

Recommendation

BUY

Nam Viet Joint Stock Company (HSX: ANV)

The Beginning of a New Cycle

Current price:	32,350
Previous target price:	-
New target price:	38,700
Dividend yield	6.7%
Upside	20%

Date:	27/06/2021
Outstanding Shares (Million)	127
Market Cap (VND billion)	3,801
Avg. 6M Trading vol:	636,843
% Foreign float	1.4%

SHAREHOLDER STRUCTURE

Doan Toi	54.35%
Doan Chi Thanh	12.99%
Doan Chi Thien	12.94%

Retail Research:

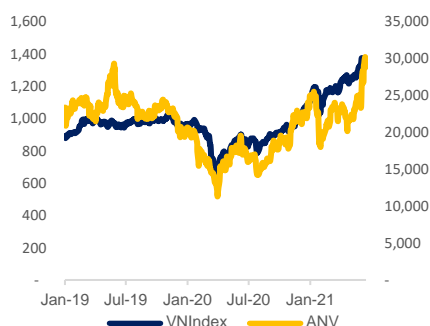
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Technical Analyst:

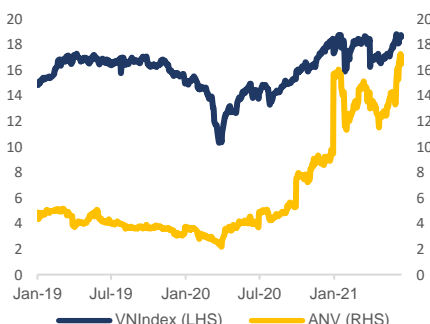
Nguyen Tien Duc
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Target price:	34,500 VND
Stop-loss price:	29,790 VND

Price comparison between ANV and VN index



P/E comparison between ANV and VN index



VALUATION

We recommend **BUY** ANV with fair value of VND 38,700/share, **+20%** from June 27, 2021 based on P/E valuation method with **target P/E 2021 = 11x** to reflect on (1) the expectation of a strong recovery of ANV at the end of 2021, (2) the catalyst to penetrate the US market and (3) the recovery point of the pangasius industry cycle.

FORECAST OF BUSINESS RESULTS

BSC forecasts revenue and net profit in 2021 at **VND 4,792 billion (+39.4% YoY)** and **VND 465 billion (+130.1% YoY)**, equivalent to **EPS FW2021=3,520 VND/share**, **P/E FW2021=9.1x** with assumption : (1) Consumption volume in markets increased sharply, of which: China **31,255 tons (+70% YoY)**, Thailand **14,003 tons (+20% YoY)** and (2) Export price of pangasius fillet increased by **+13% YoY**, of which: China **USD 2.04/kg (+15% YoY)**, Thailand **USD 1.69/kg (+15% YoY)**.

INVESTMENT THESIS

- Profit increased 2.3 times over the same period thanks to compound growth: Demand recovered in the context of difficult to increase supply in the short term.
- Potential for export to the US market.

TECHNICAL VIEW *(For short term investors)*

- Investors can buy stocks and consider taking profits when ANV approaches the price range of 34.5, consider cutting losses if 29.5-30 is penetrated.

RISKS

- The complicated situation of COVID-19 reduces the demand for pangasius consumption.
- Logistics disruption increases selling costs.

COMPANY UPDATE

- Q1/2021, ANV recorded revenue and NPAT of **VND 706 billion (-13% YoY)** and **VND 64 billion (+41.7% YoY)** respectively thanks to the operation of Solar Power segment.

	2020	2021	Peer	VN-Index
PE (x)	20	9.1	18.5	14.7
PB (x)	1.8	2	2.7	2.0
PS (x)	1.2	0.9	2.3	1.5
ROE (%)	9.4	18.7	14.9	13.3
ROA (%)	5.3	9.8	2.4	2.4
EV/ EBITDA (x)	17.7	6.9	17.5	14.0

	2018	2019	2020	2021F
Net Sales	4,118	4,481	3,439	4,792
Gross Profit	862	1,043	485	821
NPAT	604	704	202	465
EPS	4,811	5,541	1,590	3,520
EPS Growth	321%	17%	-71%	130%
Net Debt/ Equity	68%	55%	79%	47%

