

7 Aug 2024

Vinh Hoan Corp (VHC)

2Q24 Earnings surpassing expectations

- Pangasius revenue increased +8.7% yoy and +17.8% qoq
- Gross margin sat at 14.4% (-6.8% yoy/ +5.1% qoq)
- Maintain BUY rating for VHC shares

Facts: Gross margin obviously expanded in 2Q24

In 2Q24, VHC released a VND3,196bn revenue (+17.3% yoy/ +11.9% qoq), all of business segment kept reviving in 2Q24 (Figure 1, 2). Specifically:

- **Pangasius segment:** Posted to VND1,724bn (+8.7% yoy/ +17.8% qoq):
 - **Export volume:** As our estimates, pangasius export volume of VHC reached to 25.5mn tonnes (+34.4% yoy/ +16.4% qoq). We see the obvious resumption on export volume to key market, including: US: +33.8% yoy; EU: +31.5% yoy, and China: +76.1% yoy. These indicated that consumption is on the recovery path.
 - **Average selling prices (ASPs):** Meanwhile, pangasius ASPs of VHC have some differentiations, the US market recovered, whilst the EU and Chinese market were still bleak. In general, VHC's ASPs sat at USD2.8/kg (-21% yoy/ +3.9% qoq).
- **Other segments:** We see the resurgence of all other segments, with the miscellaneous segment showing impressive growth, contributing significantly to VHC's total revenue (VND633bn, +82.9% yoy), driven by high demand for fish meal and oil, and a partial contribution from the Thanh Ngoc Foods.

2Q24 gross margin (GM) revive to 14.4% (-6.8%p yoy) due to lower ASPs as compared to high base in 2Q23. However, GM improved versus to 9.3% in 1Q24 (+5.1%p qoq), we think the recovery of GM that were attributed to:

- Higher pangasius ASPs along with lower input costs. Per our estimates, raw material per kg finished pangasius products plummeted by -10% yoy. these factors widened the GM spread of VHC. (Figure 5);
- VHC recorded the reversal of inventory provision (VND67bn) in 2Q24 (Figure 6).

Table 1. Quarterly earnings snapshot in 2Q24

(VND bn, %, %p)

	2Q23	3Q23	4Q23	1Q24	2Q24	QoQ	YoY
Sales	2,724	2,698	2,396	2,586	3,196	11.9	17.3
OP	515	221	84	207	381	83.9	(26)
OP margin	18.9	8.2	3.5	7.3	11.9	4.6	(11.6)
EBT	521	229	99	217	393	81.4	(24.5)
NP	439	191	48	170	314	85.1	(28.5)

Source: Company data, KISVN

12M rating **BUY (Maintain)**

12M TP **VND85,500**

Up/Downside +24.8%

Stock Data

VNIndex (07 Aug, pt)	1,210
Stock price (07 Aug, VND)	68,500
Market cap (USD mn)	612
Shares outstanding (mn)	224
52-Week high/low (VND)	79,300/50,926
6M avg. daily turnover (USD mn)	2.98
Free float / Foreign ownership (%)	49.8/29.8
Major shareholders (%)	
Truong Thi Le Khanh	43.2
Mitsubishi Corp	6.4
Dragon Capital	6.8

Performance

	1M	6M	12M
Absolute	(8.2)	7.3	8.5
Relative	(0.9)	5.4	9.2

Stock price trend



Source: Bloomberg

Research Dept

researchdept@kisvn.vn

2Q24 SG&A/revenue came in at 4.4%, inching up slightly by +0.02%p yoy but remaining at the same level as 1Q24. This indicates that VHC has not been impacted by high shipping costs in 2Q24. At the bottom line, NPAT-MI posted VND314bn, sliding by 28.5% yoy but strongly reviving compared to 1Q24 (+85% qoq). This is a positive signal for earnings recovery.

6M24 revenue and NPAT-MI have fulfilled 50%/ 46% of our 2024 forecasts.

