

15 Apr 2020

Vinh Hoan Corp (VHC)

1Q20 Preview: Export volume jumps in the U.S.

Export volume to the U.S grows 40.4% yoy in 1Q20

We estimate Vinh Hoan will record revenue of VND1,537bn in 1Q20, decreasing 14.1% yoy. Despite of being stable during the last quarter, export price was much lower than the same period last year, being the main factor dragging down revenue. We estimate pangasius export price to the U.S., China and EU to have decreased 39.7% yoy, 32.6% yoy and 13% yoy, respectively.

For volume, we estimate a surge in Vinh Hoan's export volume to the U.S. in 1Q20 as the U.S. has increased pangasius stockpiling to deal with pandemic, which we believe is the result of U.S. citizen's recognition of Vietnam pangasius as basic good. We estimate Vinh Hoan's export volume to the U.S. to have reached 10.3 thousand tons, rising 40.4% yoy in 1Q20.

However, Vinh Hoan's export volume to China may have posted only 3.6 thousand tons, decreasing 14.4% yoy in 1Q20 due to softening pangasius demand and interrupted transportation to China amid the COVID-19 outbreak. The positive signal is that export volume to this market has been witnessing a sharp rebound since mid-March at double-digit growth.

Gross margin improves by 1.3%p qoq

We estimate Vinh Hoan's net profit at VND137bn in 1Q20, decreasing 55.5% yoy, due to revenue decrease and contracting gross margin.

We estimate Vinh Hoan's gross margin at around 15.4% in 1Q20, dropping 8.2%p yoy because of the lower export price compared to the high base of 1Q19. However, gross margin may improve 1.3%p qoq thanks to:

- Favourable farming expenses as Tan Hung farm came into operation, boosting Vinh Hoan's material self-supply ratio up to 70% (+15%p qoq).
- Outsourcing material price was stable as the result of narrowing pangasius supply when famers had reduced farming to minimize business loss.

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	8,151	761	605	6,118	3.3	960	4.2	6.0	0.8	22.7	7.7
2018A	9,271	1,685	1,442	15,607	155.1	1,842	1.7	2.9	0.6	41.5	15.4
2019A	7,867	1,132	1,179	6,371	-59.2	1,298	4.1	3.1	1.0	26.5	0.0
2020F	9,707	1,480	1,394	7,550	18.5	1,677	3.4	2.2	0.8	25.9	7.7
2021F	10,810	1,654	1,566	8,495	12.5	1,898	3.1	1.7	0.7	24.2	7.7

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

12M rating **BUY (Maintain)**

12M TP **37,800** from 37,800

Up/Downside **+42%** (incl 7% cash dividend)

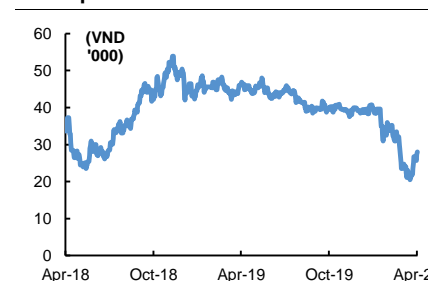
Stock Data

VNIndex (Apr 14, pt)	777
Stock price (Apr 14, VND)	28,000
Market cap (USD mn)	217
Shares outstanding (mn)	182
52-Week high/low (VND)	48,000/20,500
6M avg. daily turnover (USD mn)	0.33
Free float / Foreign ownership (%)	50.1/33.2
Major shareholders (%)	
Truong Thi Le Khanh	43.5
Mitsubishi Corp	6.6

Performance

	1M	6M	12M
Absolute (%)	0.2	(0.3)	(0.4)
Relative to VNIndex (%p)	0.2	(0.1)	(0.2)

