SEAFOOD

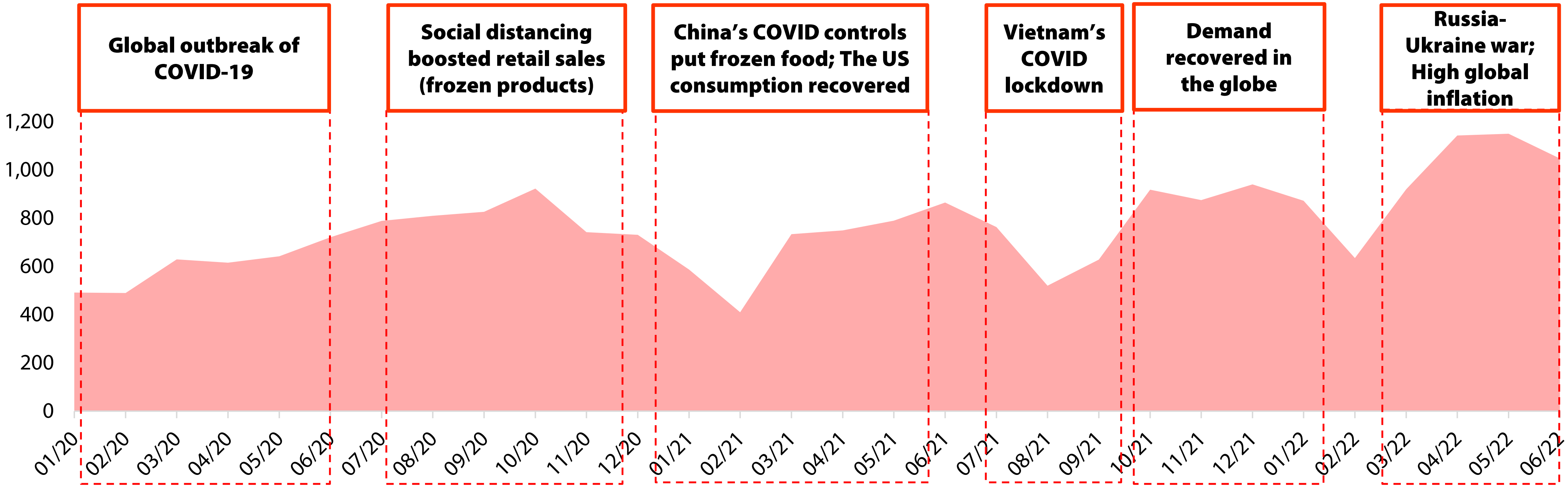
FACING UNCERTAINTY FROM THE DEMAND SIDE

Loan Nguyen – loan.nh@vdsc.com.vn

IMPRESSIVE EXPORT GROWTH OF 40% YOY IN 1H 2022

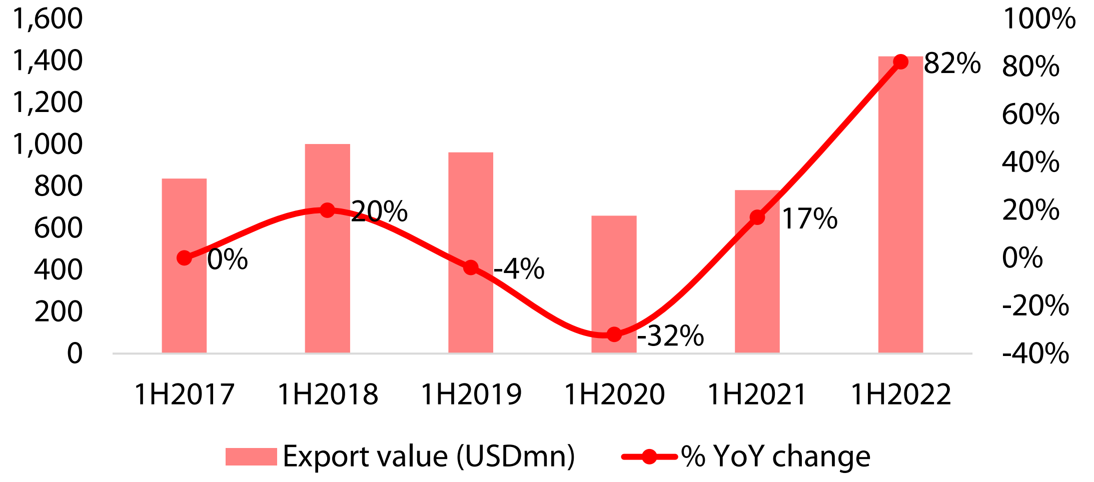
- In 1H2022, Vietnam's seafood exports were more than USD 5.7 billion, skyrocketing 40% compared to 1H2021, driven by: (1) High demand after many importing countries reopened their economies; (2) Global shortage of seafood, especially whitefish due to sanctions against Russia in the EU and US; (3) High inflation in major countries boosted consumption towards essential goods, especially cheap-priced products.
- Pangasius export value soared 82% YoY, stronger than an increase of 31% YoY of shrimp export value as demand for pangasius increased strongly after two-year of slowing down, especially in the context of global whitefish shortage, whereas shrimp export value has been stable over the past five years. Moreover, the shortage of domestic raw pangasius materials also pushed selling prices up significantly in 1H2022.

Figure 1: Vietnam's seafood export value and respective key events in 2020 – 2022 (USD Mn)



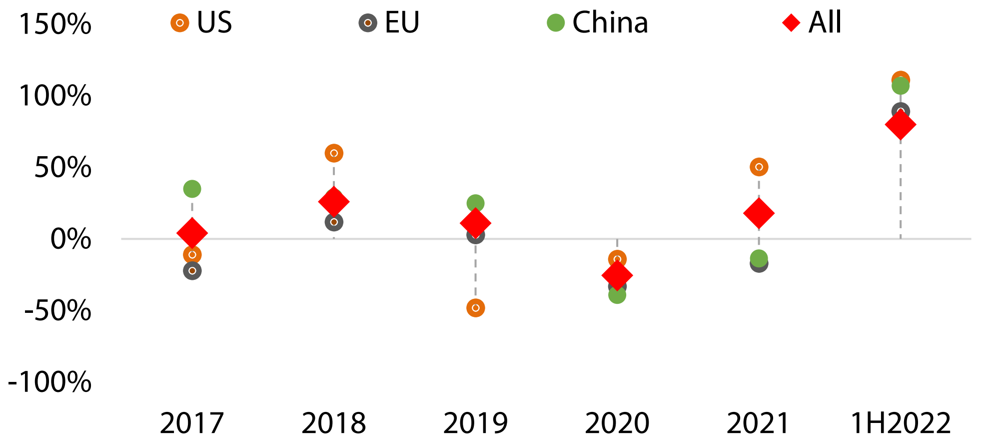
Source: VASEP, Rong Viet Securities

Figure 2: Pangasius export value grew 82% YoY in 1H 2022 (USDMn)



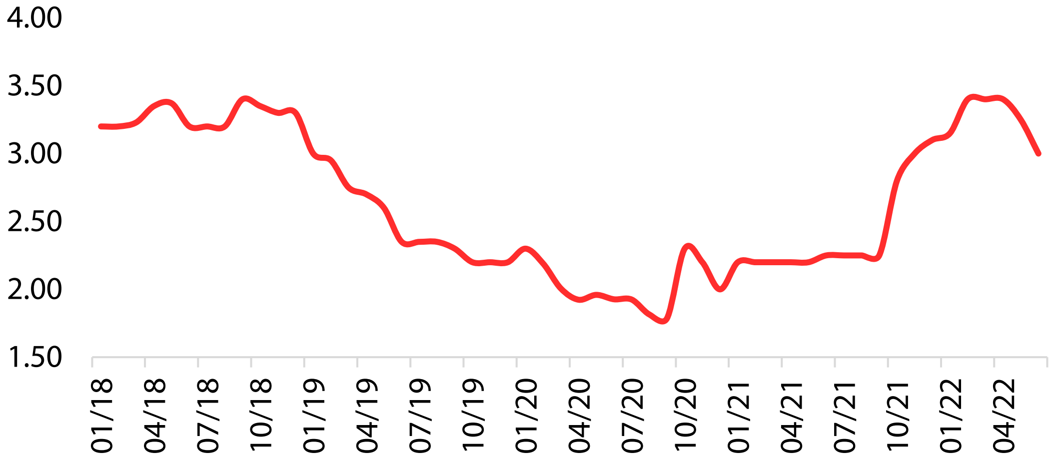
Source: VASEP, Rong Viet Securities

Figure 3: All markets recorded at least double-digit growth in export value



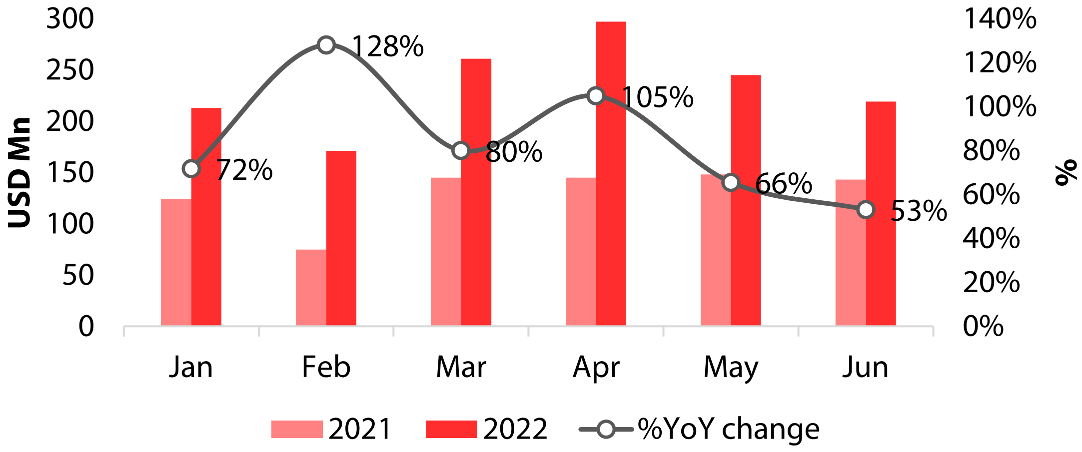
Source: VASEP, Rong Viet Securities

Figure 4: Selling prices surpass the 2018 peak, but started to decrease in May 2022 (USD/kg)



