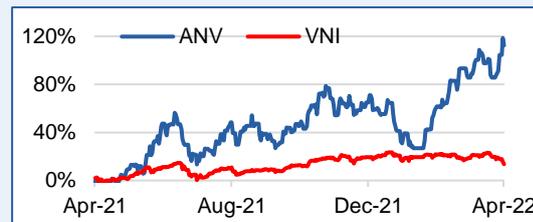


Industry:	Agribusiness		<u>2019</u>	<u>2020</u>	<u>2021</u>
Report Date:	April 19, 2022	Rev y/y	8.8%	-23.3%	1.6%
Current Price:	VND45,600	EPS y/y	15.2%	-71.3%	-39.3%
Dividend Yield:	2.2%	GPM	23.3%	14.1%	15.8%
		NPM	15.7%	5.9%	3.7%
		EV/EBITDA	6.5x	17.9x	18.9x
		P/OCF	17.7x	-196.1x	16.8x
		P/E	8.3x	28.8x	47.4x



			<u>ANV</u>	<u>Peers</u>	<u>VNI</u>
Market Cap:	USD249mn	P/E (ttm)	47.4x	16.2x	16.3x
Foreign Room:	USD117mn	P/B (curr)	2.5x	1.9x	2.5x
ADTV30D:	USD1.8mn	Net D/E	0.7x	0.4x	N/A
State Ownership:	0%	ROE	5.5%	8.2%	15.4%
Outstanding Shares:	127.1 mn	ROA	2.6%	5.9%	2.5%

Company Overview

ANV specializes in raising and exporting pangasius fish. According to the Vietnam Association of Seafood Exporters (VASEP), ANV is the country's third-largest pangasius exporter (based on 2021 data).

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Tight supply amid demand recovery to boost earnings

- ANV is the third-largest pangasius exporter in Vietnam and had an export share of ~6% in 2021, per our estimate. ANV's main markets include Latin America (LatAm), Southeast Asia and China.
- Due to sluggish demand from the foodservice sector and COVID-19 supply chain disruptions in 2020-2021, ANV's 2021 NPAT-MI was only equal to 17% of 2019's level. That said, the pangasius industry showed signs of recovery in early 2022, which we expect will bolster ANV's profitability.
- In our view, the ongoing reopening of the global foodservice sector will boost pangasius demand, while Vietnam's pangasius supply — which COVID-19 severely hurt — will not recover fully until 2023, leading to a favorable demand-supply outlook for pangasius exporters such as ANV in 2022.
- Against this backdrop, we think ANV's 2022 NPAT-MI could surpass 2019's level, implying a 2022 P/E of less than 8.3x. This valuation is attractive vs our expected fair P/E for ANV of 9x, which is 10% lower than our implied target 2022F P/E for Vinh Hoan (VHC) – Vietnam's largest pangasius exporter – due to ANV's lower business stability.
- Potential risks to our positive view: Tighter import regulations in China due to its zero-COVID policy.
- Upside catalysts: China relaxing its zero-COVID policy; ANV gaining market share in the US.

Favorable demand-supply dynamics to elevate both raw pangasius and fillet selling prices.

As of April 2022, Vietnam's raw pangasius prices surged 33% YTD and 45% YoY to USD1.4/kg due to a robust demand recovery and Vietnam's suppressed pangasius supply. The former is following the reopening of the global foodservice sector, while the latter is due to (1) COVID-19 disrupting pangasius production in 2021 (e.g., disrupted farming and processing activities) and (2) low pangasius prices discouraging farming activities in H2 2021. In our view, this tight supply situation could last for most of 2022 as Vietnam's pangasius supply will not recover fully until 2023.

ANV boasts an integrated value chain with 100% of raw pangasius sourced internally, which will be a major benefit during pangasius price uptrends. ANV's value chain ranges from feed production, hatchery and farming to fillet processing and byproduct recycling. During tight supply periods, ANV's ASP rises in line with raw pangasius prices and its production costs are stable due to its integrated value chain. ANV also sells its in-house fish to other exporters in these periods.

Expansion into collagen and gelatin (C&G) products and rising contribution from the US market present potential upside for long-term growth. ANV is expanding into the high-value C&G segment similar to industry leader VHC. ANV's first C&G factory was constructed in late 2021. ANV also received a favorable zero antidumping tariff on frozen pangasius fillets from the US in 2021. We expect a rising contribution from C&G and the US market will improve ANV's business stability; however, this will take several years.

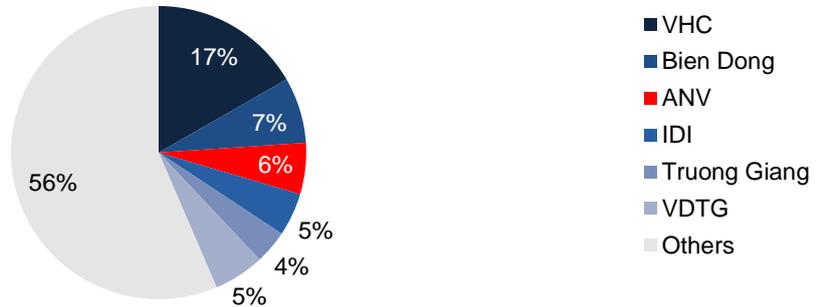
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Business Overview

The third largest pangasius exporter in Vietnam. Founded in 1993, ANV was previously the top player in the pangasius export industry before Russia issued a ban on pangasius fillet imports from Vietnam in 2008 due to concerns over food safety and excessive ice glazing. In 2021, ANV claimed an export share of ~6%, per our estimate.

