August 4th, 2022



Vinh Hoan Corp

[Vietnam / Fisheries]

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

BUY

Initiation Coverage

Target price (12 months)	**VND 101,432**
Current price (Aug 4th ,2022)	VND 82,900
Return (%)	22%



[Analyst]

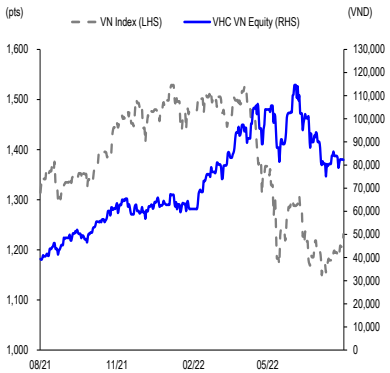
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VNINDEX	1,254
HNXINDEX	298
Market Cap (bn VND)	15,201,950
Outstanding shares (1mn)	183
Free float (1mn)	93
52-week high/low (VND)	118,000/39,700
90-day avg. trading volume)	1.633
90-day avg. turnover (bn VND)	165,749
Foreign ownership (%)	27.67

Major shareholders (%)	Truong Thi Le Khanh	43.16
	Mitsubishi Corporation	6.54

Performance	3M	6M	12M
Abs to VN-Index(%)	-21.1	34.6	99.8
Rel to VN-Index (%)	-10.8	51.7	106.1



Shinhan Securities

A blooming year

Initiate coverage with BUY call and Target price of VND 101,432

Vinh Hoan Joint Stock Company (HoSE: VHC) is one of the leading pangasius exporters in Vietnam, with the export revenue accounting for 80% and the autonomy of raw materials up to 70%. We first price VHC at VND 101,432, corresponding to a return of 22%.

The export demand for pangasius is increasing in the Europe and US

As of June 2022, Vinh Hoan's revenue was 7,604 billion VND (+183% YoY) thanks to the increasing demand for pangasius from developed countries. The war between Russia-Ukraine has made Vietnam's pangasius more competitive in exporting to the US and Europe. As we expected, the revenue of Vinh Hoan in 2022 will grow by over 40%, with a profit exceeding VND 1,700 billion.

The "Zero Waste" strategy helps improve the gross profit margin

Vinh Hoan aims to build a complete economic model with the motto "Zero Waste" to create products from every part of a pangasius. Vinh Hoan will gradually improve the company's profit margin with a complete economic model from the initial stage of breeding stock to using the residuals to form other products.

Increase revenue by investing in new technology and encroaching on agriculture

Vinh Hoan's new subsidiary Vinh Technology has invested in two new subsidiaries, Entobel and Shiok Meats, to find new solutions of rising feed costs due to inflation. Along with that, Vinh Hoan established Thanh Ngoc Foods and expanded into rice products by purchasing 76.72% shares of Sa Giang Import-Export Company.

Risk

1) Risk of pangasius's material price
2) Risk of investing in new subsidiaries
3) Risk of exporting

Year to Dec.	2021	2022F	2023F	2024F	2025F
Revenue (bn VND)	**9,054**	**12,756**	**13,165**	**13,904**	**15,868**
OP (bn VND)	1,199	1,932	1,829	1,894	2,416
NP (bn VND)	**1,107**	**1,731**	**1,700**	**1,728**	**2,185**
EPS (VND)	6,005	9,396	7,674	7,803	9,863
BPS (VND)	32,153	40,453	39,709	45,566	53,497
OPM (%)	13.0	15.0	14.0	14.0	15.0
NPM (%)	12.0	14.0	13.0	12.0	14.0
ROE (%)	**20.0**	**26.1**	**21.1**	**18.4**	**20.1**
PER (x)	10.4	7.9	7.3	8.2	8.5
PBR (x)	2.5	2.0	2.0	1.8	1.5
EV/EBITDA (x)	8.1	6.2	5.8	6.6	9.6

Source: Company Data, Shinhan Securities Vietnam

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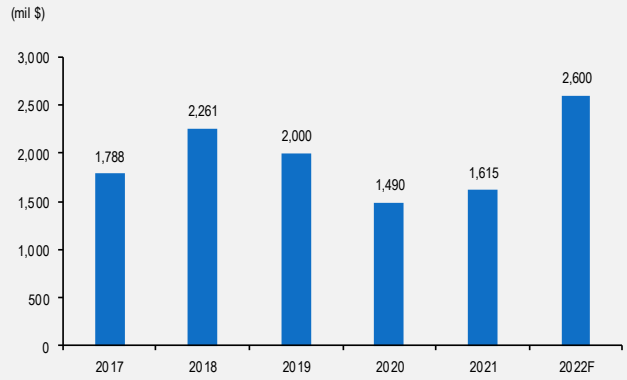
Company background

Overview of the pangasius industry

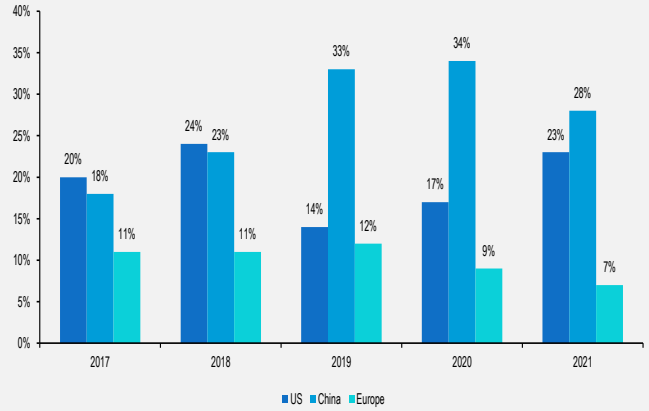
Vietnam is a leading exporter of pangasius when accounting for more than 90% of the world due to a favorable geographical conditions for pangasius farming in the Mekong Delta region. However, the COVID-19 pandemic made the pangasius farming area in 2021 decrease by 30-55% and production by nearly 18% compared to 2020 because many localities having to implement social distancing, and the organization of the three-on-site model faced many difficulties. Fortunately, thanks to the help of agencies and departments and the early recovery of significant economies led to Vietnam's pangasius turnover in 2021 achieved USD 1,617 billion (+8.4% YoY).

In 2022, the pangasius industry targets exporting to reach 2.6 billion USD. We believe the pangasius industry will be booming due to pent-up demand from previous years. Countries such as the US and Europe are entering a period of an economic crisis that makes the production slowdown causing them to increase the import. As a result, in the first half of 2022, the export turnover of the pangasius industry reached 1.4 billion USD, reaching 54% of the plan. Although the uptrend has slowed in June, we believe that export turnover will still grow well in the second half off the year due to the upcoming festivals.

Export value of pangasius industry in Vietnam



Major export country of pangasius product of Vietnam



Source: Company Data, Shinhan Securities Company

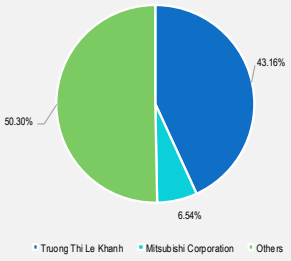
History of development

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.