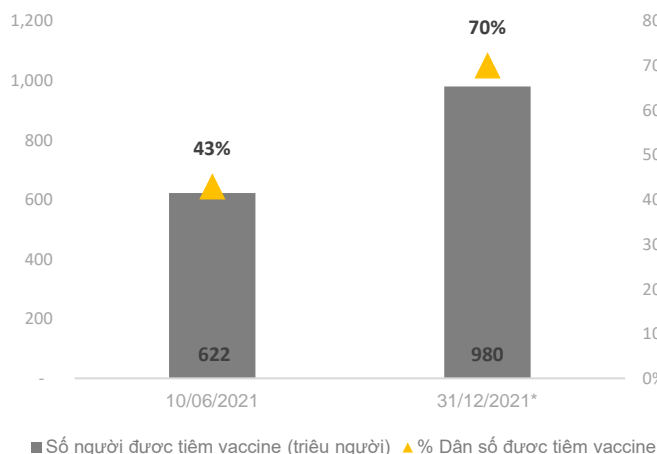
INVESTMENT THESIS

Strong compound growth in both output and selling price thanks to (1) The recovery of demand in key markets in the context of (2) Difficulty in short-term supply expansion.

Pangasius demand in key markets recovers

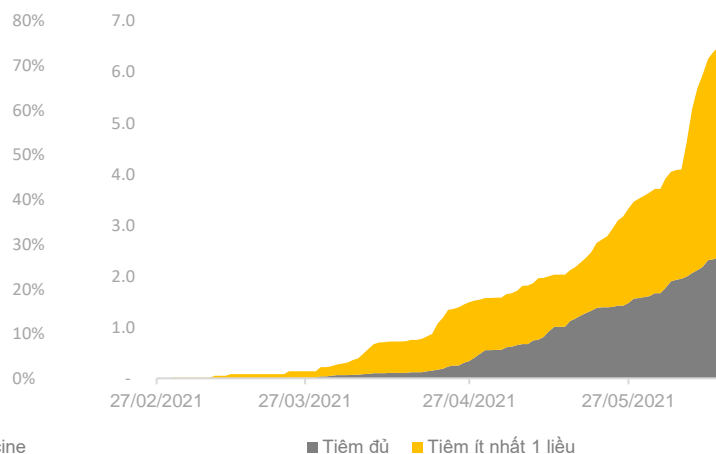
China, Thailand... are the key export markets of ANV. Currently, the epidemic situation in these countries is progressing positively with the Government's promotion of the whole population vaccination program. It is expected that by the end of 2021, most of the population of countries will be vaccinated

Figure 1: The proportion of China's population vaccinated is expected to reach 70% by the end of 2021



Source: Our World In Data

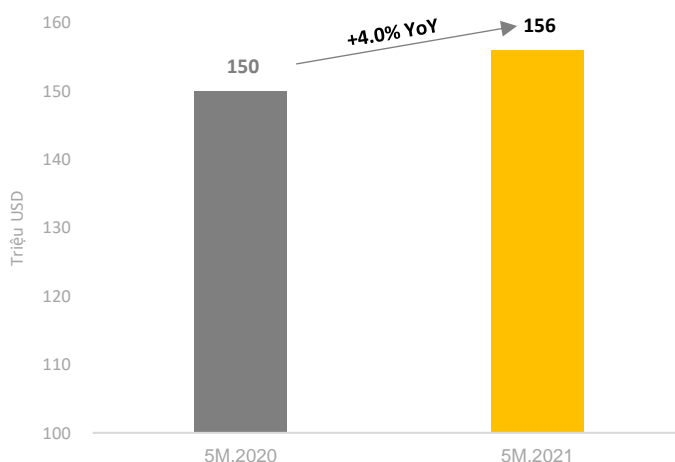
Figure 2: The proportion of Thailand's population vaccinated against vaccine increased sharply (%)



