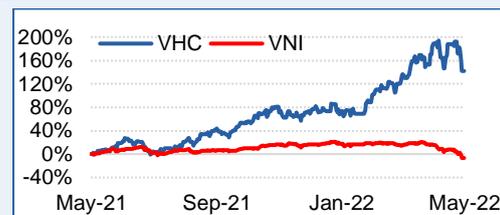


Industry:	Agribusiness	2021	2022F	2023F	2024F	
Report Date:	May 16, 2022	Rev Growth	28.7%	50.5%	10.4%	-9.0%
Current Price:	VND81,400	EPS Growth ⁽¹⁾	52.8%	100.1%	10.8%	-12.9%
Current Target Price:	VND108,900	EPS Growth ⁽²⁾	62.4%	100.1%	10.8%	-12.9%
Previous Target Price:	VND80,800	GPM ⁽¹⁾	19.4%	23.6%	22.9%	21.2%
Upside to TP:	+33.8%	NPM ⁽¹⁾	12.1%	16.1%	16.2%	15.5%
Dividend Yield:	4.3%	EV/EBITDA ⁽¹⁾	11.0x	5.7x	5.1x	5.9x
TSR:	+38.1%	P/E ⁽²⁾	14.2x	7.1x	6.4x	7.3x



Market Cap:	USD638mn	VHC	Peers	VNI	
Foreign Room:	USD479mn	P/E (ttm)	10.3x	13.0x	12.8x
ADTV30D:	USD3.9mn	P/B (curr)	2.3x	1.4x	2.0x
State Ownership:	0%	Net D/E	0.3x	0.6x	N/A
Outstanding Shares:	181.9 mn	ROE	26.1%	11.0%	15.8%
Fully Diluted Shares:	181.9 mn	ROA	17.3%	5.5%	2.6%

(1) reported; (2) core

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 2021.

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Robust demand, tight supply send earnings to new highs

- We upgrade our rating from OUTPERFORM to BUY as positive demand-supply conditions beat our expectations. We believe VHC will record a stellar year in 2022 thanks to a continuing demand recovery in both its pangasius fillet and collagen & gelatin (C&G) businesses amid limited supply.
- We raise our target price (TP) by 35% as we increase our aggregate 2022F-2024F NPAT-MI by 41% mainly thanks to higher projections for fillet sales volume and ASP. We also roll our TP forward to mid-2023 vs YE2022 previously.
- We project EPS to surge 100%/11% YoY in 2022F/2023F thanks to stronger fillet and C&G profits as we believe global demand will further recover from COVID-19 disruptions. That said, we expect softer fillet ASPs will lead to a 13% YoY EPS slide in 2024F as demand softens amid high prices.
- Our TP puts VHC's average 2022F-2023F P/E at 9x vs its five-year average TTM P/E of 8x. We think a re-rating is justified due to C&G's current large profit contribution (15% in 2022F-2023F vs 0% in 2017) and our view that C&G should trade at a premium vs VHC's fish fillet business.
- Potential risks to our positive view: Weaker-than-expected fillet demand due to higher selling prices; faster-than-expected pangasius supply recovery; weaker-than-expected C&G sales.

In addition to the ongoing post-COVID-19 demand recovery, the Ukraine-Russia conflict could boost demand for pangasius. Russia is one of the largest exporters of wild-caught whitefish (i.e., 21% of global whitefish exports in 2020, per the UN International Trade Centre) such as pollock and cod, which compete with pangasius. Amid the Russia-Ukraine conflict, Russia's exports could be disrupted by sanctions and boycotts, which would elevate whitefish prices and boost demand for alternatives such as pangasius, which are positive for pangasius export prices.

Upbeat demand-supply dynamics to elevate both raw pangasius and fillet selling prices. In early May 2022, Vietnam's raw pangasius prices surged 33% YTD and 45% YoY to USD1.4/kg amid a demand recovery — especially in the US — and Vietnam's suppressed pangasius supply. The latter was due to COVID-related disruptions on pangasius production in 2021 (e.g., disrupted farming and processing activities) as well as higher feed costs. In our view, Vietnam's pangasius supply will not recover fully until 2023. Against this backdrop, we believe the unit profit of VHC's fillets will strengthen — despite higher raw fish prices — as we project VHC's 2022F fillet ASP will soar to USD4.3/kg in 2022F (USD3.5/kg in our previous report) from USD3.1/kg in 2021.