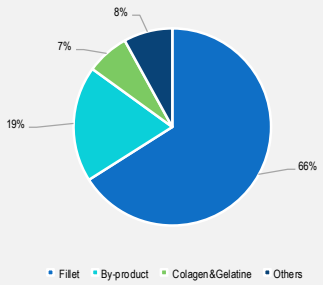
Vinh Hoan has main business activities in farming and processing pangasius products. Vinh Hoan's revenue by product can be listed as: fillet, collagen & gelatine, and by-products. The fillet segment brought Vinh Hoan's largest revenue source, accounting for 66%, along with by-products and collagen & 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

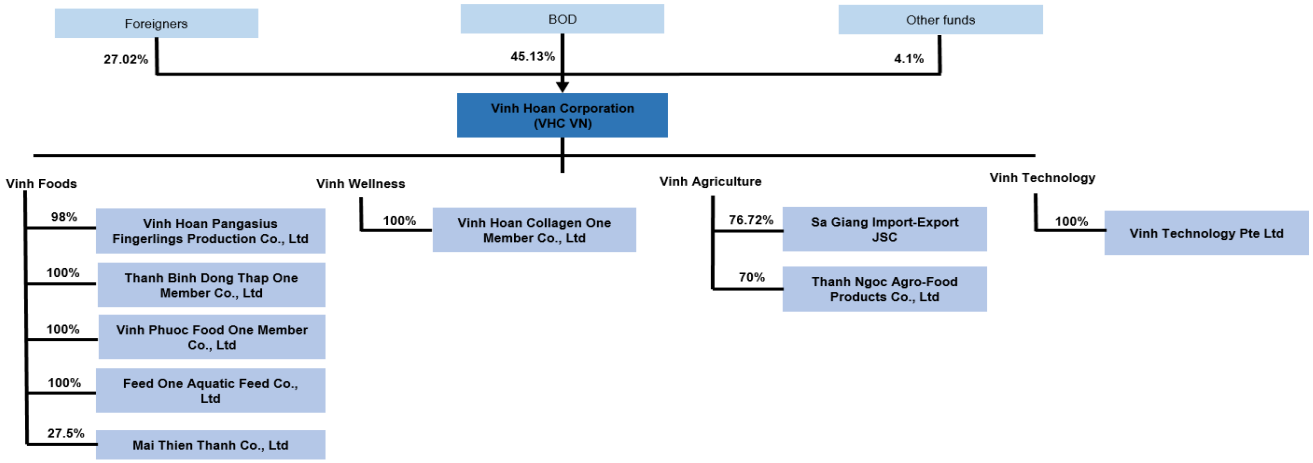


Revenue breakdown by products



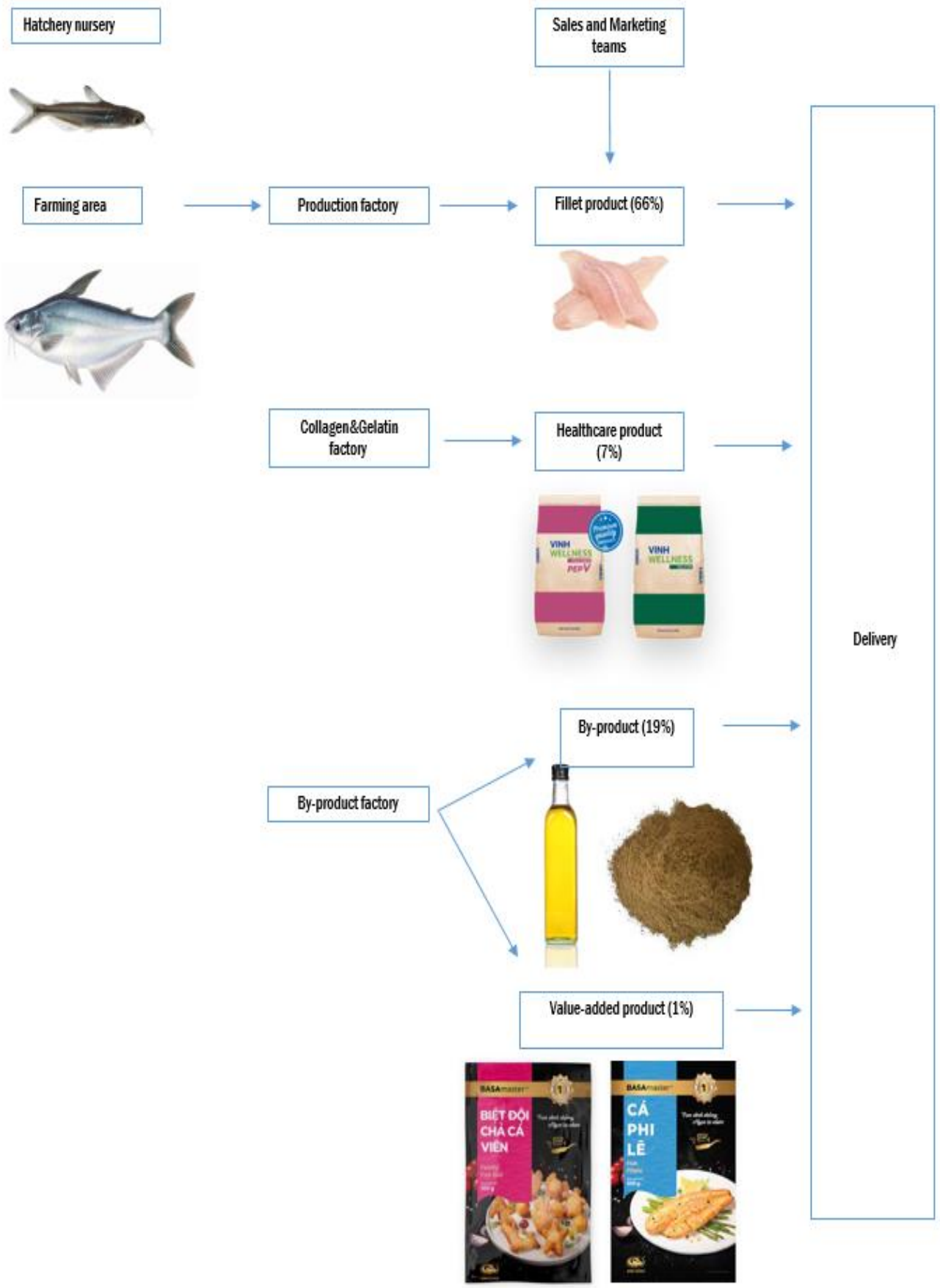
Source: Company Data, Shinhan Securities Vietnam

Vinh Hoan Corporation's corporate governance structure in 2021



Source: Company Data, Shinhan Securities Vietnam

Vinh Hoan's value chain



Source: Company Data, Shinhan Securities Vietnam

Investment Catalysts & Theses

The export demand for pangasius is increasing in the Europe and US

The demand for white fish in the Europe and US is growing positively after 2 years of the pandemic. Popular white fish products in these regions include pollock, pangasius, cod... Inflation occurs globally when CPI in the UK increases by more than 9.1% and in the US is 9.1% (June 2022), which may cause people to shift their consumption needs and look for cheaper alternative fish. The figures from the beginning of this year show a growth rate of more than 80% and are expected to increase further as the festive season approaches.

