November 20th , 2023

Shinhan Securities



Vinh Hoan Corporation

[Vietnam / Fisheries]

Bloomberg Code (VHC VN) | Reuters Code (VHC.HM)

BUY

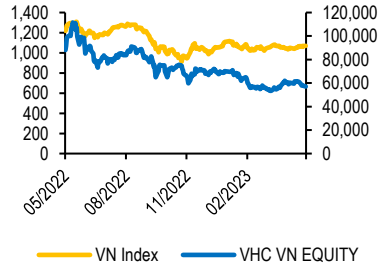
Update Report

Target price (12 months)	**106,300 VND**
Current price (20/11/2023)	70,000 VND
Return (%)	52%

VNINDEX	1,104
Market P/E (x)	11.6
Market Cap (bn VND)	13,093
Outstanding shares (1mn)	187
Free float (1mn)	93
52-week high/low (VND)	86,300/53,300
90-day avg. trading volume (1mn)	0.91
90-day avg.turnover (bn VND)	72
Foreign ownership (%)	27.67

Major shareholders (%)	Truong Thi Le Khanh	43.16
	Dragon Capital Group	6.11

Performance	3M	6M	12M
Abs (%)	-1.4	21.3	3.1
Rel to VN-Index (%)	4.9	17.9	-10.8



Source: Bloomberg

Diem Ngo

☎ (84-28) 6299-7759
✉ diem.ndn@shinhan.com

Ly Bui – Head of Research

☎ (84-28) 6299-8029
✉ ly.btt@shinhan.com





Please click or scan

Waiting for recovery

Update recommendation BUY, target price at VND 106,300

Vinh Hoan Corporation is the leading pangasius enterprise in Vietnam with an export proportion of more than 15%. 2023 is a difficult year for the pangasius industry in general and Vinh Hoan in particular. In 2024, we expect the business situation to become more positive when macroeconomic stability helps the purchasing power of import markets (especially the US) recover. Based on FCFF and EV/EBITDA methods, we update VHC's target price at VND 106,300.

Update Vinh Hoan's business result in Q3/2023

In Q3/2023, Vinh Hoan recorded net revenue of VND 2,698 billion (-17% YoY) and profit after tax of VND 201 billion (-56% YoY). Summarizing 9 months, the company recorded net revenue of VND 7,679 billion (-30% YoY) and profit after tax of VND 883 billion (-51% YoY). Pangasius export prices continuously decreased, capital costs increased sharply along with the high base level of the previous year, causing revenue and NPAT to both decrease sharply. The situation of the company's business segments in Q3/2023 is specifically as follows:

Pangasius segment: Pangasius segment revenue in 9M/2023 reached VND 4,328 billion (-39% YoY), mainly affected by low selling prices and reduced output. Specifically, the main revenue from the US market reached VND 2,377 billion (-52% YoY), the Chinese market reached VND 964 billion (-15% YoY). The European market had impressive growth of VND 1,356 billion (-1% YoY), of which September grew by 84% MoM with a revenue contribution of 22% (behind the US market: 30%).

Collagen & Gelatine and Sa Giang: Revenue from collagen & gelatin, by-products and Sa Giang recorded respectively VND 506 billion (-21% YoY), VND 1,305 billion (-29% YoY) and VND 304 billion (-9% YoY) mainly due to reduced export revenue.

Summarizing 9 months, Vinh Hoan achieved 67% of revenue target and 88% of net profit target. We adjust VHC's 2023 revenue forecast to VND 10,380 billion (-22% YoY) and NPAT to VND 1,782 billion (-40% YoY) due to the forecast of pangasius export price falling to 3.2 USD/kg (down 6% compared to the previous forecast) in 2023 when the price movement of raw material still stagnating and export prices searching for the bottom. We expect the company's revenue to grow again in 2024 when the cooling inflation situation boosts consumer demand with our forecast revenue at VND 12,419 billion (+20 % YoY) and NPAT at VND 2,214 billion (+48% YoY).

