

7 Feb 2025

Vinh Hoan Corp (VHC)

Better-than-expected NPAT in 4Q24

- Revenue soared +33.8% yoy, but inching down by 2.2% qoq
- Gross margin sat at 18% (+9.9% yoy/ +0.3% qoq)
- Maintain BUY rating for VHC shares

Facts: Inventory provision reversal boosted gross margin

In 4Q24, VHC released a revenue of VND3,206bn (+33.8% yoy/ -2.2% qoq), most of VHC's business segments grew in 4Q24 (Figure 1, 2). Specifically:

- **Pangasius segment** skyrocketed to VND1,850bn (+53% yoy/ -3.2% qoq):
 - **Export volume:** As our estimates, pangasius export volume rallied to 26.6mn tonnes (+37.2% yoy/ +4.8% qoq), thanks to (1) outperforming sales volumes to US market, and (2) the rebound in demand for pangasius in the EU and Chinese markets.
 - **Average selling prices (ASPs):** In general, pangasius ASPs slumped to USD2.82/kg, it was primarily attributed to the slowdown in US market demand. Notably, pangasius ASPs to US market was down to USD2.89/kg vs to USD3.2/kg in 3Q24 (-9.6% qoq).
- **Sa Giang (SGC)** sat at VND185bn (+23.3% yoy). A double-digit growth of export revenue remained intact, with a revenue of VND127bn (+33.1% yoy) driven by increasing consumer demand for products such as rice noodles, vermicelli, shrimp chips...
- **Miscellaneous:** inched up by 8.1% yoy, to VND492bn. This was primarily contributed by the aquafeeds segment of Feed-One (VHC's subsidiary), while dried fruit products (Thanh Ngoc Foods) have yet to make a significant contribution to the company's overall revenue.
- **Collagen & Gelatin, By-product & Value-added products:** respectively recorded to VND142bn (-33.6% yoy), VND505bn (+38.7% yoy), and VND29bn (+11.5% yoy).

Table 1. Quarterly earnings snapshot in 4Q24

(VND bn, %, %p)

	4Q23	1Q24	2Q24	3Q24	4Q24	QoQ	YoY
Sales	2,396	2,586	3,196	3,278	3,206	(2.2)	33.8
OP	84	207	386	394	474	20.5	4.6x
OP margin	3.5	7.3	11.9	12	14.8	2.7	10.9
EBT	99	217	398	402	481	19.7	3.9x
NP	48	170	318	321	425	32.7	7.9x

Source: Company data, KIS Research

12M rating **BUY (Maintain)**

12M TP **VND84,900**

Up/Downside +20.4%

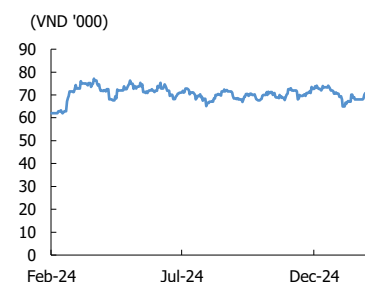
Stock Data

VNIndex (07 Feb, pt)	1,271
Stock price (07 Feb, VND)	70,500
Market cap (USD mn)	627
Shares outstanding (mn)	224
52-Week high/low (VND)	77,125/61,953
6M avg. daily turnover (USD mn)	1.78
Free float / Foreign ownership (%)	49.9/27.0
Major shareholders (%)	
Truong Thi Le Khanh	43.2
Mitsubishi Corp	6.4
Dragon Capital	6.8

Performance

	1M	6M	12M
Absolute	(0.4)	5.7	13.8
Relative	2.4	(0.3)	4.9

Stock price trend



Source: Bloomberg

Research Dept

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4Q24 gross margin (GM) solidly came in 18% (+9.9%p yoy/ +0.3%p qoq). Despite a decrease in pangasius ASPs during the period coupled with an increase in raw pangasius prices, VHC's GM remained high due to a reversal of inventory provisions in 4Q24 (VND94bn). For FY2024, VHC reversed approximately VND175bn in inventory provisions.

4Q24 SG&A/revenue edged up +6.3% (+0.1%p yoy/ +1.4%p qoq). Meanwhile, VHC reported financial revenue of VND148bn, primarily due to gains from foreign exchange (VND91bn) and sales of foreign exchange (VND23bn).

