

Vinh Hoan Corporation (VHC)

Growth shows signs of levelling off in 3Q22

VHC enjoyed strong growth in 1H2022


- In the second quarter of 2022, Vinh Hoan Corporation (VHC) recorded earnings of VND788 billion (+202% YoY) and revenue of VND4,226 billion (+80% YoY). Specifically, revenue from frozen fish fillets contributed the most to the revenue growth, reaching VND2,810 billion (+85% YoY), followed by by-products with VND721 billion (+47% YoY) and Collagen & Gelatin with VND231 billion (+48% YoY). The US led the export markets with export turnover to this market reaching VND2,125 billion (+136% YoY) or 50% of VHC's revenue. Europe followed suit with VND536 billion (+49% YoY), and China & Hong Kong were the next with VND419 billion (+8% YoY).
- In 2H22, VHC's NPAT reached VND1,332 billion (+240% YoY) and net revenue was VND7,494 billion (+81.4% YoY), delivering 83% and 58% of the full-year plan for earnings and revenue.

July revenue improved MoM but slowed down over the start of the year

- In July 2022, revenue hit VND1,198 billion (+48% YoY), driven by frozen fish fillets with VND798 billion (+44% YoY, 31% MoM) and by-products with VND211 billion (+69% YoY, -10% MoM). The gains were primarily thanks to exports to the US with VND434 billion (+32% YoY, 31% MoM) and China with VND194 billion (+60% YoY, +22% MoM).
- The prices of raw pangasius and pangasius fingerlings have only improved slightly since the end of July (according to AgroMonitor) while feed costs remained high, leading to shrinking demand for cultured fish. VHC can now self-supply 65-70% of raw pangasius.

Exports would slow in 3Q22 and witness recovery in 4Q22

- Although exports stagnated in 3Q22 over 1H22, the company said that sales would recover during the peak season of 4Q22 and early 1Q23 thanks to rising demand and higher selling prices. In particular, exports to the US will surge on increased demand during the year-end holiday season and reduced inventories. From our observations, the price of pangasius exported to the US bounced back in August after falling sharply in June and was higher than that over the same period last year. Also, the import ban on Russian whitefish would help Vietnam expand its pangasius market share in the European market. The UKVFTA and EVFTA agreements will reduce tariffs on products exported to the UK and EU. In addition, exports to the Chinese market should rise when the pandemic in the country is brought under control.
- However, the probability of an economic slowdown in the US and especially in Europe is growing while the Chinese economy is showing signs of slowing down. It is also uncertain when China will fully reopen its economy. These risk factors would affect future consumption in general and demand for pangasius in particular.



Feed One project has been put into operation

— VHC shared that the Feed One factory has been built, and the company has turned a profit from the first launched products. VHC plans to employ 70% of the design capacity for internal consumption and the other 30% for external sales. The corporation expects to start using its own feed products for culturing fish in late 3Q22 and early 4Q22.

KB SECURITIES VIETNAM RESEARCH

Nguyen Xuan Binh – Head of Research
binhnx@kbsec.com.vn

Equity

Duong Duc Hieu – Head of Equity Research
hieudd@kbsec.com.vn

Banks, Insurance & Securities

Nguyen Anh Tung – Senior Analyst
tungna@kbsec.com.vn

Nguyen Duc Huy – Analyst
huynd1@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Senior Analyst
ngaphb@kbsec.com.vn

Nguyen Dinh Thuan – Analyst
thuannd@kbsec.com.vn

Oil & Gas, Utilities

Tieu Phan Thanh Quang – Analyst
quangtpt@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst
anhntn@kbsec.com.vn

Retails & Consumers

Pham Phuong Linh – Analyst
linhpp@kbsec.com.vn

Research Division
research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh – Head of Macro & Strategy
anhtd@kbsec.com.vn

Macroeconomics & Banks

Le Hanh Quyen – Analyst
quyenlh@kbsec.com.vn

Strategy, Chemicals

Thai Huu Cong – Analyst
congth@kbsec.com.vn

Strategy, Fishery & Textiles

Tran Thi Phuong Anh – Analyst
anhhttp@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.