Source: Our World in Data

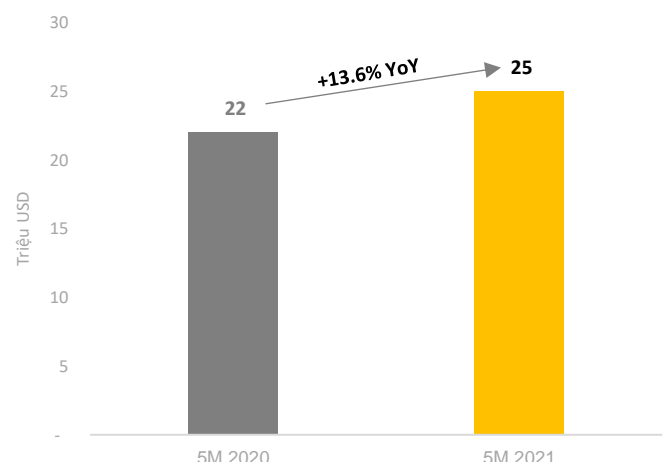
Due to the positive situation of the epidemic, social distancing measures have also been relaxed, thereby promoting the recovery of food consumption demand in service chains, restaurants, etc. The export turnover of pangasius products to China, Thailand ... therefore shows signs of recovery in the first 5 months of 2021.

Figure 3: Vietnam's pangasius export turnover to China shows signs of recovery



Source: BSC compilation

Figure 4: Vietnam's pangasius export turnover to the Thailand shows signs of recovery



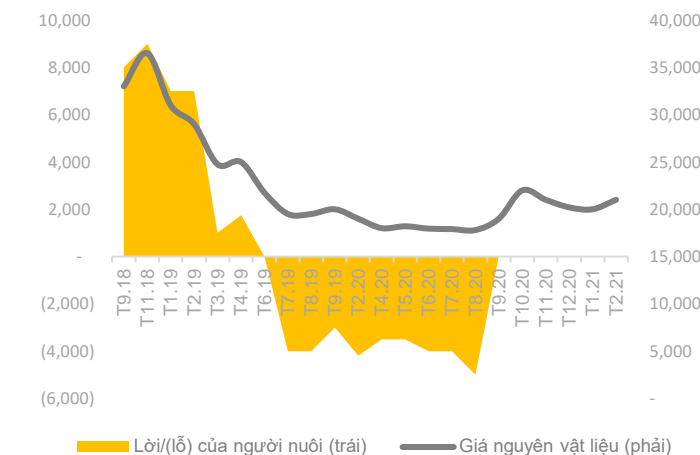
Source: BSC compilation

BSC believes that, in 2H2021, **the demand for pangasius products will grow strongly** when service activities, restaurants, etc. will be further expanded thanks to (1) the majority of the population is vaccinated. vaccines and (2) consumer confidence to participate in activities.

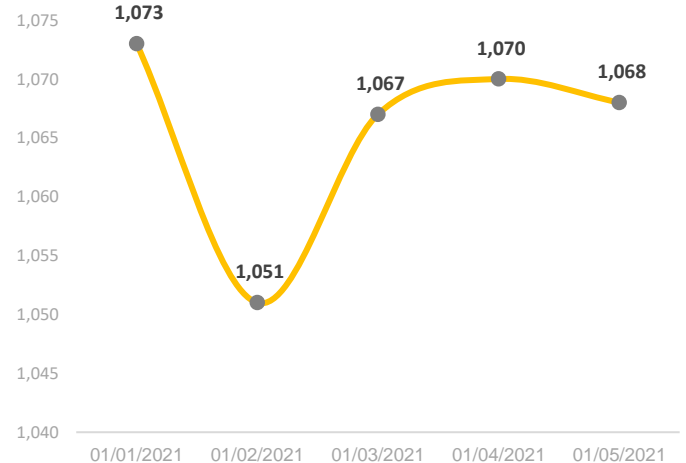
Supply is difficult to increase in the short term

After two difficult years of the pangasius industry, with the low price of raw fish, not enough farming costs, many people had to abandon ponds and stop raising. BSC believes that **the pangasius farming area is not expanded in the context of increasing demand, which will help ANV increase selling prices and improve profit margins in the second half of 2021.**

Figure 5: The price of raw pangasius is lower than the cost of farming (VND/Kg) Figure 6: Pangasius farming area in Dong Thap has not been expanded (ha)



