Nam Viet JSC.

03/04/2021

Shinhan Securities
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RATING	REDUCE
Current price (VND)	22,950

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COMPANY INFORMATION

Industry	Food & Beverage
Ticker	ANV
Stock Exchange	HOSE

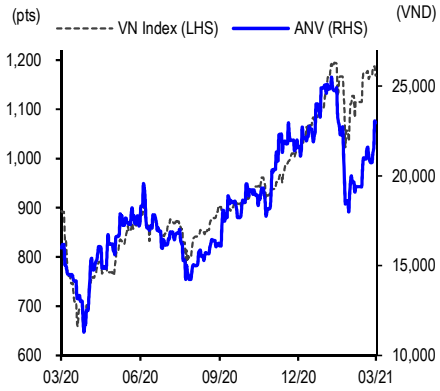
STOCK TRADING DATA

VN INDEX	1,169
Market Cap. (bn VND)	2,918
Outstanding Shares (1mn)	127
Free Floating Shares (1mn)	17
52-week High (VND)	26,000
52-week Low (VND)	11,800
Avg. Trading Volume (mn)	0.4
Avg. Reading T/O (bn VND)	11

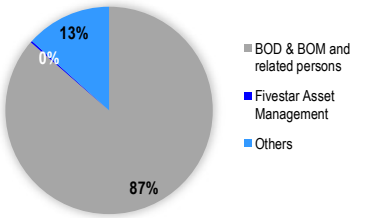
STOCK PERFORMANCE

(%)	3M	6M	12M
Absolute	6.3	36.2	29.3
Rel. to VNINDEX	(8.1)	6.6	(2.1)

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1. Business Position

- Customers: Oversea markets (2020: over 67% of revenue), of which, the key customers are: China & ASEAN (~60% of export sales), and Europe (~14% of export sales).
- Competitors: Pangasius exporters, including I.D.I Corp. (IDI); Vinh Hoan Corp. (VHC); and other foreign players.
- Substitutes: other white fish species such as cod, perch (especially in China), and Alaska pollock.

2. Investment Catalysts

- ANV is the second largest Vietnam pangasius exporters (2019: 6% of total Vietnam pangasius exported, following VHC at 13%). Currently, the company has 3 aqua-products factories with a total capacity of 600 tons of fish/day, meeting market demand without any expansion. ANV is attempting to upgrade its market share via promoting and marketing in China market. The company sets up a tight network with China distributors (the current major partner is Shanghai Feinglei International Trading).
- ANV owns a closed value chain that covers from fish feeding to processing. In detail, the company has 10 aquaculture feed production lines (capacity of 1,000 tons/day) and 22 raw fish farms (total area of 850 hectares). Thus, its self-supplied raw material rate reaches 100%, enabling ANV to actively control product quantity, quality, and input cost. In 2020, ANV gross profit margin (GM) and net profit margin (NPM) reached 14.1% and 5.9% respectively, which are relatively higher than the industry average (12.9% for GM and 3.5% for NPM, respectively).

3. Risks

- The pangasius consumption in China, the company's main exporting market, is forecasted to remain weak. Their Chinese client base mainly is restaurants, which heavily depend on the eating out habit which is largely replaced by "home cooking" habit due to the pandemic. Therefore, the expected occupancy rate of restaurants in China will remain low under the complex status of Covid-19. Moreover, the stricter requirements in trading (i.e: quality and moderation process) between Vietnam and China, lead to weaker consumption and the company's outlook. 2020 revenue and net profit of ANV declined significantly by -23.2% YoY to VND3.5tn and -71.3%YoY to VND202 bn, respectively.
- The profit margins of ANV is expected to slow down, in lights of: 1) lower product prices as weak demand for pangasius products (9M20 pangasius price strongly decreased -24% YoY to USD2.7/kg, cited Bloomberg data); and 2) increasing transportation cost (up by 2-3 times, from USD200-300 to USD600-700) due to higher oil price and shortage of container. 2020 gross margin (GM) and net profit margin (NPM) of ANV were down to 14.1% from 23.3% in 2019 and 5.9% from 15.7% in 2019, respectively.
- ANV is also experiencing a liquidity risk, as: 1) surging days of inventory ratio (to 215 days in 2020 from 103 days in 2018); and 2) declining interest coverage ratio (2020: 4.8x from 2019: 18.0x). In the context of the Covid-19 pandemic to slow trading activities, we think that there will be an increasing liquidity risk.
- The trailing P/E of ANV is at 14.5x, which higher than the print of VHC at 10.8x. We believe that the multiples of ANV is not attractive enough for weak perspective and steepening margins.

FINANCIAL INFORMATION

	2016	2017	2018	2019	2020
Sales (bn VND)	**2,825**	**2,949**	**4,118**	**4,481**	**3,440**
OP (bn VND)	91	247	693	805	243
Pre-tax (bn VND)	29	167	690	831	240
NP(1bn VND)	**19**	**142**	**600**	**704**	**202**
EPS(VND)	144	1,142	4,811	5,541	1,588
BPS(VND)	10,546	11,214	14,825	18,769	18,357
PER(x)	20.3	9.7	5.9	4.1	15.7
EV/EBITDA(x)	10.2	7.5	5.6	4.1	14.0
PBR(x)	0.3	1.0	1.9	1.2	1.4
ROE(%)	1.4	10.5	37.0	33.3	8.6

(*) Database information provided by Bloomberg

[FLASHNOTE]

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