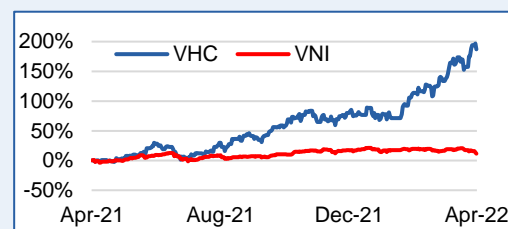


# Vinh Hoan Corp (VHC)

# AGM Note & Earnings Flash

<b>Industry:</b>	<b>Agribusiness</b>		<b>2021</b>	<b>Q1/22</b>	<b>2022F</b>
<b>Report Date:</b>	<b>April 20, 2022</b>				
Current Price:	VND106,400	Rev Growth	28.7%	82.7%	19.4%
Target Price*:	VND81,400	EPS Growth <sup>(1)</sup>	53.1%	318.0%	35.0%
Upside to TP:	-23.5%	EPS Growth <sup>(2)</sup>	62.7%	318.0%	35.0%
Dividend Yield:	2.3%	GPM <sup>(1)</sup>	19.4%	23.8%	20.7%
TSR:	-21.1%	NPM <sup>(1)</sup>	12.2%	16.8%	13.7%
Rating*:	OUTPERFORM	EV/EBITDA <sup>(1)</sup>	14.1x	10.0x	10.4x
		P/E <sup>(2)</sup>	18.5x	13.4x	13.7x



Market Cap:	USD834mn		<b>VHC</b>	<b>VNI</b>
Foreign Room:	USD626mn	P/E (ttm) <sup>(2)</sup>	13.4x	16.1x
ADTV30D:	USD5.1mn	P/B (curr)	3.1x	2.4x
State Ownership:	0%	Net D/E	0.3x	N/A
Outstanding Shares:	181.9 mn	ROE	26.1%	15.4%
Fully Diluted Shares:	181.9 mn	ROA	17.3%	2.5%

(1) reported, (2) recurring

\* TP and rating last updated February 16, 2022

## Company Overview

Vinh Hoan is the leading global exporter of pangasius fish (Vietnamese catfish), specializing in aquaculture and collagen and gelatin (C&G). Its key markets include the US, EU and China. Per our estimate, VHC's products accounted for about 44% of the US's pangasius consumption and almost all of Vietnam's C&G exports in 2020.

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## Earnings beat thanks to strong fillet selling prices

- We attended VHC's AGM in HCMC on April 20. The meeting focused on the company's 2022-2025 business outlook.
- For 2022, VHC guides for revenue of VND13tn (USD565mn; +44% YoY — 120% of our 2022F revenue) and NPAT of VND1.6tn (USD65mn; +45% YoY — 107% of our 2022F revenue). Per VHC, these strong business targets are premised on a recovery in global pangasius demand amid a tight pangasius supply — the latter due to COVID-19's lingering disruptions to pangasius production in Vietnam.
- VHC also announced Q1 2022 results with net revenue and NPAT-MI rocketing 83% YoY and 318% YoY, respectively, thanks to the above favorable factors.
- As VHC's Q1 2022 revenue and NPAT-MI fulfilled 30% and 37% of our respective full-year forecasts and are tracking ahead of our expectations thanks to the current favorable pangasius fillet demand-supply dynamics, we see potential upside to our current projections, pending a more extensive review.
- FY2022 cash dividend: VND2,000/share (yield of 2.1%) vs our forecast of VND2,500/share (yield of 2.6%).
- Stock dividend: VHC plans to issue a stock dividend at a ratio of 5:1 (five existing shares receive and an additional share).
- FY2022 ESOP scheme: VHC will issue a maximum of 2% of outstanding shares at VND10,000/share in 2022. The new shares' lock-up period is five years, with 20% of the amount vested every year.

**A summary of Q1 2022 financials is presented on the next page.**

**Figure 1: VHC's Q1 2022 results**

VND bn	Q1 2021	Q1 2022	YoY	Q1 2022 /VCSC's 2022F
<b>Revenue</b>	<b>1,788</b>	<b>3,268</b>	<b>83%</b>	<b>30%</b>
<i>By market*</i>	1,770	3,275	85%	
US	710	1,610	127%	
Europe	305	413	35%	
China & Hong Kong	183	268	46%	
Others	572	985	72%	
<i>By product*</i>	1,770	3,275	85%	
Collagen & gelatin	156	218	40%	25%
Frozen fillets and others	1,580	2,935	45%	31%
Rice products	34	341	N.M.	30%
<b>Gross profit</b>	<b>273</b>	<b>778</b>	<b>186%</b>	<b>35%</b>
SG&A	-139	-143	2%	23%
<b>EBIT</b>	<b>133</b>	<b>636</b>	<b>377%</b>	<b>39%</b>
<b>Profit before tax</b>	<b>152</b>	<b>663</b>	<b>336%</b>	<b>38%</b>
<b>NPAT-MI</b>	<b>131</b>	<b>548</b>	<b>318%</b>	<b>37%</b>

Source: VHC, VCSC (\*Revenue breakdowns by segment and product are based on VHC's preliminary results, of which the total revenue figure is slightly different from the official number)

### Global economic reopening elevated VHC's sales across segments and markets in Q1 2022.

VHC's sales of frozen pangasius fillets and related products (e.g., breaded fish, fish fat, fish meal and feed) surged 45% YoY in Q1 2022. In addition, collagen and gelatin (C&G) sales growth jumped 40% YoY in Q1 2022, which VHC attributes to a recovery in global demand. Notably, VHC's revenue recorded robust growth in all markets in Q1 2022 — with the US market being the strongest (+127% YoY).

**GPM expanded on the back of surging fillet selling prices in Q1 2022.** Blended GPM before inventory provisions broadened by 14 pts YoY and 7 pts QoQ to 28.4% in Q1 2022 as fillet ASP jumped 49% YoY and 30% QoQ to ~USD4.2/kg, per our estimate. We note that between quarters, VHC typically recognizes inventory provisions and reversals of those provisions that could complicate the interpretation of GPM movements in relation to ASP and input costs.

**VHC targets to double its earnings in 2021-2025.** In order to achieve this goal, VHC will (1) shore up capabilities in its core pangasius fillet business, (2) invest in new technology, (3) foray into new segments such as salmon processing and fruit processing, and (4) embrace a circular economy model (i.e., further deepen its value chain integration).

**VHC remains positive on China's demand for pangasius despite this country's tight import procedures and zero-COVID policy.** Management expects exports to China will strengthen once China's COVID-19 situation improves as pangasius inventory in China is depleting and at low levels. In addition to frozen fillets, value-added products such as ready-to-eat and ready-to-cook are expected to post strong growth in China.

**Management sees huge opportunities from the Russia-Ukraine conflict.** According to VHC, Vietnam's pangasius demand could benefit from potential disruptions of Russia's whitefish exports. We note that wild-caught whitefish such as pollock and cod are competition to pangasius. Management shared that some European and US supermarkets have stopped buying Russian pollock as the Russia-Ukraine conflict escalates. In addition to fillets, demand from value-added product (e.g., fish fingers) processors in Europe is also a boon to VHC, per management.

**VHC plans capex of VND1.5tn (USD65mn) in 2022.** This amount more than doubles 2021's amount and is 85% higher than our current forecast. Per VHC, the company will spend VND100bn (USD4mn) in feed factories, VND280bn (USD12mn) for farming, VND500bn (USD22mn) for fish meal and fillet factories, VND150bn (USD14mn) for collagen and VND500bn (USD22mn) for fruit plantations.



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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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