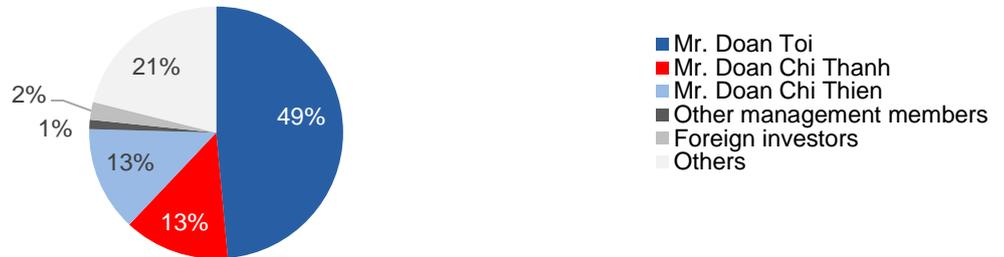
Figure 1: Market share by export value as of 2021



Source: AgroMonitor, VCSC

ANV is largely a family business. As of March 2022, ANV's CEO cum founder Mr. Doan Toi and his family held a combined stake of 79% in ANV. The CEO's family also boasts a prominent presence on ANV's board of directors and management team. For example, two out of five board members are related to ANV's founder.

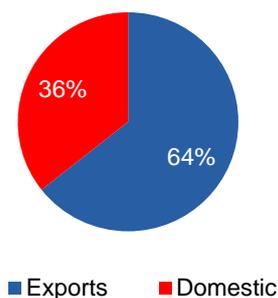
Figure 2: ANV's shareholder structure as of March 2022



Source: ANV, HSX, VCSC

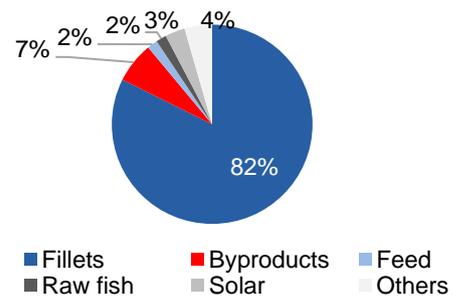
Frozen pangasius fillet exports are ANV's business mainstay. Frozen pangasius fillets, which are mainly exported, constituted 82% of ANV's revenue in 2021. The remaining revenue came from pangasius byproducts such as fish meal and fish oil as well as pangasius feed and raw pangasius fish. The revenue contribution from frozen pangasius fillets to ANV's total revenue is broadly similar to that of VHC. Nonetheless, VHC generates higher sales from high-margin C&G products (~7% of total 2021 revenue, per VHC) vs almost none from ANV.

Figure 3: ANV's revenue by market (2021)



Source: ANV, VCSC

Figure 4: ANV's revenue by product (2021)



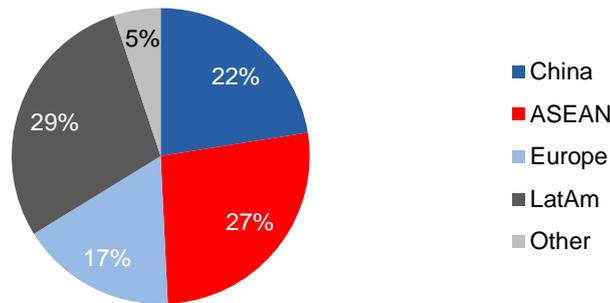
Source: ANV, VCSC

In 2020, ANV started producing solar energy to utilize the rooftops of its factories. This segment boasts a total capacity of 53 MW and generated 3% of ANV’s revenue in 2021.

Key markets include LatAm, China and ASEAN — we believe these are “low-value” markets due to stiff competition and lower income per capita. As of 2021, LatAm was ANV’s largest market with an export value contribution of ~21%, led by Brazil, Mexico and Colombia. In terms of volume, China, which was Vietnam’s biggest pangasius import market, accounted for 22% of ANV’s exports in 2021, representing a sharp jump from less than 5% in 2017. Meanwhile, ASEAN countries contributed 27% to ANV’s export value in 2021 — with Thailand as the biggest contributor.

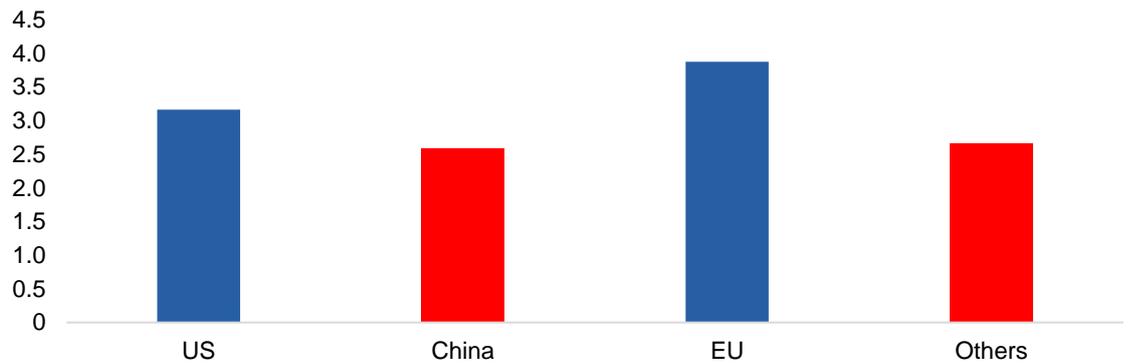
ANV’s main markets typically yield lower prices than the EU and the US (VHC’s stronghold). In addition to lower-income levels, these markets have lenient quality regulations compared to the EU and the US, leading to fiercer competition, in our view.

