February 24th , 2023

Shinhan Securities



Vinh Hoan Corporation

[Vietnam / Fisheries]

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

BUY

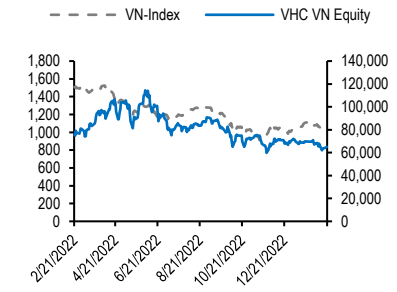
Update Report

Target price (12 months)	**72,700 VND**
Current price (24/02/2023)	60,000 VND
Return (%)	21%

VNINDEX	1,054
HNXINDEX	209
Market Cap (bn VND)	11,003
Outstanding shares (1mn)	183
Free float (1mn)	91
52-week high/low (VND)	118,000/58,900
90-day avg. trading volume (1mn)	0.5
90-day avg.turnover (bn VND)	35
Foreign ownership (%)	30.18

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

Performance	3M	6M	12M
Abs (%)	-6.7	-31.6	-22.3
Rel to VN-Index (%)	-17.9	-14.1	7.2



Source: Bloomberg

Open account

[Analyst]

Diem Ngo

(84-28) 6299-7759

diem.ndn@shinhan.com

Ly Bui – Head of Research

(84-28) 6299-8029

ly.btt@shinhan.com

Challenge vs Opportunity

Update recommendation BUY, target price at VND 72,700

Vinh Hoan Corporation is the leading pangasius enterprise in Vietnam with an export proportion of more than 15% of the country's total pangasius export turnover. In 2022, the pangasius industry achieved an export record with a total value of 2.4 billion USD. Based on the FCFF and PE methods, we update the target price of VHC at VND 72,700 due to concerns about the decline of the main export market, the US, which is partly offset by the China market when this country reopened and gross profit margin fell. However, Vinh Hoan still has sustainable prospects worth considering such as: (1) Zero-Waste strategy to improve profit margin; (2) Increase revenue by investing in new technology and encroaching on agriculture.

Update business results in 2022

In 2022, Vinh Hoan recorded revenue and NPAT far exceeding the plan with VND 13,239 billion (+46% YoY) and VND 2,014 billion (+82% YoY) due to the sharp increase in the demand for pangasius consumption after the COVID-19 pandemic, and the war between Russia-Ukraine, which benefit Vietnam's pangasius. Frozen fish fillet segment continued to account for the highest proportion when bringing in VND 8,451 billion (+41% YoY), followed by the by-product segment with a revenue of VND 2,331 billion (+37% YoY). By market, revenue from the US accounted for 44% and brought in VND 5,887 billion (+56% YoY), followed by Europe, China and Vietnam with 14%, 10% and 21%, respectively. During the year, the company's provision for diminution up to 40% along with the provision for inventory of VND 400 billion (+360% YoY).

Outlook for 2023

We expect VHC's revenue and profit after tax in 2023 to reach VND 13,408 billion (+1.3% YoY) and VND 1,556 billion (-22.8% YoY), respectively, due to the decrease of gross profit margin affected by reducing economies of scale. In 2023, China will certainly be the biggest expectation for the pangasius industry, after it removed the regulations on controlling and testing COVID for imported goods. According to Vinh Hoan's 01/2023 report, the revenue of all other markets decreased, but the Chinese market still grew by 22% YoY along with fisheries companies also showing a sudden increase in orders after China reopened. VASEP forecasts that from Q2/2023 onwards, fisheries export orders to these markets will recover.

Risk (1) Price and volume drop sharply due to inflation; (2) The price sensitivity of the Chinese market

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**13,239**	**13,408**	**12,059**	**14,571**	**14,102**
OP (bn VND)	2,253	1,671	1,623	2,125	2,001
NP (bn VND)	**2,015**	**1,556**	**1,472**	**1,905**	**1,798**
EPS (VND)	10,780	8,324	7,877	10,195	9,619
BPS (VND)	41,968	48,451	54,479	62,868	70,670
OPM	17.0	12.5	13.5	14.6	14.2
NPM	15.2	11.6	12.2	13.1	12.7
ROE	29.7	18.8	15.6	17.7	14.7
PER (x)	6.5	9.1	9.6	7.4	9.2
PBR (x)	1.7	1.6	1.4	1.2	1.1
EV/EBITDA (x)	6.9	8.1	8.3	6.7	7.0