Source: BSC compilation

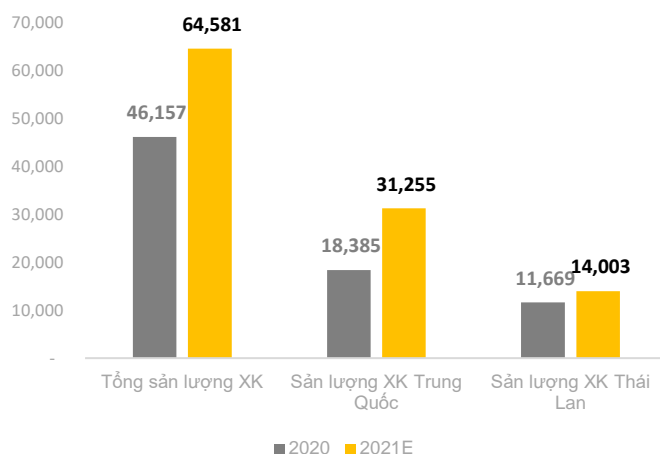


Source: BSC compilation

BSC forecasts ANV's NPAT in 2021 will increase 2.3 times over the same period to VND 465 billion thanks to compound growth.

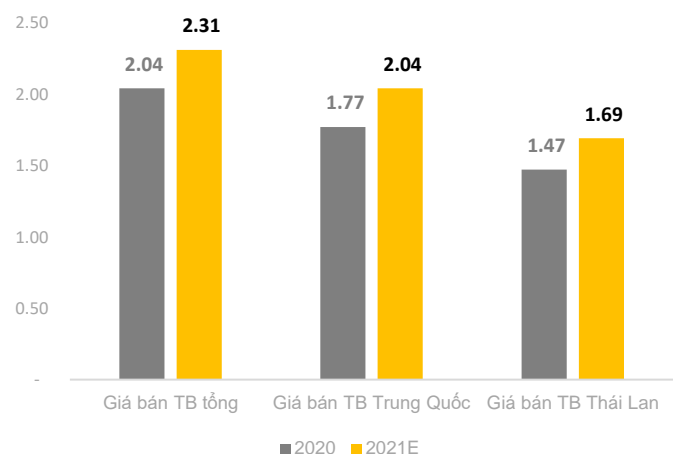
In the context of increased demand and difficult to increase supply in the short term, BSC believes that **ANV will achieve the double growth from increasing output and selling price of pangasius products.** In addition, taking advantage of the distribution system that has close connections with exclusive distributors in each country - who are knowledgeable and responsive to market conditions, **ANV will benefit first when the market has a positive change.**

Figure 7: ANV's export volume in 2021 will increase sharply +40% YoY (tons)



Source: BSC Research

Figure 8: ANV's export price 2021 will increase sharply +12.8% YoY (USD/kg)



Source: BSC Research

The export potential to the US market

ANV is one of two companies entitled to a tax rate of 0.09 USD/kg in the POR 16 (preliminary) phase introduced by the US Department of Commerce (DOC) on December 28, 2020. Official results are expected to be announced in June 2021, if the results are unchanged, **ANV is expected to re-enter the US market** after stopping exporting to this market from 2014. BSC assessed **this is absolutely an attractive opportunity for ANV**, especially the US market is one of the markets with the highest selling price for pangasius fillets. With the increased capacity from Binh Phu farming area, BSC believes that **ANV can completely export more than 20,000 tons of pangasius fillet per year** to this market with the corresponding revenue of 1,403 billion VND/year (at current export price).

Figure 9: US market price is relatively high compared to other markets (USD/Kg)