VHC's C&G business is poised to recover thanks to the economic reopening in Asia — its mainstay market. We expect C&G sales to soar 24% in 2022 vs 2021's 10% growth thanks to stronger demand for beauty products and in turn collagen.

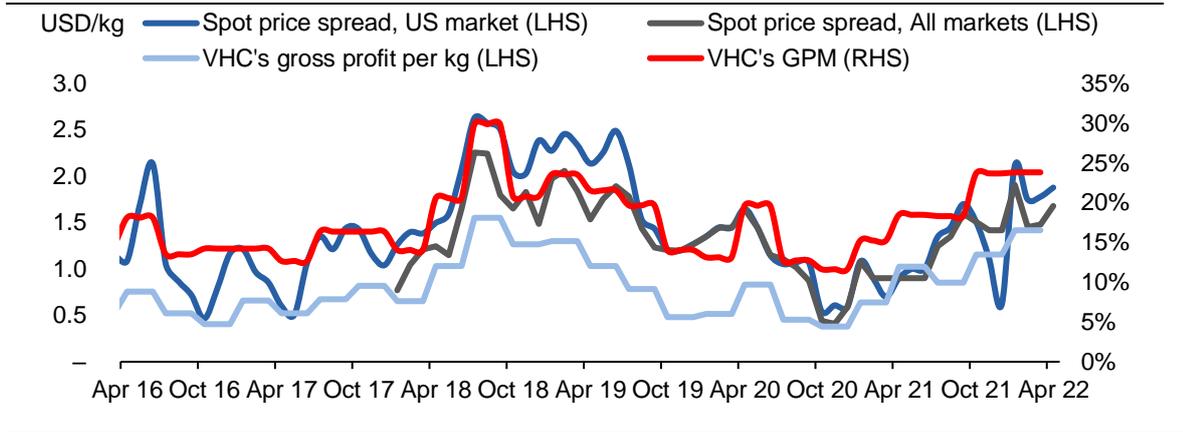
Q1 2022: Fillet ASP and sales volume recovery elevate earnings

Figure 1: VHC's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	VCSC comments on Q1 2022
Revenue	1,788	3,268	83%	
<i>By product*</i>	1,770	3,275	85%	
Collagen & gelatin (C&G)	156	218	40%	Thanks to global demand recovery.
Frozen fillets and related products	1,564	2,935	88%	Per our estimate, VHC's fillet export volume advanced 29% YoY in Q1 2022 primarily thanks to a rebound in pangasius demand in the US while fillet ASP surged 49% YoY to USD4.2/kg in Q1 2022.
Rice products (Sa Giang)	50	122	N.M.	
<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%	
Gross profit	273	778	186%	
SG&A	-139	-143	2%	
EBIT	133	636	377%	
Profit before tax	152	663	336%	
NPAT-MI	131	548	318%	
GPM	15.2%	23.8%		Blended GPM before inventory provisions broadened by 14 pts YoY and seven 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.
OPM	7.5%	19.5%		
PBT margin	8.5%	20.3%		
NPAT-MI margin	7.3%	16.8%		