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 P/E and Discounted Cash Flow (DCF) valuation methods to value VHC with 40%-60% weighted. We maintain our BUY recommendation with a target price of VND 72,700, equivalent to a return of 21%

Weighted Average Cost of Capital (WACC)	
WACC (%)	**9.9**
Risk-free rate (%)	5.0
Equity risk premium (%)	7.8
Beta	0.96
Cost of debt (%)	3.41
Cost of equity (%)	12.46
Debt-to-equity ratio	0.27
Total debt (bn VND)	3,154

Source: Company data, Shinhan Securities Vietnam

DCF valuation					
Unit: billion VND	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
Net profit	1,556	1,472	1,905	1,798	1,641
Plus: After-tax interest expense	93	87	103	101	96
Plus: Depreciation & Amortization	405	451	464	478	492
Minus: Change in working capital	127	-89	606	-300	-69
Minus: CapEx	970	160	234	207	276
Free Cash Flow to Firm (FCFF)	958	1,939	1,633	2,470	2,023
PV of FCF	871	1,585	1,214	1,645	1,208
Growth rate (%)	1%				
Present value of long-term value	12,372				
Enterprise value	18,894				
Debt	3,154				
Cash and cash equivalents	855				
Owner's equity value	16,566				
Number of shares oustanding (million)	183				
Target price (VND)	**90,339**				

Source: Company Data, Shinhan Securities Vietnam

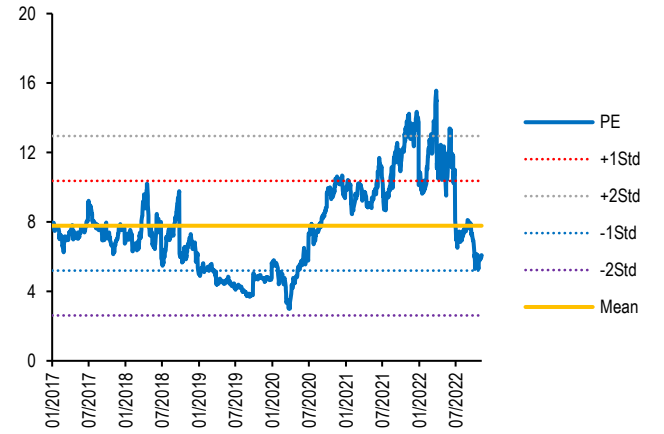
Based on the P/E method, we collected data from companies in the same industry similar to VHC, plus VHC's 5 year average P/E, with a weight of 50%. We estimate VHC's target P/E at 7.34x. With the 2023 forward EPS at VND 8,324, VHC's target price is VND 61,086.

Peer valuation

Tickers	Company name	PE	Mkt Cap (bn VND)
ABT VN Equity	Ben Tre Aquaproduct	6.67	432.81
ACL VN Equity	Cuu Long Fisheries	5.16	611.94
ASM VN Equity	Sao Mai Group	4.61	2,907.59
FMC VN Equity	Sao Ta Foods	7.78	2,393.23
IDI VN Equity	I.D.I International Development & Investment	5.09	2,765.88
CAT VN Equity	Seaprimexco	6.59	187.49
CCA VN Equity	Caseamex	4.22	217.00
KHS VN Equity	KIHUSEA VN	5.37	204.34
ANV VN Equity	Nam Viet Corporation	6.19	4,169.79
Mean	5.85		
5 yrs average of VHC	8.83		
Target P/E	7.34		
EPS forward (VND)	8,324		
Target price (VND)	**61,086**		

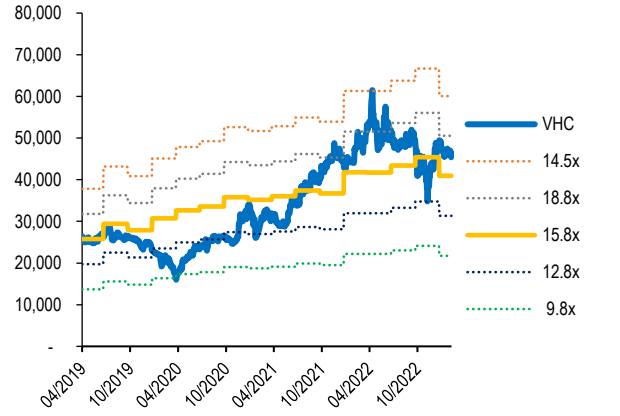
Source: Company Data, Shinhan Securities Vietnam

