

Industry : Fisheries (Recent report: [Link](#)) | RETAIL RESEARCH

Recommendation
s

BUY

Nam Viet Joint Stock Company (HSX: ANV)
Benefit from the industry's upward cycle

Current price: **34,500**
Previous target price: **38,700**
New target price: **40,600**
Dividend yield
Potential for price increase 18%

Report writing date: 22/02/2022
Outstanding Shares (Million) 132.1
Market capitalization (billion VND) 4,558
Average liquidity of 10 sessions: 487,290
Foreign ownership 1.2%

SHAREHOLDER STRUCTURE
Doan Toi 56.3%
Doan Chi Thanh 13.4%
Doan Chi Thien 9.5%

Retail Research Department:

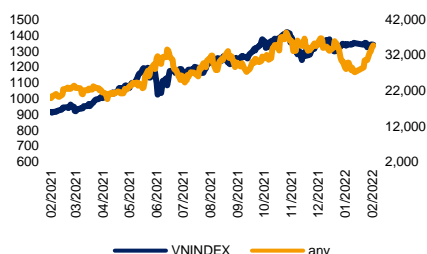
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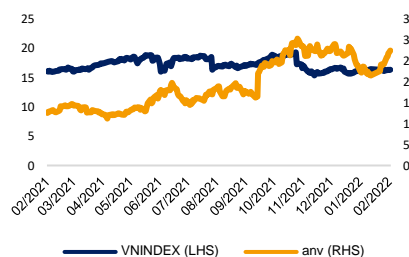
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Target price: VND
Stop loss price: VND

ANV and VN-Index price comparison table



P/E comparison table of ANV and VN-index



VIEWPOINT OF PRICE

BSC maintains its BUY recommendation for ANV with a new target price for 2022 of VND 40,600/share (upside 18% compared to February 21, 2022) after (i) Adjusting its 2022 profit forecast and (ii) Increase ANV's target P/E from 11 to 12.5

FORECAST BUSINESS RESULTS

In 2022, BSC expects ANV's revenue and profit after tax to reach VND 6,131 billion (+76% YoY) and VND 470 billion (3 times higher than the same period). EPS 2022 is 3,250 dong, P/E fw 2022 is 10.6.

• OUTLOOK FOR 2022

- Benefit from the positive prospect of the pangasius industry and restore exports to the Chinese market
- Expecting to have an advantage when raw fish prices increase and reduce transportation costs in 2022

BUSINESS UPDATE

Business results in 2021 reached 3,493 billion in revenue (+2% YoY) and 127 billion in profit after tax (-37% YoY). Business results decreased due to (i) Export operations were interrupted by the epidemic (ii) High costs due to increased freight rates and other costs related to "Three on the spot"

Gross profit margin slightly improved from 14% to 16% as the company increased the proportion of Solar Power segment (112 billion in revenue, x 15 times the same period). Gross profit margin from solar power reached 75%, accounting for 15% of ANV's gross profit.

Selling and general and administrative expenses increased sharply (+39% YoY) due to the double increase in transportation costs over the same period.

	2021	2022	Peer	VN-Index
PE (x)	15.6	35.6	12.6	16.8
PB (x)	1.3	1.9	1.1	2.4
PS (x)	0.9	1.3	0.7	2.0
ROE (%)	6%	12%	6%	15.0%
ROA (%)	3%	5%	2%	2.4%

	2019	2020	2021	2022F
Net Revenue	4,118	4,481	3,493	6,131
Gross profit	862	1,043	553	1,151
Profit after tax	604	704	127	470
EPS	5,541	1,590	1,006	3,250
EPS growth	321%	-71%	-37%	323%

UPDATED BUSINESS RESULTS IN 2021

Billions dong	2021	2020	% YoY	Comment
Net Revenue	3,493	3,438	2%	Net revenue in 2021 grew 2% mainly due to flat pangasius segment (+1% YoY) over the same period. - Revenue structure: Pangasius reached 3,377 billion (+1% YoY); Solar power reached 112 billion (x15 times over the same period)
Gross profit	553	484	14%	
gross profit margin	16%	14%		
Selling expenses	(280)	(185)	51%	
Enterprise Cost	(56)	(56)	0%	Gross profit margin increased from 14% to 16%. Gross margin increased mainly thanks to increasing proportion of solar power segment (75% gross margin, contributing 15% of gross profit). Gross margin of pangasius segment in 2021 is flat at 15%.
Management SG&A/DTT	9%	7%		
EBIT	265	319	-17%	
financial revenue	41	42	-3%	
financial expenses	(115)	(80)		Selling and administrative expenses increased sharply due to (i) increase in transportation costs (x2 in the same period) due to high freight rates (ii) costs related to Covid-19 and Ba on the spot.
Profit before tax	150	239	-37%	
Profit after tax	127	202	-37%	
Profit margin after tax	3%	6%		
EPS	1,006	1,590	-37%	

Source: ANV

BUSINESS OUTLOOK 2022

1) Benefit from the positive outlook of the industry and ANV's re-export to the Chinese market