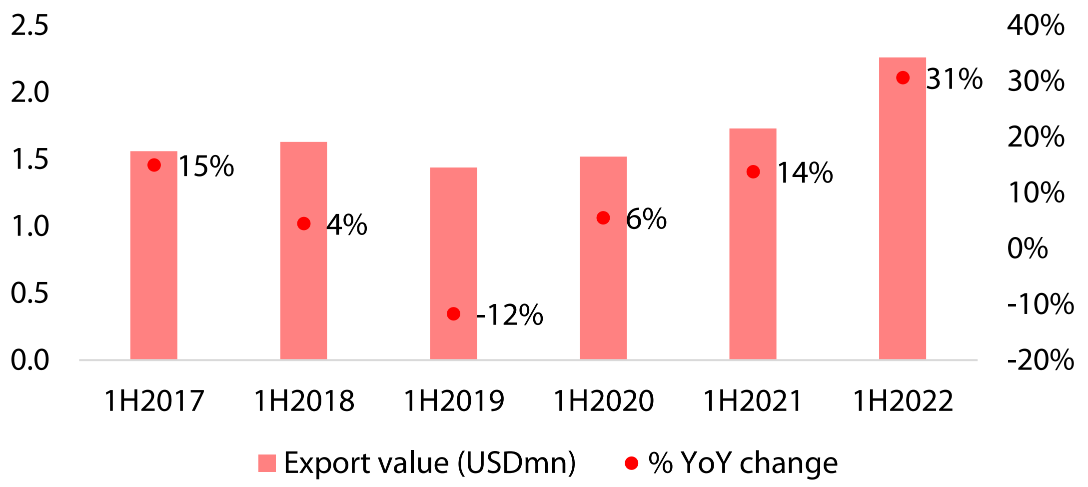
Source: AgroMonitor, Rong Viet Securities

Figure 5: Export value peaked in April 2022 (USD Mn)



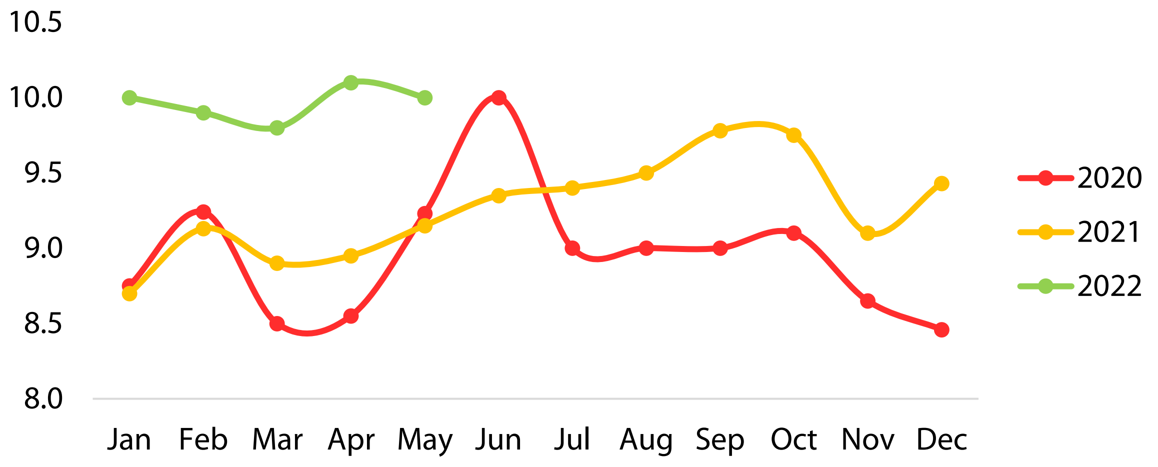
Source: VASEP, Rong Viet Securities

Figure 6: Shrimp export value grew 31% YoY (USD Mn)



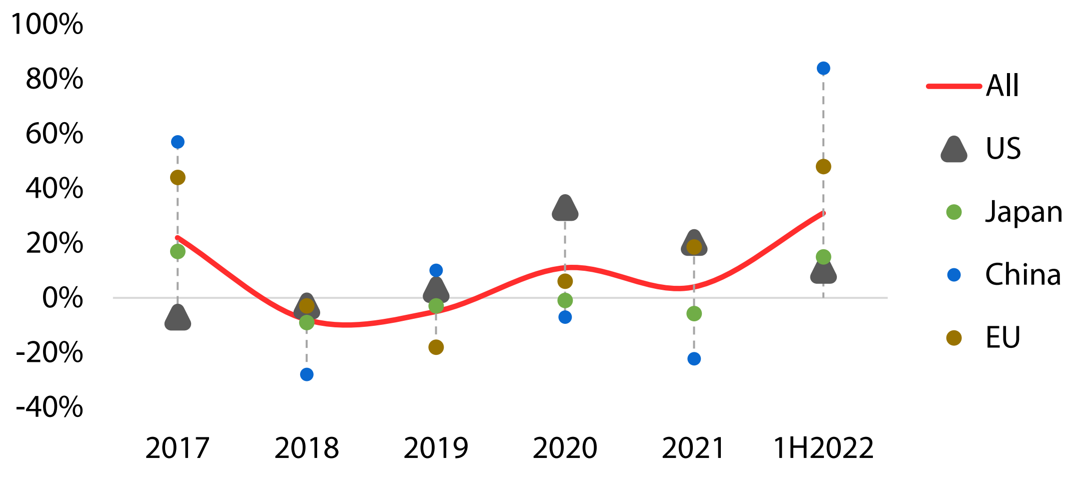
Source: VASEP, Rong Viet Securities

Figure 8: Selling prices continue to rise (USD/kg)



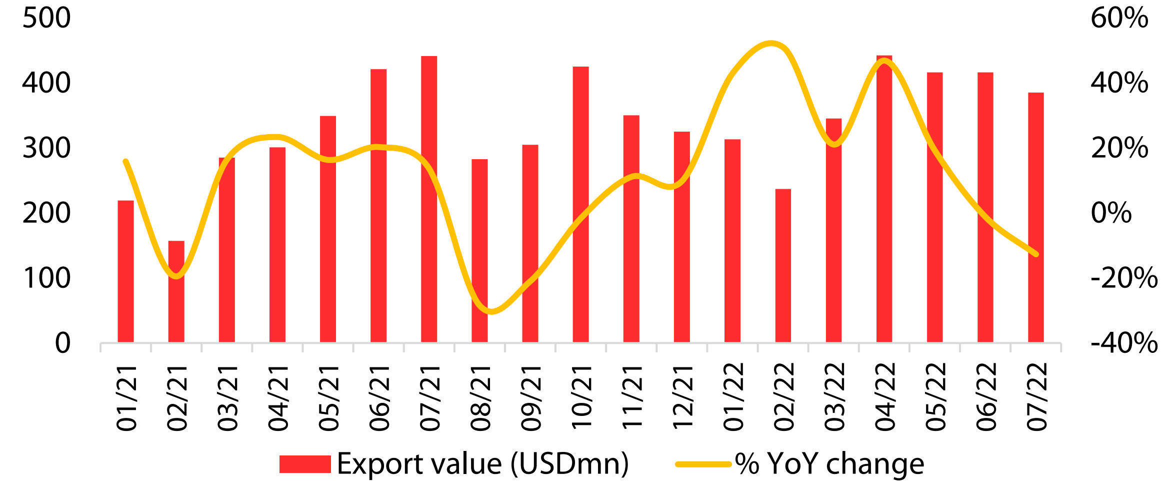
Source: MoIT, Rong Viet Securities

Figure 7: US slowed down while China and EU grew strongly



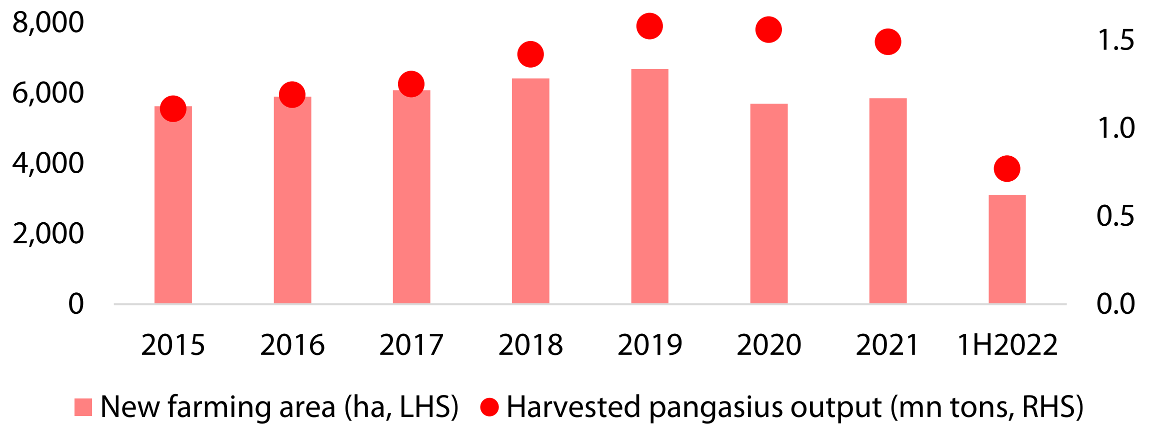
Source: VASEP, Rong Viet Securities

Figure 9: Export value cooled down from May 2022 (USD Mn)



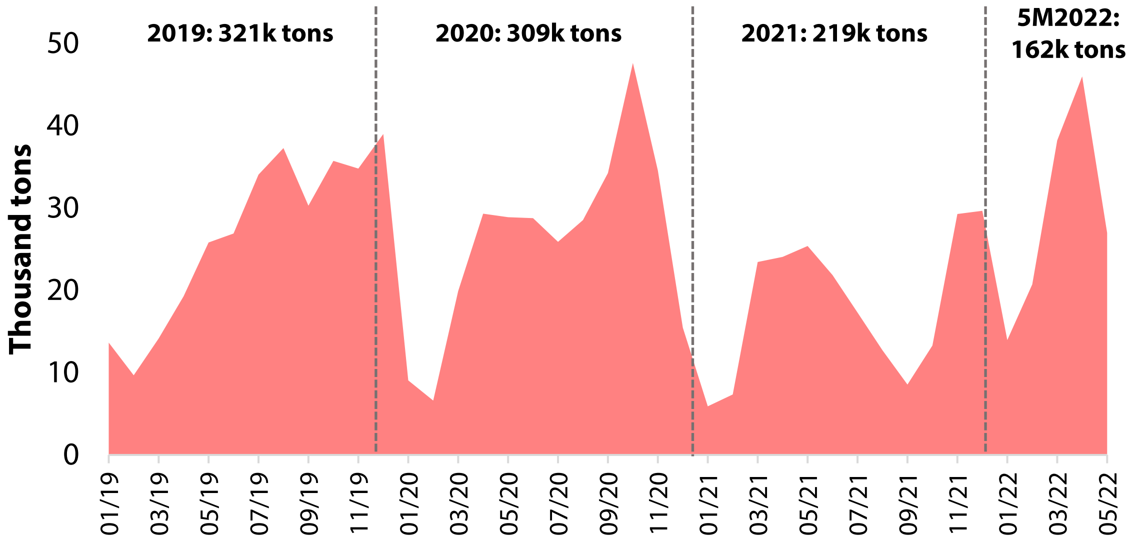
Source: VASEP, Rong Viet Securities

Figure 10: New farming area and pangasius output in Vietnam



Source: MoIT, Rong Viet Securities

Figure 11: Vietnam's pangasius export volume to China



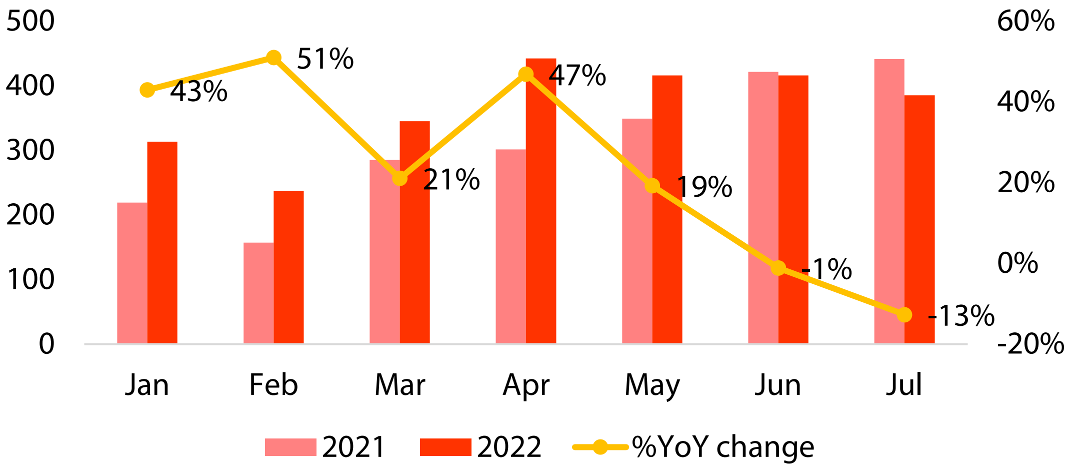
Source: AgroMonitor, Undercurrent News, Rong Viet Securities

