

30 Jul 2020

## Nam Viet Corp (ANV)

### Low export price to hit profit margins in 2H20

- Low export price hit 2Q20 NPAT
- Low gross margin to extend in 2H20
- Downgrade to Sell

#### Facts: Low export price hit 2Q20 NPAT

In 2Q20, Nam Viet recorded revenue of VND884bn, decreasing 17% yoy. In which, export revenue recorded VND399bn (-52% yoy), which we estimate to be hit by export price plunge in top three markets, including China (-26% yoy), EU (-18% yoy) and ASEAN (-16% yoy).

Nam Viet's gross margin narrowed by 10.9%p yoy to 10.2% in 2Q20 as the result of worse export price decrease compared to material price decrease, which was mainly impacted by tougher price competition in the off-premise channel. Due to the 60% decrease of 2Q20 gross profit, Nam Viet recorded NPAT of VND32bn (-79% yoy). In overall, Nam Viet's 1H20 NPAT completed 38% of the year target.

#### Pros & cons: Low gross margin to extend in 2H20

Assuming that China will not see a big second wave of pandemic in 2H20, we expect Nam Viet's pangasius export volume to China to lead Nam Viet's volume growth in 2H20 after this market has fully recovered since June 2020, thanks to the high demand of off-premise channel and customer traffic recovery of restaurant channel. On the contrary, it is hard for EU and ASEAN to see yoy volume growth in 2H20 due to weak restaurant channel.

We are concerned that Nam Viet's revenue will continue to contract and gross margin will improve slowly in 2H20 as we expect pangasius export price to remain low, driven by (1) weak demand in EU and ASEAN, (2) higher pangasius price competition in Chinese off-premise channel and (3) the upside limit of export price to China due to price-cutting menu strategy of Chinese mid-range and low-range restaurants to offer affordable meals. Due to low export price, we revise down our gross margin estimate to 11.5% in 2020. In overall, we estimate Nam Viet's 2020 revenue and 2020 NPAT to record VND3,913bn and VND170bn, decreasing 16% and 63%, respectively, compared to our previous estimates.

#### Action: Downgrade to Sell

We keep our cautious view that contracting gross margin and volatility of export volume to EU and ASEAN to offset strong Chinese volume recovery in 2H20. Therefore, we downgrade our rating for Nam Viet's share to **Sell** in 2020.

12M rating **Sell (Downgrade)**

#### Stock data

VNIndex (29 Jul, pt)	791
Stock price (29 Jul, VND)	15,300
Market cap (USD mn)	84
Shares outstanding (mn)	127
52-Week high/low (VND)	25,543/11,829
6M avg. daily turnover (USD mn)	0.19
Free float / Foreign ownership (%)	13.6/1.3
Major shareholders (%)	
Chairman and Affiliates	80.3

#### Valuation

	2019A	2020F	2021F
PE (x)	2.8	11.4	8.8
PB (x)	0.8	0.8	0.8
ROE (%)	33.3	7.2	9.3
DY (%)	13.1	9.8	9.8
EV/EBITDA (x)	3.0	8.3	8.0
EPS (VND)	5,541	1,338	1,738
BPS (VND)	18,778	18,616	18,854

#### Performance

	1M	6M	12M
Absolute (%)	(29.2)	(8.7)	(27.3)
Relative to VNIndex (%p)	(12.3)	(4.4)	(7.8)

#### Stock price



Source: Bloomberg

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**Table 1. Earnings and outlook**

(VND bn, %, %p)