Stock price trend



Source: Bloomberg

Toan Dao

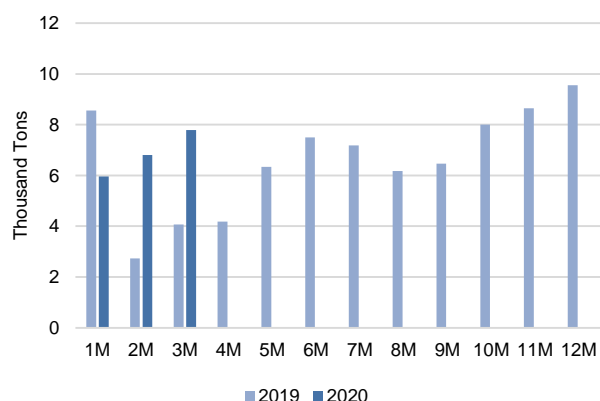
toan.dp@kisvn.vn

Table 1. Earnings trend and outlook

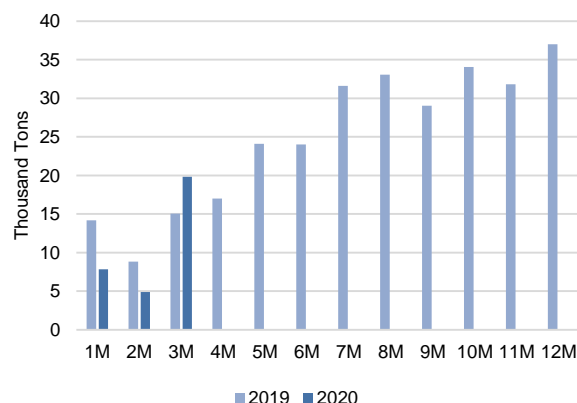
(VND bn, %, %p)

	2019				2020F	2019A	2020F	1Q20F		
	1Q	2Q	3Q	4Q	1QF			QoQ	YoY	Consensus
Sales	1,789	2,025	1,882	2,171	1,537	7,867	9,707	(29.2)	(14.1)	N.A
Gross profit	421	436	370	305	236	1,533	1,941	(22.6)	(43.9)	N.A
Gross margin (%)	23.5	21.6	19.7	14.1	15.4	19.5	20.0	1.3	(8.2)	
Operating expenses	94	96	97	113	96	401	461	(14.9)	2.2	N.A
Selling expense	49	62	65	76	57	252	290	(24.3)	17.4	
G&A expense	45	34	32	38	39	149	171	3.9	(14.1)	
Depreciation	40	42	40	44	49	165	197	12.8	23.5	
Operating profit	327	340	273	192	140	1,132	1,480	(27.1)	(57.2)	N.A
EBT	346	457	283	223	154	1,309	1,546	(30.8)	(55.5)	
Net profit	307	420	254	199	137	1,179	1,394	(31.4)	(55.5)	
NP of controlling interest	307	420	254	199	137	1,179	1,394	(31.4)	(55.5)	N.A
EBITDA	367	382	313	236	189	1,298	1,677	(19.7)	(48.4)	N.A
EBITDA margin (%)	20.5	18.9	16.6	10.8	12.3	16.5	17.3	1.5	(8.2)	
OP margin (%)	18.3	16.8	14.5	8.8	9.1	14.4	15.3	0.3	(9.2)	

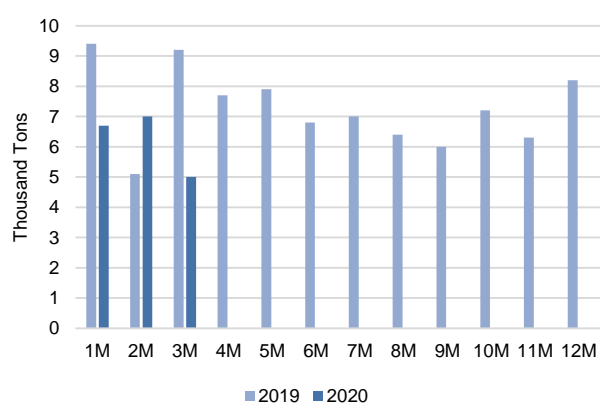
Source: Company data, KIS

Figure 1. VN pangasius export volume to the U.S.