Recalling that in 2H2021, the US market led Vietnam's pangasius exports while the Chinese market fell deeply, this situation will reverse in 2H2022. In general, we think that exports in 2H2022 will grow strongly YoY, but can face challenges from the demand side to grow HoH. However, China's reopening could be a potential catalyst.

- Setback in the US market: The outbreak of Russia's invasion of Ukraine triggered the US wholesalers to import seafood products massively while the on-going inflation has tightened customer spending, resulting in oversupply in 3Q2022.
- China could be a bright spot in 2H2022 since the reopening of the economy. Pent-up demand after two years of decreasing will be the engine for Vietnam's pangasius exports in 2H 2022.
- Demand from other markets could be stable in the context of high inflation and the need to boost spending on cheap-priced food products.

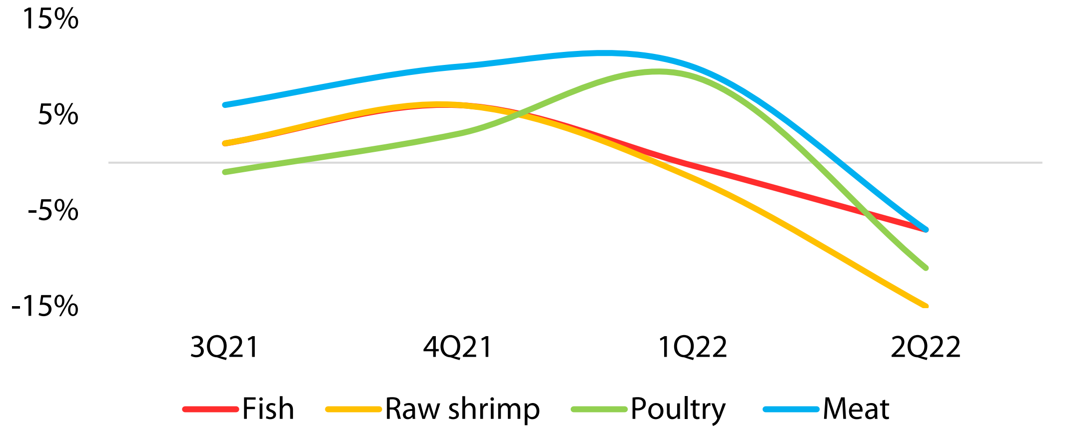
We expect the supply of raw materials to have less of a spike than in the 2018-2019 as high feed costs and the risk of falling demand have limited new stocking activities. Therefore, we think this will also anchor selling prices at a high level. 4Q2022 exports may increase again when importers solve inventory problems and increase stock for the holiday season in Q4.

Figure 12: Vietnam's monthly shrimp export value (USD Mn)



Source: VASEP, Rong Viet Securities

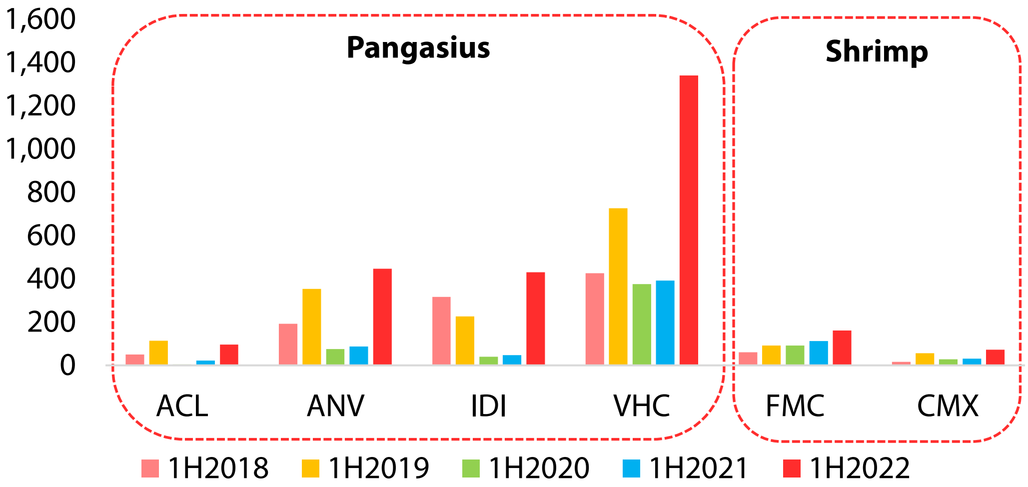
Figure 13: Change in frozen food sales by products in the US (%)



Source: IRI, Rong Viet Securities

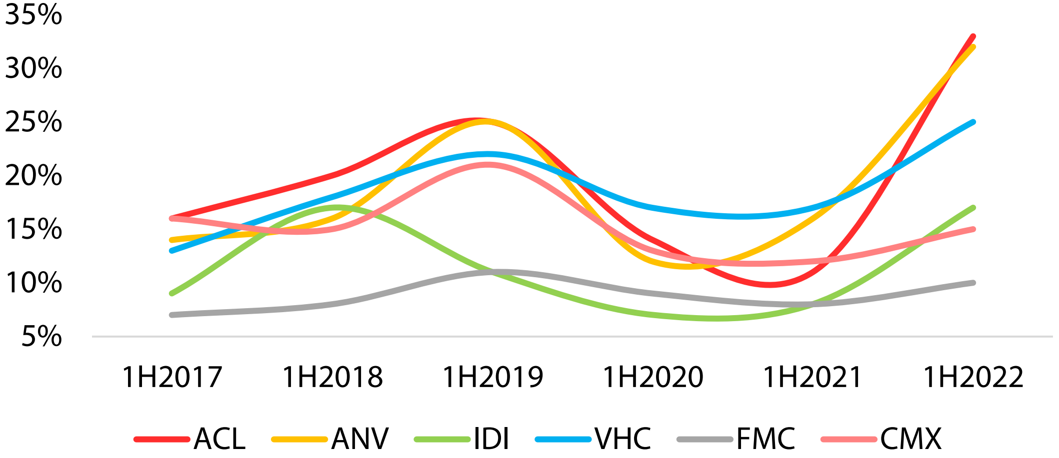
- The shrimp industry facing many obstacles in the second half of 2022: (1) high raw material prices due to shrimp diseases causing a decrease in supply, (2) fierce competition with Indian, Indonesian and Ecuadorian shrimps, (3) high global inflation causing tight spending with premium products such as shrimp, (4) increase in imports in the first half of 2022 has resulted in high shrimp inventories in the US and EU.
- Shrimp export value in July dropped 13% YoY, showing a clear sign of cooling-down demand.
- We expect that shrimp industry players will face a double impact from both supply and demand reduction in the second half of 2022, in contrast to the first half of 2022. The opening of the Chinese market is a positive factor, but most of the large listed shrimp companies (such as Minh Phu, Sao Ta) do not export to this market, instead to markets such as the US, EU, and Japan. This will make the business results of these shrimp companies likely to be negatively affected by the reduced demand from these markets.

Figure 14: 1H2022 NPAT of seafood companies (VND Bn)



Source: FiinPro, Rong Viet Securities

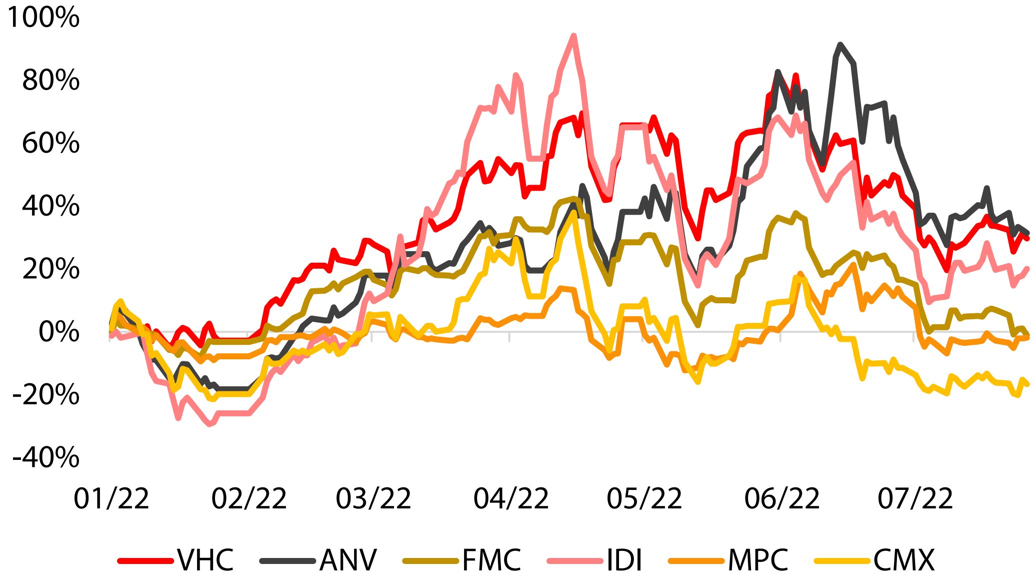
Figure 15: 1H2022 GPM of seafood companies (%)



Source: FiinPro, Rong Viet Securities

- In 1H2022, NPAT of all seafood companies recorded a stellar growth, exceeding the level of 2018-2019 period. GPM of pangasius companies expanded significantly from a low base while shrimp companies' GPM seemed more stable due to inherently stable price gap.
- Most seafood companies, except for VHC, witnessed a continuous rise of logistics costs. However, we expect these costs to decrease gradually in 2H2022 onwards along with the decline of global freight costs.
- The slowdown of seafood demand and the gross margin contraction due to declining selling prices are the headwinds that companies could face in 2H2022.
- We expect earnings in 2H2022 to be slower than the previous quarters, but still maintain double-digit growth YoY.
- Companies which are less dependent on the US market could still maintain the growth momentum in 2H2022.
- Logistic costs of many companies could start to slow down in 2H2022.