1. European market embargoes Russian pollock

EU imports up to 95% of white fish (according to VASEP) and most of it is from Russia. The embargo situation of EU countries with Russia can increase the competitiveness of Vietnam when pollock is one of the major competitors of pangasius. Vinh Hoan's business results of EU in the second quarter of 2022 reflected an increase of more than (+42% YoY).

Along with that, the EU-Vietnam Free Trade Agreement (EVFTA) takes effect from August 1st, 2020, eliminating 99% of tariffs. Most taxes on fishery products are eliminated directly in the Vietnam - EU FTA. However, for some important groups of aquatic products, tariffs will be phased out gradually. Currently, frozen pangasius products are enjoying GSP tax (Generalized System of Preferences) of 5.5% and will enjoy 0% EVFTA tax after 3 years (according to the Directorate of Fisheries).

2. The US market continues to be Vinh Hoan's leading export market

Compared to competitors, Vinh Hoan accounts for a relatively high proportion of exports in the industry. In 2021, Vinh Hoan's export proportion accounted for 17%. Vinh Hoan's revenue structure is mainly export, with export revenue accounting for more than 80% of total revenue, which exports to the US accounted for 63% of total export revenue in 2021 with a CAGR (2017-2021) of 2.5%. Because for this market, Vinh Hoan enjoys a tax rate of 0% according to POR17 (August 1st, 2019 - July 31st, 2020), and operates 4 of the 19 factories approved by the US Department of Agriculture under the Farm Bill program.

In the past 3 years, the area of catfish farming in the United States decreased continously with low inventories that made this country increase their import. Moreover, the price of pangasius can be an option in the context of persistently high inflation and can help fill the gap of high-segment white fish (cod, pollock) in short supply from Russia. In the first 6 months of 2022, the revenue of the US market contributes 60% to Vinh Hoan's export revenue and 49% of the total revenue. Although revenue fell in the last two months of the second quarter, we believe that it will still maintain in the second half of the year when the festive season is approaching.

The "Zero Waste" strategy helps improve the gross profit margin

Vinh Hoan aims to produce environmentally friendly products, using every part of pangasius to create new product lines that help protect the environment and improve the gross profit margin. To do that, the company has built a complete value chain from farming areas, breeding animals, and feeding to processing plants.

1. Inbound logistic

In the farming stage, the origin of feed and input materials are strictly evaluated and controlled. Vinh Hoan maintains a material autonomy of about 70% in the production of fingerlings thanks to the establishment of Vinh Hoan Pangasius Fingerlings Production Co., Ltd. in 2019 - solving the problem from the initial stage of fingerlings and expanding the Tan Hung farming area 100-150ha with the current size of 610ha. Vinh Hoan buys the remaining fingerlings from farmers with whom the company has a close relationship. Regarding this, Vinh Hoan will support 100% of food for households, and when harvesting, the farmers will deliver all the fish to the company. In our opinion, it will help Vinh Hoan bear less risk when market fluctuations make

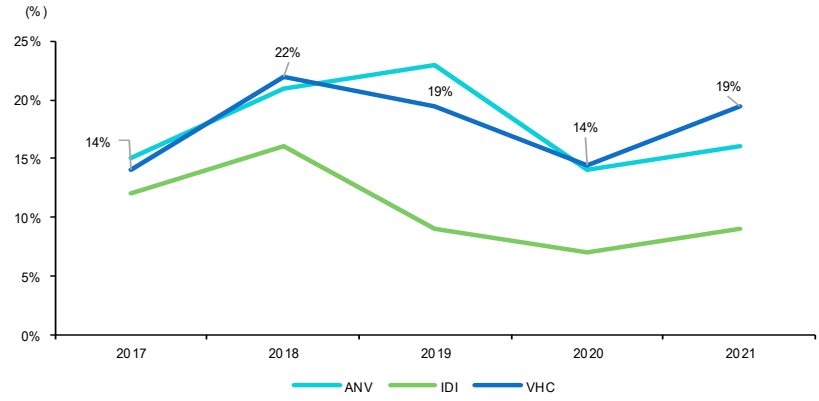
fish unable to be exported, reducing the cost of keeping fish in pond.

According to the National Center for Hydro-Meteorological Forecasting, saline intrusion in the Mekong Delta this year will be more complicated than every year. Currently, the saline intrusion affects 11/13 provinces in the Mekong Delta. However, Vinh Hoan's farming area is located upstream of the Mekong River so the saline intrusion will be less affected. In addition, Vinh Hoan is also leading in terms of the farming area and stable factory capacity. This year, the company plans to expand the farming area by 100-150ha and the factory capacity by 25%.

Company	Factory capacity		Farming area		
	Current	Expect	Current	Expect	Location
Vinh Hoan Corporation	1000 tonnes raw material/day	Incr 250 tonnes raw material/day	610 ha	Incr 100-150ha	Long An
I.D.I International Development & Investment Corporation	450 tonnes raw material/day	Incr 500 tonnes raw material/day	350 ha	Incr 100ha	Dong Thap
Nam Viet Corporation	1050 tonnes raw material/day	No	600ha	No	An Giang

Source: Annual report of VHC, IDI and ANV, Shinhan Securities Vietnam

Gross profit margin in 2021 of VHC, IDI and ANV



Source: Shinhan Securities Company, Bloomberg

In the pangasius industry, the feed conversion cost is 1.7:1, meaning 1.7 kg of feed is needed to produce 1kg of pangasius. Feed cost is a significant issue for pangasius farming because feed costs account for 65%-85% of cost of goods sold. In 2021, Vinh Hoan started construction of the Feed One factory with an expected capacity of 400,000 tons/year on an area of more than 6ha. Although the profit margin of the feed mill is not high, from the manufacturer's perspective, the feed mill will help reduce production costs, offering a more competitive price than other manufacturers. Furthermore, the price of pangasius is not regulated by the state but by supply and demand, so returning to the feed factory is quite beneficial to improve profit margin when there are more and more current competitors.

Vinh Hoan has 3 factories and 2 fish processing factories located near the Mekong Delta. The location of all the factories and fish hatcheries is very convenient, so it is easier to transport and reserve. This year, the company plans to increase the capacity of the Thanh Binh factory to 350 tons of materials/day and Vinh Phuoc to 250 tons/day.