Risk (1) Risk of export; (2) Shortage of supply

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**13,231**	**10,380**	**12,419**	**15,779**	**11,129**
OP (bn VND)	2,254	1,371	2,021	2,506	1,434
NP (bn VND)	**2,013**	**1,204**	**1,782**	**2,168**	**1,251**
EPS (VND)	10,578	6,325	7,817	9,509	5,487
BPS (VND)	41,204	45,685	46,100	53,789	57,382
OPM	17.0	13.2	16.3	15.9	12.9
NPM	15.2	11.6	14.4	13.7	11.2
ROE	29.6	14.8	18.9	19.4	10.1
PER (x)	6.6	15.3	12.4	10.2	10.5
PBR (x)	1.7	2.1	2.1	1.8	1.4
EV/EBITDA (x)	4.8	10.7	7.8	6.5	9.8

Source: Company data, Shinhan Securities Vietnam

Shinhan Securities Vietnam Co., Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Analysts employed by Shinhan Securities Vietnam Co., Ltd. , or a non-US affiliate thereof, are not registered/qualified as research analysts with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. For analyst certification and important disclosures, refer to the Compliance & Disclosure Notice at the end of this report.

Valuation and Recommendation

We use Discounted Cash Flow (DCF) and EV/EBITDA valuation methods to value VHC with 40%-60% weighted and transfer the valuation to 2024. We maintain our BUY recommendation with a target price of VND 106,300, equivalent to a return of 52%.

Weighted Average Cost of Capital (WACC)	
WACC (%)	**10.78**
Risk-free rate (%)	3.0
Equity risk premium (%)	9.57
Beta	0.97
Cost of debt (%)	6.5
Cost of equity (%)	12.3
Debt-to-equity ratio	0.23
Total debt (bn VND)	2,442

Source: Company data, Shinhan Securities Vietnam

DCF valuation					
Unit: billion VND	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
Net profit	1,204	1,782	2,168	1,251	1,753
After-tax interest expense	138	124	183	120	138
Depreciation & Amortization	445	539	556	574	593
Change in working capital	(277)	1,329	(1,872)	1,667	249
CapEx	(1,175)	(786)	(304)	(278)	(353)
Free Cash Flow to Firm (FCFF)	**335**	**2,988**	**731**	**3,335**	**2,378**
PV of FCF	335	2,698	597	2,431	1,560
Growth rate (%)	0%				
Present value of long-term value	14,042				
Enterprise value	21,663				
Debt	2,442				
Cash and cash equivalents	2,204				
Minority interest	(23)				
Owner's equity value	21,403				
Number of shares oustanding (million)	183.377				
Target price (VND)	**116,713**				

Source: Company Data, Shinhan Securities Vietnam

Based on the EV/EBITDA method, we collected data from companies in the same industry similar to VHC, plus VHC's 5 year average EV/EBITDA with a weight of 50%. We estimate VHC's target EV/EBITDA at 6.7x. With the 2024 forward EBITDA at VND 2,761 billion, VHC's target price is VND 99,382.

Peer valuation

Tickers	Company name	EV/EBITDA	Mkt Cap (bn VND)
MPC VN Equity	Minh Phu Seafood Corporation	6.74	6,763
ANV VN Equity	Nam Viet Corporation	10.94	3,901
ASM VN Equity	Sao Mai Group	7.80	3,096
FMC VN Equity	Sao Ta Foods	7.11	2,929
IDI VN Equity	International Development & Investment	10.88	2,572
Mean	7.04		
5 yrs average of VHC	6.35		
Target EV/EBITDA	6.70		
EBITDA forward	2,761		
Enterprise value	18,485		
Debt	(2,442)		
Cash and cash equivalents	2,204		
Minority interest	(23)		
Owner's equity value	183,377		
Number of shares oustanding (million)	18,224		
Target price (VND)	**99,382**		