Figure 16: YTD stock price performance (%)



- Seafood companies witnessed an outstanding stock price performance in 1H2022, in line with strong business results, even amid the stock market correction.
- Stock prices of seafood companies started going down from June 2022 when exports showed signs of slowdown MoM, despite still growing YoY.
- Many stocks (VHC, ANV) saw P/E ratio dropped to five-year average. The downtrend in the industry may put pressure on stock prices in the short term, but a deeper decline in stock prices could be an opportunity for the long-term.

Figure 17: ANV's five-year PER

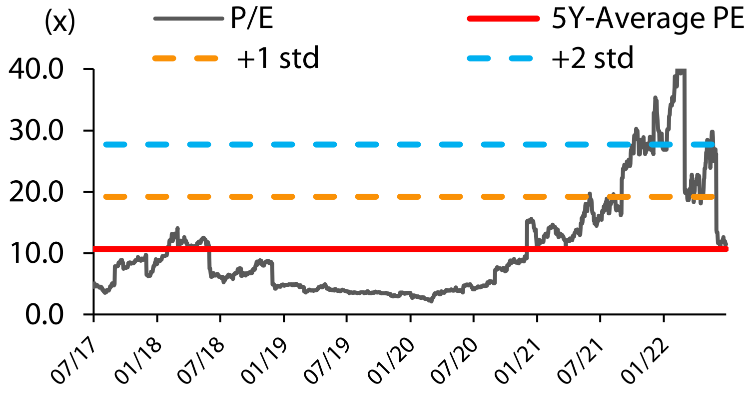


Figure 18: VHC's five-year PER

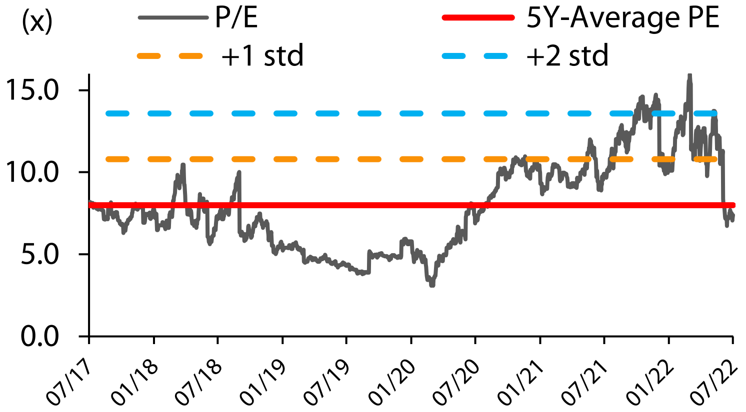
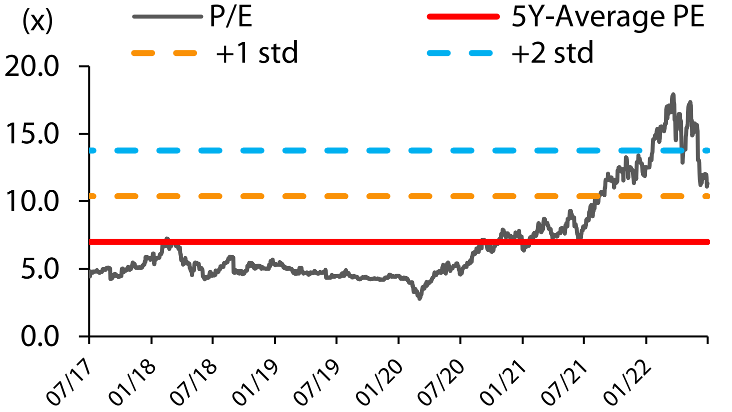


Figure 19: FMC's five-year PER



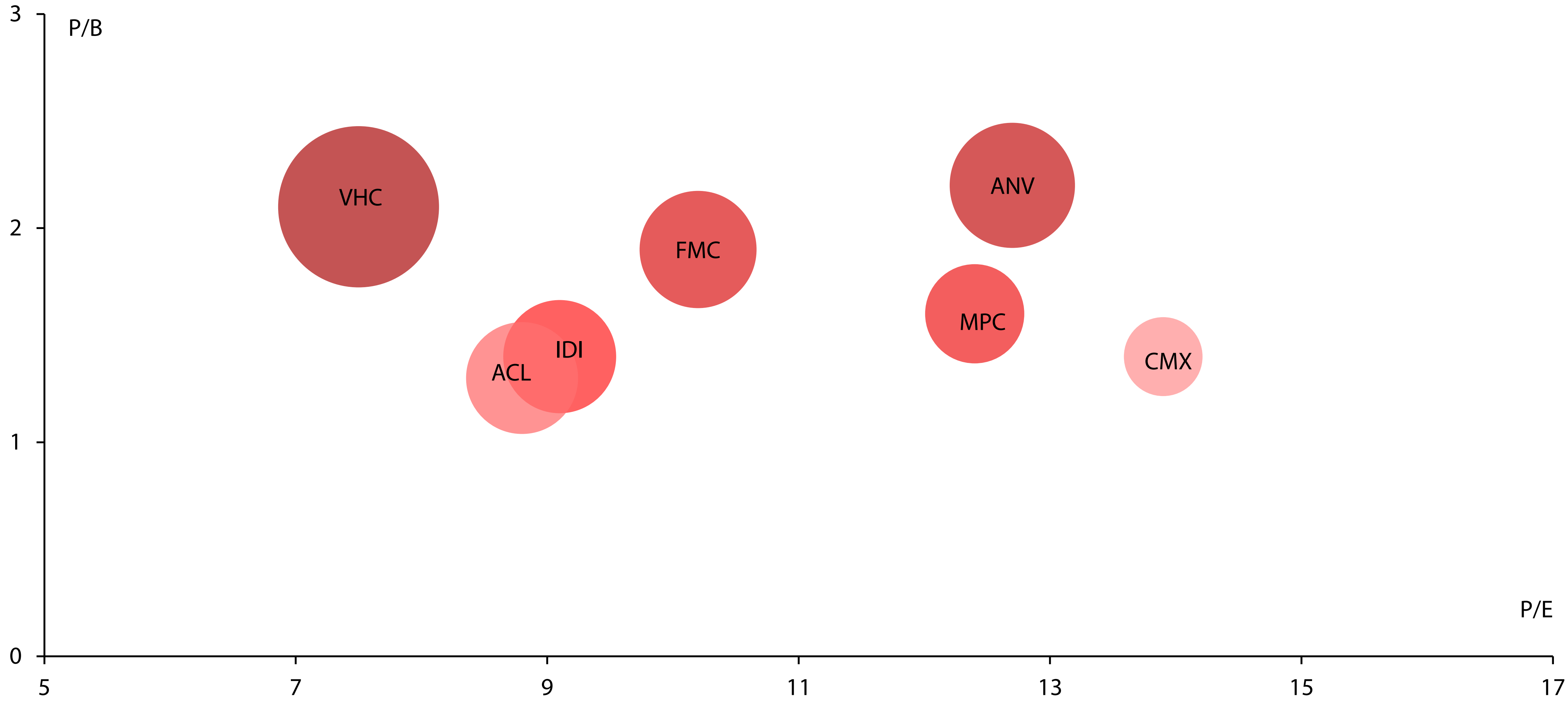
Source: Bloomberg, Rong Viet Securities

INDUSTRY COMPARABLE (TTM)

Ticker	Market cap (USD Mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
VHC	658.7	91,000	80.4	174.8	21.0	19.2	201.5	16.7	21.1	32.1	2.4	7.5	2.1
ANV	265.2	52,500	20.5	100.3	17.2	13.1	913.7	11.5	9.6	19.4	2.0	12.6	2.2
FMC	145.9	60,500	21.6	22.0	6.8	5.7	50.4	5.7	11.2	17.0	3.8	10.2	1.9
IDI	201.8	N/A	30.4	82.2	11.7	8.3	843.7	7.8	6.7	15.6	7.2	9.1	1.4
MPC	377.9	N/A	36.4	-1.9	5.5	4.2	-20.8	4.0	6.5	12.2	4.7	12.4	1.6
CMX	67.3	N/A	29.8	35.2	8.0	5.4	111.6	4.6	3.8	7.7	0.0	13.9	1.4
ACL	44.1	N/A	-27.7	56.1	18.3	12.3	214.1	10.9	7.9	15.5	4.9	8.8	1.3

Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.

PE, PB & ROE (TTM)

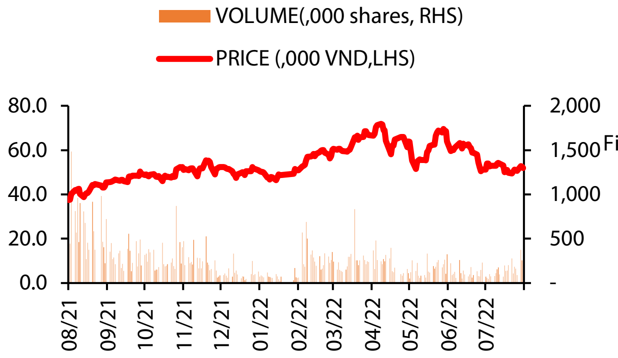


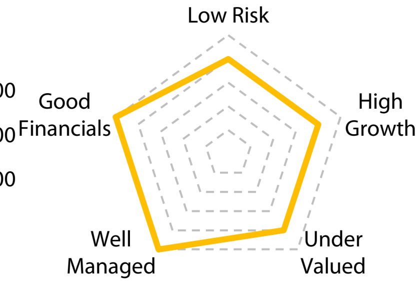
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

NEW FACTORIES TO UNFOLD A NEW GROWTH PHASE

HSX: FMC

BUY: +20% <MP: 52,500> <TP: 60,500>





STOCK INFO

Sector	Food & Beverage
Market Cap ($ mn)	145
Current Shares O/S (mn shares)	65
3M Avg. Volume (K)	147
3M Avg. Trading Value ($ mn)	8
Remaining foreign room (%)	18,3
52-week range ('000 VND)	74,4 - 39,4

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	5,199	6,105	6,873
NPATMI VND bn)	267	340	395
ROA (%)	9.9	13.2	14.5
ROE (%)	15.0	18.8	20.9
EPS (VND)	5,025	5,222	6,069
Book Value (VND)	27,413	27,951	28,851
Cash dividend (VND)	2,000	2,000	2,000
P/E (x)	9.6	9.6	8.2
P/B (x)	1.6	2.2	2.1

INVESTMENT RATIONALES

Increasing shrimp volume driven by new factories

- We favor FMC's ability to flexibly switch customers among markets, helping its revenue to grow steadily over the past five years despite industry fluctuations. In 2H2022, we expect the slowdown of the US market will be offset by the increase of Japan market. We forecast 2H2022 revenue to reach VND3,361 bn (USD146 mn, +10% YoY) and NPAT to be VND185 bn (USD 8 mn, +15% YoY).
- Tam An factory which started operating in 1Q2022 is the main driver of 1H2022 revenue growth of 29% YoY. Sao Ta factory will come into operation in Sep 2022, adding 50% to total capacity. We expect the latter factory will boost FY2022-2025 shrimp volume by 13% per annum. Therefore, revenue is expected to reach a CAGR of 15% in FY2021-2025.

