

1 Nov 2024

## Vinh Hoan Corp (VHC)

### Industry-leading recovery performance

- Pangasius revenue increased +32.6% yoy and +10.9% qoq
- Gross margin sat at 17.6% (+7.1% yoy/ +3% qoq)
- Maintain BUY rating for VHC shares

#### Facts: The US market gained a spotlight

In 3Q24, VHC released a revenue of VND3,278bn (+21.5% yoy/ +2.6% qoq), most of VHC's business segments grew in 3Q24 (Figure 1, 2). Specifically, pangasius segment posted to VND1,912bn (+32.6% yoy/ +10.9% qoq):

- **Export volume:** As our estimates, pangasius export volume was at 25.4mn tonnes (+22.1% yoy/ -0.01% qoq). Exports to key markets kept resuming, including US: +36.1% yoy; EU: +7.7% yoy, and China: +20% yoy. It was attributed to a high demand for holiday season at the end of year, that boosting consumption, especially in the US market.
- **Average selling prices (ASPs):** In general, pangasius ASPs sat at USD2.95/kg vs. USD2.93/kg in 3Q23 and inching up compared to USD2.83/kg in 2Q24. Notably, pangasius ASPs to US (the most important market) reached at USD3.21/kg (+7.9% yoy/ +8.6% qoq).

3Q24 gross margin (GM) strongly sat at 17.6% (+7.1%p yoy/ +3%p qoq). We think the recovery of GM was attributed to higher pangasius ASPs along with lower input costs. Per our estimates, raw material per kg finished pangasius products plummeted by 4% yoy. These factors widened the GM spread of VHC.

3Q24 SG&A/revenue came in 4.9% (-0.1% yoy/ +0.4%p qoq), including: selling expenses/ revenue at 2.7% (+0.6%p yoy/ +0.5%p qoq) due to higher shipping costs in 3Q24. Although VHC's orders are primarily in FOB terms, given the high transportation costs, VHC has proactively borne a portion of the shipping costs for its customers.

**Table 1. Quarterly earnings snapshot in 3Q24** (VND bn, %, %p)

	3Q23	4Q23	1Q24	2Q24	3Q24	QoQ	YoY
Sales	2,698	2,396	2,586	3,196	3,278	2.6	21.5
OP	221	84	207	386	394	2.1	78.5
OP margin	8.2	3.5	7.3	11.9	12	-	3.8
EBT	229	99	217	398	402	0.98	75.4
NP	191	48	170	318	321	0.82	68.2

Source: Company data, FiinproX, KIS research

12M rating **BUY (Maintain)**

12M TP **VND88,400**

Up/Downside +25%

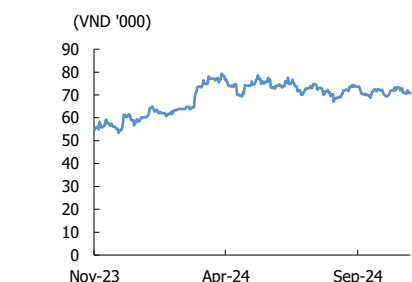
#### Stock Data

VNIIndex (01 Nov, pt)	1,255
Stock price (01 Nov, VND)	70,700
Market cap (USD mn)	627
Shares outstanding (mn)	224
52-Week high/low (VND)	79,300/53,351
6M avg. daily turnover (USD mn)	2.30
Free float / Foreign ownership (%)	49.9/29.1
Major shareholders (%)	
Truong Thi Le Khanh	43.2
Mitsubishi Corp	6.4
Dragon Capital	6.8

#### Performance

	1M	6M	12M
Absolute	(0.4)	(4.5)	34.3
Relative	2.4	(9.6)	11.2

#### Stock price trend



Source: Bloomberg

#### Research Dept

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VHC surged in financial expenses, +79% yoy and +42% qoq, due to realized FX losses of VND47bn (+78% yoy). This was driven by FX fluctuations (USD/VND was upward pressure in 3Q24), but VHC has accounts receivable related to Coast Beacon (its main US client) and imported raw materials in 3Q24.

At the bottom line, NPAT-MI posted VND321bn (+68% yoy) and stayed flat vs. 2Q24. 9M24 revenue and NPAT-MI have fulfilled 78%/ 67% of our 2024F forecasts.

