. Stock pick: VHC, ANV

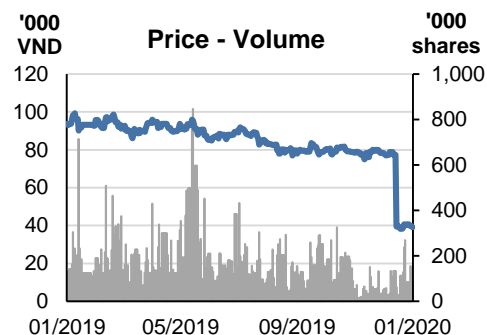
## Stock Pick

## VHC China to fuel growth

## Rating

## BUY Investment points:

Market price (VND)	39,100
1-Y target price (VND)	45,000
1-Y price return (%)	15%
1-Y dividend yield (%)	5%
1-Y total return (%)	20%



## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-1%	0%	-2%	-15%
Relative	-3%	-2%	-1%	-24%

Source: Bloomberg, relate to VNIndex

## Stock Statistics

16-Jan-20

52-week range (VND)	38.3k-99.3k
Shares o/s (m)	182
Mkt cap (VND bn.)	7,114
Mkt cap (\$m)	307
Foreign % owned	34.3%
Est. free float (mn. shares)	91.2
3m avg. daily vol. (shares)	92,827
VND/USD	23,175
Index: VN-Index/HNX	974/104

Source: Bloomberg

## Ownership

16-Jan-20

Truong Thi Le Khanh	42.9%
Dragon Capital	9.0%
Mitsubishi Corporation	6.5%

Source: Bloomberg

- **Pangasius export to the U.S. to recover from 2020** thanks to the current low price and the U.S. – China trade tension. We estimate VHC's export revenue to the U.S. will reach USD148mn in 2020 and USD160mn in 2021, growing 8% YoY.
- **China to remain as the main growth driver** thanks to large population, favorable seafood policies and low pangasius consumption per capita. We expect that export revenue to China will grow 18.4% p.a over 2019 - 2021E.
- **Vertically extending value chain to improve profitability.** Developing new farming area and going upstream to hatchery phase are expected to stabilize the material supply and cost, thus improving profit margin in the long term.

## Risk:

- **Unfavorable changes to the U.S. anti-dumping tariffs.** In fact, the preliminary results of POR15 of the U.S. DOC shows the high probability that more players may enjoy zero anti-dumping tariff.

## Recommendation:

- In 2020, we estimate VHC to record VND9,667bn revenue and VND1,500bn EAT. Each VHC share can earn VND8,167.
- Based on 1-Y average PER of 5.5x, we evaluate VHC's share value at **VND45,000** per share by the end of 2020. According to today (16/01/2019) price is VND39,100, the total 1-year expected return is **20%**, including VND2,000 cash dividend. **BUY.**

VNDbn	2017	2018	2019E	2020E	2021E
Net revenue	8,151	9,271	8,384	9,667	10,661
Growth (%)	12%	14%	-10%	15%	10%
Net profit	605	1,442	1,335	1,506	1,690
Growth (%)	7%	139%	-7%	13%	12%
EPS (bonus-adjusted, VND)	6,551	15,391	7,227	8,167	9,178
Growth (%)	15%	135%	-53%	13%	12%
ROE (%) (excl. minority)	23%	41%	29%	26%	24%
Net debt/Equity (%)	34%	15%	-15%	-19%	-27%
PER (x)	8.0	3.3	5.4	4.8	4.3
PBR (x)	1.6	1.2	1.3	1.1	0.9
EV/EBITDA (x)	6.8	3.5	4.8	3.8	3.0
Dividend yield (%)	0%	7.8%	0%	5%	5%