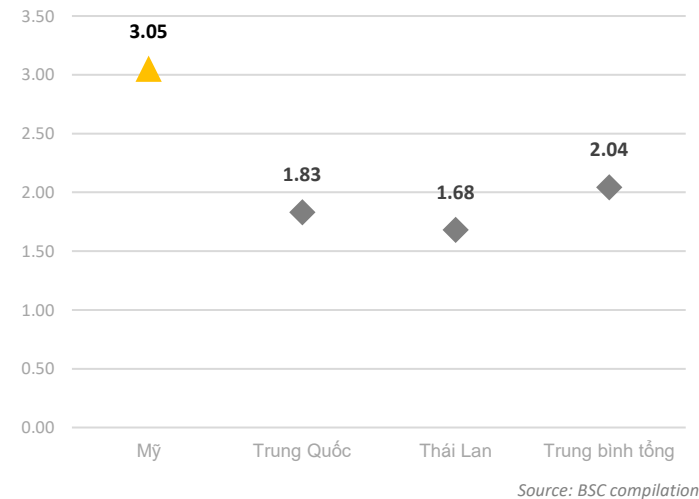
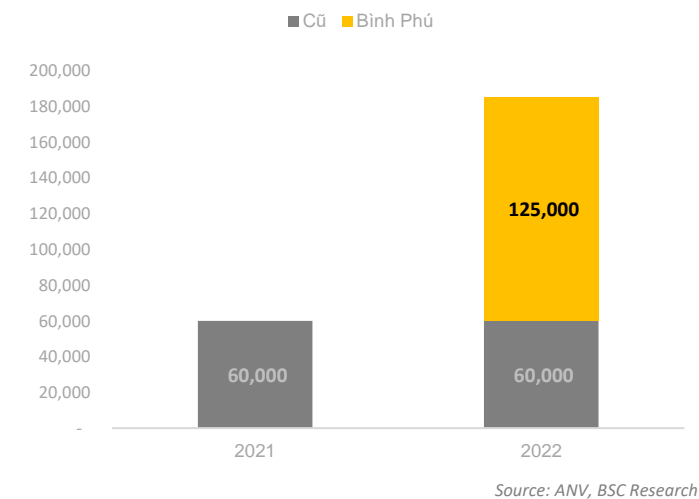


Figure 10: ANV capacity is 3 times larger after Binh Phu farming area is completed (tons of pangasius fillets/year)



COMPANY UPDATE

Table 1: ANV's update in Q1/2021

Income Statement	Q1/2020	Q1/2021	%YoY	Comment
Net revenue	811	706	-13.0%	Q1/2021 revenue reached VND 706 billion (-13% YoY) as export markets still faced difficulties in Q1 leading to less positive export volume and low selling price at 1.7 USD/kg.
COGS	-690	-564	-18.3%	
Gross profit	121	142	17.3%	
Gross profit margin	15.0%	20.2%		Gross profit margin in Q1/2021 increased to 20.2% (+5.2% yoy) thanks to the operation of the Solar Power segment with a high gross profit margin of 89%.
Financial revenue	13	7	-43.0%	
Financial expenses	-17	-24	43.9%	
In which: interest expenses	-14	-21	54.4%	Interest expense in Q1/2021 reached VND21 billion (+54.4% YoY) as ANV increased its loan balance to invest in Binh Phu farming are reaching VND1,921 billion while the same period was only VND1,392 billion .
Selling expenses	-55	-43	-21.8%	
G&A expenses	-13	-11	-11.4%	
Operating Profit	50	71	43.1%	Other updates: Mr. Doan Chi Thien - Member of the Board of Management registered to sell 5 million ANV shares (out of a total of 17.1 million shares held). The implementation period is from June 15, 2021 to July 14, 2021.
Net other income	2	3	42.5%	
Gain/loss from affiliates	0	0		
Profit before tax	52	74	43.1%	
Corporate tax	-8	-10	22.2%	
Profit after tax	43	64	47.1%	
Minority interest	0	0		
NPATMI	43	64	47.1%	

Source: ANV, BSC Research

FORECAST OF BUSINESS RESULTS

BSC forecasts that ANV's net profit and NPATMI will reach **VND 4,792 billion (+39.4% YoY)** and **VND 465 billion (+130.1% YoY)**, respectively, **EPS FW2021 = VND 3,520/share**, corresponding to a **P/E of FW2021 = 9.1**, based on the following assumptions:

- ANV's main export markets such as China and Thailand will continue to control the epidemic well and increase the proportion of the population vaccinated as planned.
- Consumption volume in markets increased sharply, of which: China **31,255 tons (+70% YoY)**, Thailand **14,003 tons (+20% YoY)**.
- The export price of pangasius fillet increased, of which: China **USD 2.04/kg (+15% YoY)**, Thailand **USD 1.69/kg (+15% YoY)**.