PER of VHC



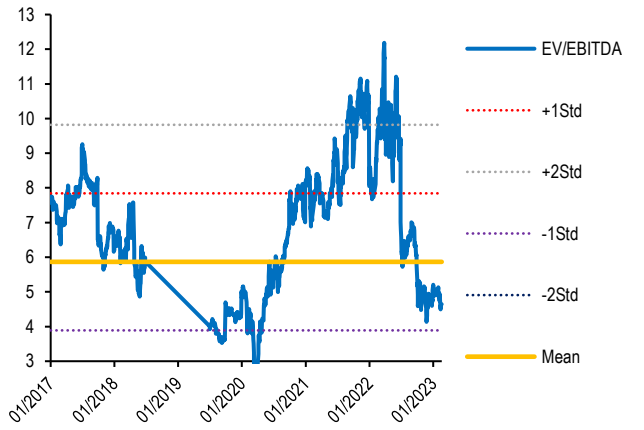
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PER band chart of VHC



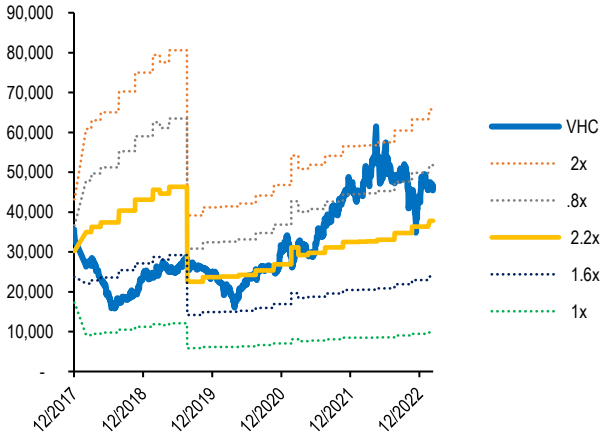
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

EV/EBITDA of VHC



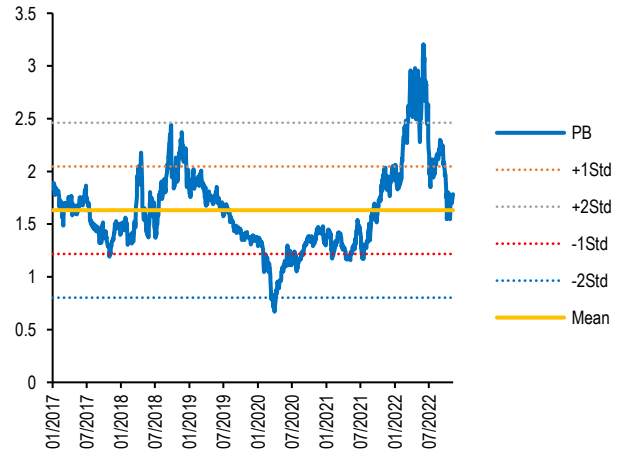
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PBR band chart of VHC