Source: Company Data, Shinhan Securities Vietnam

Company background

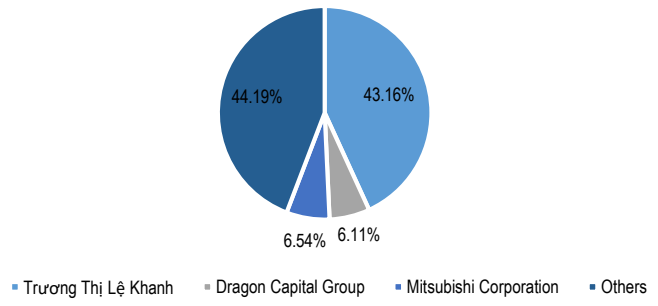
History of development

Vinh Hoan was established in 1997 in Dong Thap province, located in the Mekong Delta, specializing in farming and processing frozen pangasius products. In 2010, Vinh Hoan rose to the top of Vietnam's pangasius industry in export turnover, according to the Vietnam Association of Seafood Exporters and Producers ("VASEP"). Currently, Vinh Hoan is the enterprise with the largest export market share in the industry, accounting for 17% (in 2021), nearly three times higher than the remaining competitors. The company's chairman is Mrs. Truong Thi Le Khanh, with more than 20 years of work in the pangasius industry. Beside her are effective assistants taking on many segments from farming and processing to sales strategy, such as: Ms. Nguyen Ngo Vi Tam has been in charge of anti-dumping lawsuits in the US; at the end of last year, Mrs. Khanh's daughter, Le Ngoc Tien, became the company's strategic director with the direction of digital transformation within the next 3 years, as well as managing the company's investment activities. Therefore, in the past year, Vinh Technology has invested in two companies specializing in alternative protein aquafeeds, Entobel and Shiok Meats.

Vinh Hoan has main business activities in farming and processing pangasius products. Vinh Hoan's revenue by product can be listed as: fillet, collagen & gelatine, and by-products. The fillet segment brought Vinh Hoan's largest revenue source, accounting for 66%, along with by-products and collagen & gelatine contributed 19% and 7% of total revenue in 2021, respectively. In 2022, Vinh Hoan has returned with an aqua feed factory project and many new segments that promise to help improve the gross profit when the frozen pangasius export segment faces fluctuations.

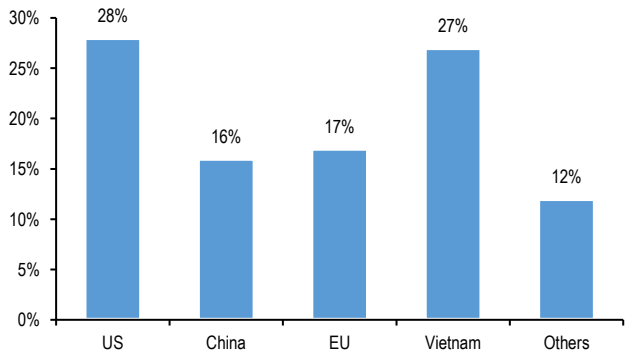
Vinh Hoan Corp. has been officially listed on the Ho Chi Minh Stock Exchange since 2007, under the ticker 'VHC'.

Shareholder's structure as of 20/11/2023



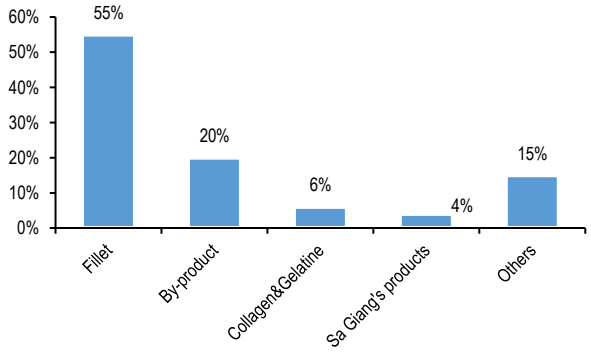
Source: Company Data, Shinhan Securities Vietnam