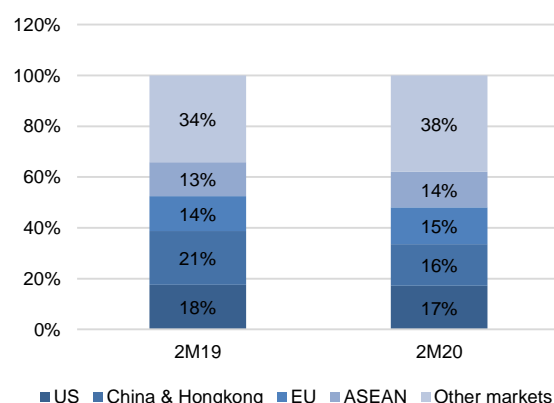
Source: AgroMonitor

Figure 2. VN pangasius export volume to China


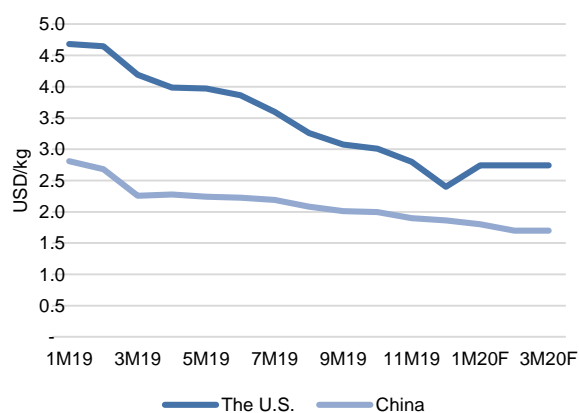
Source: AgroMonitor

Figure 3. VN pangasius export volume to EU


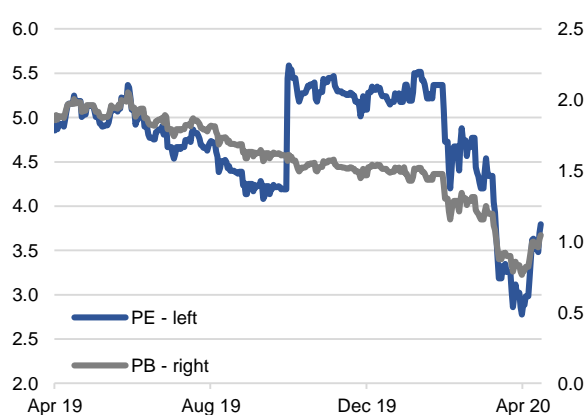
Source: AgroMonitor

Figure 4. VN pangasius export value by market


Source: VASEP

Figure 5. VN pangasius export price


Source: AgroMonitor, KIS

Figure 6. Vinh Hoan's historical PE and PB


Source: Bloomberg

Table 2. Fair value calculation

(VND bn, %)

VNDbn.	2019A	2020F	Remarks
Fair PE multiple (x)		5.0	
Net attributable profit	1,179	1,394	
Common outstanding shares (mn shares)	181.9	181.9	
Basic EPS	6,371	7,550	
Market Price		28,000	
Target Price		37,800	2020
Annualized price return (%)		35	
Expected dividend yield (%)		7	
Total expected return (%)		42	

Source: KIS

■ Company overview

Vinh Hoan (VHC: HSX) is the leading global pangasius exporter, specializing in pangasius fillet and value-added processed products. Vinh Hoan focuses on export to the U.S., China and EU, which accounts for more than 50% total revenue per year. In the U.S, Vinh Hoan is No.1 pangasius exporter with market share of approximately 50%.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	2,951	4,040	4,514	5,080	5,646
Cash & cash equivalents	418	651	1,578	1,395	1,565
Accounts & other receivables	1,331	2,003	1,522	1,952	2,151
Inventory	1,202	1,386	1,414	1,733	1,930
Non-current assets	1,791	2,045	1,841	2,112	2,524
Fixed assets	1,790	1,656	1,840	2,112	2,524
Investment assets	1	389	1	-	-
Others	300	213	257	120	120
Total assets	5,043	6,299	6,612	7,313	8,291
Advances from customers	66	11	20	19	22
Unearned revenue	-	-	-	-	-
Trade payables	233	274	282	346	386
Others	391	728	567	618	742
ST debt & due bonds	1,008	1,269	866	445	82
LT debt & bonds	402	-	-	-	-
Total liabilities	2,100	2,283	1,735	1,429	1,231
Controlling interest	2,943	4,015	4,875	5,882	7,058
Capital stock	924	924	1,834	1,834	1,834
Capital surplus	216	224	224	224	224
Other reserves	(3)	-	(114)	(114)	(114)
Retained earnings	1,805	2,867	2,932	3,939	5,115
Minority interest	0	-	2	2	2
Shareholders' equity	2,943	4,015	4,877	5,884	7,060