Improving gross margin due to cutting input costs and shifting product mix to value-added shrimp products

- We expect gross margin to improve from 10.2% in FY2021 to 11.7% in FY2025, driven by: (1) increasing its farming area from 270 ha in FY2021 to 322 ha/422 ha/525 ha in FY2022/2023/2025, respectively, raising the material self-supplied ratio to 30-40% compared to the current 20-25%; (2) shifting its product mix to value-added shrimp products with higher gross margin than frozen shrimp.
- NPAT is expected to grow at a CAGR of 22% in FY2021-20225.

Sound balance sheet and stable cash dividend provide attractive investment opportunity for long-term horizon

- Solid financial health with no long-term debt and expected average D/A ratio of 18% in FY2022-2026.
- Historical cash dividend per charter capital ranged 15-35% in FY2015-2021 (excluding FY2020 of 10% due to COVID-19). FY2022 cash dividend is expected to be at least 20% (~ 4% cash dividend yield).

RISKS TO OUR CALL

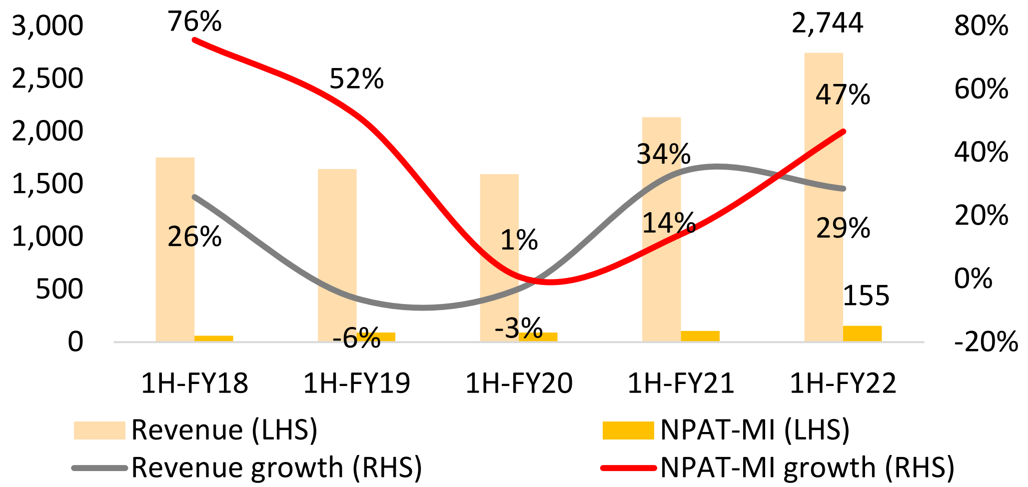
- (1) Completion progress of new factory; (2) Fluctuations in export prices and raw shrimp prices; (3) Changes in shrimp demand.

BOTH EXPORT VOLUME AND EXPORT PRICE TO SUPPORT EARNINGS GROWTH IN 1H 2022

NPAT grew 47% YoY in 1H2022 driven by increasing shrimp consumption volume and gross margin improvement.

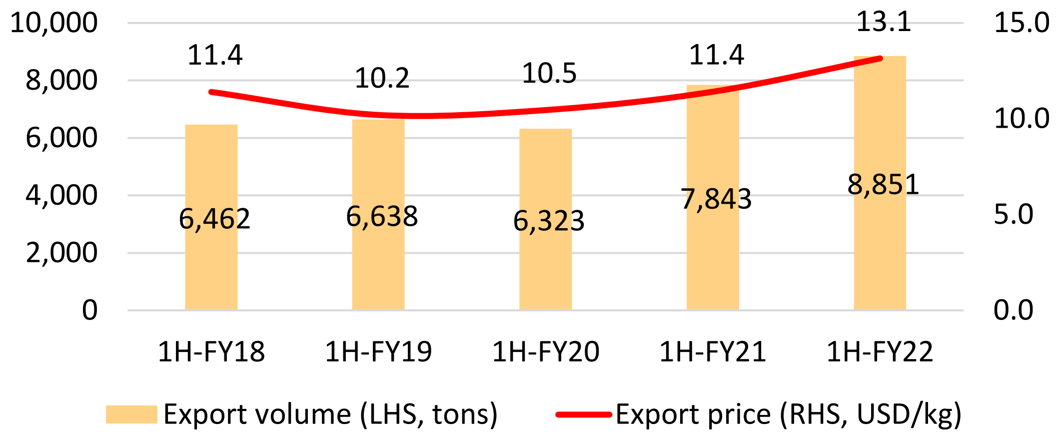
- 1H2022 revenue posted VND 2,744 bn (+29% YoY, USD 119 mn) and NPAT-MI VND 155 bn (+47% YoY, USD 6.7 mn). Revenue growth came from increasing both shrimp export volume and export prices, by 13% YoY and 15% YoY, respectively.
- Due to high selling prices and stable input materials, gross margin improved strongly 200 bps to 10.3% in 1H2022. Net margin only improved 70 bps due to high logistics costs, hence, 1H2022 NPAT recorded a 47% YoY increase.

Figure 1: FMC's business results in 1H2022 (VND Bn)



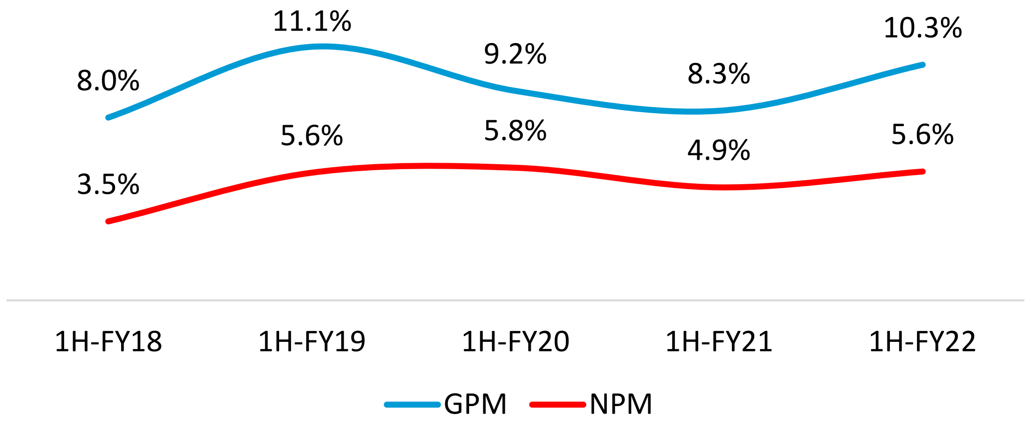
Source: FMC, Rong Viet Securities

Figure 2: FMC's export volume and average export prices



Source: FMC, Rong Viet Securities

Figure 3: FMC's gross margin and net margin



Source: FMC, Rong Viet Securities

DOUBLE-DIGIT PROFIT GROWTH CONTINUES IN FY2022

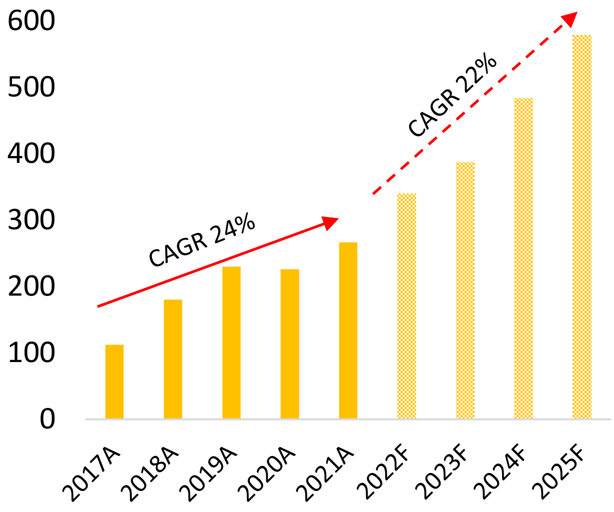
FY2022 forecasts: In 2H2022, export revenue to the US market could slow down due to oversupply. However, we expect Japan market may offset as FMC can flexibly switch shrimp orders among its key markets and the consumption of Japan market remains high, especially value-added shrimp products. Therefore, we forecast FMC's revenue and NPAT-MI to reach VND 6,105 Bn (or USD 265 Mn, +17% YoY) and VND 340 Bn (or USD 15 Mn, +27% YoY).

Factory expansion: Sao Ta factory with a capacity of 15,000 tons/year is expected to come into operation in Sep 2022, increasing FMC's total processing capacity by more than 50%. We expect this factory to be the main growth driver for the company in the 2022 – 2025 period.

Farming area expansion: After expanding 52 hectares of farming areas of Khang An subsidiary, FMC currently has a total of 322 hectares of farming area. FMC has just acquired a farming area of 203 hectares in Soc Trang province, then put 100 hectares into operation by the end of 2023. This new farming area will help the company raise the material self-supplied ratio to 30-40% compared to the current 20-25%, ensuring input materials for the new factory.

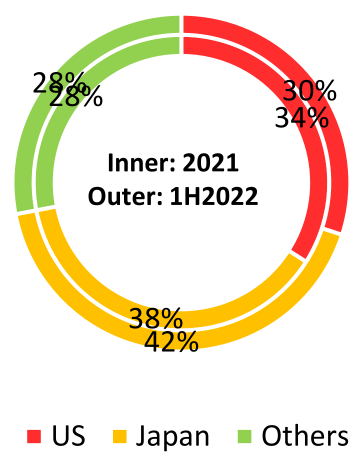
We expect that revenue and NPAT-MI to grow at a CAGR of 15% and 22% in the FY2021-2025 period, respectively.

Figure 4: NPAT forecast (VND Bn)



Source: Rong Viet Securities

Figure 5: Revenue breakdown by market



Source: FMC, Rong Viet Securities

Table 1: FMC's investment projects

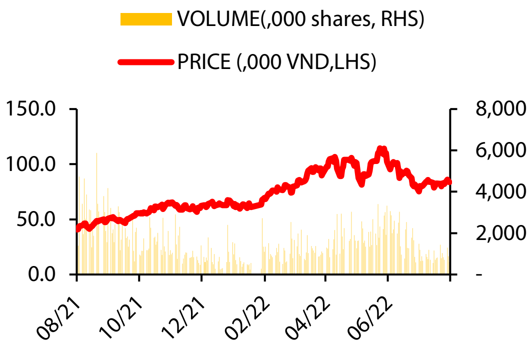
Project	Capacity	Impact on business results (*)
Tam An factory	5.000 tons per annum of processed shrimp (adding 23% into capacity). Operating in 1H2022.	Shrimp export volume to grow 13% per annum in FY21-25. Revenue to reach a CAGR of 13% in FY21-25.
Sao Ta factory	15.000 tons per annum of processed shrimp (adding 68% into capacity). Operating in 2H2022.	
New farming area	Purchase 200 ha farming area (increasing by 70% total area).	Gross margin to improve from 10.2% in FY21 to 11.7% in FY25. NPAT CAGR of 22% in FY21-25.

