

29 Apr 2020

## Nam Viet Corp (ANV)

### 2020 NPAT to fall to the 3-year low

- Latin America market and gross margin hit 1Q20 NPAT.
- 2020 NPAT to fall to the 3-year low.
- Downgrade to Hold from BUY.

#### Facts: Latin America market and gross margin hit 1Q20 NPAT

In 1Q20, Nam Viet recorded revenue of VND811bn, decreasing 11% yoy. In which, export revenue recorded VND564bn (-23% yoy), which we estimate to be hit by revenue plunge in Latin America market (-50% yoy).

Nam Viet's gross margin narrowed by -15.5%p yoy to 15% in 1Q20 because of low export price and negligible volume contribution from Binh Phu farming, which we estimate to account for around 9% total input volume. At the same time, increasing SG&A ratio (+2.5%p yoy) made 1Q20 EBIT slump by 76% yoy to VND53bn.

In combination with higher effective tax rate (+3.1%p yoy), Nam Viet recorded NPAT VND43bn, plunging by 78% yoy but completing 22% of the year target.

#### Pros & cons: 2020 NPAT to fall to the 3-year low

We revise downward Nam Viet's revenue estimate by 5.6% to VND4,656bn (+4% yoy) in 2020, driven by our lower average export price (ASP) from 0% yoy to -10% yoy. We expect China to maintain revenue key driver with +26% yoy growth because of the rebound of Chinese pangasius demand since March 2020 and Nam Viet's export volume promotion thanks to low price. On the contrary, we estimate export revenue to EU, ASEAN and America Latin to decrease by 1% yoy, 0.7% yoy and 15% yoy in 2020, respectively.

We also revise downward Nam Viet's gross margin to 18.2% compared to our previous estimate of 21%, and revise upward effective tax rate to 15.2% due to our lower ASP in 2020 and the less-than-expected volume contribution from Binh Phu farming. In overall, we estimate Nam Viet's 2020 NPAT will record VND464bn, decreasing 34% yoy to the 3-year low.

#### Action: Downgrade to Hold

Despite of better recovery of Chinese pangasius demand, we are more cautious about Nam Viet's earning prospect in 2020, mainly driven by lower ASP and low volume contribution from Binh Phu farming. Therefore, we downgrade our rating for Nam Viet's share to **Hold** in 2020.

12M rating **Hold (Downgrade)**

#### Stock data

|                                    |               |
|------------------------------------|---------------|
| VNIndex (29 Apr, pt)               | 769           |
| Stock price (29 Apr, VND)          | 16,950        |
| Market cap (USD mn)                | 92            |
| Shares outstanding (mn)            | 127           |
| 52-Week high/low (VND)             | 30,658/11,829 |
| 6M avg. daily turnover (USD mn)    | 0.23          |
| Free float / Foreign ownership (%) | 18.1/1.5      |
| Major shareholders (%)             |               |
| Chairman and Affiliates            | 77            |

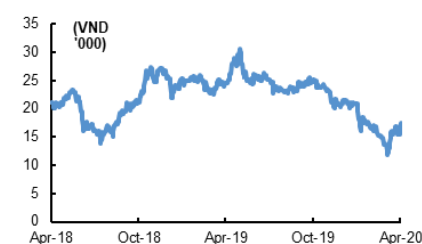
#### Valuation

|               | 2019A  | 2020F  | 2021F  |
|---------------|--------|--------|--------|
| PE (x)        | 3.1    | 4.6    | 3.6    |
| PB (x)        | 0.9    | 0.8    | 0.7    |
| ROE (%)       | 33.3   | 18.4   | 21.1   |
| DY (%)        | 11.8   | 8.8    | 8.8    |
| EV/EBITDA (x) | 3.2    | 4.9    | 3.4    |
| EPS (VND)     | 5,541  | 3,650  | 4,756  |
| BPS (VND)     | 18,778 | 20,928 | 24,185 |

#### Performance

|                          | 1M  | 6M    | 12M   |
|--------------------------|-----|-------|-------|
| Absolute (%)             | 0.2 | (0.3) | (0.3) |
| Relative to VNIndex (%p) | 0.1 | (0.1) | (0.1) |