### Pros & Cons: Staying on track for growth in 4Q24F

In 4Q24F, we think VHC's revenue growth could remain intact:

- *Pangasius segment:* We expect pangasius export volume could surge by double-digit growth (+10~15% yoy) thanks to (1) high consumption on holiday season in key markets, and (2) pangasius exports to US continue to benefit from shortage Chinese tilapia.
- *Other segments:* Maintaining stable yoy growth due to a low base effect in 4Q23. However, the growth momentum is expected to decelerate compared to 3Q24.

The trend of 4Q24F VHC's GM could be favorable, thanks to:

- Pangasius ASPs could edge up in 4Q24F, and the US market is expected to pick up faster than other markets.
- The input material prices could stay flat, thereby minimizing the risks of squeezing margins.

4Q24F SG&A/ revenue is expected to be stable. We believe that shipping costs are not a significant issue for VHC in 4Q24F due to the downward trend shipping costs and high proportion of FOB orders (Buyer bears shipping costs).

Based on these rationales, we expect that VHC's NPAT-MI could soar in 4Q24F compared to low base in 4Q23.

### Action: Maintain BUY rating for VHC

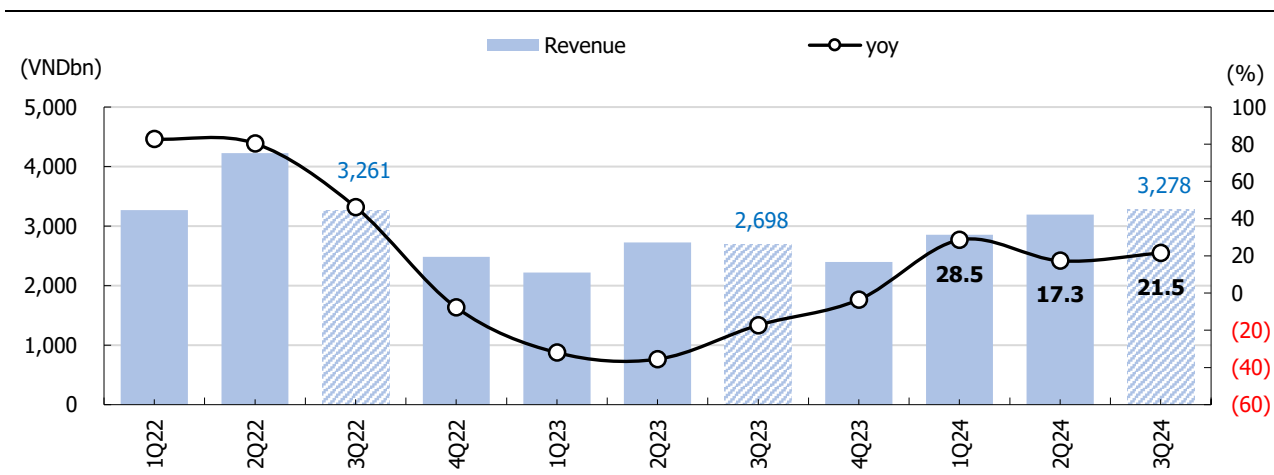
According to our forecasts, the prospects of pangasius could clearly improve from 4Q24F onwards. Therefore, we peg VHC's business results bounce back in 2H24F and an up-cycle in the pangasius industry is expected in 2025F–26F. We maintain **BUY recommendation** for VHC for mid- and long-term, with a TP of VND88,400/share.

**Figure 1. Topline growth of VHC's products and countries in 3Q24**

	3Q23	2Q24	3Q24	yoy	qoq
<b>By products</b>					
<b>Total</b>	<b>2,633</b>	<b>3,252</b>	<b>3,222</b>	<b>22.4</b>	<b>(0.9)</b>
Pangasius	1,442	1,724	1,912	32.6	10.9
By-product	523	449	448	(14.3)	(0.2)
Wellness	159	219	174	9.4	(20.5)
Value added	42	38	46	9.5	21.1
Miscellaneous	362	633	474	30.9	(25.1)
Rice products	42	100	86	104.8	(14.0)
Shrimp chip	63	89	82	30.2	(7.9)
<b>By countries</b>					
<b>Total</b>	<b>2,634</b>	<b>3,252</b>	<b>3,221</b>	<b>22.3</b>	<b>(1.0)</b>
US	743	1,049	1,145	54.1	9.2
EU	446	537	502	12.6	(6.5)
China	414	300	292	(29.5)	(2.7)
Vietnam	701	927	848	21.0	(8.5)
ROW (incl HK)	330	439	434	31.5	(1.1)