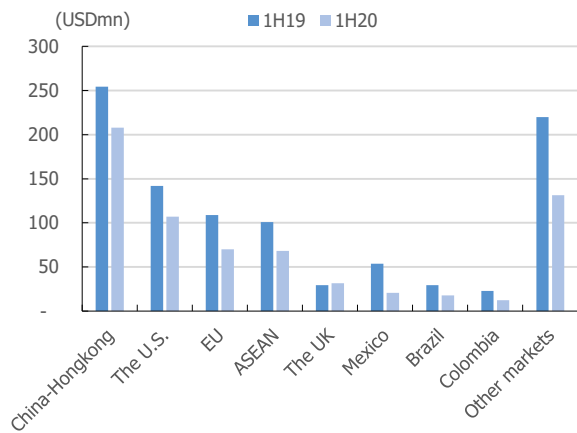
	2019				2020				2019A	2020F	2Q20		
	1Q	2Q	3Q	4Q	1Q	2Q	3QF	4QF			QoQ	YoY	Consensus
<b>Sales</b>	<b>910</b>	<b>1,064</b>	<b>1,127</b>	<b>1,379</b>	<b>811</b>	<b>884</b>	<b>986</b>	<b>1,232</b>	<b>4,481</b>	<b>3,913</b>	<b>9.0</b>	<b>(16.9)</b>	<b>N.A</b>
<b>Gross profit</b>	<b>277</b>	<b>225</b>	<b>237</b>	<b>304</b>	<b>121</b>	<b>90</b>	<b>103</b>	<b>136</b>	<b>1,043</b>	<b>450</b>	<b>(25.9)</b>	<b>(59.9)</b>	
Gross margin	30.5	21.1	21.0	22.1	15.0	10.2	10.5	11.0	23.3	11.5	(4.8)	(10.9)	
Operating expenses	54	53	57	74	68	48	53	66	237	235	(29.3)	(9.4)	N.A
Selling expense	42	46	47	56	55	36	38	47	191	176	(34.2)	(20.9)	
G&A expense	12	7	10	18	13	12	15	19	47	59	(7.8)	65.1	
Depreciation	20	20	20	21	20.8	21.0	20	20	81	81	0.7	4.4	
<b>Operating profit</b>	<b>223</b>	<b>172</b>	<b>180</b>	<b>231</b>	<b>53</b>	<b>42</b>	<b>51</b>	<b>69</b>	<b>805</b>	<b>215</b>	<b>(21.6)</b>	<b>(75.5)</b>	<b>N.A</b>
EBT	231	178	174	247	52	38	46	65	831	201	(26.9)	(78.8)	N.A
Net profit	200	153	153	198	43	32	39	55	704	170	(25.9)	(79.0)	
<b>NP of controlling interest</b>	<b>200</b>	<b>153</b>	<b>153</b>	<b>198</b>	<b>43</b>	<b>32</b>	<b>39</b>	<b>55</b>	<b>704</b>	<b>170</b>	<b>(25.9)</b>	<b>(79.0)</b>	
EBITDA	244	192	199	252	74	63	70	89	886	296	(15.3)	(67.2)	N.A
EBITDA margin	26.8	18.0	17.7	18.3	9.2	7.1	7.1	7.2	19.8	7.6	(2.0)	(10.9)	
OP margin	24.5	16.1	15.9	16.7	6.6	4.7	5.1	5.6	18.0	5.5	(1.8)	(11.4)	

Source: Company data, KIS

### ■ Company overview

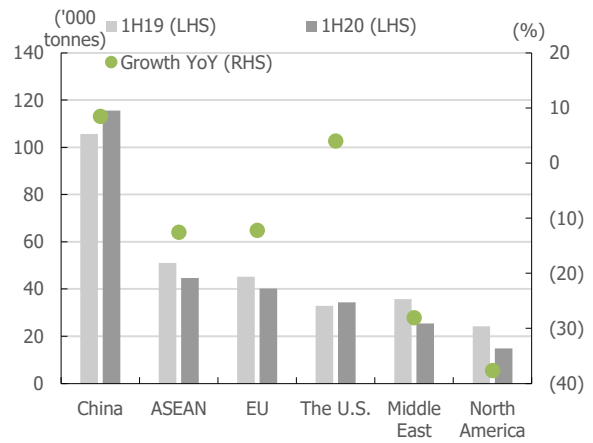
Nam Viet (ANV: HSX) is the third largest Vietnam pangasius exporter with value starting from farming, processing and exporting. Nam Viet is focusing on China, ASEAN and EU, which accounts for more than 65% of total export revenue per year. Nam Viet has scaled up quickly its capacity by launching Binh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