At the bottom line, NPAT-MI posted VND425bn (+7.9x% yoy/ +32.7% qoq). For FY2024 revenue and NPAT-MI reported to VND12,535bn (+25% yoy) and VND1,235bn (+34% yoy), respectively. These have fulfilled 99.5%/ 95% of our 2024F forecast.

Pros & Cons: 1Q25F margin pressure expected

The 1Q of each year is typically a low season for seafood exports in general and pangasius exports in particular, following large imports by major markets in 3Q24 and 4Q24. Therefore, we expect 1Q25F VHC's pangasius revenue to remain flat qoq, but still inching up yoy compared to 1Q24. We anticipate that export volume could be an engine for growth, while pangasius ASPs have a less catalyst for improvement in the short term.

Additionally, other segments are expected to show modest growth, partially contributing to VHC's topline growth in 1Q25F, driven by new capacity in certain segments (collagen & gelatin, Sa Giang, Feed-One).

The trend of 1Q25F VHC's GM could be dimming, due to:

- Pangasius ASPs are expected to stay flattish, reflecting a typical seasonal weakness.
- The input material prices could see a modest uptick due to an increase in raw pangasius during 4Q24, thereby posing the risks of squeezing margins.

Based on these rationales, we expect 1Q25F VHC's NPAT-MI to swell by 15-20% yoy due to the low base in 1Q24, but to be lower than in 4Q24.

Action: Maintain BUY rating for VHC

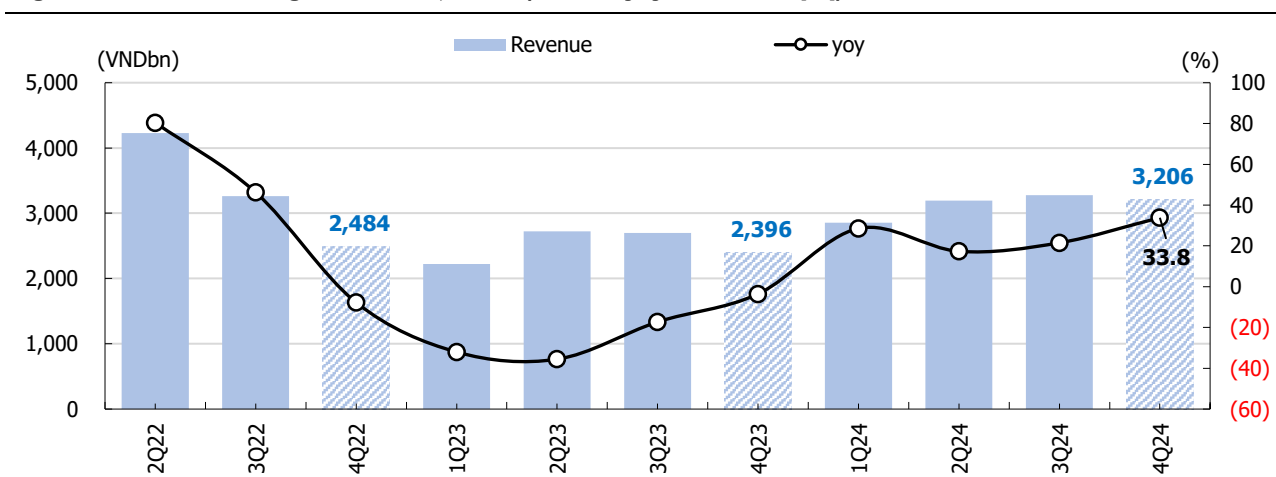
As discussed in ["2025F Seafood Sector Outlook"](#), we expect VHC's earnings that could strongly soar in 2025F (A double digit growth). Therefore, we reaffirm **BUY recommendations for VHC**, with a TP of VND84,900/share.

Figure 1. Topline growth of VHC's products and countries in 4Q24

		4Q23	3Q24	4Q24	yoy	qoq
Products	Pangasius	1,209	1,912	1,850	53.0	(3.2)
	By-product	364	448	505	38.7	12.7
	Wellness	214	174	142	(33.6)	(18.4)
	Value added	26	46	29	11.5	(37.0)
	Miscellaneous	455	474	492	8.1	3.8
	Rice products	64	86	94	46.9	9.3
	Shrimp chip	86	82	91	5.8	11.0
	Countries	US	586	1,145	1,020	74.1
EU		416	502	525	26.2	4.6
China		218	292	317	45.4	8.6
Vietnam		817	848	910	11.4	7.3
ROW (incl HK)		381	434	431	13.1	(0.7)