#### Stock price



Source: Bloomberg

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**Table 1. Earnings and outlook**

(VND bn, %, %p)

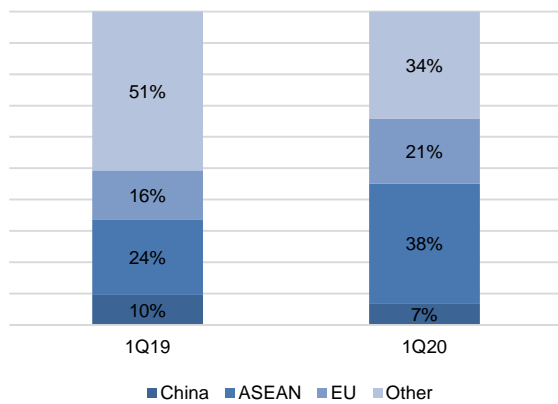
|                                   | 2019       |              |              |              | 2020       | 2019A        | 2020F        | 1Q20          |               |            |
|-----------------------------------|------------|--------------|--------------|--------------|------------|--------------|--------------|---------------|---------------|------------|
|                                   | 1Q         | 2Q           | 3Q           | 4Q           | 1Q         |              |              | QoQ           | YoY           | Consensus  |
| <b>Sales</b>                      | <b>910</b> | <b>1,064</b> | <b>1,127</b> | <b>1,379</b> | <b>811</b> | <b>4,481</b> | <b>4,656</b> | <b>(41.2)</b> | <b>(10.9)</b> | <b>N.A</b> |
| <b>Gross profit</b>               | <b>277</b> | <b>225</b>   | <b>237</b>   | <b>304</b>   | <b>121</b> | <b>1,043</b> | <b>849</b>   | <b>(60.1)</b> | <b>(56.2)</b> |            |
| Gross margin                      | 30         | 21           | 21           | 22           | 15         | 23           | 18           | (7.1)         | (15.5)        |            |
| Operating expenses                | 54         | 53           | 57           | 74           | 68         | 237          | 328          | (7.7)         | 26.1          | N.A        |
| Selling expense                   | 42         | 46           | 47           | 56           | 55         | 191          | 243          | (1.2)         | 31.5          |            |
| G&A expense                       | 12         | 7            | 10           | 18           | 13         | 47           | 86           | (28.2)        | 7.0           |            |
| Depreciation                      | 20         | 20           | 20           | 21           | 21         | 81           | 117          | (0.8)         | 2.3           |            |
| <b>Operating profit</b>           | <b>223</b> | <b>172</b>   | <b>180</b>   | <b>231</b>   | <b>53</b>  | <b>805</b>   | <b>521</b>   | <b>(76.8)</b> | <b>(76.1)</b> | <b>N.A</b> |
| EBT                               | 231        | 178          | 174          | 247          | 52         | 831          | 547          | (79.1)        | (77.6)        | N.A        |
| Net profit                        | 200        | 153          | 153          | 198          | 43         | 704          | 464          | (78.1)        | (78.4)        |            |
| <b>NP of controlling interest</b> | <b>200</b> | <b>153</b>   | <b>153</b>   | <b>198</b>   | <b>43</b>  | <b>704</b>   | <b>464</b>   | <b>(78.1)</b> | <b>(78.4)</b> |            |
| EBITDA                            | 244        | 192          | 199          | 252          | 74         | 886          | 637          | (70.5)        | (69.5)        | N.A        |
| EBITDA margin                     | 27         | 18           | 18           | 18           | 9          | 20           | 14           | (9.1)         | (17.6)        |            |
| OP margin                         | 25         | 16           | 16           | 17           | 7          | 18           | 11           | (10.1)        | (18.0)        |            |