Figure 5: ANV’s export value by market in 2021



Source: ANV, VCSC

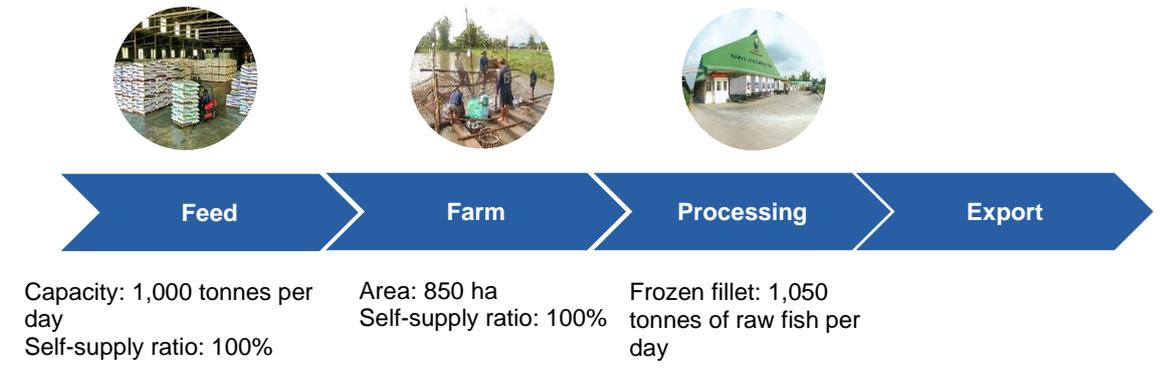
Figure 6: 2021 pangasius export prices in select markets (USD/kg)



Source: AgroMonitor, VCSC

ANV boasts a fully-integrated value chain, ranging from feed production, hatchery and farming to fillet processing and byproduct recycling. Per our estimate, ANV’s raw fish self-supply ratio is almost 100% vs ~50% for VHC. As a result, ANV’s GPM correlates closely with export prices while being detached from external raw fish price movements. In addition, ANV’s volume growth will be predicated on its ability to ramp up internal supply by either improving farming yields or expanding farming areas.

Figure 7: ANV's value chain as of YE2021



Source: VCSC, ANV

Figure 8: ANV's Binh Phu high-tech farming area

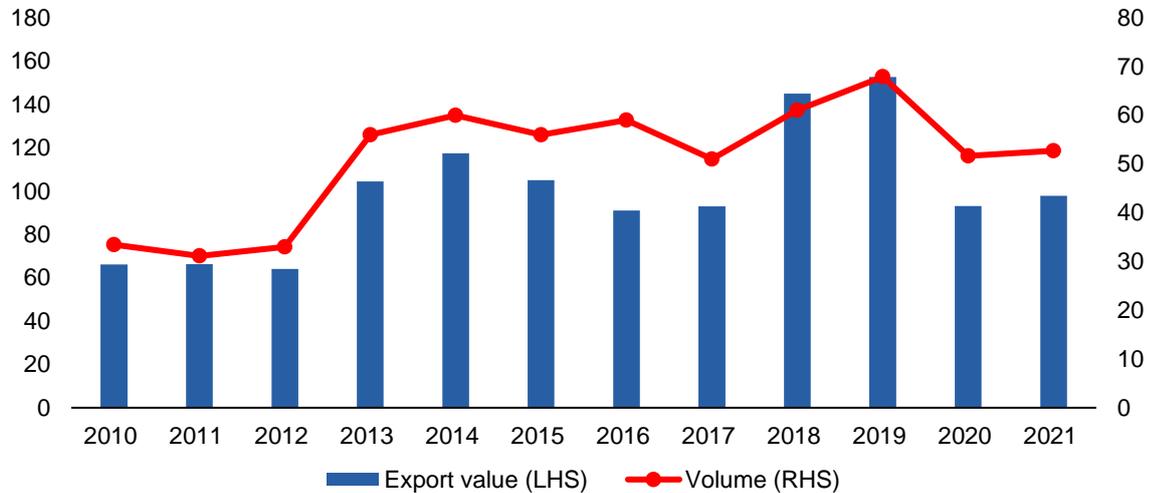


Source: ANV

Historical Financial Performance: ASP-driven cyclical business

Revenue posted a 17% CAGR in 2016-2019 before slumping due to COVID-19; selling prices are the most crucial driver. According to ANV, its export volume registered CAGRs of 5% and -12% in 2016-2019 and 2019-2021, respectively. Meanwhile, its export revenue posted a CAGR of 19% in 2016-2019 before slumping at a CAGR of 20% in 2019-2021. We note that Vietnam’s export volume and selling prices sank in 2020 - H1 2021 as COVID-19 dampened the foodservice sector across the world — a significant sales channel of Vietnam’s pangasius fish fillets.