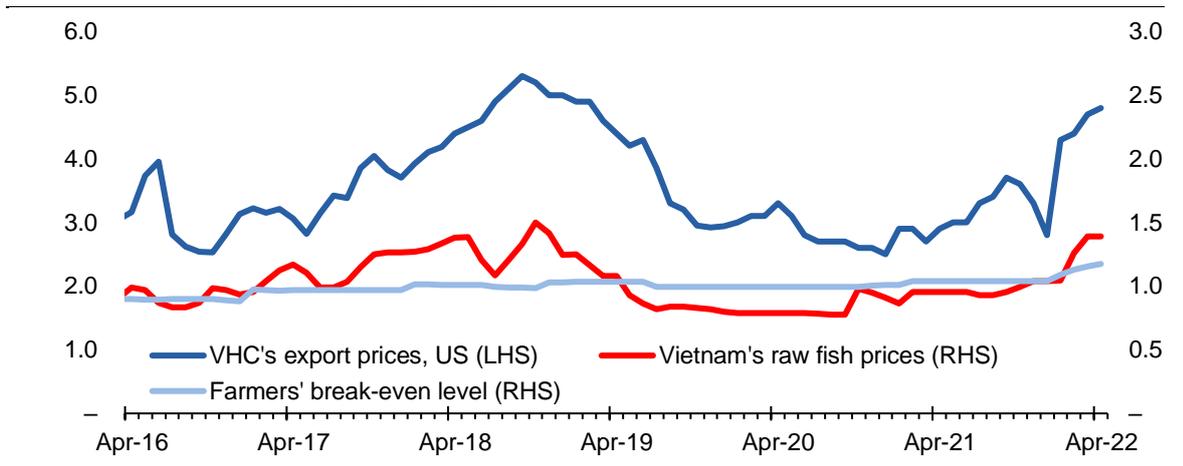
Source: VHC, VCSC (*Revenue breakdowns by segment and product are based on VHC's preliminary results in which the total revenue figure is slightly different from the official number).

Figure 2: VHC's quarterly GPM vs monthly spot market spreads*



Source: VHC, AgroMonitor, VCSC; data to April 2022; *VCSC's estimated spreads between VHC's export prices and market raw fish prices, adjusted by conversion factors.

Figure 3: VHC's monthly export prices to the US, Vietnam's raw pangasius prices* and farmers' break-even level (USD per kg)



Source: AgroMonitor, VCSC; data to April 2022; *raw fish is the main input material to make finished fillets.

2022F: We raise our NPAT-MI forecast by 48% thanks to higher-than-expected fillet ASP and volume

Figure 4: VCSC's 2022 forecasts

VND bn	2021	Old 2022F	New 2022F	YoY	VCSC comments on New 2022F
Revenue	9,054	10,809	13,630	51%	
C&G	642	858	799	24%	We assume VHC will utilize 77% of its C&G capacity in 2022F vs 65% in 2021 thanks to an expected strengthening in global C&G demand — especially in Asia, which is VHC's mainstay market. We nudge down our forecast as 4M 2022 results slightly trailed our expectations.
Frozen fillets and related products	8,054	9,548	12,248	52%	Pangasius demand to further rebound from the 2020-2021 trough. We forecast export volume to the US/China/EU will rise 18%/20%/25% YoY in 2022F, respectively. We raise our forecast amid better-than-expected demand recovery in the US and positive spillover effects from the Ukraine-Russia conflict.
<i>Fillet volume growth</i>	6.1%	10.5%	16.8%		
<i>Fillet ASP growth</i>	11.9%	12.5%	38.7%		ASP to surge to USD4.3/kg amid favorable demand-supply dynamics. We raise our forecast thanks to the aforementioned robust demand backdrop and higher feed costs (+25% YTD in May 2022), which could slow supply expansion.
Rice products (Sa Giang)	359	403	583	63%	Thanks to higher capacity utilization and VHC's plan to intensify sales activities. We increase our projections as Q1 2022's results tracked ahead of our expectation.
Gross profit	1,756	2,234	3,214	83%	
C&G	247	320	334	35%	
Frozen fillets and related products	1,432	1,825	2,730	91%	
Sa Giang	77	89	150	94%	
Operating profit	1,199	1,623	2,478	107%	
Non-operating items	80	101	92	14%	Mainly from net financial income.
Profit before tax	1,280	1,724	2,570	101%	
NPAT-MI	1,099	1,486	2,199	100%	
GPM	19.4%	20.7%	23.6%		
C&G*	38.4%	37.3%	41.8%		Backed by price/mix improvements.
Frozen fillets*	17.8%	19.1%	22.3%		Aided by ASP improvements.
Sa Giang	21.6%	22.2%	25.7%		Thanks to cost efficiency improvements and better selling prices.
SG&A/revenue	6.1%	5.7%	5.4%		Thanks to VHC's ability to pass part of the shipping cost inflation on to its customers and a potential softening in shipping costs.
OPM	13.2%	15.0%	18.2%		
NPM	12.1%	13.7%	16.1%		

Source: VHC, VCSC (*VCSC estimates)

Valuation

In this report, we roll our target price to mid-2023 from YE2022 previously. Moreover, we maintain a 50/50 mix of DCF and EV/EBITDA-based sum-of-the-parts (SoTP) to value VHC. In our view, a balanced mix between these two methods is reasonable given the different fundamental profiles of VHC's business segments as well as the company's volatile earnings growth that is primarily driven by its traditional fillet export business, which is vulnerable to external factors.