Source: Company data, KIS

### ■ Company overview

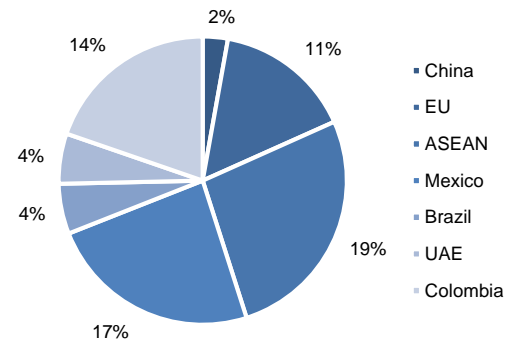
Nam Viet (ANV: HSX) is the third largest Vietnam pangasius exporter with value starting from farming, processing and exporting. Nam Viet is focusing on China, ASEAN and EU, which accounts for more than 65% of total export revenue per year. Nam Viet has scaled up quickly its capacity by launching Binh Phu high-tech farming area.

**Figure 1. Nam Viet's export revenue by market**



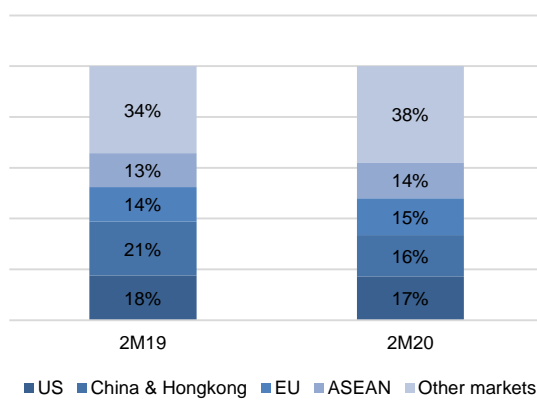
Source: Nam Viet Corp

**Figure 2. Nam Viet's market share by export market**



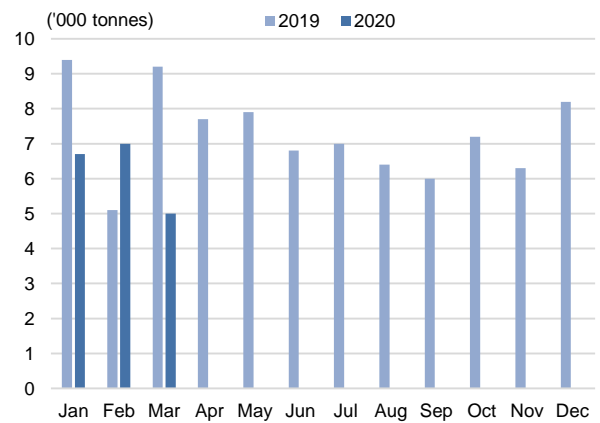
Source: Nam Viet Corp

**Figure 3. VN pangasius export value by market**



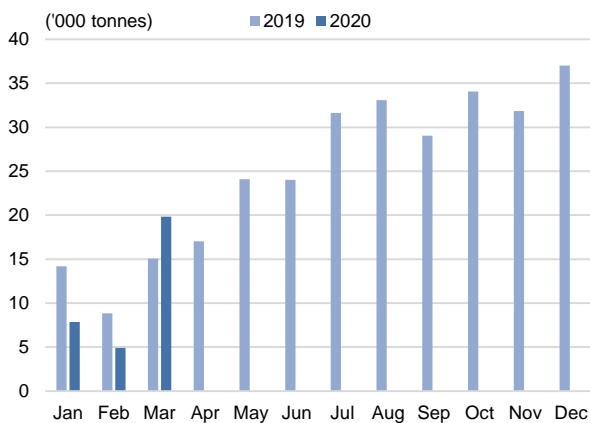
Source: VASEP

**Figure 4. VN pangasius export volume to EU**



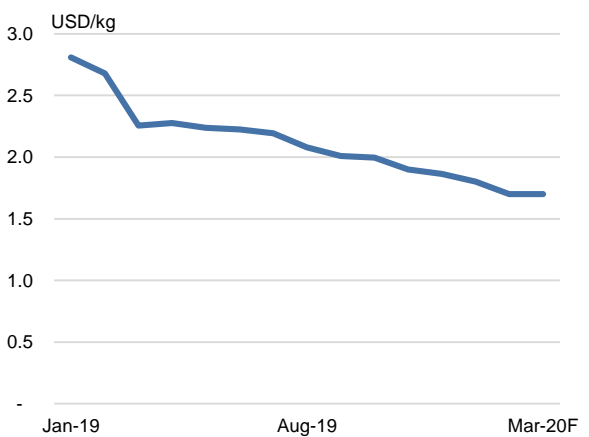
Source: AgroMonitor

**Figure 5. VN pangasius export volume to China**



Source: AgroMonitor

**Figure 6. VN pangasius export price to China**



Source: AgroMonitor, KIS

**Balance sheet**

(VND bn)

| FY-ending Dec.               | 2017A        | 2018A        | 2019A        | 2020F        | 2021F        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Current assets               | 1,527        | 2,055        | 2,636        | 3,123        | 3,377        |
| Cash & cash equivalents      | 26           | 521          | 610          | 856          | 896          |
| Accounts & other receivables | 627          | 572          | 443          | 513          | 563          |
| Inventory                    | 874          | 962          | 1,583        | 1,753        | 1,918        |
| Non-current assets           | 1,063        | 1,267        | 1,368        | 1,572        | 1,459        |
| Fixed assets                 | 585          | 942          | 1,224        | 1,428        | 1,315        |
| Investment assets            | 478          | 326          | 144          | 144          | 144          |
| Others                       | 113          | 103          | 130          | 324          | 321          |
| <b>Total assets</b>          | <b>2,702</b> | <b>3,425</b> | <b>4,135</b> | <b>5,019</b> | <b>5,157</b> |
| Advances from customers      | 16           | 14           | 11           | 17           | 20           |
| Unearned revenue             | -            | 0.5          | 0.3          | -            | -            |
| Trade payables               | 100          | 119          | 200          | 221          | 242          |