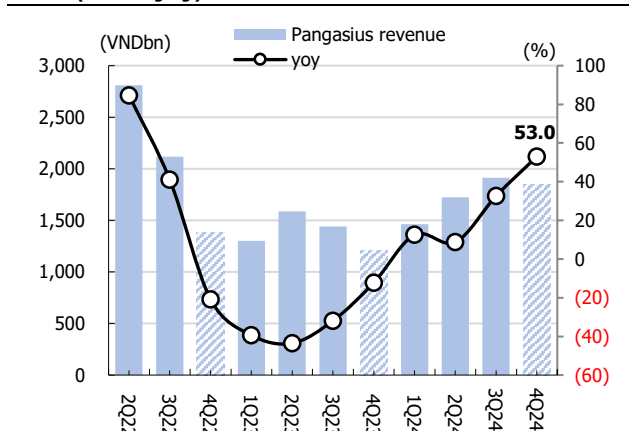
Source: Company data, KIS research

Figure 2. Total revenue gained VND3,206bn (+33.8% yoy and -2.2% qoq) in 4Q24



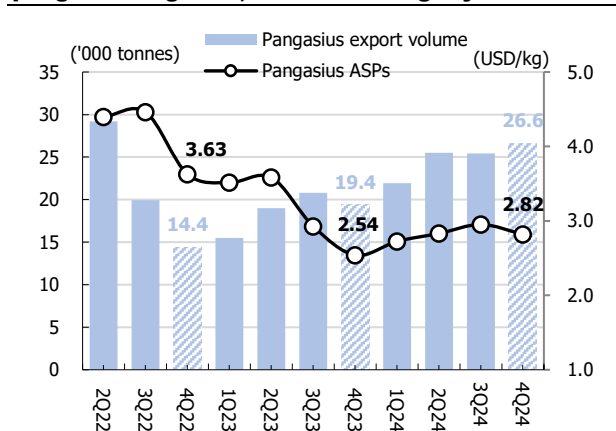
Source: Company data, FinproX, KIS research

Figure 3. Pangasius revenue strongly surged in 4Q24 (+53% yoy)



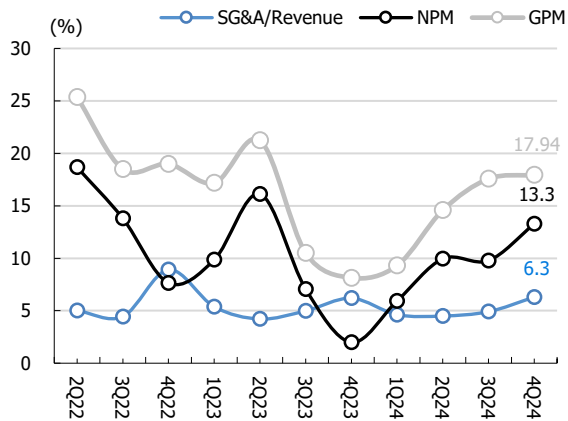
Source: Company data, KIS research

Figure 4. Export volume was the primary driver of pangasius segment, while ASPs slightly slid