FINANCIALS MODEL						BS & CF ITEMS (VNDbn)	2017	2018	2019E	2020E	2021E
Unit: VNDbn.	2017	2018	2019E	2020E	2021E						
<b>Net Revenue</b>	<b>8,151</b>	<b>9,271</b>	<b>8,384</b>	<b>9,667</b>	<b>10,661</b>	Receivable turnover (x)	7.6	5.9	4.6	5.2	5.1
Sales growth (%)	11.6%	13.7%	-9.6%	15.3%	10.3%	Inventory turnover (x)	5.8	5.6	5.0	5.6	5.5
<b>COGS</b>	<b>6,980</b>	<b>7,232</b>	<b>6,598</b>	<b>7,607</b>	<b>8,390</b>	Payable turnover (x)	27.5	27.8	24.7	28.9	28.1
Gross margin (%)	14.4%	22.0%	21.3%	21.3%	21.3%	Increase in WC	299	854	-282	421	327
SG&A	411	354	428	454	501	Capex	243	545	371	586	520
<b>EBITDA</b>	<b>960</b>	<b>1,842</b>	<b>1,477</b>	<b>1,772</b>	<b>1,981</b>	Other cash flow items	220	-528	-26	-98	-76
EBITDA margin (%)	11.8%	20%	17.6%	18.3%	18.6%	<b>Free cash flow</b>	<b>42</b>	<b>727</b>	<b>1,390</b>	<b>764</b>	<b>1,130</b>
Depr'n & Amort'n	199	156	119	167	211	Share issues	-	10	-	-	-
<b>Operating profit</b>	<b>761</b>	<b>1,685</b>	<b>1,358</b>	<b>1,605</b>	<b>1,770</b>	Dividends paid	-	363	-	364	181
Operating margin (%)	9.3%	18.2%	16.2%	16.6%	16.6%	Increase in net debt	-42	-374	-1,390	-400	-949
Net interest expense	51	-9	-21	-68	-107	<b>Net debt, end of year</b>	<b>991</b>	<b>617</b>	<b>-772</b>	<b>-1,172</b>	<b>-2,122</b>
As % of avg. net debt	5.0%	-1.1%	26.7%	7%	6.5%	Enterprise value	6,510	6,375	7,029	6,796	5,988
Interest cover (x)	15	-189	-65.4	-23.5	-16.5	<b>Total equity</b>	<b>2,943</b>	<b>4,015</b>	<b>5,212</b>	<b>6,323</b>	<b>7,797</b>
Other profit/loss	12	-7	104	-	-	Minority interests	-	-	-	-	-
Tax	118	245	148	167	188	<b>Shareholder's equity</b>	<b>2,943</b>	<b>4,015</b>	<b>5,212</b>	<b>6,323</b>	<b>7,798</b>
Effective tax rate (%)	16.4%	14.5%	10%	10%	10%	BVPS (VND, bonus-adjusted)	31,844	43,452	28,966	34,754	42,857
<b>Net profit</b>	<b>605</b>	<b>1,442</b>	<b>1,335</b>	<b>1,506</b>	<b>1,690</b>	Net debt / equity (%)	34%	15%	-15%	-19%	-27%
Net margin (%)	7.4%	15.6%	15.9%	15.6%	15.9%	Net debt / EBITDA (x)	1.0	0.3	-0.5	-0.7	-1.1
Minorities	-	-	-	-	-	<b>Total assets</b>	<b>5,043</b>	<b>6,299</b>	<b>6,403</b>	<b>7,478</b>	<b>8,871</b>
<b>Net attributable profit</b>	<b>605</b>	<b>1,442</b>	<b>1,335</b>	<b>1,506</b>	<b>1,690</b>	<i>Net debt = debts – cash &amp; equivalent</i>					
Number of shares (m)	92.4	92.4	181.9	181.9	181.9	<b>Key ratio &amp; Valuation</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
<b>EPS (VND,bonus-adjusted)</b>	<b>6,551</b>	<b>15,391</b>	<b>7,227</b>	<b>8,167</b>	<b>9,178</b>	ROE (%) (excl minority interest)	22.7%	41.5%	28.9%	26.1%	23.9%
EPS growth (%)	14.8%	135%	-53%	13%	12.4%	ROA (%)	12.7%	25.4%	21.0%	21.7%	20.7%
DPS (VND, as reported)	2,000	4,000	-	2,000	2,000	ROIC (%)	14.6%	28.0%	22.5%	25.6%	24.8%
Payout ratio (%)	31%	26%	-	24%	22%	WACC (%)	11.3%	11.0%	10.7%	10.9%	11.1%
						PER (x)	8.0	3.3	5.4	4.8	4.3
						PBR (x)	1.64	1.18	1.3	1.1	0.9
						PSR (x)	0.6	0.5	0.8	0.7	0.7
						EV/EBITDA (x)	6.8	3.5	4.8	3.8	3.0
						EV/Sales (x)	0.8	0.7	0.8	0.7	0.6
						Dividend yield (%) (bonus-adjusted)	4%	8%	-	5%	5%

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.