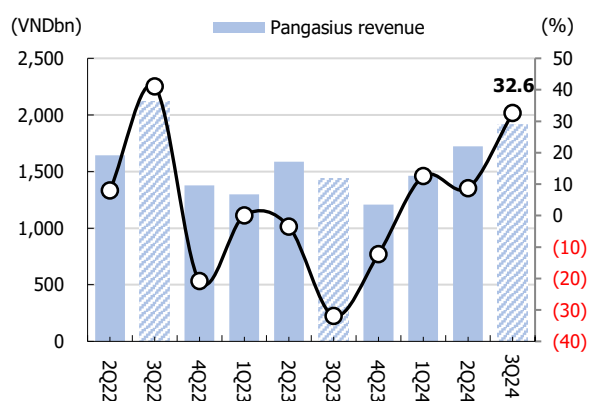
Source: Company data, KIS research

**Figure 2. Total revenue gained VND3,278bn in 3Q24 (+21.5% yoy and +2.6% qoq)**



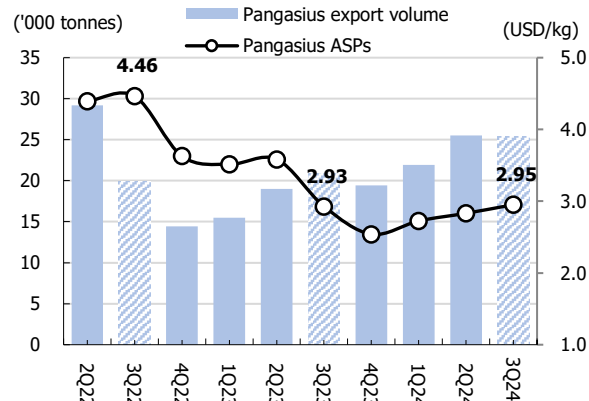
Source: Company data, FinproX, KIS research