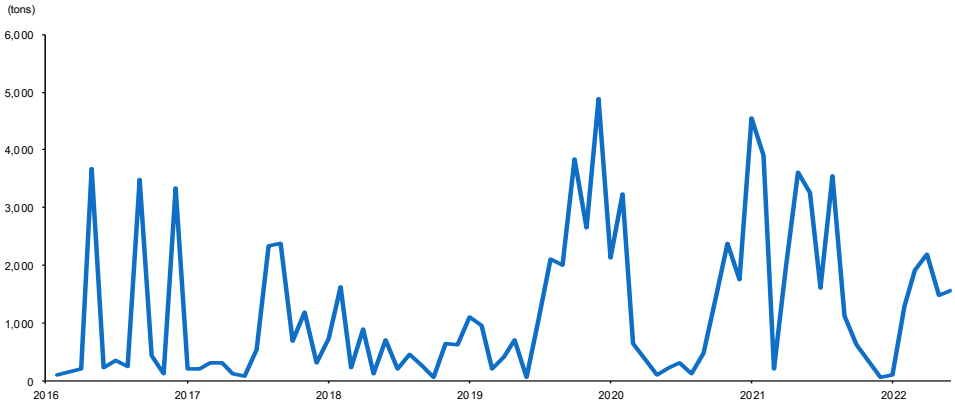
2. Operation

Fillet products: Vinh Hoan's main product is pangasius fillet, with an annual revenue contribution of about 65%. To produce fish fillets, the factory will need to cut off the head, tail, skin and remove the viscera. 1.7kg of fish will typically yield 1kg of moistened and glazed fillet fish. With a capacity of 1000 tons of raw materials/day, the excess will amount to more than 400,000kg. Vinh Hoan has taken advantage of all surplus by-products to launch new product lines that reduce disposal costs and help protect the environment.

Value-added products: Vinh Hoan's revenue is mainly exported, so when there are fluctuations in the international market, it will affect Vinh Hoan's revenue, so the company has launched value-added products from 2 production lines with a capacity of 1,500kg/hour, including breaded and seasoned products to serve domestic demand, but this product still export to Europe and the Middle East.

By-products: Remaining raw materials of fillet processing such as fish meal, fish fat, and other by-products are used in the processing of animal feed, and fish fat can also be served as food. In addition, in 2019, the fish oil and fish meal factory is operated at Vinh Phuoc, with a 100 tons/day capacity. This is a product line with a potential for export to China because the demand for fish oil imports from China is enormous. In 2021, revenue from the Chinese market accounted for 15%, most of which was from exporting by-products. With China's very high demand for importing fish oil from Vietnam, according to our analysis, China will be a potential market to help increase this segment's revenue in the near future.

The amount of fish oil China imports from Vietnam



Source: Shinhan Securities Company, Bloomberg

Health care products (Collagen & Gelatine): The remaining by-product of fillet production is fish skin, which Vinh Hoan has successfully applied to produce collagen and gelatin. This new segment contributes about 7% to total revenue but up to 40% to profit margin thanks to being able to operate the factory at full capacity. Besides, the product is also certified Halal with farming and production saying no to products from pigs and cows. The products are widely accepted across cultures and religions in the health and beauty industry.

3. Outbound logistic

Vinh Hoan has two cold storages with a capacity of 20,000 pallets at Vinh Phuoc factory, which helps to store fish longer, specifically about 6 months if the market has price instability and disease situations like in 2019-2021.

The revenue structure of Vinh Hoan is mainly export, with export revenue accounting for more than 80% of total revenue. 2021 is the year that has witnessed the escalation of logistics costs from USD 4,000 / 40-foot container to USD 20,000, which has increased the selling costs of export businesses, so Vinh Hoan has signed 60% of orders by FOB method and helped reduce shipping costs. Vinh Hoan only has to clear the goods for export, if necessary, when signing under this method. And there is no obligation to pay import tax or import clearance costs.

Increase revenue by investing in new technology and penetrate the agriculture sector

1. Vinh Technology invests in two alternative protein industry aqua feeds

Currently, the price of goods is increasing, which makes the price of aqua feeds with the main ingredients being wheat flour and soybean meal increase. So in 2021, Vinh Hoan established Vinh Technology based in

Singapore to find investment opportunities in new technologies and make changes to reduce carbon footprint throughout the food processing chain and in the alternative protein industry. In the past year, Vinh Technology has invested in two companies specializing in aqua feed, Shiok Meats and Entobel.

Since its founding in 2018, Shiok Meats has made significant strides in a short time. The company has already launched stem cell-based lobster and shrimp prototypes in exclusive launches in 2019 and 2020. The company is working hard to bring the cell-cultured crustacean to Singapore and the Asian market by 2023. In 2021, Shiok Meats successfully raised 10 million USD, which will be used to improve R&D.

Entobel is the 7th company to catch the eye of Mekong Enterprise Fund IV after successfully raising USD 25 million from this fund and USD 5 million from Dragon Capital. With the primary raw material being black soldier flies, in early 2019, this company built a feed factory with a 1000 tons/year capacity in Dong Nai and is the largest insect feed factory in the world.

Entobel



Source: Shinhan Securities Company

Shiok Meats



Source: Shinhan Securities Company

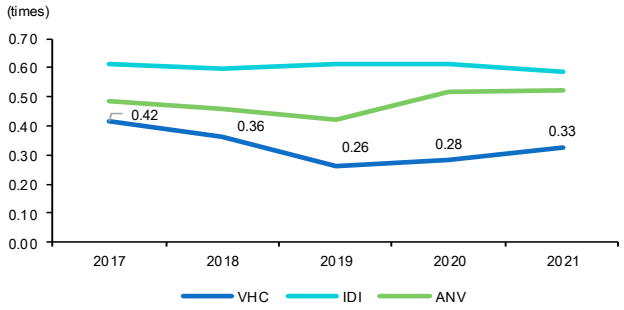
2. Vinh Hoan invested in Sa Giang, along with the establishment of Thanh Ngoc Foods

From 2020, the company constantly invests in new projects to improve its profit margin. The most prominent deal is acquiring 76.72% of charter capital at Sa Giang Import-Export JSC (ticker: SGC) – a company that exports rice products, notably Sa Dec shrimp crackers and noodle soup. Currently, Sa Giang has two factories, and Vinh Hoan will invest in a third factory for Sa Giang. However, this segment currently contributes only 1% to Vinh Hoan's revenue. However, this segment contributed only 4% in the revenue of the company in 2021.

Additionally, in 2021 Vinh Hoan invested in a new segment of frozen fruit. Vinh Hoan uses local agricultural ingredients such as dragon fruit, custard apple, mango, pineapple, lemon... to make dried fruit, fruit juice, and margarine oil... by contributing 100% of capital to establish Thanh Ngoc Foods. The reason for investing in this factory is to complete the value chain, Vinh Hoan can utilize the leftovers from the fish processing segment to make fertilizer for the plants. Thanh Ngoc Factory project has a total investment capital of 500 billion VND in phase 1. Accordingly, the expected capacity of the plant is about 150 tons of raw materials/day. Each year provides the market with about 23,000 tons of products. The project is expected to be completed and put into operation in Q3/2022.