**Figure 1. VN export value by market, 1H20**



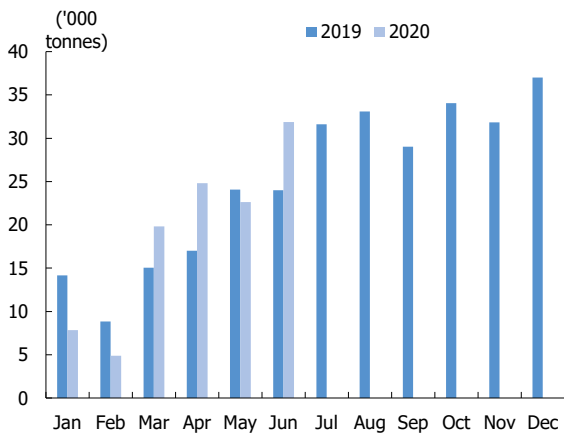
Source: VASEP

**Figure 2. VN export volume by market, 1H20**



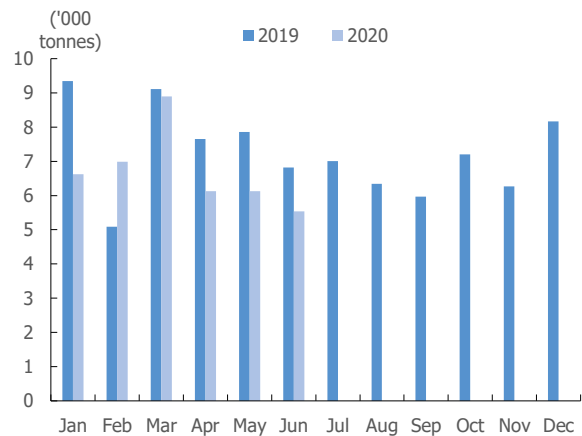
Source: AgroMonitor

**Figure 3. VN pangasius export volume to China**



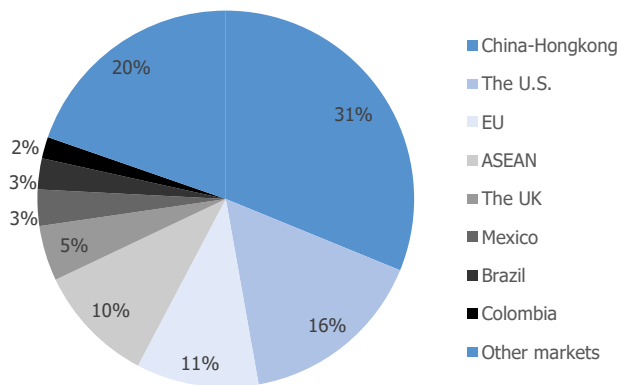
Source: AgroMonitor

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



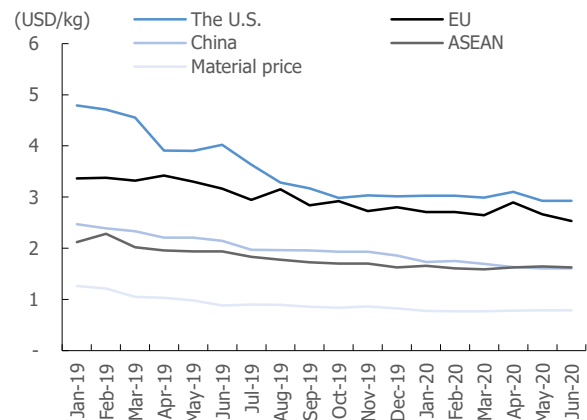
Source: AgroMonitor

**Figure 5. VN market structure by export value, 1H20**



Source: VASEP

**Figure 6. VN pangasius export price & material price**



Source: AgroMonitor

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	1,527	2,055	2,636	2,897	3,162
Cash & cash equivalents	26	521	610	856	896
Accounts & other receivables	627	572	443	446	489
Inventory	874	962	1,583	1,595	1,777
Non-current assets	1,063	1,267	1,368	1,039	1,494
Fixed assets	585	942	1,224	895	1,350
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>4,260</b>	<b>4,977</b>
Advances from customers	16	14	11	15	16
Unearned revenue	-	0.5	0.3	-	-
Trade payables	100	119	200	201	224
Others	91	183	222	154	181
ST debt & due bonds	1,025	1,251	1,295	1,504	2,140
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>1,895</b>	<b>2,582</b>
Controlling interest	1,398	1,848	2,386	2,366	2,396
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	1,096	1,126
Minority interest	(4)	-	-	-	-
<b>Shareholders' equity</b>	<b>1,394</b>	<b>1,848</b>	<b>2,386</b>	<b>2,366</b>	<b>2,396</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	746	721	328	228	164
Net profit	144	604	704	170	221
Dep'n & Amort'n	80	80	81	81	117
Net incr. in W/C	521	37	(457)	(23)	(174)
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)	18	446