| Others                       | 91           | 183          | 222          | 184          | 214          |
| ST debt & due bonds          | 1,025        | 1,251        | 1,295        | 1,917        | 1,588        |
| LT debt & bonds              | 76           | 10           | 20           | 20           | 20           |
| <b>Total liabilities</b>     | <b>1,308</b> | <b>1,577</b> | <b>1,749</b> | <b>2,360</b> | <b>2,084</b> |
| Controlling interest         | 1,398        | 1,848        | 2,386        | 2,659        | 3,073        |
| Capital stock                | 1,250        | 1,250        | 1,275        | 1,275        | 1,275        |
| Capital surplus              | 22           | 22           | 21           | 21           | 21           |
| Other reserves               | (27)         | (27)         | (28)         | (28)         | (28)         |
| Retained earnings            | 153          | 603          | 1,117        | 1,390        | 1,804        |
| Minority interest            | (4)          | -            | -            | -            | -            |
| <b>Shareholders' equity</b>  | <b>1,394</b> | <b>1,848</b> | <b>2,386</b> | <b>2,659</b> | <b>3,073</b> |

**Cash flow**

(VND bn)

| FY-ending Dec.          | 2017A    | 2018A      | 2019A     | 2020F      | 2021F     |
|-------------------------|----------|------------|-----------|------------|-----------|
| C/F from operations     | 746      | 721        | 328       | 384        | 560       |
| Net profit              | 144      | 604        | 704       | 464        | 604       |
| Dep'n & Amort'n         | 80       | 80         | 81        | 117        | 117       |
| Net incr. in W/C        | 521      | 37         | (457)     | (197)      | (161)     |
| C/F from investing      | (375)    | (685)      | (252)     | (569)      | -         |
| Capex                   | (53)     | (431)      | (354)     | (569)      | -         |
| Incr. in investment     | (323)    | (254)      | 102       | -          | -         |
| C/F from financing      | (366)    | 7          | (120)     | 432        | (520)     |
| Incr. in equity         | -        | -          | 25        | -          | -         |
| Incr. in debt           | (282)    | 157        | 46        | 622        | (329)     |
| Dividends               | (84)     | (149)      | (191)     | (191)      | (191)     |
| C/F from others         | (1)      | 451        | 133       | -          | -         |
| <b>Increase in cash</b> | <b>3</b> | <b>495</b> | <b>89</b> | <b>246</b> | <b>40</b> |