Our DCF valuation produces a higher fair value estimate than our EV/EBITDA-based SoTP method, which we attribute to the former's ability to better capture our expected improvements in VHC's working capital and the company's long-term earnings growth. During the pangasius export industry's challenging period of 2019-2021, VHC's inventory was piling up at the same time it had to extend its credit terms to support customers, which undermined the company's working capital. We expect this situation will reverse from 2022 amid the current favorable demand-supply dynamics.

Figure 5: Summary of VCSC's valuation for VHC

Method	Weighting	Fair value per share (VND)	Value contribution per share (VND)
DCF	50%	120,577	60,288
SoTP	50%	97,191	48,596
Target price			108,900
2022F/2023F P/E at TP			9.5x/8.6x
2022F/2023F EV/EBITDA at TP			7.4x/6.7x

Source: VCSC

Figure 6: DCF valuation for VHC

Cost of capital	Current	Previous	FCFF (five years)	VND bn
Beta	1.2	1.2	PV of Free Cash Flows	7,481
Market risk premium	7.0%	7.0%	PV of Terminal Val (3% g)	16,078
Risk-free rate	5.5%	5.5%	PV of FCF and TV	23,559
Cost of Equity	14.2%	14.2%	+ Cash & ST investments	1,264
Cost of Debt	5%	5%	- Debt	-2,777
Debt %	20%	20%	- Minority Interest	-108
Equity %	80%	80%	Equity Value	21,937
Corporate Tax%	15%	15%	Shares (millions)	182
WACC %	12.2%	12.2%	Value per share, VND	120,577

Source: VCSC

Figure 7: Cash flow projections for VHC

VND bn	2022F	2023F	2024F	2025F	2026F
Earnings before interest & tax	2,621	2,911	2,585	2,537	2,859
less: tax	-354	-385	-319	-303	-340
add: depreciation	400	489	555	610	660
less: net capex	-1,363	-978	-753	-688	-649
change in WC	-584	-17	712	134	-39
Free cash flow	719	2,019	2,780	2,289	2,492
PV of FCF	679	1,699	2,086	1,531	1,486
Cumulative PV of FCF	679	2,378	4,464	5,995	7,481

Source: VCSC

Figure 8: Sensitivity analysis of our target price for VHC in relation to DCF's WACC and terminal growth rate, ceteris paribus

TP (VND)	WACC					
	10.2%	11.2%	12.2%	13.2%	14.2%	
Terminal growth (g)	1.0%	112,700	105,900	100,300	95,600	91,600
	2.0%	119,000	110,800	104,200	98,700	94,200
	3.0%	127,000	116,800	108,900	102,500	97,300
	4.0%	137,600	124,600	114,800	107,100	100,900
	5.0%	152,300	134,900	122,300	112,800	105,300