Figure 9: ANV’s export value (USD mn) and volume ('000 tonnes) in 2010-2021

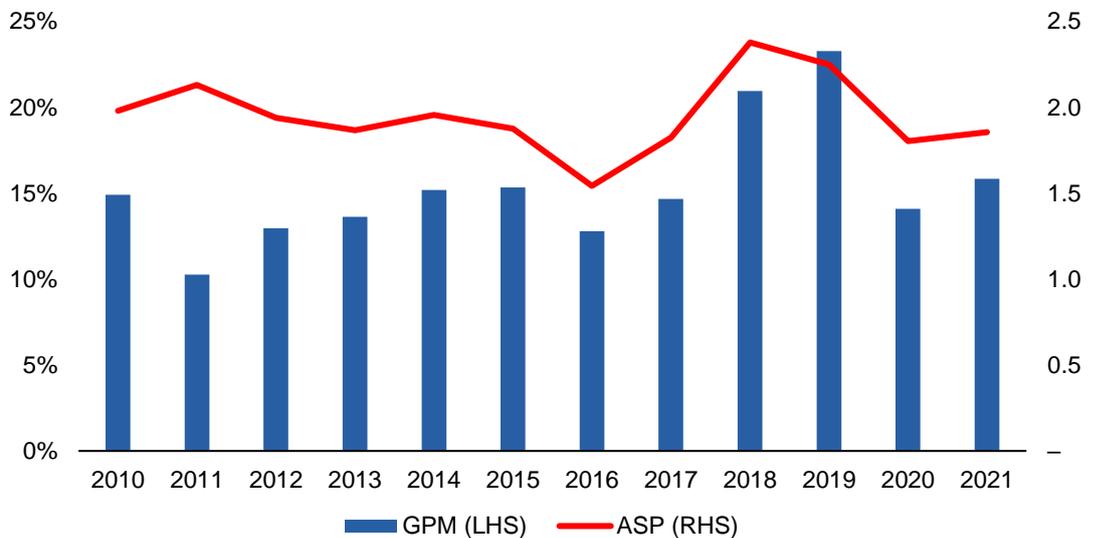


Source: ANV, VCSC

GPM fluctuates but is mostly in line with ASP. In 2016-2018, ANV’s GPM expanded from 12.8% to 20.9% on the back of a 60% increase in ASP. Meanwhile, when the company’s ASP slumped from USD2.2/kg in 2019 to USD1.8/kg in 2020, its GPM compressed 9.2 pts YoY to 14.1%.

As discussed above, due to ANV’s full ownership of its raw fish supply, its GPM displays a tighter correlation with ASP than other pangasius exporters whose GPM is subject to the spreads between selling prices and external raw fish prices.

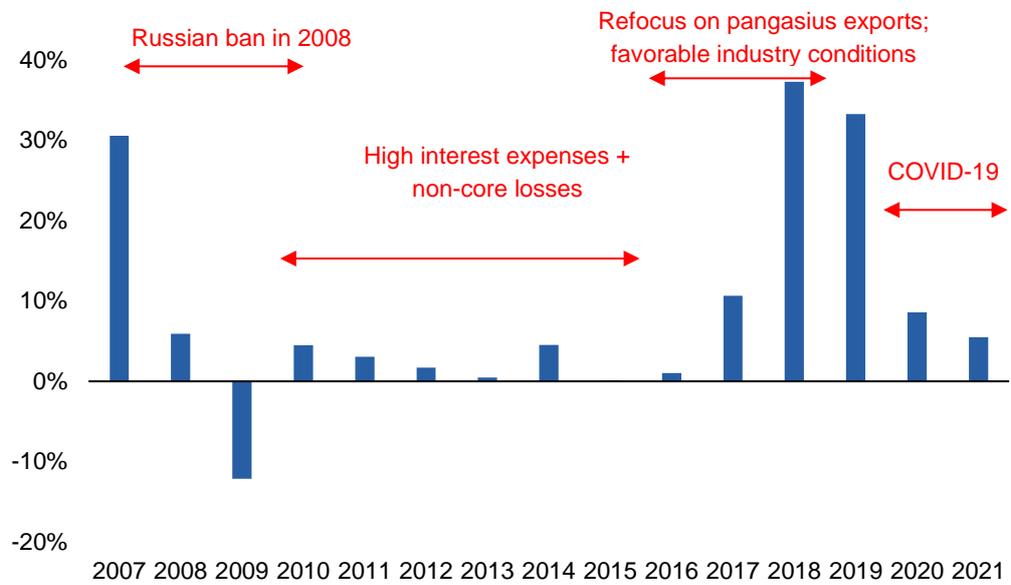
Figure 10: ANV’s GPM and ASP (USD per kg) in 2010-2021



Source: ANV, VCSC

ROE ranged from 5% to 37% in 2017-2021 following the pangasius industry's cycles. Thanks to higher pangasius export prices in 2018, ANV's ROE strengthened from 11% in 2017 to 37% in 2018. Meanwhile, ANV's ROE slumped to 8.6% in 2020 and 5.5% in 2021 amid COVID-19 due to low ASP and surging pandemic containment costs. We note that ANV's ROE in 2008-2016 was dragged down by its lossmaking non-core businesses such as chemical fertilizers — which ANV completely divested in 2016.