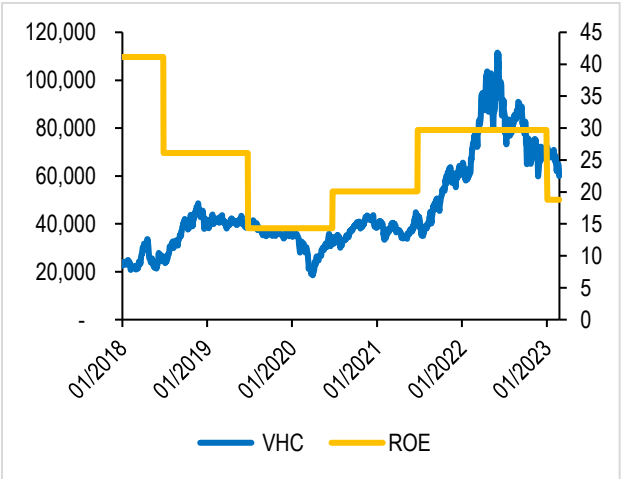
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PB 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**	**11,580**	**13,735**	**13,942**	**16,468**
Current assets	5,543	7,638	9,219	9,789	12,512
Cash & equivalents	195	554	855	882	1,010
Short-term financial asset	1,272	1,767	2,729	3,540	5,297
Accounts receivable	2,132	2,432	2,896	2,706	3,122
Inventories	1,793	2,713	2,527	2,478	2,870
Non-current assets	3,195	3,942	4,515	4,153	3,956
Net fixed assets	2,067	2,823	3,355	3,563	3,333
Investment assets	337	446	627	632	665
Other long-term assets	160	212	501	487	496
Total liabilities	**2,854**	**3,884**	**4,850**	**3,951**	**4,940**
Current liabilities	2,680	3,694	4,622	3,760	4,702
Accounts payable	340	448	670	488	604
Short-term borrowings	1,735	2,214	2,950	2,335	3,013
Others	605	1,032	1,001	938	1,086
Non-current liabilities	174	191	228	191	237
Long-term borrowings	156	175	204	172	215
Other financial liabilities	17	16	24	20	22
Total shareholders' equity	**5,884**	**7,696**	**8,885**	**9,990**	**11,529**
Capital stock	1,834	1,834	1,834	1,834	1,834
Capital surplus	224	264	264	264	264
Other capital	(114)	0	0	0	0
Retained earnings	3,838	5,428	6,587	7,665	9,168
Non-controlling interest equity	102	171	200	228	263
*Total debt	1,891	2,388	3,154	2,506	3,228
*Net debt (cash)	424	67	(430)	(1,916)	(3,079)

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	**9,054**	**13,239**	**13,408**	**12,059**	**14,571**
Growth (%)	28.7	46.2	1.3	(10.1)	20.8
COGS	**(7,298)**	**(10,266)**	**(11,026)**	**(9,803)**	**(11,675)**
Gross profit	**1,756**	**2,974**	**2,382**	**2,256**	**2,896**
GPM (%)	19.4	22.5	17.8	18.7	19.9
SG&A	**(557)**	**(721)**	**(711)**	**(639)**	**(771)**
Operating profit	**1,199**	**2,253**	**1,671**	**1,617**	**2,125**
Growth (%)	72.4	87.9	(25.8)	(3.2)	30.9
OPM (%)	13.2	17.0	12.5	13.4	14.6
Non-operating profit	**80**	**67**	**141**	**95**	**99**
Financial income	195	459	404	358	423
Financial expense	(107)	(396)	(252)	(251)	(315)
In which: interest expenses	(35)	(97)	(107)	(100)	(119)
Net other non-operating profit	(8)	4	(10)	(12)	(8)
Pre-tax profit	**1,280**	**2,320**	**1,812**	**1,712**	**2,224**
Income tax	(173)	(306)	(256)	(245)	(318)
Net profit	**1,107**	**2,015**	**1,556**	**1,467**	**1,905**
Growth (%)	53.8	82.1	(22.8)	(5.7)	29.4
NPM (%)	12.2	15.2	11.6	12.2	13.1
Controlling interest	1,099	1,977	1,527	1,439	1,869
Non-controlling interest	8	38	29	27	36
EBIT	**1,314**	**2,418**	**1,919**	**1,811**	**2,343**
Growth (%)	59.3	81.3	(21.9)	(5.5)	29.4
EBIT Margin (%)	14.5	18.3	14.3	15.0	16.1
EBITDA	**1,599**	**2,745**	**2,325**	**2,263**	**2,807**
Growth (%)	53.1	71.7	(15.3)	(2.7)	23.7
EBITDA margin (%)	17.7	20.7	17.3	18.8	19.3