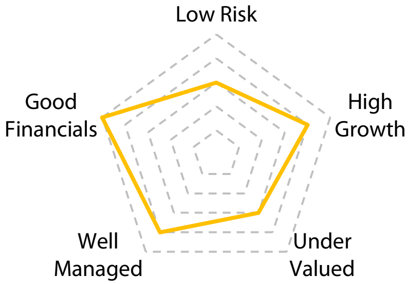
Source: FMC, Rong Viet Securities. (*) Rong Viet's estimate

EARNINGS IS LIKELY TO HAVE PEAKED IN Q2 2022

HSX: VHC

<ACCUMULATE: +11%> **<MP: 83,700>** **<TP: 91,000>**





STOCK INFO

Sector	Food & Beverage
Market Cap ($ mn)	656
Current Shares O/S (mn shares)	183
3M Avg. Volume (K)	1.608
3M Avg. Trading Value ($ mn)	151
Remaining foreign room (%)	72,8
52-week range ('000 VND)	118 - 41,5

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	9,054	13,521	12,118
NPATMI VND bn)	1,103	2,185	1,730
ROA (%)	12.6	19.4	14.1
ROE (%)	18.7	28.7	19.4
EPS (VND)	6,040	11,676	9,245
Book Value (VND)	32,076	41,418	40,792
Cash dividend (VND)	2,000	2,000	3,000
P/E (x)	10.4	7.2	9.1
P/B (x)	2.0	2.6	2.0

INVESTMENT RATIONALES

Fillet exports are likely to peak in 2Q 2022 under slowing US consumption pressure

- In 1H2022, net revenue and NPAT soared 81% YoY and 240% YoY, respectively. High fillet exports have been buoyed by high demand for low-priced seafood products amid high inflation, the sanctions on Russian seafood to drive higher demand in the US market and a low domestic supply.
- However, we see exports to the US market which accounts for 50% of VHC's revenue is decelerating under inflationary pressure and abundant fillet inventories from importers after massive imports**.** Moreover, the on-going decline in fillet selling prices and the recovery of raw material supply could contract VHC's 2H2022 gross margin. Therefore, we forecast VHC's 2H2022 revenue and NPAT-MI could increase by 22% YoY and 20% YoY, but down 20% HoH and 36% HoH, respectively.

VHC's business model is gradually less volatile because of new business segments and full valued chain

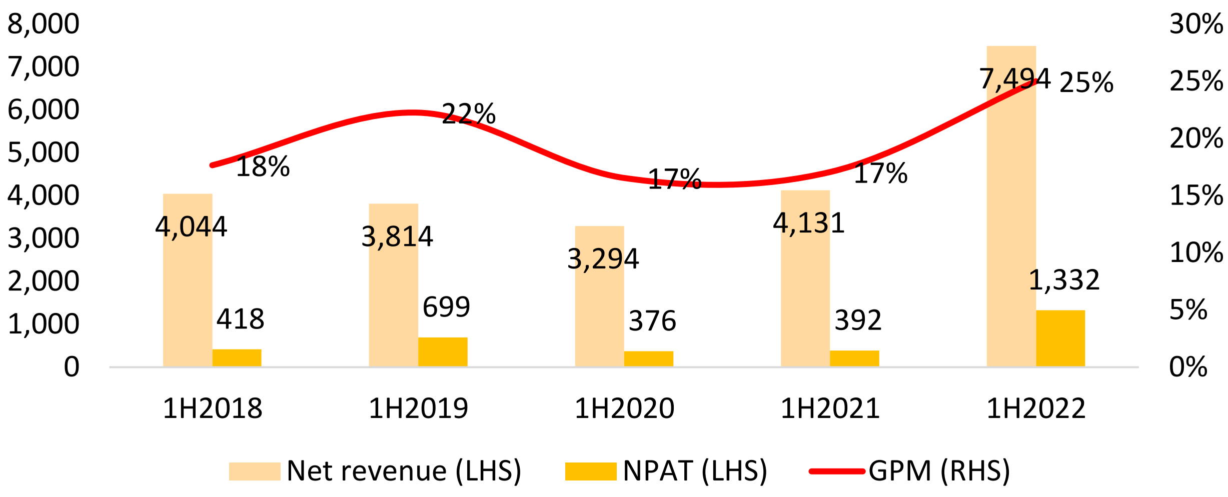
- VHC is aiming to become a F&B company focusing on healthcare agricultural products. Collagen & gelatin and Sa Giang could compensate for the decline of the pangasius segment so that profits will be less sharply reduced in the down cycle of the pangasius industry like the period of 2018-2019.
- Building a feed factory and expanding the breeding area which will put into operation in FY2022 will help VHC's input costs and profit margin be less volatile in the future.
- Falling market price makes VHC's trailing P/E down to the five-year average P/E.

RISKS TO OUR CALL

- The likelihood of global recession to restrain new fillet orders.
- Prolonged lockdown from China to decelerate the recovery of pangasius exports to this country.

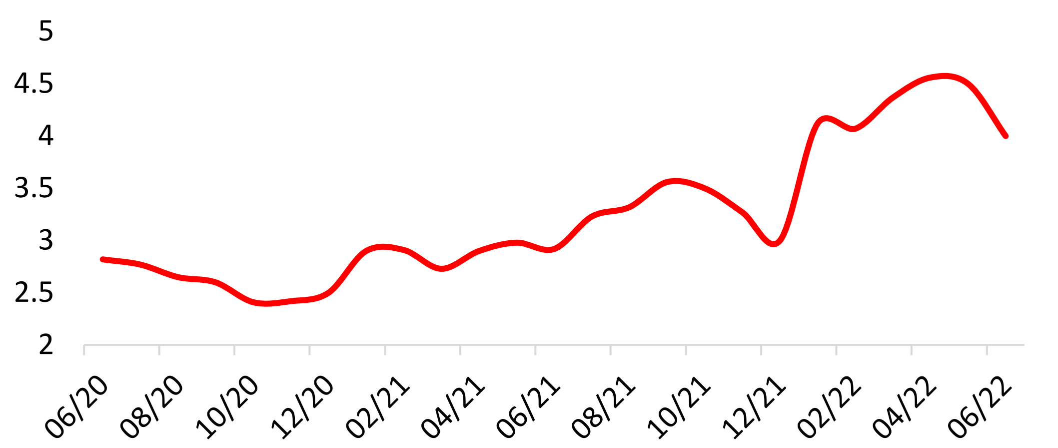
- 1H2022 net revenue reached VND 7,494 Bn (or USD 325 Mn, +81% YoY). 1H2022 fillet selling prices soared 48% YoY and export volume grew 30% YoY, respectively. High fillet exports have been buoyed by high demand for low-priced seafood products amid high inflation, the sanctions on Russian seafood to drive higher demand in the US market and a low domestic supply.
- 1H2022 NPAT-MI soared 240% YoY to reach VND 1,332 Bn (or USD 58 Mn). Gross margin expanded 794 bps YoY to reach 25% due to high selling prices. Selling cost/revenue was down from 4.6% in 1H2021 to only 2.9% in 1H2022 because of switching from orders under CIF terms to FOB terms, supporting a net margin expansion of 829 bps YoY in 1H2022.

Figure 1: 1H2022 net revenue, NPAT (VND Bn) and gross margin (%)



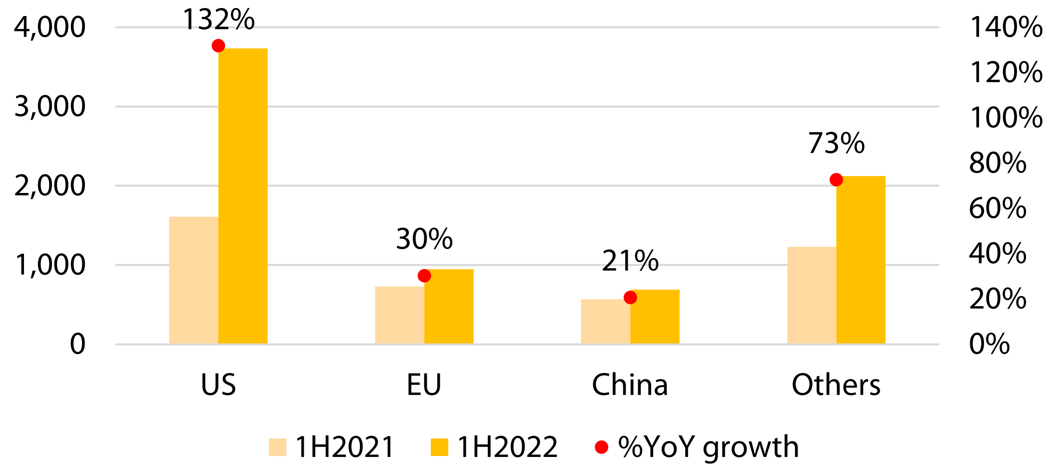
Source: VHC, Rong Viet Securities

Figure 2: VHC's monthly selling prices (USD/kg)



Source: ArgoMonitor, Rong Viet Securities

Figure 3: Revenue breakdown by markets in 1H2022 (VND Bn)