Incr. in equity	-	-	25	-	-
Incr. in debt	(282)	157	46	209	636
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	3,913	4,388
COGS	2,517	3,256	3,438	3,463	3,858
<b>Gross profit</b>	<b>432</b>	<b>862</b>	<b>1,043</b>	<b>450</b>	<b>530</b>
SG&A expenses	185	169	237	235	263
<b>Operating profit</b>	<b>247</b>	<b>693</b>	<b>805</b>	<b>215</b>	<b>266</b>
Financial income	20	74	52	53	61
Interest income	10	51	40	53	61
Financial expenses	64	75	60	67	67
Interest expenses	57	46	49	67	67
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>201</b>	<b>260</b>
Income taxes	23	86	126	31	40
<b>Net profit</b>	<b>144</b>	<b>604</b>	<b>704</b>	<b>170</b>	<b>221</b>
Net profit of controlling interest	142	600	704	170	221
<b>EBITDA</b>	<b>328</b>	<b>773</b>	<b>886</b>	<b>296</b>	<b>383</b>

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	1,142	4,811	5,541	1,338	1,738
BPS	11,214	14,825	18,778	18,616	18,854
DPS	1,200	1,500	2,000	1,500	1,500
Growth (%)					
Sales growth	4.4	39.6	8.8	(12.7)	12.1
OP growth	170.6	180.2	16.2	(73.3)	23.9
NP growth	972.0	319.6	16.5	(75.8)	29.8
EPS growth	317.6	321.2	15.2	(75.8)	29.8
EBITDA growth	94.1	136.0	14.7	(66.6)	29.3
Profitability (%)					
OP margin	8.4	16.8	18.0	5.5	6.1
NP margin	4.9	14.7	15.7	4.3	5.0
EBITDA margin	11.1	18.8	19.8	7.6	8.7
ROA	5.0	19.7	18.6	4.1	4.8
ROE	10.5	37.0	33.3	7.2	9.3
Dividend yield	7.8	9.8	13.1	9.8	9.8
Dividend payout ratio	105.1	31.2	36.1	112.1	86.3
Stability					
Net debt (VND bn)	1,075	740	706	524	1,121
Net debt/equity (%)	77	40	30	22	47
Valuation (x)					
PE	13.4	3.2	2.8	11.4	8.8
PB	1.4	1.0	0.8	0.8	0.8
EV/EBITDA	9.2	3.5	3.0	8.3	8.0

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