Figure 11: ANV's ROE in 2007-2021

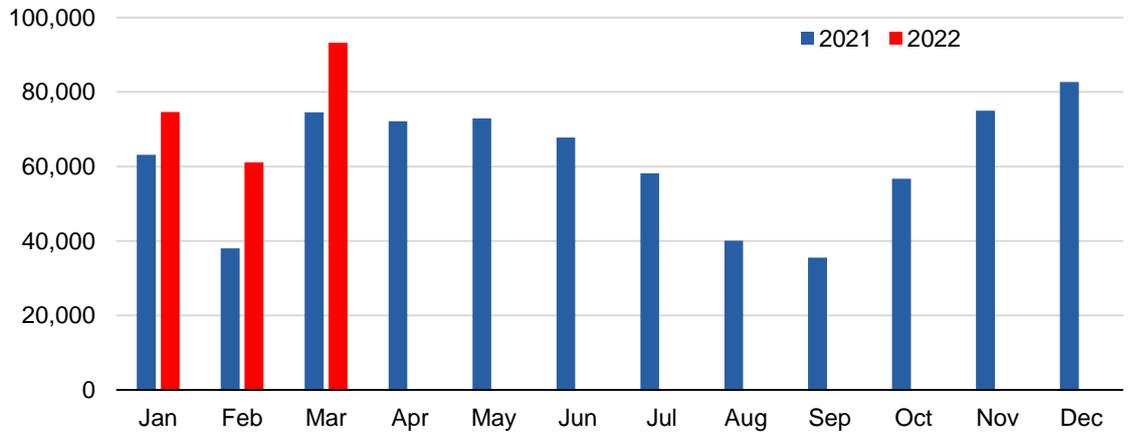


Source: ANV, VCSC

Outlook: Economic reopening and supply shortages to elevate ASP, earnings in 2022

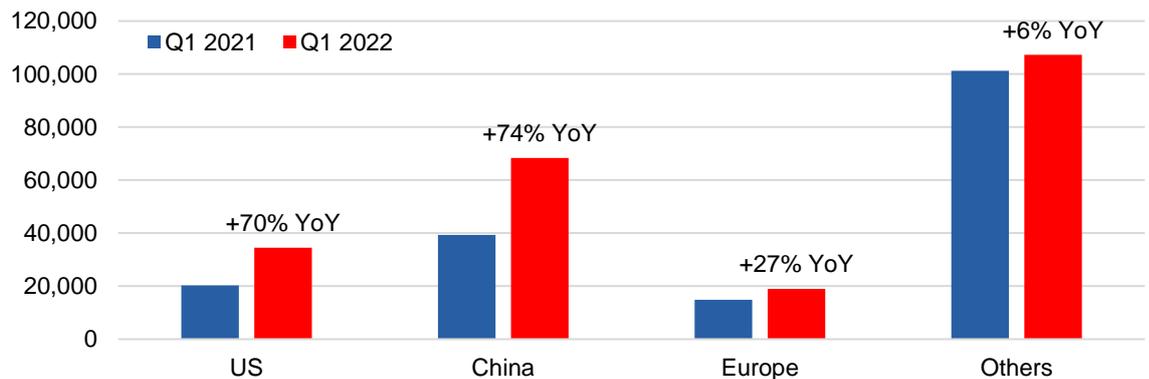
The ongoing recovery in the global foodservice sector is boosting pangasius demand. The US National Restaurant Association forecasts US restaurant and foodservice sales to rise 12% in 2022 after rebounding 18% in 2021 as the industry gradually returns to pre-COVID-19 levels. Given improving global vaccination rates, we expect the foodservice sector in other regions to follow suit. This rebound is evidenced by 30% YoY and 43% surges in Vietnam's pangasius export volume and average prices in Q1 2022, respectively.

Figure 12: Vietnam's pangasius export volume by month in 2021-2022 (tonnes)



Source: AgroMonitor, VCSC

Figure 13: Vietnam's pangasius export volume by destination in Q1 2022 (tonnes)



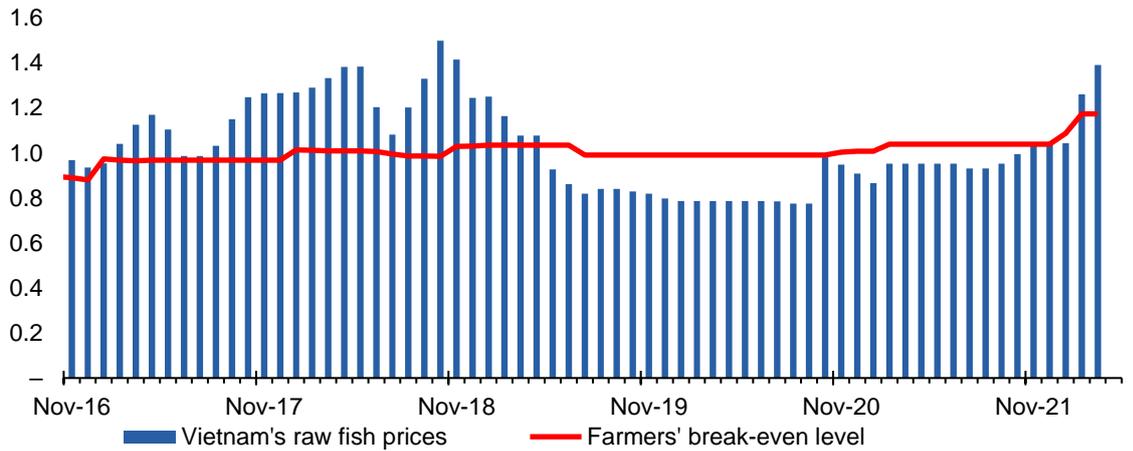
Source: AgroMonitor, VCSC

Favorable demand-supply dynamics to elevate both raw pangasius and fillet selling prices.

As of late March 2022, Vietnam's raw pangasius prices surged 33% YTD and 45% YoY to USD1.4/kg, owing to the aforementioned robust demand backdrop and Vietnam's suppressed pangasius supply due to (1) COVID-19 disrupting pangasius production in 2021 (e.g., disrupted farming and processing activities) and (2) low pangasius prices discouraging farming activities in H2 2021. In our view, this tight supply situation could last for most of 2022 as Vietnam's pangasius supply will not recover fully until 2023.