Pros & cons: Business results are expected to bounce back in 3Q24F

In 3Q24F, we think VHC's revenue keep reviving, it is attributed to:

- *Notably, pangasius segment:* it could play a leading role: As discussed in report "[2Q24F Seafood Sector Outlook](#)", export volumes could be driven by (1) The tilapia shortage could benefit to pangasius in US markets, and (2) Demand will likely pick up in key markets.
- *Collagen & Gelatin products:* The contribution of new capacity and demand revival in foodservice and healthcare segments, that may fuel the topline growth.
- *Fish meal & fish oil:* We think the growth momentum could remain in 3Q24F thanks to high demand for manufacturing animal feeds that pushing sales volume of these products.

The trend of 3Q24F VHC's GM could improve thanks to:

- *Pangasius ASPs* will likely edge up in 3Q24F, thanks to the early recovery driven by the US market. However, we assess that an increase in ASPs will likely not be too strong, as VHC is prioritizing a reasonable pricing strategy to gain market share.
- *The input material prices* could stay flat, thereby minimizing the risks of squeezing margins.

3Q24F SG&A/revenue is expected to be stable. We believe that shipping costs are not a significant issue for VHC due to the recovery in demand in key markets like the US, enabling VHC to negotiate more easily for FOB terms (buyer bears the shipping costs).

Based on these rationales, we expect VHC's NPAT to show positive growth in 3Q24F. It is worth noting that 3Q23 was a low base for VHC, so the forecasted growth is expected to be high compared to yoy.

Action: Maintain BUY rating for VHC

As our forecasts, the prospects of pangasius could clearly improve from 3Q24F onwards. Therefore, we still peg VHC's business results bounce back in 2H24F and expecting up-cycle in pangasius industry in 2025F-26F. We maintain BUY rating for VHC for mid- and long-term, with a TP of VND85,500/share.

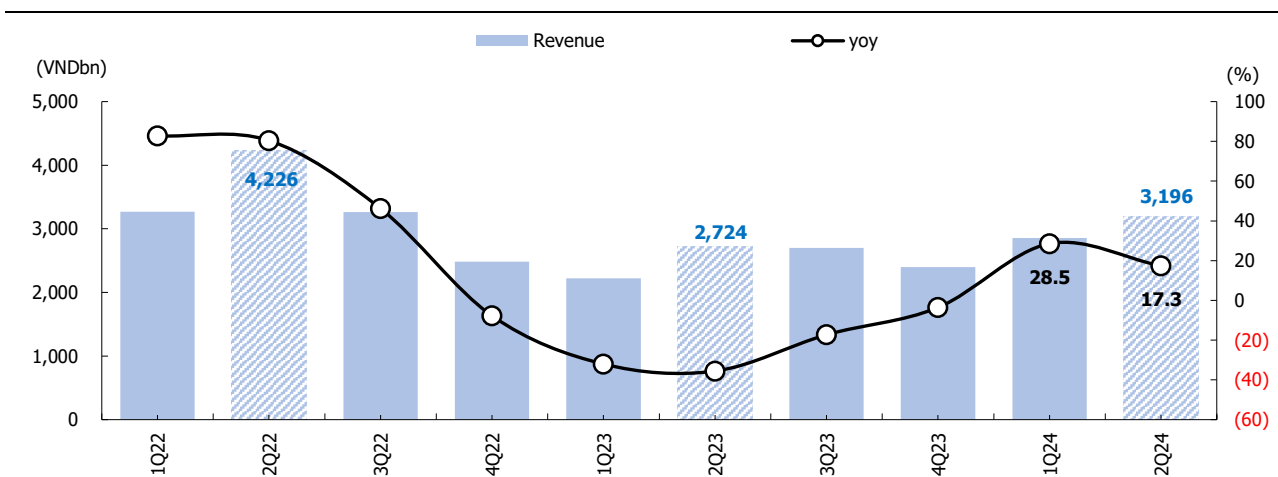
In short-term view, we think without strong drivers to strongly boost pangasius ASPs. Therefore, valuation could not create positive change.