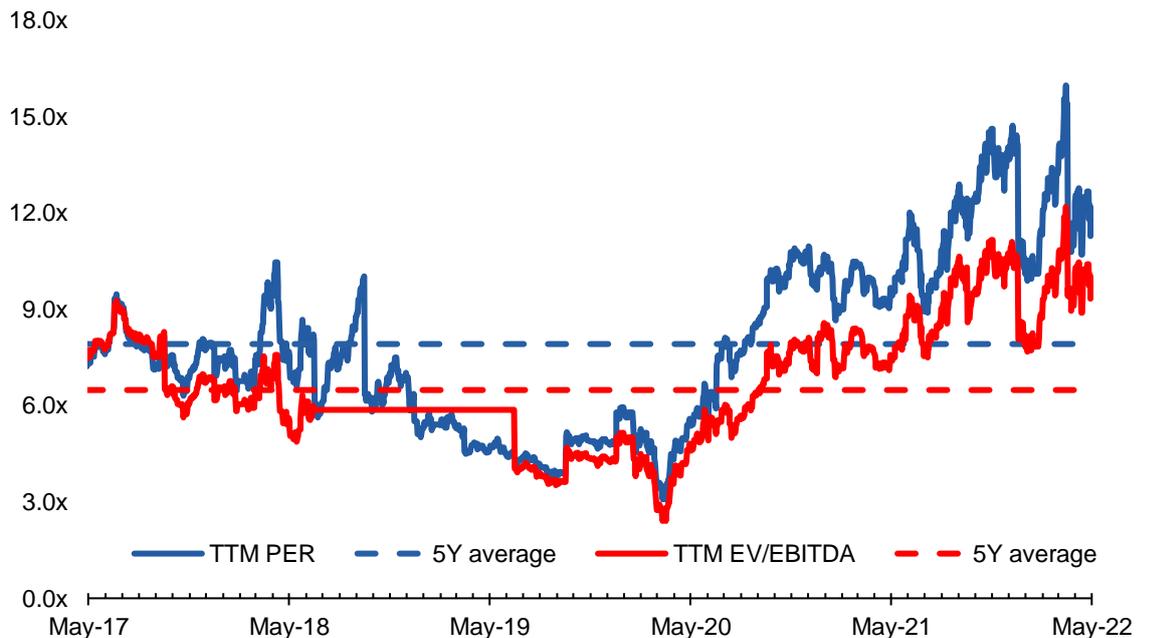
Source: VCSC

Figure 9: Sum-of-the-parts valuation for VHC

VND bn	Average 2022F-2023F EBITDA*	Target EV/EBITDA (x)	VHC's ownership	Target EV, attributed to VHC	Notes to VCSC's target EV/EBITDA
Collagen and gelatin	387	10.0	100%	3,867	Our target EV/EBITDA of 10x is broadly in line with the average transactional multiple of 11.3x for global supplement companies, per US investment bank Capstone Headwaters' Nutritional Supplement Demand Rises Amid Pandemic report, dated September 2020.
Frozen fillets and related products	2,379	6.0	100%	14,272	VHC's five-year average EV/EBITDA in 2014-2019. In our view, VHC's market valuation prior to 2020 did not incorporate the company's C&G business due to its insignificant profit contribution. VHC's long trading history and lack of valid comparable peers in the region are why we opt for VHC's historical EV/EBITDA instead of a peer-based EV/EBITDA.
Sa Giang	146	8.0	77%	1,166	Justified by Sa Giang's leading brand and 80% share in Vietnam's prawn cracker market.
Total EV				19,304	
Net debt and minority interest				1,621	
Total equity value				17,683	
Share count (million)				182	
Value/share (VND)				97,191	

Source: VHC, VCSC; *adjusted for contributions to bonus & welfare fund that account for 5% of annual NPAT-MI, per our forecasts.

Figure 10: VHC's historical TTM P/E and TTM EV-to-EBITDA (on a reported basis)