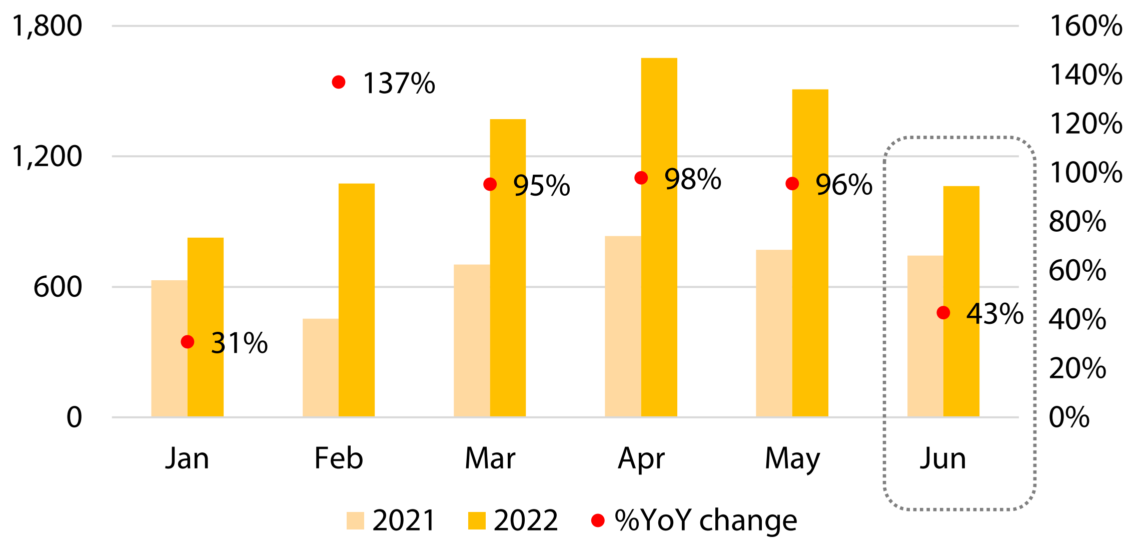


Source: VHC, Rong Viet Securities

2H2022: PROFIT GROWTH IS LIKELY TO SLOW DOWN HALF-OVER-HALF

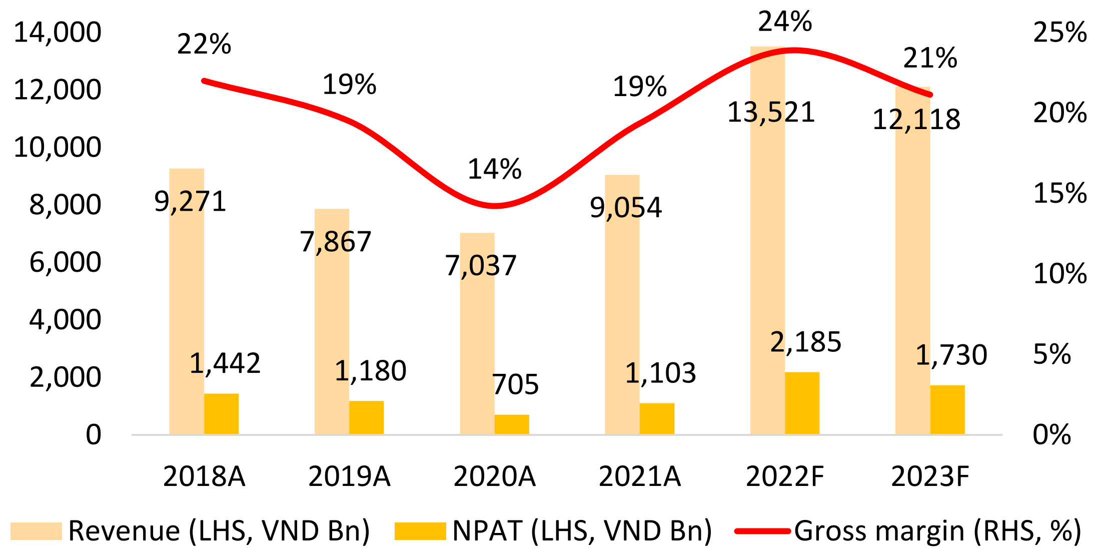
- June 2022 revenue started to show a negative growth of 30% MoM, mainly driven by a dramatic decline of US export revenue of 59% YoY under inflationary pressure and abundant pangasius inventories after massive imports. We expect exports to the US market will gradually recover in the coming months as high inventories are gradually consumed and orders will increase again to prepare for the year-end festival. However, we also concern that VHC's exports to the US market are unlikely to return to the peak in 2Q 2022.
- Therefore, we forecast VHC's 2H2022 revenue and NPAT-MI could increase by 22% YoY and 20% YoY, but down 20% HoH and 36% HoH, respectively. For FY2022/2023, we forecast revenue will reach VND 13,521/12,118 Bn (+49%/-10% YoY) and NPAT-MI will be VND 2,185/1,730 Bn (+98%/-21% YoY), respectively.

Figure 4: VHC's monthly revenue (VND Bn)



Source: VHC, Rong Viet Securities

Figure 5: Business forecast for FY2022 & 2023 (VND Bn)



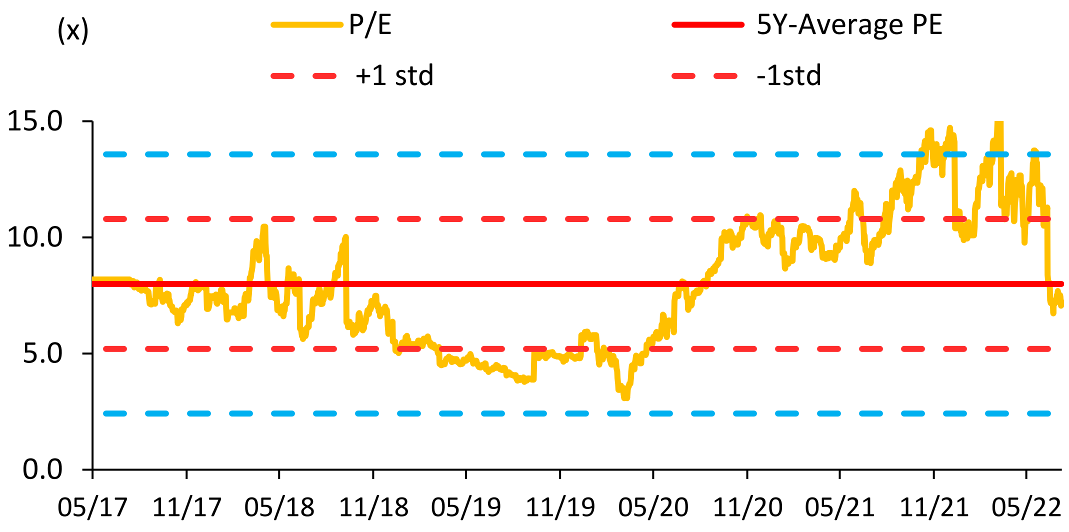
Source: Rong Viet Securities

Table 1: Valuation summary

FCFF		SoTP		
Risk-free rate	3.0%	**Segment**	**Method**	**Valuation**
Expected market return	12.0%	Collagen and gelatin	P/E 13x	21,465
Beta	1.1	Pangasius	P/E 7x	67,875
WACC	11.9%	Sa Giang (SGC)	P/E 12x	3,937
Target price @ g=3% (VND)	**88,620**	Valuation (VND)		**93,278**
Target price, VND (50% FCFF, 50% SoTP)				**91,000**

- Falling market price makes VHC's trailing P/E return to a more attractive level. However, based on the decelerating Q3/2022 outlook of the pangasius industry, we revise down the 2022 target P/E of the pangasius segment from 10.0x to 7.0x.
- We use a combination of DCF (50%) and SoTP (50%) to derive a one-year TP of VND 91,000/share for VHC. At the target price, VHC is trading at a one-year forward P/E of 7.8x, equivalent to the five-year average P/E ratio.

Figure 6: VHC's historical TTM P/E

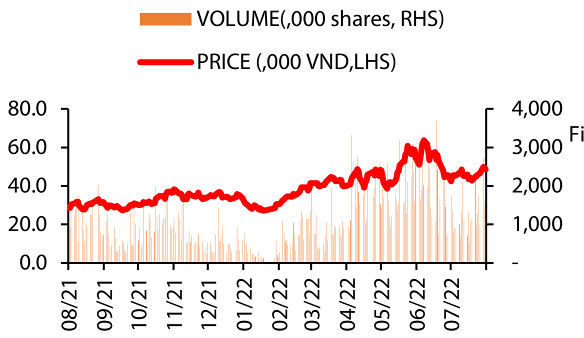


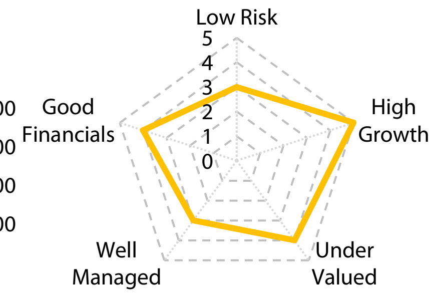
Source: Bloomberg, Rong Viet Securities

HIGH GROWTH REMAINS IN 2H2022 BEFORE FACING UNCERTAINTY IN 2023

HSX: ANV

<ACCUMULATE: +10%> **<MP: 48,600>** **<TP: 52,500>**





STOCK INFO

Sector	Food & Beverage
Market Cap ($ mn)	264
Current Shares O/S (mn shares)	127
3M Avg. Volume (K)	1716
3M Avg. Trading Value ($ mn)	87
Remaining foreign room (%)	46,1
52-week range ('000 VND)	65 - 27

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	3,494	5,282	5,129
NPATMI VND bn)	128	864	725
ROA (%)	2.6	13.8	11.3
ROE (%)	5.5	29.4	21.3
EPS (VND)	1,006	6,796	5,700
Book Value (VND)	32,076	41,418	40,792
Cash dividend (VND)	1,000	2,000	2,000
P/E (x)	29.8	7.0	8.4
P/B (x)	1.6	2.1	1.8

INVESTMENT RATIONALES

FY2022 NPAT is expected to increase 6.75 times YoY because of both revenue growth and gross margin expansion

- In 2022, we expect net revenue and NPAT to reach VND 5,282 Bn (or USD 229 Mn, +51% YoY) and VND 864 Bn (or USD 37 Mn, +6.75 times YoY), respectively, driven by: (1) Strong recovery in demand and shortage of raw material supply supported both export prices and export volume to increase; (2) Fully integrated value chain with the ability to self-supply input materials resulted in a doubled YoY increase in gross margin to 30% in FY2022.
- By virtue of the advantage of market diversification, its self-supplied input materials and no export to the US market which is suffering the consumption demand, we expect that business growth in 2H2022 will be much higher than peers and possibly to grow compared to 1H2022 if gross margin stays the same or only slightly declines.

FY2023 business growth will depend on many uncertain factors

- We glimpse some key elements influencing ANV's 2023 results: (1) global pangasius supply-demand dynamics and pangasius price movements, (2) the opening of the Chinese market, (3) the efficiency of new business segment (collagen & gelatin). We conservatively forecast 2023 revenue and NPAT decline of 3% and 16% YoY, respectively, corresponding to a neutral view on export growth to the Chinese market and a gross margin contraction due to the selling price to cool down after material supply recovery.
- In general, we see ANV as a short-term investment opportunity for 2H2022 instead of 2023 due to unforeseen risks of 2023 business results.

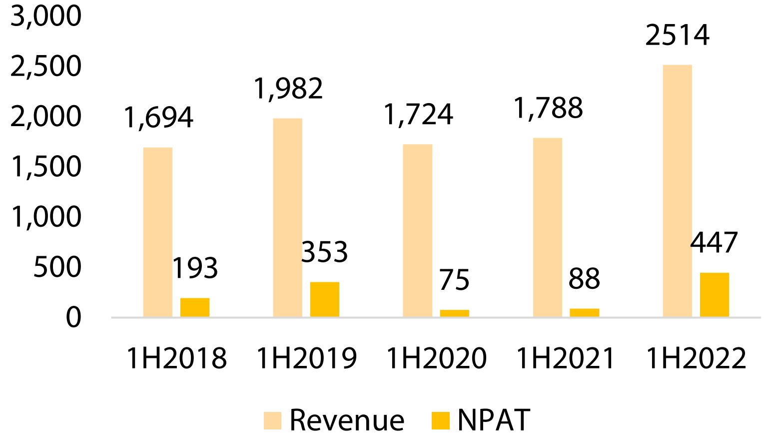
RISKS TO OUR CALL

- The likelihood of global recession to restrain new fillet orders.
- Prolonged lockdown from China to decelerate the recovery of pangasius exports to this country.