Table 2: Forecast of ANV's business results (billion VND)

	2018	2019	2020	2021
Net revenue	4,118	4,481	3,439	4,792
<i>Export to China</i>	-	-	750	465
<i>Export to Thailand</i>	-	-	394	543
COGS	(3,256)	(3,438)	(2,954)	(3,971)
Gross profit	862	1,043	485	821
Financial revenue	74	52	43	45
Financial expenses	(75)	(60)	(80)	(80)
In which: interest expenses	(46)	(49)	(62)	(65)
Selling expenses	(161)	(191)	(185)	(201)
G&A expenses	(9)	(47)	(57)	(67)
Operating Profit	693	805	243	553
Other Income	2	34	35	35
Other expenses	(1)	(1)	(1)	(1)
Net other income	1	33	34	34
Gain/loss from affiliates	-	-	-	-
Profit before tax	690	831	240	551
Corporate tax	(86)	(126)	(37)	(86)
Profit after tax	604	704	202	465
Minority interest	4	-	-	-
NPATMI	600	704	202	465
Basic EPS (VND)	4,811	5,541	1,590	3,520

Source: BSC Research

VALUATION

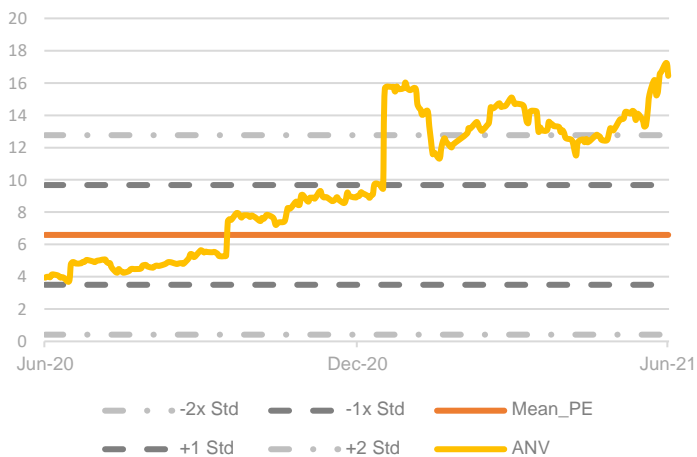
We recommend **BUY** for ANV with fair value of **VND38,700/share**. This price is equivalent to **upside 20%** (according to the closing price on June 27, 2021, is 32,350 VND).

Valuation method

We use the P/E valuation method, with a target **P/E of 2021 = 11x** – above the 1-year average P/E of **9.8x** to determine the fair value of ANV. BSC believes that 11x is a suitable P/E level reflecting on (1) the expectation of a strong recovery of ANV by the end of 2021, (2) the catalyst to penetrate the US market and (3) the cyclical recovery point of pangasius industry.

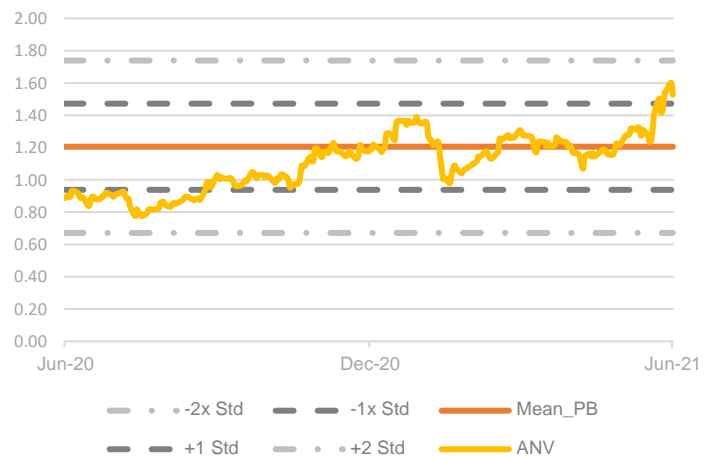
P/E method	Value
EPSFW2021	3,520 VND/CP
Target P/E 2021	11x
Fair value	VND 38,700/share