Source: Bloomberg, VCSC

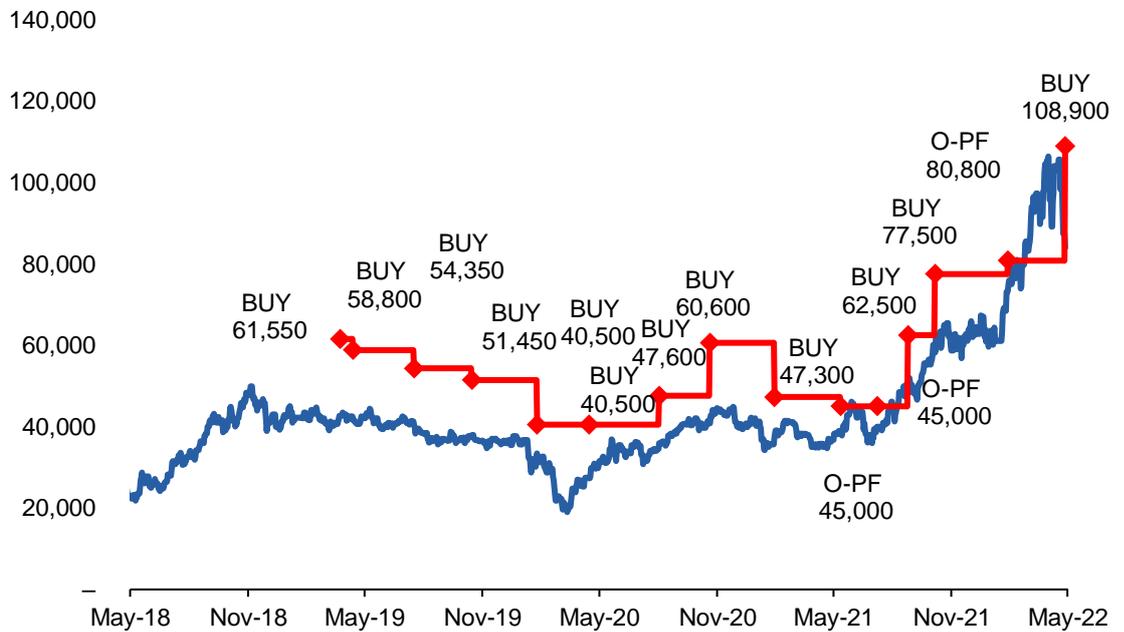
Figure 11: Vietnamese seafood companies

Company	Ticker	Market Cap (USD mn)	TTM Sales (USD mn)	YoY (%)	TTM NPAT (USD mn)	YoY (%)	Net D/E (x)	ROE (%)	ROA (%)	LQ P/B (x)	TTM P/E (x)	TTM EV/EBITDA
Minh Phu	MPC	324	592	-5	28	-4	0.4	11.6	6.9	1.4	12.2	12.2
Nam Viet	ANV	213	152	20	6	22	0.6	11.0	5.5	1.9	18.1	13.8
Hung Vuong	HVG	33	177	-49	-46	N/A	3.2	-80.5	-12.9	0.9	N/A	N/A
Intl Dev & Inv	IDI	181	249	-1	6	212	0.8	10.4	4.1	1.3	13.2	15.6
Sao Ta Foods	FMC	146	227	19	12	29	-0.2	18.4	11.7	1.9	12.9	12.2
Cuulong Fish	ACL	49	53	17	2	146	0.7	12.7	6.0	1.5	12.0	10.5
Bentre Aqua	ABT	21	15	35	2	-18	0.1	5.9	4.4	1.2	20.0	14.5
Median		146	177	17	6	26	0.6	11.0	5.5	1.4	13.0	13.0
Mean		138	209	5	1	65	0.8	-1.5	3.7	1.4	14.7	13.1
Vinh Hoan	VHC	638	458	47	66	117	0.3	26.1	17.3	2.3	10.3	8.2

Source: Bloomberg, VCSC (data as of May 16, 2022)

Recommendation History

Figure 12: Recommendation history; share prices (VND) adjusted for share splits



Source: Bloomberg, VCSC

Financial Statements

P/L (VND bn)	2021	2022F	2023F	2024F
Revenue	9,054	13,630	15,048	13,692
COGS	-7,298	-10,415	-11,597	-10,783
Gross profit	1,756	3,214	3,451	2,909
Sales & Marketing exp	-344	-395	-391	-356
General & Admin exp	-213	-341	-373	-342
Operating Profit	1,199	2,478	2,687	2,211
Financial income	195	206	292	383
Financial expenses	-107	-106	-123	-119
- o/w, interest expense	-35	-51	-63	-64
Associates	0	0	0	0
Net other income/(loss)	-8	-8	-8	-8
Profit before Tax	1,280	2,570	2,848	2,467
Income tax	-173	-354	-385	-319
NPAT before MI	1,107	2,216	2,462	2,148
Minority interests	-7	-16	-25	-25
NPAT-MI, reported	1,099	2,199	2,438	2,123
NPAT-MI, adjusted ⁽¹⁾	1,099	2,199	2,438	2,123
EBITDA	1,484	2,878	3,176	2,765
EPS basic reported, VND	5,738	11,484	12,728	11,084
EPS basic adjusted ⁽¹⁾ , VND	5,738	11,484	12,728	11,084
EPS fully diluted ⁽¹⁾ , VND	5,738	11,484	12,728	11,084
DPS, VND	2,000	3,500	4,000	3,500
DPS/EPS (%)	34.9%	30.5%	31.4%	31.6%