Revenue by destination in Q3/2023



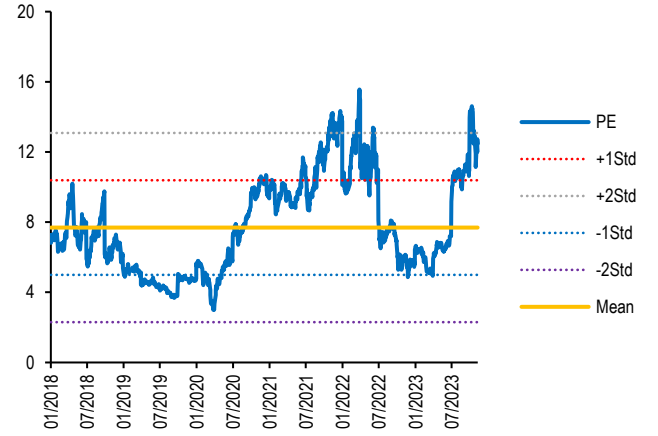
Source: Company Data, Shinhan Securities Vietnam

Revenue by products in Q3/2023



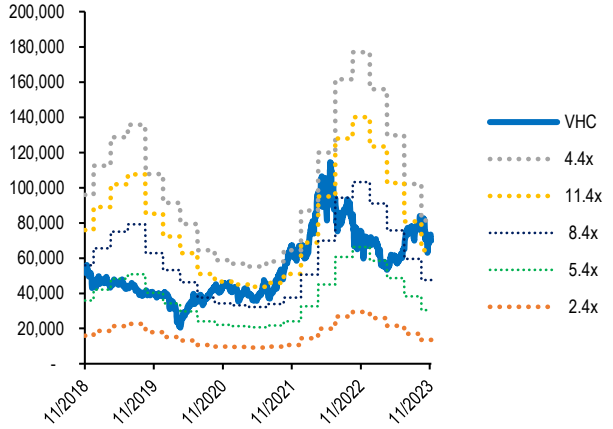
Source: Company Data, Shinhan Securities Vietnam

PER of VHC



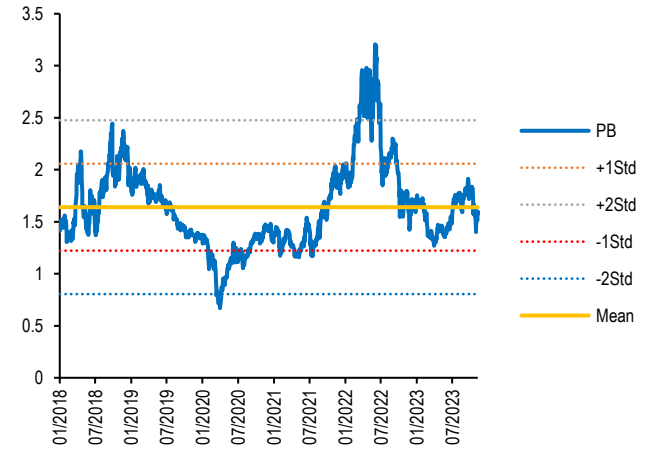
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PER band chart of VHC



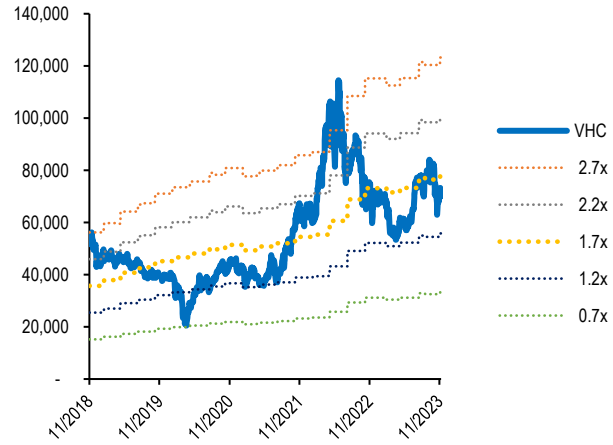
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PBR of VHC