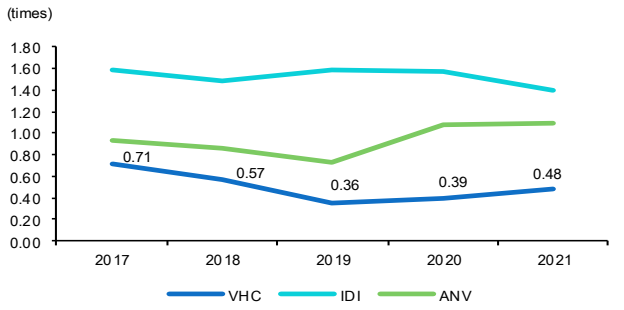
Stronger financial structure compared to competitors

Total Debts/Total Assets



Source: Company Data, Shinhan Securities Vietnam

Total Debts/Total Equity



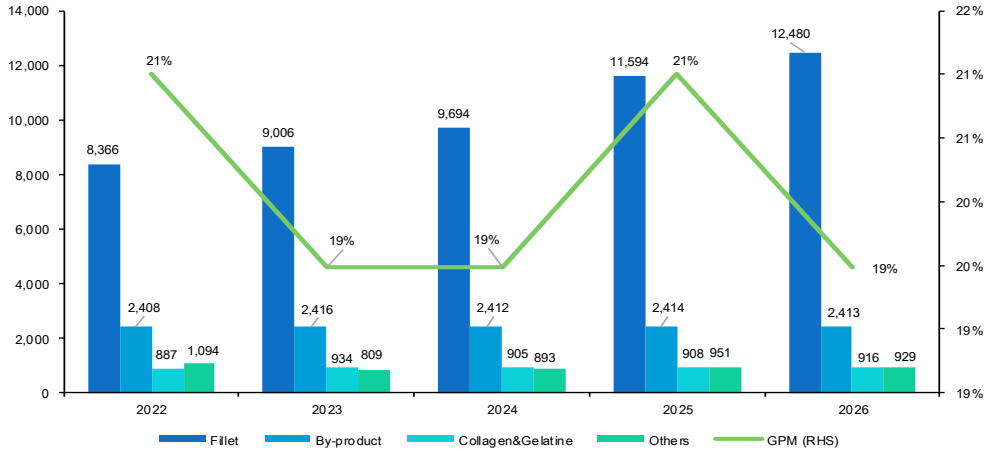
Source: Company Data, Shinhan Securities Vietnam

Vinh Hoan has a meager debt ratio compared to competitors in the same industry when Vinh Hoan's loans are mainly short-term loans with interest rates of about 5%. From 2020, Vinh Hoan has some long-term loans but very little, with a value of only about 5-10% of short-term loans

Earning Estimates

We expect Vinh Hoan's 2022 revenue to grow strongly due to the overall recovery of the industry, helping to open a new cycle with increased revenue (+41% YoY) and increased profit after tax (+56% YoY). In particular, the revenue from processing fish fillets is expected to grow the most thanks to the recovery of the export market, along with the by-products, collagen & gelatine segments will also extend by increasing sales. Factory capacity, as well as demand for fish oil in China, is rising. We also expect the company's profit margin to improve (21%) thanks to the investment in a feed factory that reduces costs and takes advantage of large-scale production.

Earnings forecast of Vinh Hoan (2022F–2026F)



Source: Shinhan Securities Company, Bloomberg

VHC's annual earnings trend and outlook (2021-2026F)

(Unit: Bn VND)	2021	2022F	2023F	2024F	2025F	2026F
Net Sales	9,054	12,756	13,165	13,904	15,868	16,738
Fillet	5,976	8,366	9,006	9,694	11,594	12,480
By-product	1,720	2,408	2,416	2,412	2,414	2,413
Collagen&Gelatine	634	887	934	905	908	916
Others	724	507	594	537	546	559
Operating profit	1,199	1,932	1,829	1,894	2,416	2,300
Gross Profit	1,756	2,679	2,565	2,710	3,332	3,262
Net profit	1,107	1,731	1,700	1,728	2,185	2,101
Margin (%)						
OPM	13%	15%	14%	14%	15%	14%
GPM	19%	21%	19%	19%	21%	19%
NPM	12%	14%	13%	12%	14%	13%
Growth (%YoY)						
Net Sales	29%	41%	3%	6%	14%	5%
OPM	72%	61%	-5%	4%	28%	-5%
GPM	73%	53%	-4%	6%	23%	-2%
NPM	54%	56%	-2%	2%	26%	-4%

Source: Company Data, Shinhan Securities Vietnam

Valuation and Recommendation

Initiate coverage with BUY call and TP of VND 101,432

We initiate coverage Vinh Hoan Corp. with a buy recommendation and a target price of VND 101,432, corresponding to an increase of 22% from the current price. For a long-term view, VHC is an investment that can be considered with the following advantages::

1) The export demand for pangasius is increasing in the Europe and US
2) The "Zero Waste" strategy helps improve the gross profit margin
3) Increase revenue by investing in new technology and encroaching on agriculture

Valuation

We apply a combination of P/E and Discounted Cash Flow (DCF) valuation methods with 60% and 40% weights to value Vinh Hoan. For the FCFF method, we assume a revenue growth rate of about over 40% in 2022, thanks to the increasing demand for pangasius exports due to pent-up demand due to two years of the COVID-19 pandemic.

DCF Valuation

(Unit: VND bn)	2021	2022F	2023F	2024F	2025F	2026F
Net Income	1,107	1,731	1,700	1,728	2,185	2,101
Plus: Interest after tax	35	90	77	89	97	105
Plus: D&A	285	328	371	380	390	400
Less: Net working capital	933	1,426	(34)	488	574	178
Less: Capex	1,118	1.066	117	121	221	201
FCFF	**(625)**	**(402)**	**2,064**	**1,565**	**1,856**	**2,205**
Discount factor	1.00	0.90	0.81	0.73	0.65	0.58
PV of FCF	(625)	(363)	1,6738	1,143	1,218	1,280
Terminal growth (%)	2.5%					
PV of Terminal value	14,812					
Enterprise value	**19,786**					
Net borrowing	2,979					
Cash and equivalent	139					
Total outstanding share	183,376,956					
Target price	**92,344**					

WACC (%)	**10.74%**
Risk-free rate (%)	3%

Equity risk premium (%)	11.36%
Beta	0.98
Cost of debt (%)	3.01%
Cost of equity (%)	14.10%
Debt to capital ratio (%)	29%
Value of debt (bn VND)	2,979

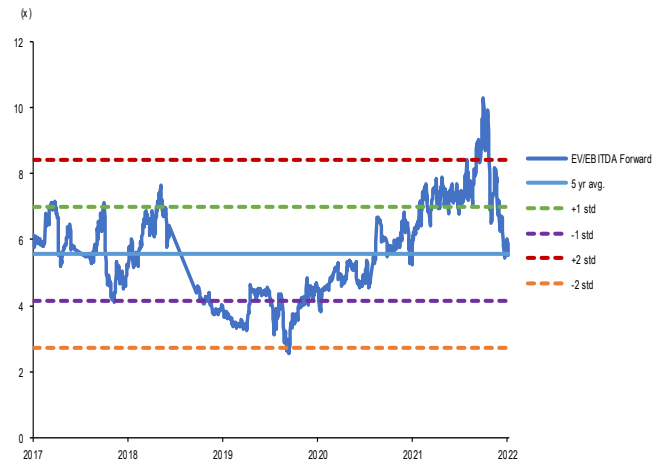
Source: Company Data, Shinhan Securities Vietnam

For the Weighted Average Cost of Capital (WACC), we use the 10-year Vietnamese government bond yield at 3% as the risk-free rate. Beta is calculated based on the last 5 years' historical data of Vinh Hoan and VNINDEX. The company's debt is relatively small compared to other companies in the same industry, with an interest of 3%. Based on those assumptions, VHC's FCFF target price is valued at VND 92,344.