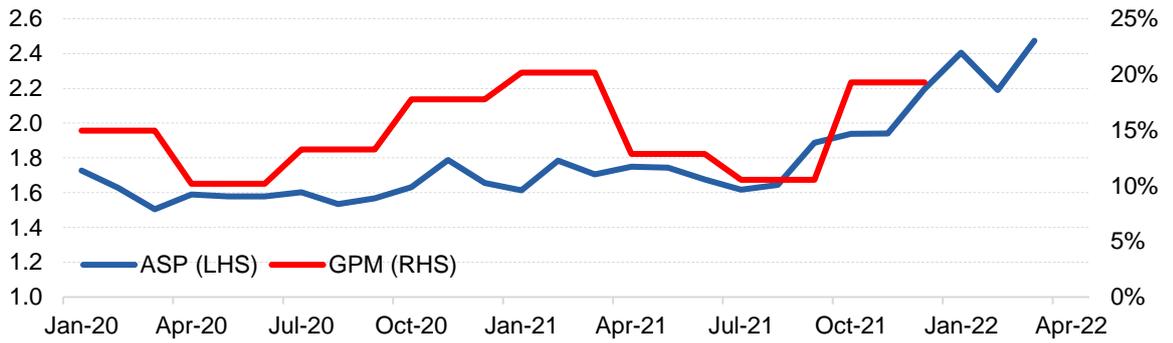
Against this backdrop, we expect the unit profit of ANV will strengthen given the company's in-house raw fish supply. Based on AgroMonitor's data, we estimate that ANV's export volume and value jumped 15% and 59% YoY in Q1 2022, respectively.

Figure 14: Vietnam’s raw pangasius fish prices in 2016-2022 (USD/kg)



Source: AgroMonitor, VCSC

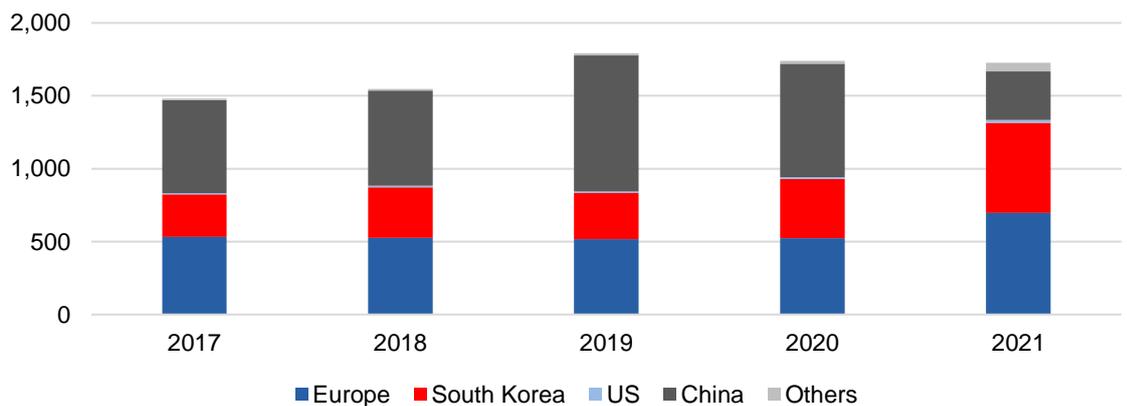
Figure 15: ANV’s monthly ASP (USD/kg) and quarterly GPM



Source: ANV, AgroMonitor, VCSC

Ukraine-Russia conflict could partially boost demand for pangasius. Russia is one of the largest exporters of wild-caught whitefish such as pollock and cod, which compete with pangasius. According to the UN’s International Trade Center (ITC), Russia accounted for 21% of global whitefish export value, including farm-raised species such as tilapia and pangasius, in 2020. Amid the Russia-Ukraine conflict, Russia’s exports could be disrupted by sanctions and boycotts — especially from the US and EU. We believe the disruptions to Russia’s whitefish exports will elevate overall whitefish prices and partly boost demand for alternative species such as pangasius — both of which are positive for pangasius export prices.

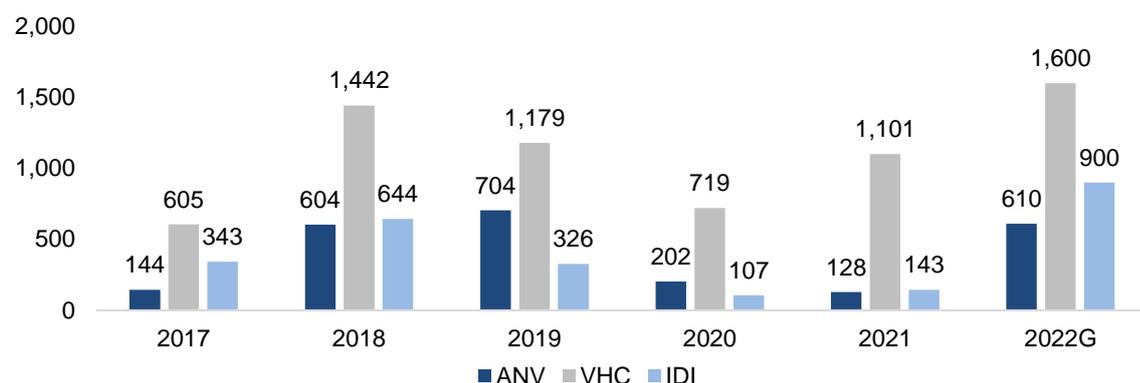
Figure 16: Russia’s frozen whitefish exports by destination in 2017-2021 (USD mn)



Source: ITC, VCSC

We expect ANV's NPAT-MI to surpass its 2022 guidance and its historic high in 2022 thanks to the above factors. Other listed pangasius exporters such as VHC and International Development and Investment (IDI) also set their 2022G profit guidance higher than their historic highs, which reinforces our view. For 2022, ANV set conservative guidance for PBT of VND720bn (USD31mn), implying NPAT-MI of VND610bn (USD27mn), based on our estimates.