Payout ratio = Dividend paid / Net attributable profit.

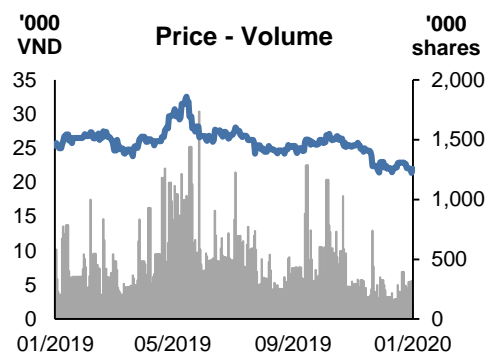
## Stock Pick

## ANV Oh! China again

## Rating

## BUY Investment points:

Market price (VND)	21,800
1-Y target price (VND)	26,800
1-Y price return (%)	23%
1-Y dividend yield (%)	9%
1-Y total return (%)	32%



## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-5%	-2%	-16%	-15%
Relative	-6%	-3%	-14%	-24%

Source: Bloomberg, relate to VNIndex

## Stock Statistics

16-Jan-20

52-week range (VND)	21.4k-32.9k
Shares o/s (m)	127
Mkt cap (VND bn.)	2,771
Mkt cap (\$m)	120
Foreign % owned	1.3%
Est. free float (mn. shares)	23.0
3m avg. daily vol. (shares)	348,360
VND/USD	23,175
Index: VN-Index/HNX	974/104

Source: Bloomberg

## Ownership

16-Jan-20

Insiders	80.54%
Deutscher	4.89%
Other	14.57%

Source: Bloomberg

- **Export to China maintains high growth.** We expect that export volume of Nam Viet to China will achieve 4-year CAGR volume of 39.3% over 2018 - 2021E, thanks to low pangasius consumption per capita and tax-friendly import policies.
- **The operation of Binh Phu farming in 2020 completes vertical production chain.** Thanks to farming expansion, we expect Nam Viet will increase its raw material production to 200 thousand tons in 2020 as well as enhancing gross margin by 78 bps.
- **Pangasius processing factory has enough room for high volume growth.** As the utilization rate of processing factory remained at 42% in 2019, Nam Viet has opportunity to capture consumption growth of potential markets when other large competitors faces capacity constraint. We expect that the utilization rate of Nam Viet factory will increase to 70% in 2020 and reach 100% in 2022.

## Risk:

- **Provisions for bad debt from divested No.2 DAP.** Continuing to recognize unexpected provisions will affect Nam Viet's net profit in the coming years.

## Recommendation:

- In 2020, we estimate Nam Viet to record VND5,236bn revenue and VND725bn EAT. Each ANV share can earn VND5,656.
- Based on 1-Y average PER of 5x, we evaluate ANV's share value at **VND26,800** per share by the end of 2020. According to today (16/01/2020) price is VND21,800, the total 1-year expected return is **32%**, including VND2,000 cash dividend. **BUY.**

VNDbn	2017	2018	2019E	2020E	2021E
Net revenue	2,949	4,118	4,297	5,475	6,517
Growth (%)	4%	40%	4%	27%	19%
Net profit	144	604	551	762	927
Growth (%)	972%	319%	-9%	38%	22%
EPS (bonus-adjusted, VND)	1,142	4,810	4,332	5,945	7,235
Growth (%)	289%	321%	-10%	37%	22%
ROE (%) (excl. minority)	10%	37%	27%	32%	31%
Net debt/Equity (%)	43%	22%	41%	78%	45%
PER (x)	8.6	4.8	5.0	3.7	3.0
PBR (x)	0.9	1.6	1.3	1.0	0.8
EV/EBITDA (x)	6.2	4.7	5.3	4.8	3.7
Dividend yield (%)	12%	6%	9%	9%	9%