Based on the P/E method, we collect data from companies in the same industry similar to VHC plus VHC's 5-year average P/E, with a weight of 50%. We estimate VHC's target P/E at 11.44x. With the 2022 forward EPS at VND 9,396, VHC's target price is VND 107,491.

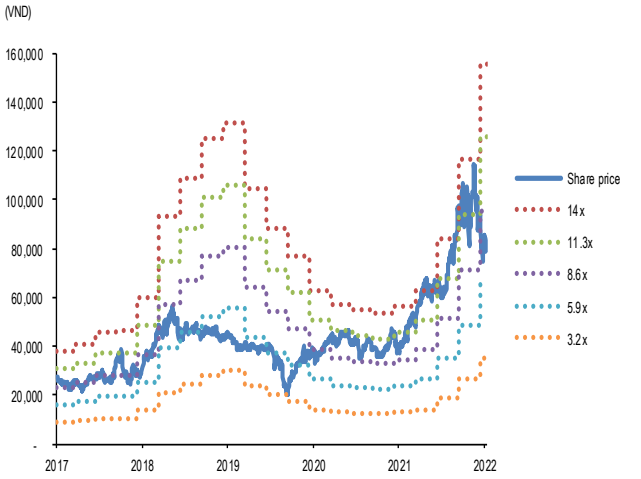
Tickers	**Company**	**Mar Cap(VND)**	**2021F PER**
ABT VN Equity	Ben Tre Aquaproduct	413,901	16.67
ACL VN Equity	Cuu Long Fisheries	1,038,292	10.98
ASM VN Equity	Sao Mai Group	4,862,812	6.93
CMX VN Equity	CAMIMEX Group	1,434,917	13.16
FMC VN Equity	Sao Ta Foods	3,459,072	11.75
IDI VN Equity	I.D.I International Development & Investment	4,348,012	14.03
CAT VN Equity	Seaprimexco	210,352	6.81
CCA VN Equity	Caseamex	278,801	6.16
KHS VN Equity	KIHUSEA VN	332,502	6.31
SEA VN Equity	SEAPRODEX	2,749,791	13.02
THP VN Equity	Thuan Phuoc corporation	270,135	14.77
ANV VN Equity	Nam Viet Corporation	5,777,962	21.41
Average of industry	**13.56**		
5 yrs average of VHC	9.32		
Target P/E	11.44		
EPS 2022F	9,396		
Target price	**107,491**		

FPT Corp. 12M Fwd EV/EBITDA



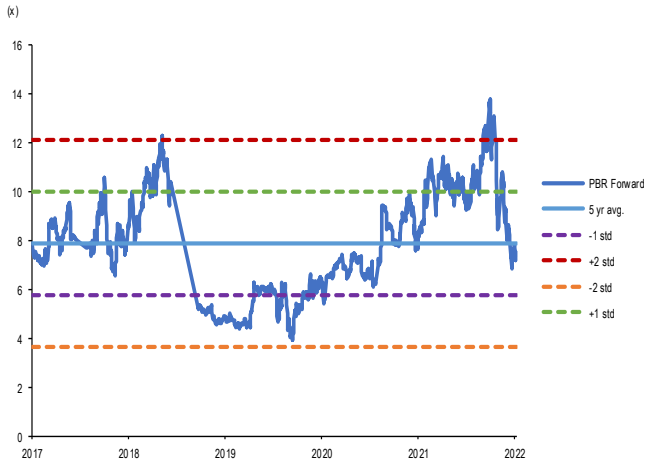
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VHC Corp. PER band chart



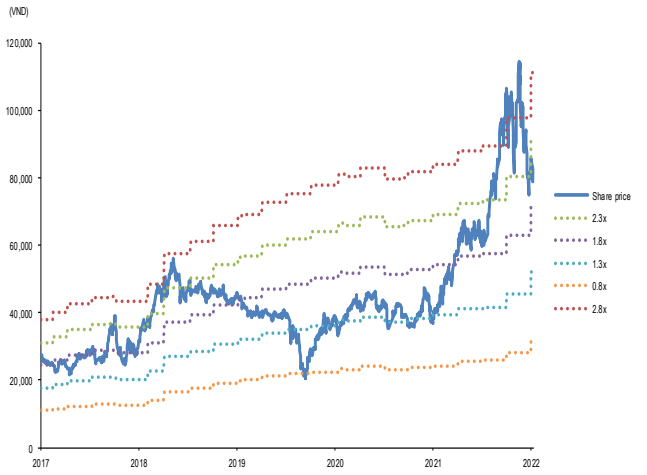
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VHC Corp. 12M Fwd PBR



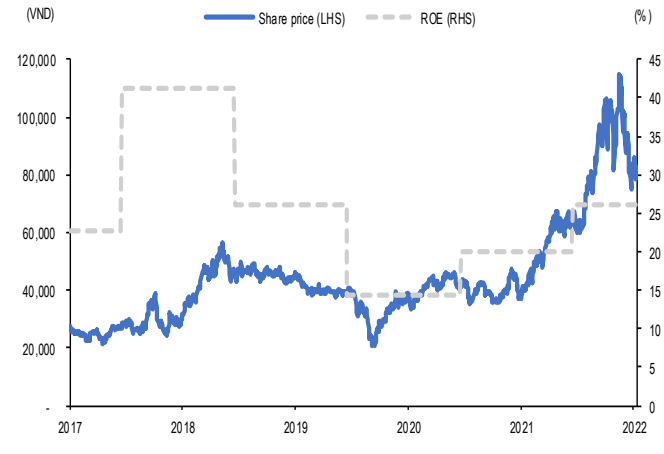
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VHC Corp. PBR band chart



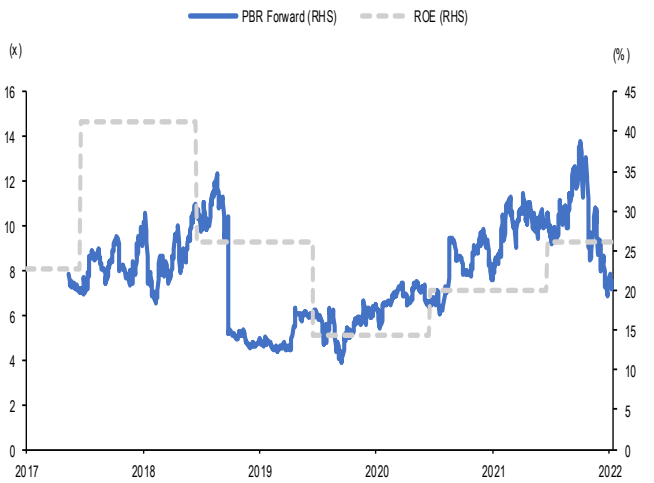
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VHC Corp. share price and ROE