(1) Adjusted for one-offs

Ratios	2021	2022F	2023F	2024F
Growth				
Revenue growth	28.7%	50.5%	10.4%	-9.0%
Op profit growth	72.4%	106.7%	8.4%	-17.7%
PBT growth	59.3%	100.8%	10.8%	-13.4%
EPS growth, adjusted	62.4%	100.1%	10.8%	-12.9%

Profitability ratios

Gross Profit Margin	19.4%	23.6%	22.9%	21.2%
Op Profit, (EBIT) Margin	13.2%	18.2%	17.9%	16.1%
EBITDA Margin	16.4%	21.1%	21.1%	20.2%
NPAT-MI Margin, adj.	12.1%	16.1%	16.2%	15.5%
ROE	19.9%	32.6%	28.8%	21.3%
ROA	13.8%	21.5%	18.9%	14.6%

Efficiency ratios

Days Inventory On Hand	83	70	71	73
Days Accts, Receivable	64	60	63	66
Days Accts, Payable	16	15	19	22
Cash Conversion Days	131	114	115	117

Liquidity/Solvency

Current Ratio x	2.1	1.9	2.1	2.4
Quick Ratio x	1.4	1.4	1.6	1.9
Cash Ratio x	0.1	0.0	0.0	0.0
Debt / Assets	0.2	0.2	0.2	0.2
Debt / Capital	0.2	0.3	0.2	0.2
Net Debt / Equity	0.1	0.0	-0.1	-0.3
Interest Coverage x	34.6	48.4	42.8	34.7

Source: Company data, VCSC

B/S (VND bn)	2021	2022F	2023F	2024F
Cash & equivalents	195	68	110	156
ST investment	1,192	2,264	3,672	5,231
Accounts receivable	1,926	2,526	2,707	2,275
Inventories	1,793	2,188	2,309	2,029
Other current assets	436	561	529	413
Total Current Assets	5,543	7,607	9,327	10,105
Fixed assets, gross	4,130	5,493	6,471	7,224
- Depreciation	-1,502	-1,869	-2,324	-2,845
Fixed assets, net	2,628	3,625	4,147	4,379
LT investments	66	66	66	66
LT assets other	501	458	453	447
Total LT assets	3,195	4,148	4,666	4,893
Total Assets	8,738	11,756	13,993	14,998
Accounts payable	340	542	667	620
Short-term debt	1,735	2,476	2,757	2,563
Other ST liabilities	605	939	1,066	998
Total current liabilities	2,680	3,956	4,490	4,181
Long term debt	156	156	156	156
Other LT liabilities	17	17	17	17
Total liabilities	2,854	4,130	4,664	4,355

Preferred Equity	0	0	0	0
Share premium	224	224	224	224
Paid in capital	1,834	1,834	1,834	1,834
Retained earnings	3,724	5,450	7,128	8,417
Other equity	0	0	0	0
Minority interest	102	119	143	168
Total equity	5,884	7,626	9,329	10,643
Total liabilities & equity	8,738	11,756	13,993	14,998

Y/E shares out, mn	181.9	181.9	181.9	181.9
Y/E treasury shares, mn	1.4	1.4	1.4	1.4

Cash flow (VND bn)	2021	2022F	2023F	2024F
Beginning Cash Balance	41	195	68	110
Net Income	1,099	2,199	2,438	2,123
Dep, & amortization	285	400	489	555
Chge in Working Cap	-716	-584	-17	712
Other adjustments	-336	-94	-97	-81
Cash from Operations	332	1,921	2,812	3,309
	185.0%			
Capital Expenditures, net	588	-1,363	-978	-753
Investments, net	-1,431	-1,063	-1,436	-1,588
Cash from Investing	-843	-2,426	-2,414	-2,341
Dividends paid	0	-364	-637	-728
Δ in Share Capital	0	0	0	0
Δ in ST debt	630	741	281	-194
Δ in LT debt	87	0	0	0
Other financing C/F	-462	0	0	0
Cash from Financing	665	377	-356	-921
Net change in cash	154	-128	42	47
Ending Cash Balance	195	68	110	156

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%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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