Figure 17: NPAT-MI of ANV and major listed pangasius exporters in 2017-2022 (VND bn)



Source: ANV, VHC, IDI, VCSC

Expansion into C&G products and a rising contribution from the US market present potential upside of long-term growth. After being delayed due to COVID-19-related travel restrictions, the construction of ANV's C&G factory started in late 2021. Per ANV, its C&G factory boasts a capacity of 800 tonnes per annum and is under a 50/50 joint venture with Amicogen — a South Korean collagen company. Within this partnership, ANV will provide pangasius fish skin to a factory equipped with Amicogen's extraction technology. We expect the first phase of this project (annual capacity of ~450 tonnes) will commence operation in H2 2022. ANV states that the first phase of its C&G factory could generate USD1.5mn of net profit once it is fully utilized.

In addition, ANV received favorable zero antidumping tariffs from the US in 2021 vs the previous level of USD2.39/kg and plans to export to this market starting from August 2022. If ANV can gain substantial market share in the US, then the company's profit margins and business stability would significantly improve given this market's high purchasing power. Nevertheless, as current market leaders VHC and Bien Dong have proven track records in product quality and longstanding relationships with their buyers, we think ANV's market share expansion will be gradual.

Figure 18: US antidumping tariffs on Vietnam's pangasius exporters

USD per kg	POR14 tariffs (released in April 2019)	POR15 tariffs (released in April 2020)	Current POR16 tariffs (released in August 2021)	New POR17 tariffs (final; released in March 2022)
VHC	0.00	0.00	0.00	0.00
Bien Dong	0.19	0.19	0.19	0.19
NTFS	1.37	0.15	0.15	0.00
CASEAMEX	2.39	0.15	0.15	0.15
East Sea Seafood	2.39	2.39	2.39	3.87
Green Farm Seafood	2.39	2.39	2.39	1.94
ANV	2.39	2.39	0.00	0.00
Other Vietnamese companies	2.39	2.39	2.39	2.39

Source: US Department of Commerce (DOC), AgroMonitor, VCSC

Investment Risks

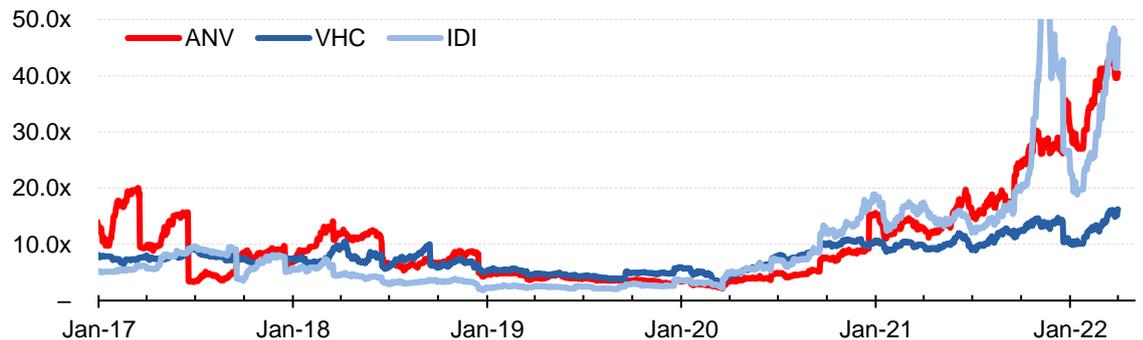
Unexpected demand slowdown and trade turbulence. As China and LatAm are ANV's largest markets, any economic slowdown and/or softening of seafood consumption in these regions could dampen demand for ANV's products. Notably, if China continues to tighten its import procedures due to COVID-19 concerns, ANV's selling prices could be under downward pressure.

Valuation

In 2017 - Q1 2021, ANV's TTM P/E generally correlated to that of VHC — Vietnam's largest pangasius exporter. In Q2 2021 - Q1 2022, ANV's TTM P/E exceeded VHC's as (1) ANV was hurt harder by COVID-19 disruptions than VHC in 2021 and lacks a high-value C&G segment and (2) as the stock market slowly reflected these impacts on ANV's businesses.

In our opinion, ANV should trade at a discount of around 10% to VHC due to (1) ANV's exposure to low-value and more competitive markets vs VHC's exposure to the high-value US market and (2) ANV's currently not having a profit contribution from C&G vs VHC's 19% of 2022F NPAT-MI. Given our implied 2022F P/E of 10.4x for VHC, we think ANV should trade at a 2022F P/E of 9x.

Figure 19: ANV's TTM P/E vs other listed pangasius exporters



Source: ANV, VHC, IDI, VCSC

Figure 20: Estimated P/E

	2022F
NPAT (VND bn) *	At least 704
EPS (VND)	At least 5,320
P/E @ market price	Lower than 8.3x

Source: ANV, VCSC calculations. * We expect ANV's 2022 NPAT will surpass its all-time high of VND704bn (USD31mn) that was recorded in 2019.