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	8,151	9,271	7,867	9,707	10,810
Operating profit	761	1,685	1,132	1,480	1,654
Financial income	58	137	251	95	95
Interest income	21	65	76	95	95
Financial expenses	89	167	90	30	12
Interest expenses	71	56	60	30	12
Other non-operating profit	12	(85)	147	-	-
Gains (Losses) in associates, subsidiaries and JV	-	79	14	-	-
Earnings before tax	723	1,688	1,309	1,546	1,737
Income taxes	118	245	130	152	171
Net profit	605	1,442	1,179	1,394	1,566
Net profit of controlling interest	605	1,442	1,179	1,394	1,566
EBITDA	960	1,842	1,298	1,677	1,898

Cash flow

(VND bn)

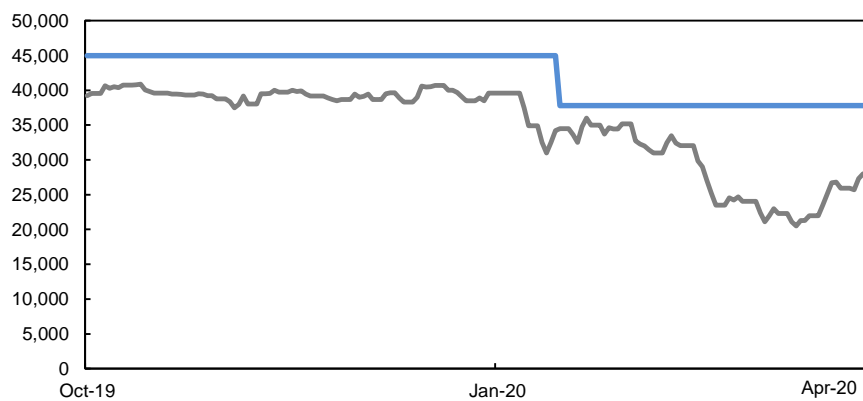
FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	444	680	1,489	1,030	1,552
Net profit	605	1,442	1,179	1,394	1,566
Dep'n & Amort'n	199	156	165	197	244
Net incr. in W/C	(360)	(918)	145	(560)	(257)
C/F from investing	(593)	(702)	(743)	(430)	(655)
Capex	(243)	(545)	(361)	(430)	(655)
Incr. in investment	(351)	(157)	(383)	-	-
C/F from financing	27	20	(703)	(785)	(727)
Incr. in equity	-	10	(114)	-	-
Incr. in net debt	27	373	(403)	(421)	(363)
Dividends	(0)	(363)	(185)	(364)	(364)
C/F from others	207	235	884	-	-
Increase in cash	84	233	927	(185)	170

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	6,118	15,489	6,371	7,550	8,495
BPS	31,915	43,452	27,008	32,328	38,792
DPS	2,000	4,000	-	2,000	2,000
Growth (%)					
Sales growth	11.6	13.7	(15.1)	23.4	11.4
OP growth	11.0	121	(32.8)	30.7	11.7
NP growth	6.9	139	(18.2)	18.2	12.3
EPS growth	3.3	153	(58.9)	18.5	12.5
EBITDA growth	15.3	92	(29.5)	29.2	13.1
Profitability (%)					
OP margin	9.3	18.2	14.4	15.3	15.3
NP margin	7.4	15.6	15.0	14.4	14.5
EBITDA margin	11.8	19.9	16.5	17.3	17.6
ROA	12.7	25.4	18.3	20.0	20.1
ROE	22.7	41.5	26.5	25.9	24.2
Dividend yield	7.1	14.3	-	7.1	7.1
Dividend payout ratio	32.7	25.8	-	26.5	23.5
Stability					
Net debt (VND bn)	992	618	(712)	(950)	(1,483)
Net debt/equity (%)	34	15	(15)	(16)	(21)
Valuation (x)					
PE	4.6	1.8	4.4	3.7	3.3
PB	0.9	0.6	1.0	0.9	0.7
EV/EBITDA	6.3	3.1	3.4	2.5	1.9

Changes to recommendation and price target

Company (Code)	Date	Recommendation	Price target	% vs. avg. price	% vs. high (low)
Vinh Hoan Corp (VHC)	24 October 2019	BUY	45,000		
	07 February 2020	BUY	37,800		



■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15%p or more
- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. 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.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 15 Apr 2020.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 15 Apr 2020.

KIS Vietnam Securities Corp. has not issued CW with underlying stocks of Vinh Hoan Corp (VHC) and is not the liquidity provider.

Prepared by: Toan Dao

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2020 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..