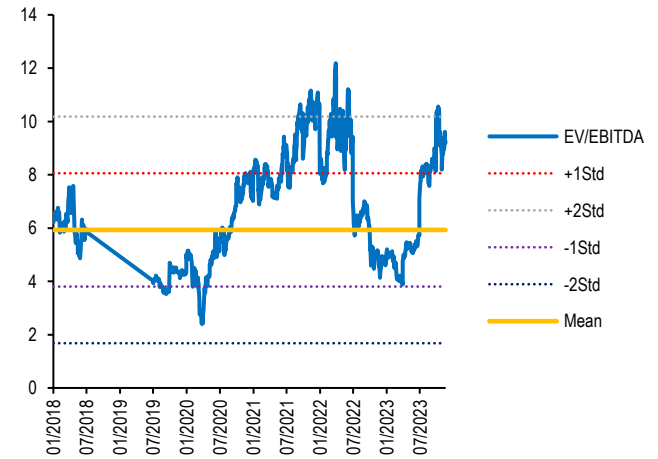
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PBR band chart of VHC



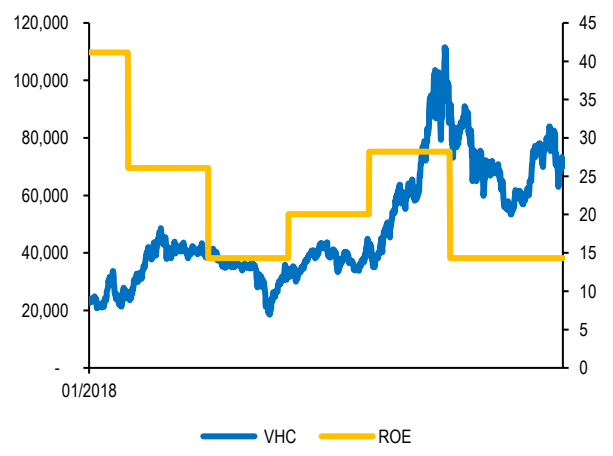
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

EV/EBITDA of VHC



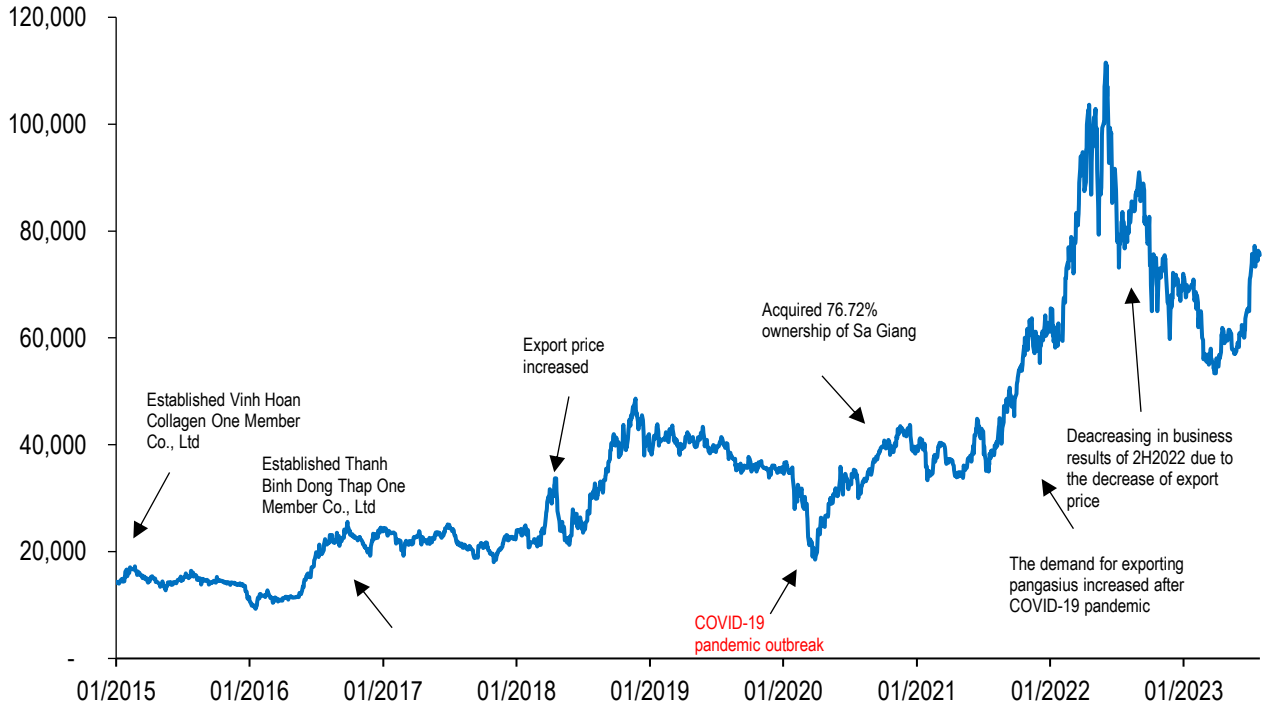
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Correlation between VHC's price and ROE