Figure 10: P/E ANV



Source: BSC Research

Figure 11: P/B ANV



Source: BSC Research

APPENDIX

IS (VND billion)	2018	2019	2020	2021F	CF (VND billion)	2018	2019	2020	2021F
Net revenue	4,118	4,481	3,439	4,792	Profit after tax	604	704	202	465
COGS	(3,256)	(3,438)	(2,954)	(3,971)	Depreciation	80	81	90	63
Gross profit	862	1,043	485	821	Change in NWC	7	-580	-402	396
Selling expenses	(161)	(191)	(185)	(201)	CF from operating activities	721	328	-30	925
G&A expenses	(9)	(47)	(57)	(67)	Fixed assets investment	-432	-432	-605	-30
Operating income	693	805	243	553	Other investment	-252	180	400	200
Financial income	74	52	43	45	CF from investing activities	-685	-252	-205	170
Financial expenses	(75)	(60)	(80)	(80)	Dividend paid	-149	-191	-158	-158
Interest expenses	(46)	(49)	(62)	(65)	Cash from net borrowing	178	61	444	-597
Gain/loss from affiliates	(2)	0	(0)	(0)	Other revenue	-22	9	-32	0
Other gain/loss	1	33	34	34	CF from financing activities	7	-120	254	-755
Profit before tax	690	831	240	551	Beginning cash balance	26	69	25	44
Corporate tax payment	(86)	(126)	(37)	(86)	Cash in year	43	-44	19	340
Profit after tax	604	704	202	465	Ending cash balance	69	25	44	383
Minority interest	4	0	0	0					
NPATMI	600	704	202	465					
EBITDA	772	886	332	616					
EPS	4,811	5,541	1,590	3,520					

BS (VND billion)	2018	2019	2020	2021	Ratios (%)	2018	2019	2020	2021F
Cash & cash equivalent	69	25	44	383	Liquidity ratios				
Short term investment	452	585	321	321	Current ratio	1.3	1.6	1.2	1.4
Account receivables	569	443	432	589	Quick ratio	0.7	0.6	0.4	0.7
Inventory	962	1,583	1,900	1,382	Solvency ratios				
Other current assets	38	54	87	121	Debt/ Total assets	46%	42%	52%	45%
Total current assets	2,090	2,690	2,784	2,797	Debt/ Equity	85%	73%	107%	82%
Tangible assets	210	269	591	758	Efficiency ratios				
Depreciation	-870	-891	-953	-1,016	Days of inventories	103	135	215	151
Long term incomplete assets	393	671	784	584	Days of receivables	44	40	39	30
Long term investment	326	144	147	147	Days of payables	12	17	39	39
Other non-current assets	1,276	1,251	1,482	1,548	CCC	135	158	215	142
Total non-current assets	1,335	1,444	2,050	2,021	Profitability ratios				
Total Assets	3,425	4,135	4,834	4,818	Gross profit margin	21%	23%	14%	17%
Account payables	1,577	1,749	2,500	1,970	PBT margin	17%	19%	7%	12%
Short-term debt	1,251	1,295	1,682	1,044	ROE	37%	33%	9%	19%
Other short-term debt	316	433	657	938	ROA	20%	19%	5%	10%
Current liabilities	1,568	1,728	2,339	1,982	Valuation				
Long-term debt	10	20	159	193	PE	6.7	5.8	20.3	9.1
Other long-term debt	0	0	2	2	PB	2.2	1.7	1.8	2
Non-current liabilities	10	20	161	195	Growth				
Total Liabilities	1,577	1,749	2,500	2,177	Net revenue growth	40%	9%	-23%	39%
Paid-in capital	1,250	1,275	1,275	1,275	EBIT growth	180%	16%	-70%	128%
Capital surplus	22	21	21	21	PBT growth	314%	20%	-71%	130%
Retained earnings	603	1,117	1,065	1,372	EPS growth	321%	17%	-71%	130%
Other equity	-27	-28	-28	-28					
Minority interest	0	0	0	0					
Shareholder's equity	1,848	2,386	2,334	2,641					
Total Resources	3,425	4,135	4,834	4,818					
Number of shares outstanding (million)	132	132	132	132					

Source: BSC Research

Disclosure

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