Figure 21: Vietnam's listed seafood companies

Ticker	Market Cap (USD mn)	TTM Sales (USD mn)	YoY (%)	TTM NPAT (USD mn)	YoY (%)	Net D/E (x)	ROE (%)	ROA (%)	LQ PBR (x)	TTM P/E (x)
VHC	809	395	29	48	53	0.1	19.9	13.8	3.2	17.7
IDI	295	249	-10	6	42	0.8	4.7	1.8	2.3	49.5
MPC	392	592	-5	28	-4	0.4	11.6	6.9	1.7	14.7
HVG	43	177	-49	-46	NA	3.2	-80.5	-12.9	1.2	N/A
FMC	210	227	18	12	18	-0.2	18.7	12.1	2.7	18.9
ACL	63	53	27	2	50	0.7	6.0	2.7	1.9	15.5
ABT	20	15	7	1	144	0.1	8.2	5.9	1.1	13.7
Median	210	227	7	6	46	0.4	8.2	5.9	1.9	16.2
Mean	262	244	2	7	51	0.7	-1.6	4.3	2.0	21.5
ANV	249	152	2	6	-39	0.6	5.5	2.6	2.5	47.4

Source: Bloomberg, VCSC (data as of April 19, 2022)

Financial Statements

P/L (VND bn)	2019	2020	2021	B/S (VND bn)	2019	2020	2021
Revenue	4,481	3,439	3,494	Cash & equivalents	25	44	43
COGS	-3,438	-2,954	-2,941	ST investment	585	321	646
Gross profit	1,043	485	553	Accounts receivable	392	320	319
Sales & Marketing exp	-191	-185	-281	Inventories	1,583	1,900	1,780
General & Admin exp	-47	-57	-56	Other current assets	106	199	129
Operating Profit	805	243	216	Total Current Assets	2,690	2,784	2,917
Financial income	52	43	41	Fixed assets, gross	2,147	2,782	2,906
Financial expenses	-60	-80	-116	- Depreciation	-924	-979	-1,081
- o/w, interest expense	-49	-62	-103	Fixed assets, net	1,224	1,803	1,825
Associates	33	34	10	LT investments	144	147	30
Net other income/(loss)	0	0	0	LT assets other	76	100	116
Profit before Tax	831	240	151	Total LT assets	1,444	2,050	1,970
Income tax	-126	-37	-23	Total Assets	4,135	4,834	4,886
NPAT before MI	704	202	128	Accounts payable	200	432	198
Minority interests	0	0	0	Short-term debt	1,295	1,682	1,838
NPAT-MI, reported	704	202	128	Other ST liabilities	234	226	301
NPAT-MI, adjusted ⁽¹⁾	704	202	123	Total current liabilities	1,728	2,339	2,336
EBITDA	885	324	306	Long term debt	20	159	210
EPS basic reported, VND	5,520	1,585	963	Other LT liabilities	0	0	0
EPS basic adjusted ⁽¹⁾ , VND	5,520	1,585	963	Total liabilities	1,749	2,500	2,552
EPS fully diluted ⁽¹⁾ , VND	5,520	1,585	963	Preferred Equity	0	0	0
DPS, VND	2,000	1,000	1,000	Share premium	22	22	22
DPS/EPS (%)	36%	63%	104%	Paid in capital	1,275	1,275	1,275
(1) Adjusted for one-offs				Retained earnings	1,117	1,065	1,065
Growth				Other equity	-28	-28	-28
Revenue growth	8.8%	-23.3%	1.6%	Minority interest	0	0	0
EBIT growth	16.2%	-69.8%	-11.1%	Total equity	2,386	2,334	2,335
PBT growth	20.3%	-71.1%	-37.0%	Total liabilities & equity	4,135	4,834	4,886
EPS growth, adjusted	15.2%	-71.3%	-39.3%	Y/E shares out, mn*	127.5	127.5	127.5
Profitability ratios				Y/E treasury shares, mn	0.0	0.0	0.0
Gross Profit Margin	23.3%	14.1%	15.8%	Beginning Cash Balance	69	25	44
Op Profit, (EBIT) Margin	18.0%	7.1%	6.2%	Net Income	704	202	128
EBITDA Margin	19.8%	9.4%	8.7%	Dep, & amortization	80	81	90
NPAT-MI Margin, adj.	15.7%	5.9%	3.7%	Change in Working Cap	-62	-199	94
ROE	33.3%	8.6%	5.5%	Other adjustments	-395	-114	33
ROA	18.6%	4.5%	2.6%	Cash from Operations	328	-30	344
Efficiency ratios				Capital Expenditures, net	-432	-605	-325
Days Inventory On Hand	135.1	215.2	228.4	Investments, net	180	400	-83
Days Accts, Receivable	37.4	37.8	33.3	Cash from Investing	-252	-205	-407
Days Accts, Payable	16.9	39.0	39.1	Dividends paid	-191	-158	-63
Cash Conversion Days	155.6	214.0	222.7	Δ in Share Capital	25	0	0
Liquidity/Solvency				Δ in ST debt	44	386	156
Current Ratio x	1.6	1.2	1.2	Δ in LT debt	11	139	51
Quick Ratio x	0.6	0.4	0.5	Other financing C/F	-9	-113	-83
Cash Ratio x	0.0	0.0	0.0	Cash from Financing	-120	254	62
Debt / Assets	0.3	0.4	0.4	Net change in cash	-45	19	-1
Debt / Capital	0.4	0.4	0.5	Ending Cash Balance	25	44	43
Net Debt / Equity	0.4	0.6	0.7				
Interest Coverage x	16.5	3.9	2.1				

Source: Company data, VCSC

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
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