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Key events chart of VHC



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix : Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Total assets	8,738	11,583	12,160	14,347	17,297
Current assets	5,543	7,640	7,539	9,483	12,635
Cash & equivalents	195	553	507	1,314	1,591
Short-term financial asset	1,272	1,768	1,698	3,894	4,632
Accounts receivable	2,132	2,330	2,167	2,169	2,686
Inventories	1,793	2,818	3,004	1,917	3,495
Non-current assets	3,195	3,943	4,621	4,864	4,662
Net fixed assets	2,067	2,824	3,853	4,533	4,281
Investment assets	337	446	627	632	332
Other long-term assets	160	212	501	487	436
Total liabilities	2,854	3,889	3,629	4,034	5,263
Current liabilities	2,680	3,698	3,452	3,837	5,006
Accounts payable	340	448	392	473	590
Short-term borrowings	1,735	2,214	2,284	2,405	3,264
Others	605	1,037	777	959	1,153
Non-current liabilities	174	191	177	197	257
Long-term borrowings	156	175	158	177	233
Other financial liabilities	17	16	19	20	24
Total shareholders' equity	5,884	7,694	8,531	10,313	12,034
Capital stock	1,834	1,834	2,237	2,237	2,237
Capital surplus	224	264	264	264	264
Other capital	(114)	0	-	-	-
Retained earnings	3,838	5,426	5,837	7,586	9,266
Non-controlling interest equity	102	171	194	227	267
*Total debt	1,891	2,388	2,442	2,582	3,496
*Net debt (cash)	424	67	238	(2,626)	(2,727)

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	9,054	13,231	10,380	12,419	15,779
Growth (%)	28.7	46.1	(21.5)	19.7	27.1
COGS	(7,298)	(10,255)	(8,511)	(9,811)	(12,465)
Gross profit	1,756	2,976	1,868	2,608	3,314
GPM (%)	19.4	22.5	18.0	21.0	21.0
SG&A	(557)	(721)	(497)	(587)	(807)
Operating profit	1,199	2,254	1,371	2,021	2,506
Growth (%)	72.4	88.0	(39.2)	47.4	24.0
OPM (%)	13.2	17.0	13.2	16.3	15.9
Non-operating profit	80	68	33	58	25
Financial income	195	434	308	361	446
Financial expense	(107)	(370)	(267)	(291)	(412)
In which: interest expenses	(35)	(97)	(160)	(143)	(211)
Net other non-operating profit	(8)	4	(8)	(12)	(9)
Pre-tax profit	1,280	2,323	1,404	2,079	2,532
Income tax	(173)	(310)	(200)	(297)	(364)
Net profit	1,107	2,013	1,204	1,782	2,168
Growth (%)	53.8	81.9	(40.2)	48.1	21.6
NPM (%)	12.2	15.2	11.6	14.4	13.7
Controlling interest	1,099	1,975	1,181	1,749	2,127
Non-controlling interest	8	38	23	33	41
EBIT	1,314	2,420	1,564	2,222	2,743
Growth (%)	59.3	81.5	(39.6)	48.1	21.8
EBIT Margin (%)	14.5	18.3	15.1	17.9	17.4
EBITDA	1,599	2,747	2,008	2,761	3,299
Growth (%)	53.1	71.8	(26.9)	37.5	19.5
EBITDA margin (%)	17.7	20.8	19.3	22.2	20.9