**Income statement**

(VND bn)

| FY-ending Dec.                                    | 2017A      | 2018A      | 2019A      | 2020F      | 2021F      |
|---------------------------------------------------|------------|------------|------------|------------|------------|
| Sales                                             | 2,949      | 4,118      | 4,481      | 4,656      | 5,211      |
| Operating profit                                  | 247        | 693        | 805        | 521        | 674        |
| Financial income                                  | 20         | 74         | 52         | 75         | 88         |
| Interest income                                   | 10         | 51         | 40         | 75         | 88         |
| Financial expenses                                | 64         | 75         | 60         | 49         | 49         |
| Interest expenses                                 | 57         | 46         | 49         | 49         | 49         |
| Other non-operating profit                        | (123)      | 4          | 16         | -          | -          |
| Gains (Losses) in associates, subsidiaries and JV | (5)        | (2)        | -          | -          | -          |
| <b>Earnings before tax</b>                        | <b>167</b> | <b>690</b> | <b>831</b> | <b>547</b> | <b>713</b> |
| Income taxes                                      | 23         | 86         | 126        | 83         | 109        |
| <b>Net profit</b>                                 | <b>144</b> | <b>604</b> | <b>704</b> | <b>464</b> | <b>604</b> |
| Net profit of controlling interest                | 142        | 600        | 704        | 464        | 604        |
| <b>EBITDA</b>                                     | <b>328</b> | <b>773</b> | <b>886</b> | <b>637</b> | <b>791</b> |

**Key financial data**

| FY-ending Dec.             | 2017A  | 2018A  | 2019A  | 2020F  | 2021F  |
|----------------------------|--------|--------|--------|--------|--------|
| Per-share data (VND, adj.) |        |        |        |        |        |
| EPS                        | 1,142  | 4,811  | 5,541  | 3,650  | 4,756  |
| BPS                        | 11,214 | 14,825 | 18,778 | 20,928 | 24,185 |
| DPS                        | 1,200  | 1,500  | 2,000  | 1,500  | 1,500  |
| Growth (%)                 |        |        |        |        |        |
| Sales growth               | 4.4    | 39.6   | 8.8    | 3.9    | 11.9   |
| OP growth                  | 170.6  | 180.2  | 16.2   | -35.4  | 29.5   |
| NP growth                  | 972.0  | 319.6  | 16.5   | -34.1  | 30.3   |
| EPS growth                 | 317.6  | 321.2  | 15.2   | -34.1  | 30.3   |
| EBITDA growth              | 94.1   | 136.0  | 14.7   | -28.1  | 24.1   |
| Profitability (%)          |        |        |        |        |        |
| OP margin                  | 8.4    | 16.8   | 18.0   | 11.2   | 12.9   |
| NP margin                  | 4.9    | 14.7   | 15.7   | 10.0   | 11.6   |
| EBITDA margin              | 11.1   | 18.8   | 19.8   | 13.7   | 15.2   |
| ROA                        | 5.0    | 19.7   | 18.6   | 10.1   | 11.9   |
| ROE                        | 10.5   | 37.0   | 33.3   | 18.4   | 21.1   |
| Dividend yield             | 7.1    | 8.8    | 11.8   | 8.8    | 8.8    |
| Dividend payout ratio      | 105.1  | 31.2   | 36.1   | 41.1   | 31.5   |
| Stability                  |        |        |        |        |        |
| Net debt (VND bn)          | 1,075  | 740    | 706    | 938    | 569    |
| Net debt/equity (%)        | 77     | 40     | 30     | 35     | 19     |
| Valuation (x)              |        |        |        |        |        |
| PE                         | 14.8   | 3.5    | 3.1    | 4.6    | 3.6    |
| PB                         | 1.5    | 1.1    | 0.9    | 0.8    | 0.7    |
| EV/EBITDA                  | 9.8    | 3.7    | 3.2    | 4.9    | 3.4    |

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