Figure 1. Topline growth of VHC's products and countries in 2Q24

		2Q23	1Q24	2Q24	yoy	qoq
Product	Pangasius	1,586	1,463	1,724	8.7	17.8
	By-product	429	448	449	4.7	0.2
	Wellness	169	238	219	29.6	(8.0)
	Value added	28	32	38	35.7	18.8
	Miscellaneous	346	470	633	82.9	34.7
	Rice products	45	66	100	122.2	51.5
	Shrimp chip	63	93	89	41.3	(4.3)
Country	US	927	723	1,049	13.2	45.1
	EU	405	553	537	32.6	(2.9)
	China	324	339	300	(7.4)	(11.5)
	Vietnam	694	807	927	33.6	14.9
	ROW (incl HK)	319	389	439	37.6	12.9

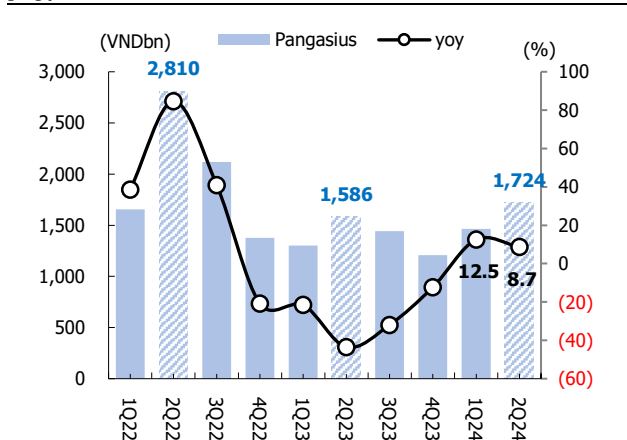
Source: Company data, KISVN

Figure 2. Total revenue soared +17.3% yoy, to VND3,196bn, thanks to the growth of all segments



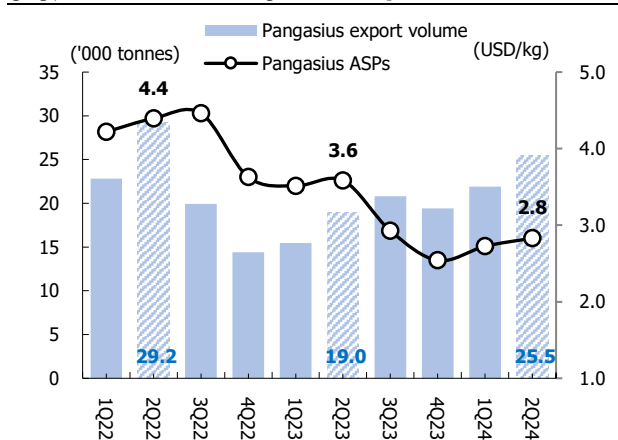
Source: Company data, KISVN

Figure 3. Pangasius revenue sat at VND1,724 (+8.7% yoy)



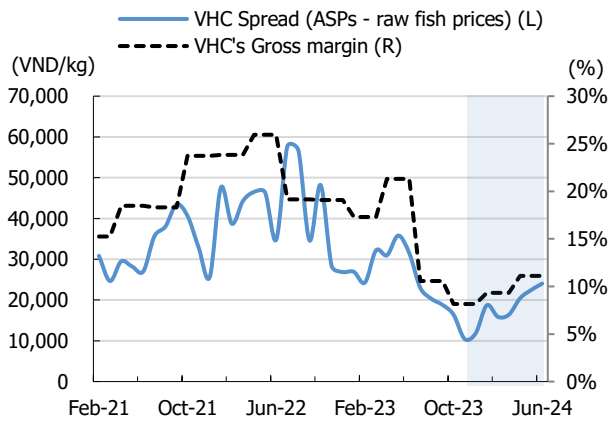
Source: Company data, KISVN

Figure 4...Thanks to export volume surged by 34% yoy, while ASPs slowly inched up vs 1Q24