Statement of cash flow

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	**458**	**1,648**	**1,834**	**2,013**	**1,763**
Net profit	1,107	2,015	1,556	1,472	1,905
Depreciation expense	285	327	405	451	464
(Gain) from investing activities		-	-	-	-
Change in working capital	(933)	(694)	(127)	89	(606)
Others	-	-	-	-	-
Cash flow from investments	**(1,020)**	**(1,968)**	**(1,932)**	**(970)**	**(1,991)**
Change in fixed assets	(941)	(1,467)	(937)	(660)	(234)
Change in investment assets	98	(496)	(962)	(811)	(1,757)
Others	(177)	(5)	(33)	500	-
Cash flow from financing	**717**	**681**	**399**	**(1,015)**	**355**
Change in equity	-	184	-	-	-
Net borrowing	717	497	766	(648)	722
Dividends	-	-	(367)	(367)	(367)
Change in total cash	**155**	**361**	**301**	**27**	**128**
Beginning cash	41	195	554	855	882
Change in FX rates	(0)	-	-	-	-
Ending cash	195	557	855	882	1,010

Source: Company data, Shinhan Securities Vietnam

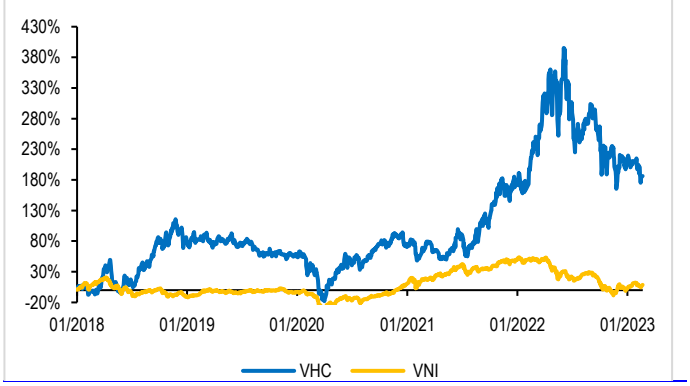
Key ratios

Năm	2021	2022	2023F	2024F	2025F
EPS (VND)	5,993	10,780	8,324	7,877	10,195
BPS (VND)	32,087	41,968	48,451	54,479	62,868
PER (x)	10.5	6.5	9.1	9.6	7.4
PBR (x)	2.0	1.7	1.6	1.4	1.2
EV/EBITDA (x)	8.1	6.9	8.1	8.3	6.7
Dividend payout ratio (%)	0.0	0.0	23.6	24.9	19.3
Dividend yield (%)	0.0	0.0	26.4	26.4	26.4
Profitability	0.0	0.0	27.7	27.7	27.7
EBITDA margin (%)	17.7	20.7	17.3	18.8	19.3
OPM (%)	13.2	17.0	12.5	13.5	14.6
NPM (%)	12.2	15.2	11.6	12.2	13.1
ROA (%)	13.9	19.8	12.3	10.6	12.5
ROE (%)	20.0	29.7	18.8	15.6	17.7
Stability					
Debt to equity ratio (%)	32.1	31.0	35.5	25.1	28.0
Net debt ratio (%)	26.5	2.5	(18.5)	(84.4)	(109.7)
Cash ratio (%)	54.7	62.8	77.6	117.6	134.1
Interest coverage ratio (x)	37.9	24.8	17.9	18.2	19.7
Activity (%)					
Working capital turnover (days)	120.9	88.9	123.1	200.8	183.2
Inventory turnover (days)	82.6	80.1	86.7	93.2	83.6
Receivable turnover (days)	77.0	62.9	72.5	84.8	73.0

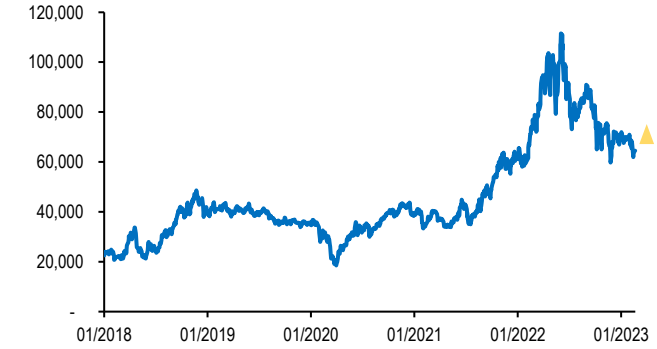
Source: Company data, Shinhan Securities Vietnam

VHC Corp. (VHC VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%) Average	Max/Min
01/08/2022 (Initation)	BUY	101,432	39.84	-11.4/159.8
24/02/2023 (Update)	BUY	72,700	-10.7	-36.5/21.6

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: VHC VN
- 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