FINANCIALS MODEL					
Unit: VNDbn	2017	2018	2019E	2020E	2021E
<b>Net Revenue</b>	<b>2,949</b>	<b>4,118</b>	<b>4,297</b>	<b>5,475</b>	<b>6,517</b>
Sales growth (%)	4.4%	39.6%	4.3%	27.4%	19%
<b>COGS</b>	<b>2,517</b>	<b>3,256</b>	<b>3,380</b>	<b>4,236</b>	<b>5,027</b>
Gross margin (%)	14.7%	20.9%	21.3%	22.6%	22.9%
SG&A	185	169	260	349	425
<b>EBITDA</b>	<b>328</b>	<b>773</b>	<b>745</b>	<b>1,085</b>	<b>1,259</b>
EBITDA margin (%)	11.1%	18.8%	17.3%	19.8%	19.3%
Depr'n & Amort'n	80	80	88	195	195
<b>Operating profit</b>	<b>247</b>	<b>693</b>	<b>657</b>	<b>890</b>	<b>1,064</b>
Operating margin (%)	8.4%	16.8%	15.3%	16.3%	16.3%
Net interest expense	47	-5	43	83	97
As % of avg. net debt	5.2%	-0.9%	6.7%	5.7%	5.5%
Interest cover (x)	5.3	-144.9	15.2	10.7	10.9
Other profit/loss	-34	-8	0	0	0
Tax	23	86	63	45	40
Effective tax rate (%)	13.6%	12.5%	10.3%	5.6%	4.2%
<b>Net profit</b>	<b>144</b>	<b>604</b>	<b>551</b>	<b>762</b>	<b>927</b>
Net margin (%)	4.9%	14.7%	12.8%	13.9%	14.2%
Minorities	2	4	4	6	7
<b>Net attributable profit</b>	<b>142</b>	<b>600</b>	<b>546</b>	<b>756</b>	<b>920</b>
Number of shares (m)	125	125	127.1	127.1	127.1
<b>EPS (VND,bonus-adjusted)</b>	<b>1,142</b>	<b>4,810</b>	<b>4,332</b>	<b>5,945</b>	<b>7,235</b>
EPS growth (%)	289%	321%	-10%	37.3%	21.7%
DPS (VND)	1,200	1,500	2,000	2,000	2,000
Payout ratio (%)	105%	31%	46%	34%	28%

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.

Payout ratio = Dividend paid / Net attributable profit.

BS & CF ITEMS (VNDbn)	2017	2018	2019E	2020E	2021E
Receivable turnover (x)	6.2	8.3	7.4	8.1	7.9
Inventory turnover (x)	2.4	3.5	3.4	3.8	3.7
Payable turnover (x)	17.7	29.0	28.2	32.3	31.1
Increase in WC	-286	206	57	384	348
Capex	53	431	140	1,539	-
Other cash flow items	-240	-288	650	-39	-50
<b>Free cash flow</b>	<b>697</b>	<b>335</b>	<b>-208</b>	<b>-927</b>	<b>823</b>
Share issues	-	-	-	-	-
Dividends paid	84	149	254	254	254
Increase in net debt	-613	-185	463	1,181	-569
<b>Net debt, end of year</b>	<b>600</b>	<b>414</b>	<b>877</b>	<b>2,058</b>	<b>1,489</b>
Enterprise value	2,041	3,629	3,913	5,164	4,674
<b>Total equity</b>	<b>1,394</b>	<b>1,848</b>	<b>2,144</b>	<b>2,652</b>	<b>3,324</b>
Minority interests	-4	-	4	10	16
<b>Shareholder's equity</b>	<b>1,398</b>	<b>1,848</b>	<b>2,140</b>	<b>2,642</b>	<b>3,308</b>
BVPS (VND, bonus-adjusted)	11,179	14,779	17,103	20,782	26,020
Net debt / equity (%)	43%	22%	41%	78%	45%
Net debt / EBITDA (x)	1.8	0.5	1.2	1.9	1.2
<b>Total assets</b>	<b>2,702</b>	<b>3,425</b>	<b>4,009</b>	<b>5,768</b>	<b>5,950</b>

Net debt = debts – cash & equivalent

Key ratio & Valuation	2017	2018	2019E	2020E	2021E
ROE (%) (excl minority interest)	10.5%	37.0%	27.4%	31.6%	30.9%
ROA (%)	5.0%	19.7%	14.8%	15.6%	15.8%
ROIC (%)	8.5%	25.4%	20.0%	20.0%	19.7%
WACC (%)	8.9%	10.1%	9.6%	8.6%	8.9%
PER (x)	8.6	4.8	5.0	3.7	3.0
PBR (x)	0.88	1.57	1.3	1.0	0.8
PSR (x)	0.4	0.7	0.6	0.5	0.4
EV/EBITDA (x)	6.2	4.7	5.3	4.8	3.7
EV/Sales (x)	0.7	0.9	0.9	0.9	0.7
Dividend yield (%) (bonus-adjusted)	12%	6%	9%	9%	9%

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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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