**Figure 3. Pangasius revenue strongly surged in 3Q24 (+32.6% yoy)**



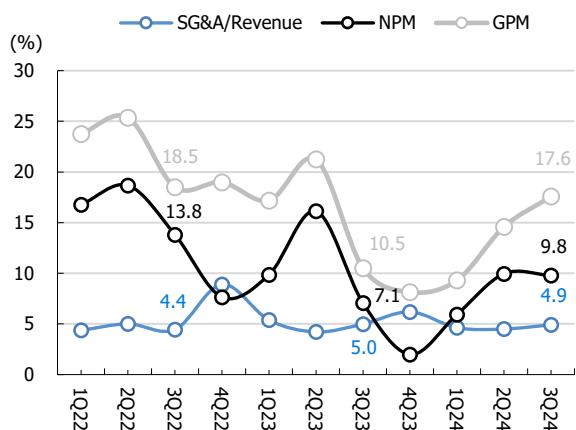
Source: Company data, KIS research

**Figure 4. Pangasius export volume was the primary driver of pangasius segment**



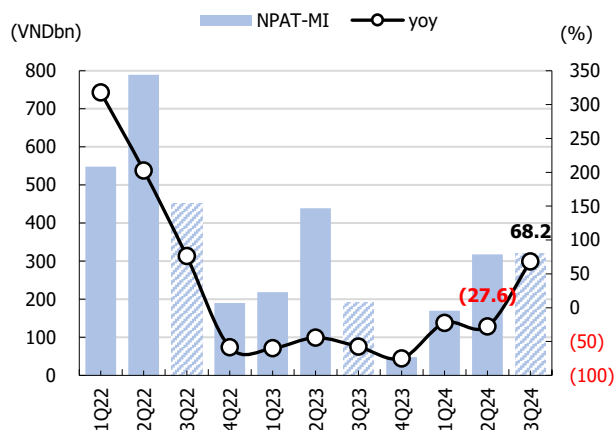
Source: Company data, KIS research

**Figure 5. GPM keep resuming to 17.6% while SG&G/revenue inched up in 3Q24**



Source: Company data, FiinproX, KIS research

**Figure 6. NPAT-MI soared by 68.2% yoy, but remained moderate compared to 2Q24**



Source: Company data, FiinproX, KIS research

**■ 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.	2022A	2023A	2024F	2025F	2026F
Current assets	7,640	7,888	8,736	9,806	10,598
Cash & cash equivalent	553	233	1,397	1,323	2,225
Accounts & other receivables	2,330	1,578	2,367	2,943	2,900
Inventory	2,818	3,763	2,610	3,107	3,045
Non-current assets (Adj.)	7,087	7,655	7,338	8,483	8,373
Fixed Asset	2,824	3,383	3,528	3,945	4,317
Investment assets	66	67	67	67	67
Others	1,053	604	690	819	810
<b>Total assets</b>	<b>11,583</b>	<b>11,943</b>	<b>13,021</b>	<b>14,637</b>	<b>15,792</b>
Advances from customers	23	16	20	24	24
Unearned revenue	-	-	-	-	-
Trade payables	448	309	415	516	508
Others	1,014	750	897	1,115	1,099
ST debt & bond	2,214	2,157	2,285	2,415	2,383
LT debt & bond	175	102	67	32	-
<b>Total liabilities</b>	<b>3,889</b>	<b>3,351</b>	<b>3,703</b>	<b>4,126</b>	<b>4,039</b>
Controlling interest	7,523	8,348	9,002	10,097	11,238
Capital stock	1,834	1,870	1,870	1,870	1,870
Capital surplus	264	264	264	264	264
Other Reserves	0	0	0	0	0
Retained earnings	5,426	6,213	6,868	7,963	9,104
Minority interest	171	244	316	414	515
Shareholders' equity	7,694	8,591	9,318	10,511	11,753

**Cash flow**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
C/F from operating	1,604	547	1,796	1,096	2,224
Net profit	2,323	1,145	1,502	2,045	2,103
Depreciation	327	402	404	464	525
Net incr. in W/C	3,064	1,502	1,653	2,468	2,565
C/F from investing	(1,528)	(793)	(164)	(704)	(698)
CAPEX	(1,122)	(672)	(504)	(881)	(897)
Incr. in investment	(407)	(121)	340	177	199
C/F from financing	284	(73)	(468)	(466)	(624)
Incr. in equity	154	57	-	-	-
Incr. in debts	-	(129)	128	130	(31)
Dividends	(367)	-	(560)	(560)	(560)
Others	(2)	(2)	-	-	-
<b>Increase in cash</b>	<b>358</b>	<b>(320)</b>	<b>1,164</b>	<b>(74)</b>	<b>902</b>

**Income statement**

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Sales	13,231	10,033	11,985	14,903	14,687
COGS	10,255	8,540	10,169	12,106	11,864
Gross profit	2,976	1,493	1,816	2,798	2,822
SG&A expense	721	524	570	796	784
Operating profit	2,254	969	1,246	2,002	2,038
Financial income	434	377	404	177	199
Interest income	81	117	146	175	197
Financial expense	370	229	196	136	136
Interest expense	97	133	131	136	136
Other non-operating profit	4	27	45	-	-
Gains (Losses) in associates, subsidiaries and JV	0	1	2	2	2
Earnings before tax	2,323	1,145	1,502	2,045	2,103
Income taxes	310	171	215	292	301
Net profit	2,013	974	1,287	1,753	1,803
Net profit of controlling interest	1,975	919	1,215	1,655	1,702
<b>EBITDA</b>	<b>2,712</b>	<b>1,646</b>	<b>2,038</b>	<b>2,645</b>	<b>2,764</b>

**Key financial data**

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
per share data (VND)					
EPS	10,771	4,914	5,422	7,384	7,592
BPS	41,027	44,629	40,165	45,049	50,141
DPS	2,000	1,961	2,500	2,500	2,500
Growth (%)					
Sales growth	46.1	(24.2)	19.5	24.3	(1.5)
OP growth	88.0	(57.0)	28.6	60.6	1.8
NP growth	81.9	(51.6)	32.2	36.2	2.8
EPS growth	79.7	(53.5)	32.2	36.2	2.8
EBITDA growth	88.0	(57.0)	28.6	60.6	1.8
Profitability (%)					
OP margin	17.0	9.7	10.4	13.4	13.9
NP margin	15.2	9.7	10.7	11.8	12.3
EBITDA margin	17.0	9.7	10.4	13.4	13.9
ROA	19.8	8.3	10.3	12.7	11.8
ROE	29.7	11.6	14.0	17.3	16.0
Dividend yield	2.9	2.6	3.4	3.4	3.4
Dividend payout ratio	16	51	33	19	40
Stability					
Net debt (VND bn)	1,835	2,026	955	1,124	158
Int.-bearing debt/equity (%)	24	24	10	11	1
Valuation (X)					
PE	11.1	14.3	12.8	9.4	9.2
PB	1.3	1.7	1.8	1.6	1.5
EV/EBITDA	5.8	14.6	13.3	8.3	8.1

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