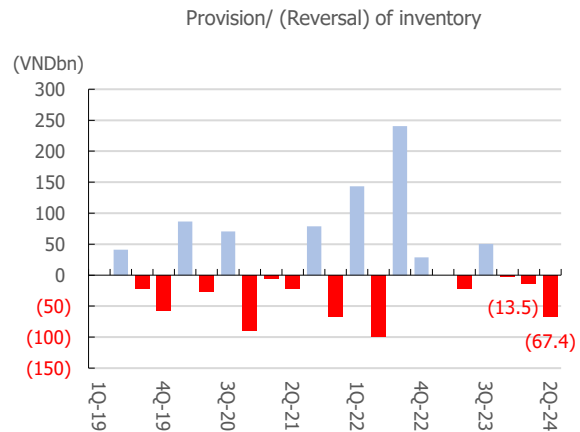
Source: Company data, KISVN

Figure 5. GM of VHC edged up thanks to the wider spread between ASPs and input costs.



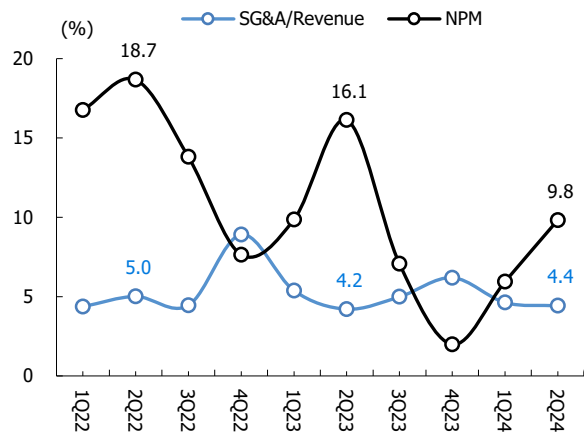
Source: Company data, Agromonitor, KISVN estimate
 *note: VHC spread = pangasius ASPs – raw pangasius prices
 And we ignore the provision VND67bn of inventory to calculate GM

Figure 6... Alongwith recording reversal of inventory in 2Q24, that supported higher GM



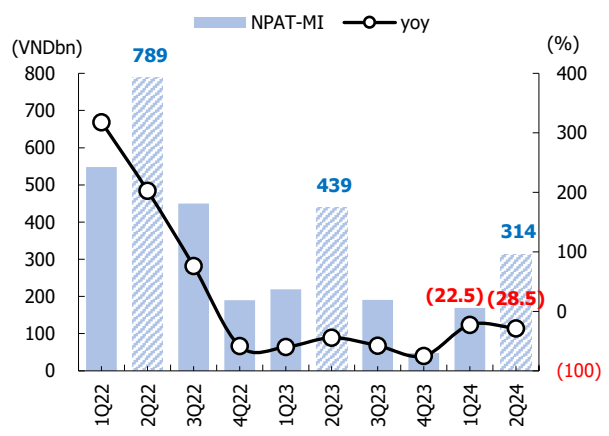
Source: Company data, KISVN

Figure 7. SG&A/revenue was stable and NPM bottomed out



Source:

Figure 8. NPAT posted a negative growth compared to yoy, but improving vesus to 1Q24



Source: Company data, KISVN

■ **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 pangasius 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	2022A	2023A	2024F
Current assets	4,726	5,542	7,640	7,888	7,997
Cash & cash equivalents	41	195	553	233	600
Accounts & other receivables	1,699	2,134	2,330	1,578	2,395
Inventory	1,498	1,790	2,818	3,763	2,636
Non-current assets	4,686	5,347	7,087	7,655	7,396
Fixed assets	1,808	2,070	2,824	3,383	3,326
Investment assets	62	66	66	67	67
Others	595	1,057	1,053	604	810
Total assets	7,192	8,734	11,583	11,943	12,200
Advances from customers	36	36	23	16	20
Unearned revenue	-	-	-	-	-
Trade payables	326	337	448	309	420
Others	477	571	1,014	750	907
ST debt & due bonds	1,106	1,723	2,214	2,157	1,534
LT debt & bonds	69	168	175	102	67
Total liabilities	2,031	2,852	3,889	3,351	2,968
Controlling interest	5,157	5,777	7,523	8,348	8,921
Capital stock	1,834	1,834	1,834	1,870	1,870
Capital surplus	224	224	264	264	264
Other reserves	(114)	(114)	0	0	0
Retained earnings	3,214	3,833	5,426	6,213	6,787
Minority interest	4	105	171	244	311
Shareholders' equity	5,161	5,882	7,694	8,591	9,232