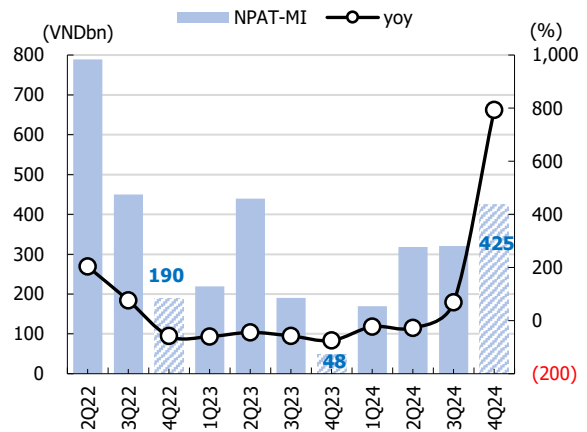
Source: Agromonitor, KIS research

Figure 5. VHC's GM remained high thanks to inventory provision reversal



Source: Company data, FiinproX, KIS research

Figure 6. NPAT-MI soared, beating our forecasts



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	8,241	8,927	10,256
Cash & cash equivalent	553	233	570	741	1,417
Accounts & other receivables	2,330	1,578	2,207	2,161	2,421
Inventory	2,818	3,763	2,911	3,518	3,878
Non-current assets (Adj.)	7,087	7,655	7,671	8,186	8,839
Fixed Asset	2,824	3,383	3,415	4,125	4,526
Investment assets	66	67	69	69	69
Others	1,053	604	523	603	657
Total assets	11,583	11,943	12,249	13,725	15,507
Advances from customers	23	16	36	49	55
Unearned revenue	-	-	-	-	-
Trade payables	448	309	272	596	668
Others	1,014	750	609	709	794
ST debt & bond	2,214	2,157	2,277	2,324	2,513
LT debt & bond	175	102	-	-	-
Total liabilities	3,889	3,351	3,247	3,697	4,051
Controlling interest	7,523	8,348	8,683	9,582	10,869
Capital stock	1,834	1,870	2,245	1,870	1,870
Capital surplus	264	264	264	264	264
Other Reserves	0	0	(0)	0	0
Retained earnings	5,426	6,213	6,175	7,448	8,735
Minority interest	171	244	319	446	586
Shareholders' equity	7,694	8,591	9,002	10,027	11,456

Cash flow

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
C/F from operating	1,604	547	2,113	1,538	1,664
Net profit	2,323	1,145	1,496	1,825	2,226
Depreciation	327	402	456	489	560
Net incr. in W/C	3,064	1,502	1,711	2,213	2,694
C/F from investing	(1,528)	(793)	(863)	(651)	(732)
CAPEX	(1,122)	(672)	(694)	(862)	(960)
Incr. in investment	(407)	(121)	(169)	211	228
C/F from financing	284	(73)	(912)	(756)	(259)
Incr. in equity	154	57	-	-	-
Incr. in debts	-	(129)	(13)	(308)	189
Dividends	(367)	-	(899)	(448)	(448)
Others	(2)	(2)	(1)	-	-
Increase in cash	358	(320)	337	130	672

Income statement

(VND bn)

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
Sales	13,231	10,033	12,535	13,497	15,120
COGS	10,255	8,540	10,644	11,087	12,221
Gross profit	2,976	1,493	1,891	2,411	2,899
SG&A expense	721	524	639	686	765
Operating profit	2,254	969	1,253	1,724	2,134
Financial income	434	377	428	337	355
Interest income	81	117	-	120	137
Financial expense	370	229	222	237	263
Interest expense	97	133	73	110	136
Other non-operating profit	4	27	35	-	-
Gains (Losses) in associates, subsidiaries and JV	0	1	2	-	-
Earnings before tax	2,323	1,145	1,496	1,825	2,226
Income taxes	310	171	186	275	335
Net profit	2,013	974	1,311	1,550	1,894
Net profit of controlling interest	1,975	919	1,234	1,435	1,754
EBITDA	2,712	1,646	1,992	2,424	2,922

Key financial data

FY-ending Dec.	2022A	2023A	2024F	2025F	2026F
per share data (VND)					
EPS	10,771	4,914	5,441	6,338	7,745
BPS	41,027	44,629	38,685	42,751	48,496
DPS	2,000	1,961	4,007	2,000	2,000
Growth (%)					
Sales growth	46.1	(24.2)	24.9	8.1	12.0
OP growth	88.0	(57.0)	29.3	30.2	23.8
NP growth	81.9	(51.6)	34.6	23.3	22.2
EPS growth	79.7	(53.5)	34.2	22.6	22.2
EBITDA growth	88.0	(57.0)	29.3	30.2	23.8
Profitability (%)					
OP margin	17.0	9.7	10.0	12.8	14.1
NP margin	15.2	9.7	10.5	11.5	12.5
EBITDA margin	17.0	9.7	10.0	12.8	14.1
ROA	19.8	8.3	10.8	11.7	13.0
ROE	29.7	11.6	14.5	15.8	17.1
Dividend yield	2.9	2.6	5.6	2.8	2.8
Dividend payout ratio	16	51	33	19	40
Stability					
Net debt (VND bn)	1,835	2,026	1,707	1,583	1,097
Int.-bearing debt/equity (%)	24	24	19	16	10
Valuation (X)					
PE	11.1	15.1	12.8	11.0	9.0
PB	1.3	1.7	1.8	1.7	1.5
EV/EBITDA	5.8	14.6	12.4	9.0	7.3

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