Statement of cash flow

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	458	1,648	1,371	3,650	852
Net profit	1,107	2,013	1,204	1,782	2,168
Depreciation expense	285	327	445	539	556
(Gain) from investing activities		-	-	-	-
Change in working capital	(933)	(692)	(277)	1,329	(1,872)
Others	-	-	-	-	-
Cash flow from investments	(1,020)	(1,573)	(1,104)	(2,983)	(1,042)
Change in fixed assets	(941)	(1,072)	(1,475)	(1,218)	(304)
Change in investment assets	98	(496)	70	(2,197)	(738)
Others	(177)	(5)	300	432	-
Cash flow from financing	717	284	(313)	140	467
Change in equity	-	154	-	-	-
Net borrowing	717	497	53	140	914
Dividends	-	(367)	(367)	-	(447)
Change in total cash	155	360	(46)	807	277
Beginning cash	41	195	553	507	1,314
Change in FX rates	(0)	-	-	-	-
Ending cash	195	555	507	1,314	1,591

Source: Company data, Shinhan Securities Vietnam

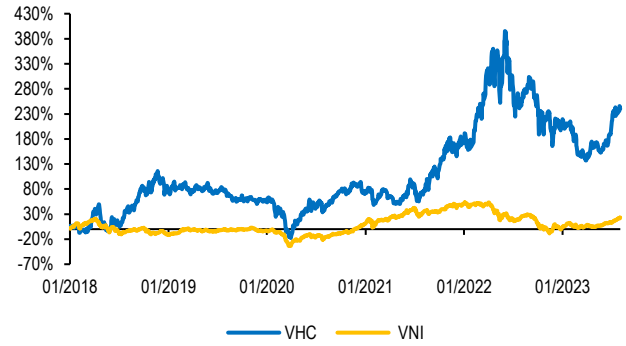
Key ratios

Năm	2021	2022	2023F	2024F	2025F
EPS (VND)	5,993	10,578	6,325	7,817	9,509
BPS (VND)	32,087	41,204	45,685	46,100	53,789
DPS (VND)	0	2,000	1,639	0	2,000
PER (x)	10.5	6.6	15.3	12.4	10.2
PBR (x)	2.0	1.7	2.1	2.1	1.8
EV/EBITDA (x)	8.3	4.8	10.7	7.8	6.5
Dividend payout ratio (%)	0.0	18.2	30.5	0.0	20.6
Dividend yield (%)	0.0	28.7	16.9	0.0	20.7
Profitability					
EBITDA margin (%)	17.7	20.8	19.3	22.2	20.9
OPM (%)	13.2	17.0	13.2	16.3	15.9
NPM (%)	12.2	15.2	11.6	14.4	13.7
ROA (%)	13.9	19.8	10.1	13.4	13.7
ROE (%)	20.0	29.6	14.8	18.9	19.4
Stability					
Debt to equity ratio (%)	32.1	31.0	28.6	25.0	29.1
Net debt ratio (%)	26.5	2.5	11.8	(95.1)	(82.7)
Cash ratio (%)	54.7	62.8	63.8	135.7	124.3
Interest coverage ratio (x)	37.9	24.9	9.8	15.5	13.0
Activity (%)					
Working capital turnover (days)	120.9	81.8	172.9	166.5	153.2
Inventory turnover (days)	82.6	82.1	124.8	91.5	79.2
Receivable turnover (days)	77.0	61.5	79.1	63.7	56.2