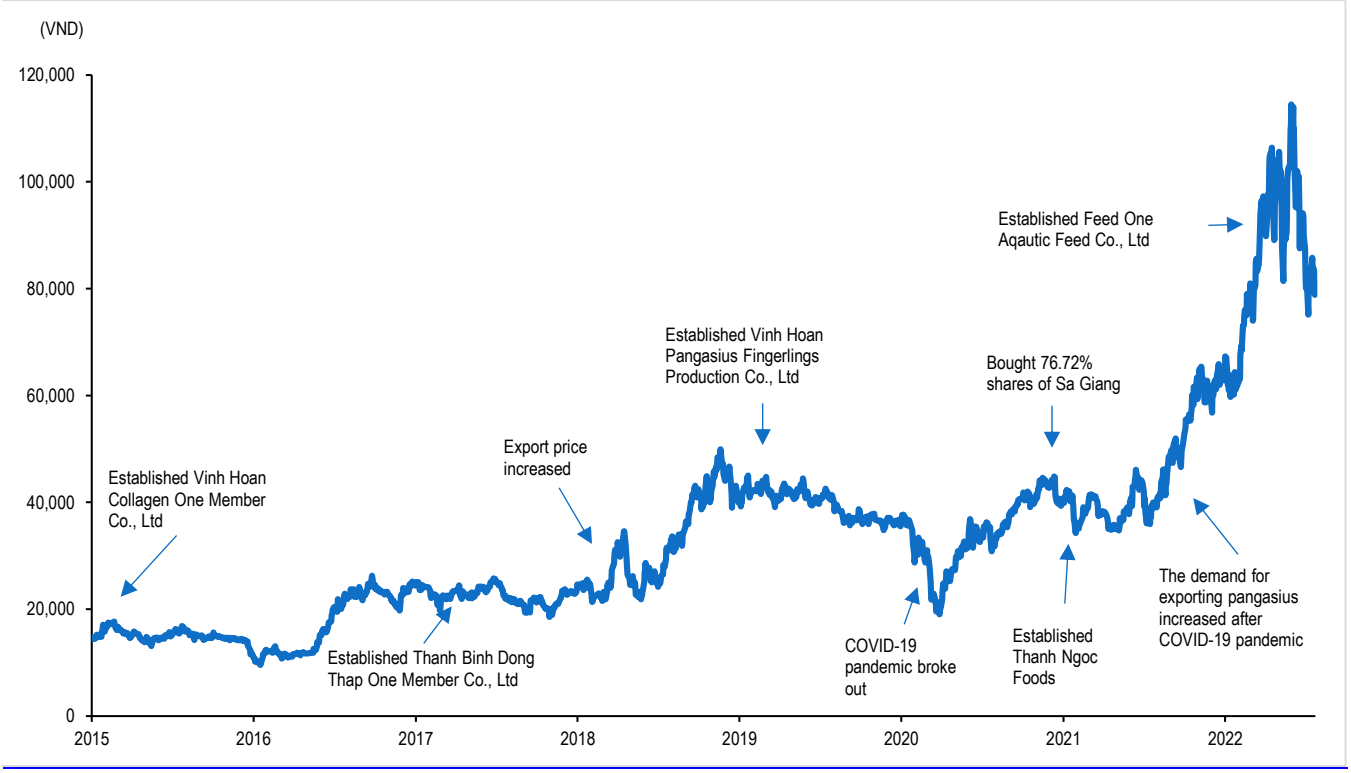
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VHC Corp. PBR forward and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of Vinh Hoan



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Risk

Risk of pangasius's material price fluctuation

The price of raw pangasius is not regulated, but it fluctuates according to supply and demand. So when the cost of raw pangasius is too high, it will affect Vinh Hoan because the company buys 30% of raw materials from the locals and may have to pay a high price to purchase raw materials, increasing the cost.

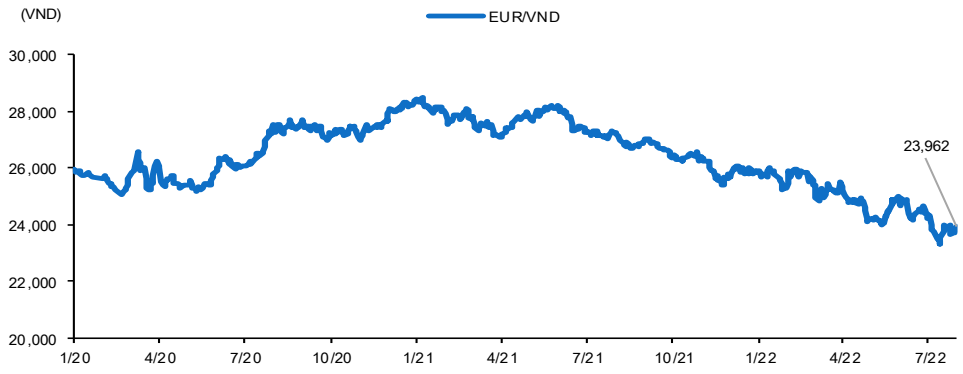
Risk of investing in new businesses

This is the first time Vinh Hoan has entered the agricultural segment, specifically frozen fruit, so there will be unforeseen risks for a new business like Vinh Hoan. In addition, the company had acquired shares of Sa Giang. Although the company had also built a rice factory, it was unsuccessful. Therefore, the fact that Vinh Hoan may face many difficulties in this area may also be an issue to be considered.

Risk of exporting

Vinh Hoan's revenue is 80% from exporting, so the exchange rate risk can be a significant risk for the company. Since the beginning of the year, the exchange rate of the Euro against the Vietnamese has been falling sharply. This may affect Vinh Hoan because the company is increasing its export to this market. Along with that, conditions to export pangasius through major countries with quite a high-quality inspection is a complex problem for Vinh Hoan and pangasius exporting companies in general.

EUR/VND exchange rate



Source: Shinhan Securities Company, Bloomberg

Appendix : Financial statements

Statement of financial position

Year to Dec. (bn VND)	2020	2021	2022F	2023F	2024F
Total assets	**7,202**	**8,738**	**11,904**	**13,161**	**14,768**
Current assets	4,735	5,543	7,908	9,449	11,321
Cash & equivalents	41	195	139	320	479
Short-term financial asset	1,374	1,272	1,771	3,144	4,294
Accounts receivable	1,689	2,132	3,379	3,214	3,657
Inventories	1,508	1,793	2,418	2,552	2,664
Non-current assets	2,466	3,195	3,996	3,712	3,447
Net fixed assets	1,808	2,067	2,638	2,884	2,625
Investment assets	648	337	446	627	794
Other long-term assets	113	160	212	501	564
Total liabilities	**2,026**	**2,854**	**4,501**	**4,425**	**4,744**
Current liabilities	1,941	2,680	4,299	4,194	4,514
Accounts payable	326	340	638	587	612
Short-term borrowings	1,106	1,735	2,806	2,709	2,960
Others	509	605	855	897	941
Non-current liabilities	85	174	201	231	230
Long-term borrowings	69	156	173	203	201
Other financial liabilities	16	17	28	28	29
Total shareholders' equity	**5,176**	**5,884**	**7,403**	**8,736**	**10,024**
Capital stock	1,834	1,834	1,834	2,201	2,201
Capital surplus	224	224	264	264	264
Other capital	(114)	(114)	0	0	0
Retained earnings	3,228	3,838	5,191	6,146	7,422
Non-controlling interest equity	4	102	114	126	138
*Total debt	1,175	1,891	2,979	2,912	3,162
*Net debt (cash)	(240)	424	1,069	(552)	(1,611)