Cash flow

(VND bn)

FY-ending Dec.	2020A	2021A	2022A	2023A	2024F
C/F from operations	433	632	1,604	547	1,843
Net profit	803	1,280	2,323	1,145	1,377
Dep'n & Amort'n	201	285	327	402	398
Net incr. in W/C	938	1,468	3,064	1,502	1,688
C/F from investing	(311)	(856)	(1,528)	(793)	(371)
Capex	(604)	(605)	(1,122)	(672)	(558)
Incr. in investment	293	(251)	(407)	(121)	187
C/F from financing	(55)	370	284	(73)	(1,219)
Incr. in equity	-	63	154	57	-
Incr. in debt	-	-	-	(129)	(623)
Dividends	(364)	(359)	(367)	-	(560)
C/F from others	(0.0)	0.4	(2)	(2)	-
Increase in cash	67	146	358	(320)	254

Income statement

(VND bn)

FY-ending Dec.	2020A	2021A	2022A	2023A	2024F
Sales	7,037	9,054	13,231	10,033	12,129
COGS	6,022	7,298	10,255	8,540	10,271
Gross profit	1,015	1,756	2,976	1,493	1,858
SG&A expenses	319	557	721	524	569
Operating profit	695	1,199	2,254	969	1,289
Financial income	227	195	434	377	431
Interest income	-	69	81	117	125
Financial expenses	101	107	370	229	353
Interest expenses	38	35	97	133	110
Other non-operating profit	(18)	(8)	4	27	9
Gains (Losses) in associates, subsidiaries and JV	(0.3)	(0.4)	0	1	1
Earnings before tax	803	1,280	2,323	1,145	1,377
Income taxes	84	173	310	171	176
Net profit	719	1,107	2,013	974	1,201
Net profit of controlling interest	719	1,099	1,975	919	1,134
EBITDA	896	1,485	2,712	1,646	1,885

Key financial data

FY-ending Dec.	2020A	2021A	2022A	2023A	2024F
Per-share data (VND, adj.)					
EPS	3,923	5,993	10,771	4,914	5,058
BPS	28,124	31,502	41,027	44,629	39,802
DPS	2,000	2,000	2,000	1,961	2,500
Growth (%)					
Sales growth	(10.5)	28.7	46.1	(24.2)	20.9
OP growth	(38.6)	72.4	88.0	(57.0)	33.0
NP growth	(39.0)	53.8	81.9	(51.6)	23.3
EPS growth	(39.0)	52.8	79.7	(53.5)	23.3
EBITDA growth	(38.6)	72.4	88.0	(57.0)	33.0
Profitability (%)					
OP margin	9.9	13.2	17.0	9.7	10.6
NP margin	10.2	12.2	15.2	9.7	9.9
EBITDA margin	9.9	13.2	17.0	9.7	10.6
ROA	10.4	13.9	19.8	8.3	9.9
ROE	14.3	20.1	29.7	11.6	13.1
Dividend yield	4.9	3.2	2.9	2.6	3.5
Dividend payout ratio	-	13	16	51	33
Stability					
Net debt (VND bn)	1,134	1,696	1,835	2,026	1,001
Net debt/equity (%)	22	29	24	24	11
Valuation (x)					
PE	6.4	6.4	11.1	14.3	13.4
PB	1.2	1.2	1.3	1.7	1.8
EV/EBITDA	10.5	10.0	5.8	14.6	13.0

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

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% 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 7 Aug 2024.

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 7 Aug 2024.

Prepared by: Research Dept

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 © 2024 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..