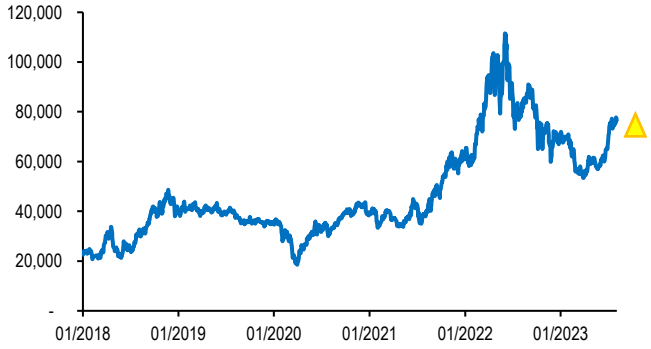
Source: Company data, Shinhan Securities Vietnam

VHC Corp. (VHC VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/Min
04/08/2022 (Initation)	BUY	101,432	39.8	-11.4/159.8
24/02/2023 (Update)	BUY	72,700	-10.7	-36.5/21.6
24/05/2023 (Update)	BUY	81,300	9.4	-31.1/52.5
07/08/2023 (Update)	BUY	102,800	49.9	11.7/92.9
20/11/2023 (Update)	BUY	103,900	57.5	26.5/99.1

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

Compliance & Disclosure Notice

Analyst Certification

- The following analysts hereby certify that their views about the companies and securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Diem Ngo

Important Disclosures & Disclaimers

- As of the date of publication, Shinhan Securities Vietnam Co., Ltd. does not beneficially own 1% or more of any class of common equity securities of the following companies mentioned in this report: Vinh Hoan Corporation
- Shinhan Securities Vietnam Co., Ltd. or one of its affiliates, and/or their respective officers, directors, or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities of the companies mentioned in this report.
- As of the date of publication, research analysts responsible for this report and members of their households do not have any financial interest in the debt or equity securities of the companies mentioned in this report.
- Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of Shinhan Securities Vietnam Co., Ltd. including profits derived from investment banking. The analysts responsible for this report may also receive compensation based upon, among other factors, the overall profitability of sales and trading businesses relating to the class of securities or financial instruments for which such analysts are responsible.
- All opinions and estimates regarding the companies and their securities are accurate representations of the research analysts' judgments and may differ from actual results.
- This report is intended to provide information to assist investment decisions only, and should not be used or construed as an offer or a solicitation of an offer to buy or sell any securities. The information herein has been obtained from sources deemed reliable, but such information has not been independently verified and no guarantee, representation, or warranty, expressed or implied, is made as to its accuracy, completeness, or correctness. Shinhan Securities Vietnam Co., Ltd. makes the best effort but does not guarantee the accuracy, completeness, or correctness of information and opinions translated into English from original Vietnamese language materials. Shinhan Securities Vietnam Co., Ltd. accepts no liability whatsoever for any direct, indirect, and/or consequential loss arising from any use of this material or its contents. Stock selection and final investment decisions should be made at the investor's own and sole discretion.
- This report is distributed to our customers only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.
- Investing in any Vietnamese securities or related financial instruments discussed in this research report may present certain risks. The securities of Vietnamese issuers may not be registered with, or be subject to the regulations of, the US Securities and Exchange Commission. Information on Vietnamese securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the US. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in currencies other than the Vietnamese won is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Distribution

- United States: This report is distributed in the US by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major US institutional investors as defined in Rule 15a-6(a)(2) of the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and warrant that they are major US institutional investors and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Securities Vietnam Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any US recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the US. The securities described herein may not have been registered under the US Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the US or to US persons unless they have been registered or are in compliance with an exemption from registration requirements.
- All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan Securities Vietnam Co., Ltd. or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan Securities Vietnam Co., Ltd. and its affiliates to any registration or licensing requirement within such jurisdiction.



Shinhan Investment Network

SEOUL
Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

Hong Kong
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

Indonesia
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

Shanghai
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

Ho Chi Minh
Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

Ha Noi
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000