Statement of comprehensive income

Year to Dec. (bn VND)	2020	2021	2022F	2023F	2024F
Revenue	**7,037**	**9,054**	**12,756**	**13,165**	**13,904**
Growth (%)	(10.5)	28.7	40.9	3.2	5.6
COGS	**(6,022)**	**(7,298)**	**(10,077)**	**(10,599)**	**(11,195)**
Gross profit	**1,015**	**1,756**	**2,679**	**2,565**	**2,710**
GPM (%)	14.4	19.4	21.0	19.5	19.5
SG&A	**(319)**	**(557)**	**(747)**	**(737)**	**(816)**
Operating profit	**695**	**1,199**	**1,932**	**1,829**	**1,894**
Growth (%)	(38.6)	72.4	61.1	(5.3)	3.6
OPM (%)	9.9	13.2	15.1	13.9	13.6
Non-operating profit	**108**	**80**	**108**	**178**	**149**
Financial income	227	195	321	365	371
Financial expense	(101)	(107)	(194)	(172)	(202)
In which: interest expenses	(38)	(35)	(90)	(77)	(89)
Net other non-operating profit	(18)	(8)	(19)	(15)	(20)
Pre-tax profit	**803**	**1,280**	**2,040**	**2,007**	**2,043**
Income tax	(84)	(173)	(308)	(307)	(315)
Net profit	**719**	**1,107**	**1,731**	**1,700**	**1,728**
Growth (%)	(39.0)	53.8	56.5	(1.8)	1.7
NPM (%)	10.2	12.2	13.6	12.9	12.4
Controlling interest	719	1,099	1,720	1,688	1,717
Non-controlling interest	(0)	8	12	12	12
EBIT	**803**	**1,280**	**2,040**	**2,007**	**2,043**
Growth (%)	(38.7)	59.3	59.4	(1.6)	1.8
EBIT Margin (%)	11.4	14.1	16.0	15.2	14.7
EBITDA	**1,006**	**1,565**	**2,368**	**2,377**	**2,423**
Growth (%)	(31.8)	55.5	51.3	0.4	1.9
EBITDA margin (%)	14.3	17.3	18.6	18.1	17.4

Statement of cash flow

Year to Dec. (bn VND)	2020	2021	2022F	2023F	2024F
Cash flow from operations	**565**	**458**	**634**	**2,105**	**1,621**
Net profit	719	1,107	1,731	1,700	1,728
Depreciation expense	203	285	328	371	380
Amortization expense	-	-	-	-	-
(Gain) from investing activities	-	-	-	-	-
Change in working capital	(357)	(933)	(1,426)	34	(488)
Others	-	-	-	-	-
Cash flow from investments	**(557)**	**(1,020)**	**(1,565)**	**(1,490)**	**(1,271)**
Change in fixed assets	(566)	(941)	(899)	(617)	(121)
Change in investment assets	58	98	(499)	(1,373)	(1,150)
Others	(49)	(177)	(167)	500	-
Free cash flow	**8**	**(562)**	**(931)**	**615**	**349**
Cash flow from financing	**(53)**	**717**	**875**	**(434)**	**(191)**
Change in equity	2	-	154	-	-
Net borrowing	309	717	1,088	(67)	249
Dividends	(364)	-	(367)	(367)	(440)
Change in total cash	**(46)**	**155**	**(56)**	**181**	**159**
Beginning cash	86	41	195	139	320
Change in FX rates	353	-	-	-	-
Ending cash	394	195	139	320	479

Source: Company data, Shinhan Securities Vietnam

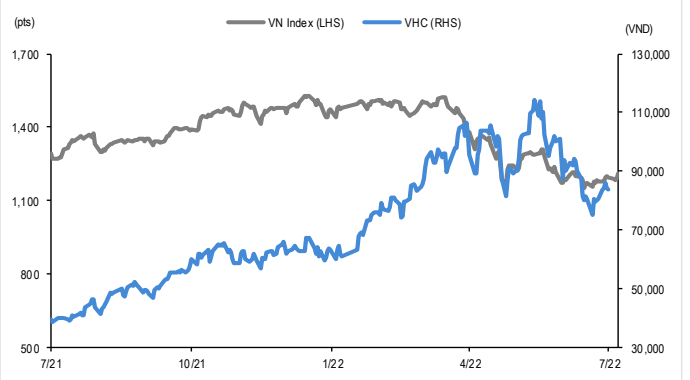
Key ratios

Year to Dec.	2020	2021	2022F	2023F	2024F
EPS (VND)	6,005	9,396	7,674	7,803	9,863
BPS (VND)	28,283	32,153	40,453	39,709	45,566
DPS (VND)	0	0	0	0	0
PER (x)	10.5	10.4	7.9	7.3	8.2
PBR (x)	2.8	2.5	2.0	2.0	1.8
EV/EBITDA (x)	8.1	8.1	6.2	5.8	6.6
Dividend payout ratio (%)	50.6	0.0	21.2	21.6	25.5
Dividend yield (%)	24.6	0.0	24.8	20.7	24.8
Profitability					
EBITDA margin (%)	14.3	17.3	18.6	18.1	17.4
OPM (%)	9.9	13.2	15.1	13.9	13.6
NPM (%)	10.2	12.2	13.6	12.9	12.4
ROA (%)	10.4	13.9	16.8	13.6	12.4
ROE (%)	14.3	20.0	26.1	21.1	18.4
Stability					
Debt to equity ratio (%)	22.7	32.1	40.2	33.3	31.5
Net debt ratio (%)	(23.8)	27.1	45.2	(23.2)	(66.5)
Cash ratio (%)	72.9	54.7	44.4	82.6	105.7
Interest coverage ratio (x)	20.9	36.9	22.7	26.1	22.9
Activity (%)					
Working capital turnover (days)	143.5	114.2	93.0	145.9	179.5
Inventory turnover (days)	88.5	82.6	76.3	85.6	85.0
Receivable turnover (days)	83.1	77.0	78.8	91.4	90.2

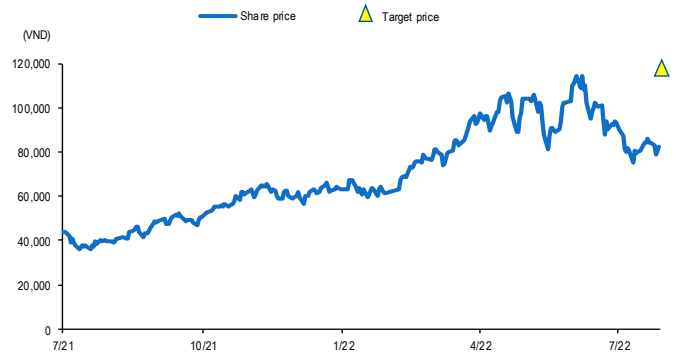
Source: Company data, Shinhan Securities Vietnam

VHC Corp. (VHC VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%) Average	Max/Min
August 1st, 2022 (Initiation)	BUY	101,432	39.84	-11.4/159.8

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

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