1H2022 NPAT QUADRUPLED ON A LOW YOY BASE

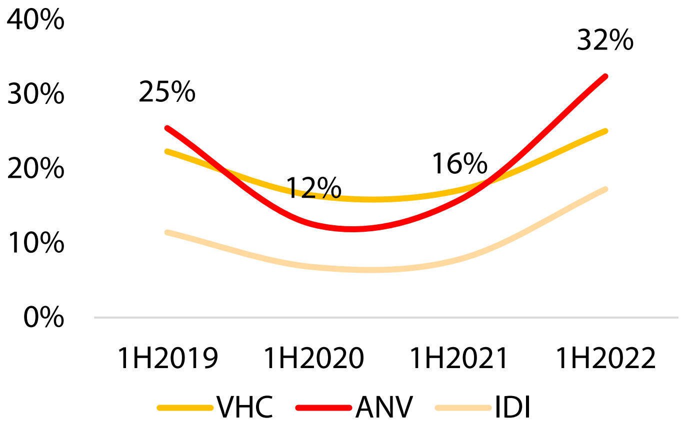
- 1H2022 net revenue reached VND 2,514 Bn (or USD 109 Mn, +40% YoY). NPAT quadrupled YoY to reach VND 447 Bn (or USD 19 Mn, + 4 times YoY). This stellar growth is driven by: (1) The strong recovery in demand and the shortage of raw material supported both export prices and export volume to increase; (2) Fully integrated value chain with the ability to self-supply input materials resulted in a doubled YoY increase in gross margin to 32% in 1H2022.
- In terms of the export market, revenue increased significantly owing mostly to the strong growth of most key markets: Mexico, EU, ASEAN, Brazil and Russia with a growth rate of 50% or more. On the other hand, the Chinese market plummeted 57% YoY due to the "Zero Covid" policy causing difficulties for exports.
- Selling expenses increased sharply by 63% YoY to be VND 210 Bn (~ USD 9 Mn), mainly due to the significant rise in freight costs in the context of the increasingly complicated conflict between Russia and Ukraine, and fuel cost pressure. General and admin expenses also soared 205% YoY to be VND 55 Bn (~ USD 2 Mn) due to provision for bad debts of Chinese customers.

Figure 1: 1H2022 net revenue, NPAT (VND Bn)



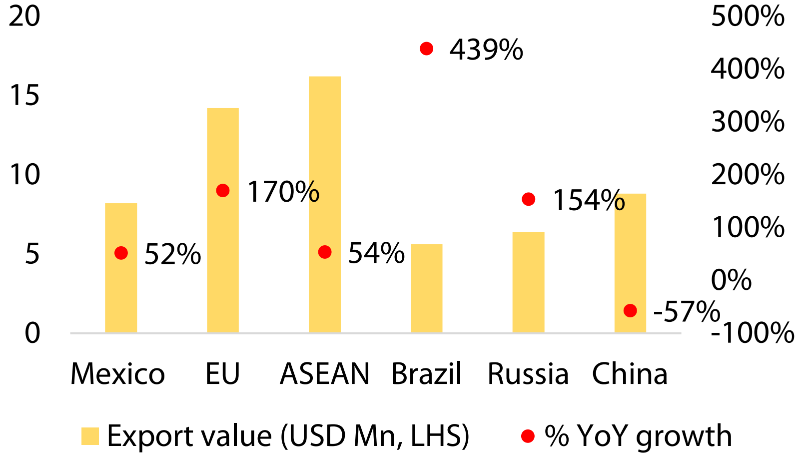
Source: ANV, Rong Viet Securities

Figure 2: Gross margin



Source: FiinPro, Rong Viet Securities

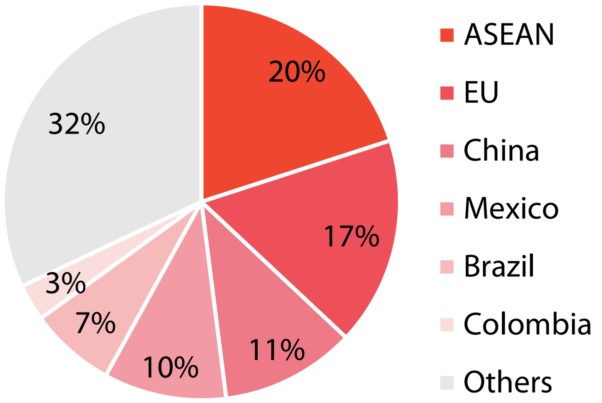
Figure 3: Revenue breakdown by market



Source: ANV, Rong Viet Securities

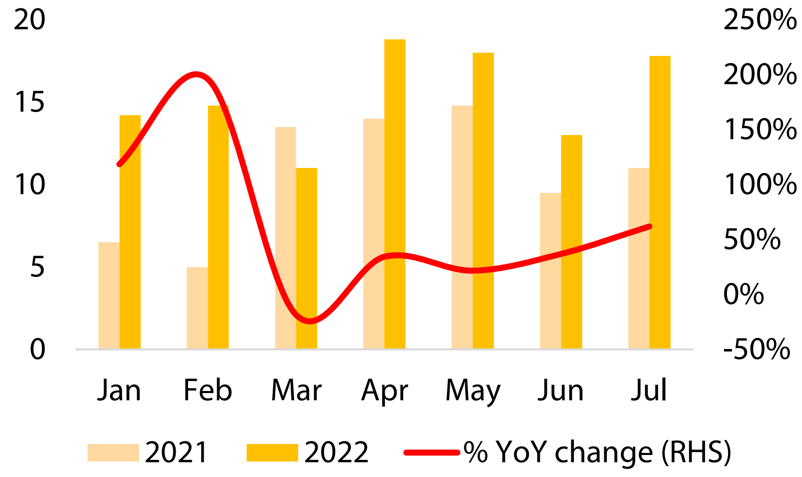
- July revenue are rebounding after a temporary decline in June 2022. The diversification of export markets, to the US and non-US, will help pangasius export revenue remain high in 2H2022 even if the industry shows signs of deceleration compared to 1H2022. We see that 2H2022 earnings growth will depend heavily on gross margin fluctuation. We assume ANV's 2H2022 input costs to remain the 1H2022 level, while selling price to decrease moderately due to material supply recovery, leading to 2H2022 GPM of 28%, lowering than the 32% GPM of 1H2022. Overall, we forecast ANV's 2H2022 revenue and NPAT to be VND 2,768 Bn (or USD 120 Mn, +10% HoH and +62% YoY) and VND 417 Bn (or USD 18 Mn, -7% HoH and + 9 times YoY).
- However, we see many uncertainties on the YoY growth of FY2023 business results due to the dependence on precarious factors such as global pangasius supply and demand, pangasius price movements, the opening of the Chinese market, the efficiency of new business segment (collagen & gelatin). Therefore, we conservatively forecast 2023 revenue and NPAT decline of 3% and 16% YoY, respectively, corresponding to a neutral view on export growth to the Chinese market. In general, we see ANV as a short-term investment opportunity for 2H2022 instead of 2023 due to unforeseen risks of 2023 business results.

Figure 4: Revenue breakdown by markets in 1H2022



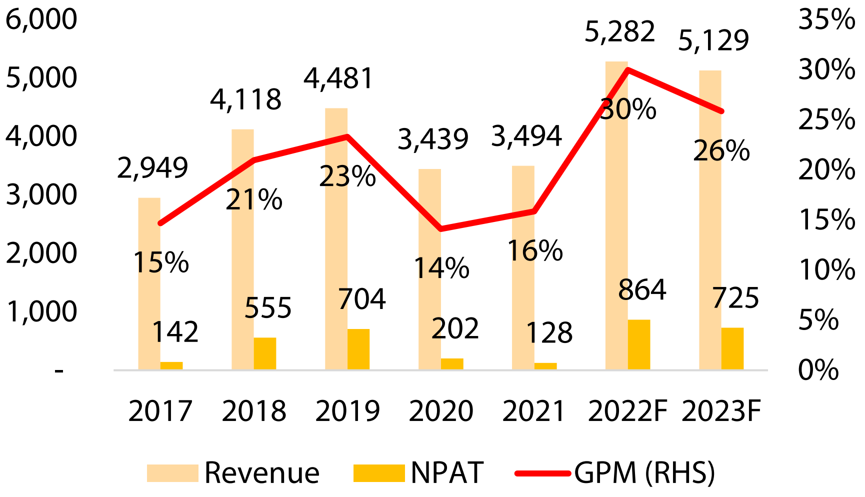
Source: ANV, Rong Viet Securities

Figure 5: Monthly pangasius revenue (USDmn)



Source: ANV, Rong Viet Securities

Figure 6: Business forecasts in FY2022-23 (VND Bn)



Source: Rong Viet Securities

ANALYSIS & INVESTMENT ADVISORY DEPARTMENT

Lam Nguyen
Head of Research
lam.ntp@vdsc.com.vn
+ 84 28 6299 2006 (1313)

- Market Strategy
- Industrial Park

Vu Tran
Senior Manager
vu.thx@vdsc.com.vn
+ 84 28 6299 2006 (1512)

- O&G
- Fertilizer

Tam Pham
Manager
tam.ptt@vdsc.com.vn
+ 84 28 6299 2006 (1530)

- Bank
- Insurance

Tung Do
Manager
tung.dt@vdsc.com.vn
+ 84 28 6299 2006 (1521)

- Retails
- Aviation
- Logistics
- Market Strategy

An Nguyen
Senior Analyst
an.ntn@vdsc.com.vn
+ 84 28 6299 2006 (1541)

- Food & Beverage
- Automotive & Spare parts

Anh Tran
Senior Analyst
anh.tk@vdsc.com.vn
+ 84 28 6299 2006 (1544)

- Market Strategy
- Residential RE
- Construction

Loan Nguyen
Analyst
loan.nh@vdsc.com.vn
+ 84 28 6299 2006 (1531)

- Textile
- Fishery
- F&B

Thanh Nguyen
Analyst
thanh.nn@vdsc.com.vn
+ 84 28 6299 2006 (1535)

- Bank
- Insurance
- Securities

Thao Nguyen
Analyst
thao.nn@vdsc.com.vn
+ 84 28 6299 2006 (1524)

- Utilities
- Sea ports
- Logistics

Ha Tran
Assistant
ha.ttn@vdsc.com.vn
+ 84 28 6299 2006 (1526)

Hung Le
Analyst
hung.ltq@vdsc.com.vn
+ 84 28 6299 2006 (1546)

- Industrial RE
- Market Strategy

Bernard Lapointe
Senior Consultant
bernard.lapointe@vdsc.com.vn
+ 84 28 6299 2006

Ha My Tran
Senior Consultant
my.tth@vdsc.com.vn
+ 84 28 6299 2006

- Macroeconomics

Quan Cao
Analyst
quan.cn@vdsc.com.vn
+ 84 28 6299 2006 (2223)

- Technology
- Pharmaceutical

Trang Tran
Assistant
trang.tnt@vdsc.com.vn
+ 84 28 6299 2006 (1522)

RONG VIET SECURITIES

VIET DRAGON SECURITIES CORPORATION

Viet Dragon Tower, 141 Nguyen Du Street., Dist.1, HCMC, Vietnam

www.vdsc.com.vn