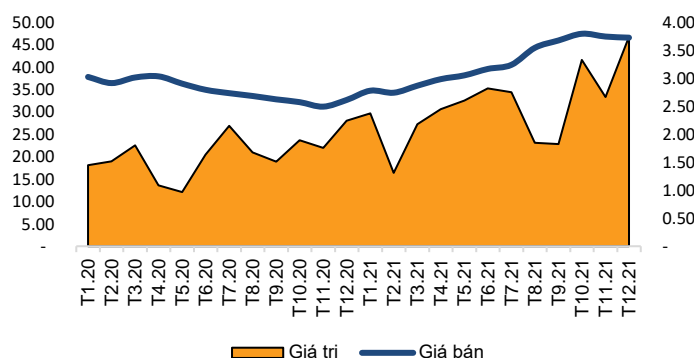
In the fourth quarter of 2021, the Vietnamese pangasius industry showed that the US market continued to grow positively while the Chinese market showed the first signs of recovery after a long period of decline due to the tightening policy:

+ Turnover to the US market reached 121 million USD (+65% YoY, +51% QoQ). Average selling price was 3.75 USD/kg (+46% YoY, +9% QoQ)

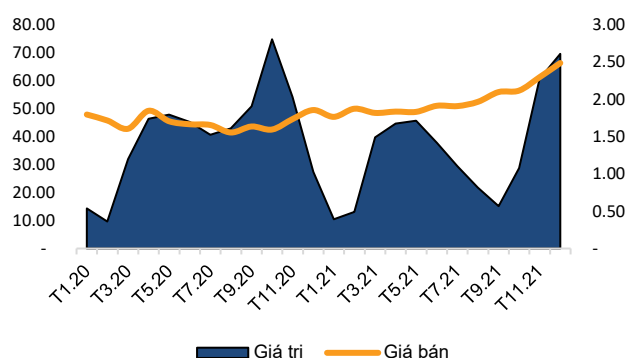
+ Kim surprised the Chinese market with \$89 million (-43% YoY, +35% QoQ). The average selling price was \$2.23/kg (+33% YoY, +14% QoQ).

In 2022, BSC expects this trend to continue: the US market continues to grow well while the Chinese market recovers (reopens) which will help pangasius businesses benefit from an increase in both output and price.

Vietnam's pangasius export turnover to the US



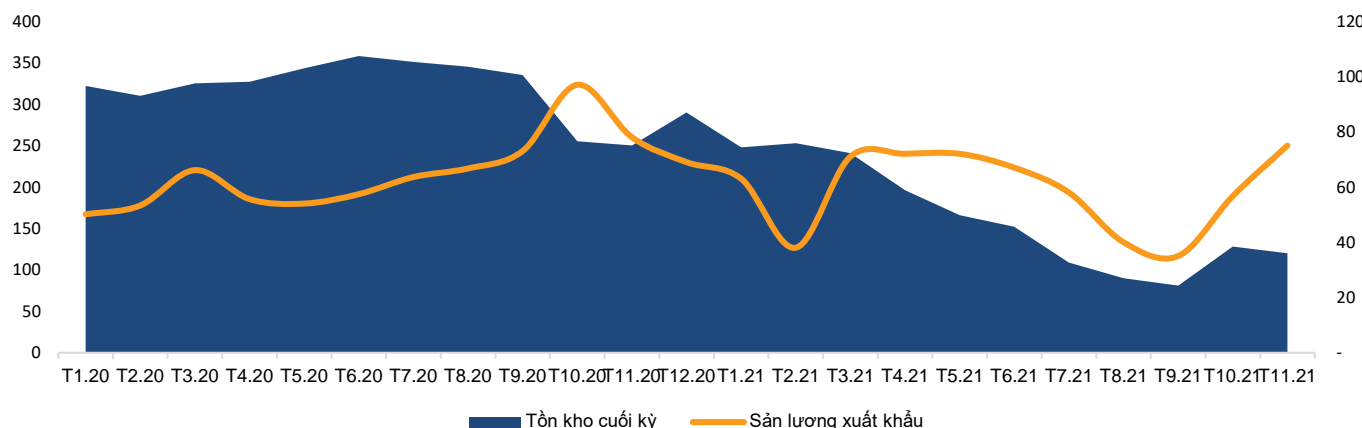
Vietnam's pangasius export turnover to China



Source: compiled by BSC

Low inventory levels will put pressure on increasing selling prices while export demand maintains its growth momentum. Inventories of pangasius in October have increased again but are still at a low level in the past 2 years. The low level of inventory is expected to increase the selling price when the demand is positive while the supply cannot be adjusted in time.

Pangasius inventory and export volume

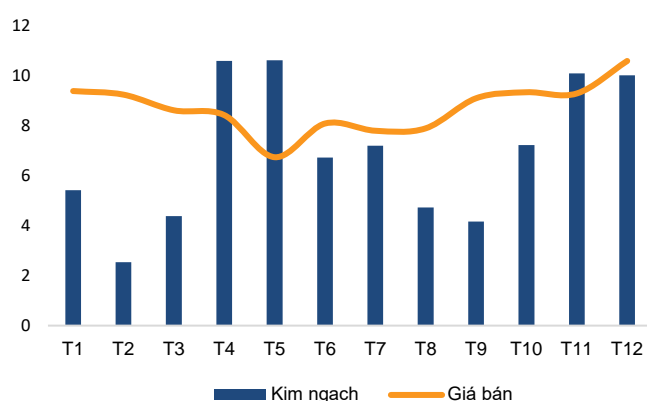


Source: compiled by BSC

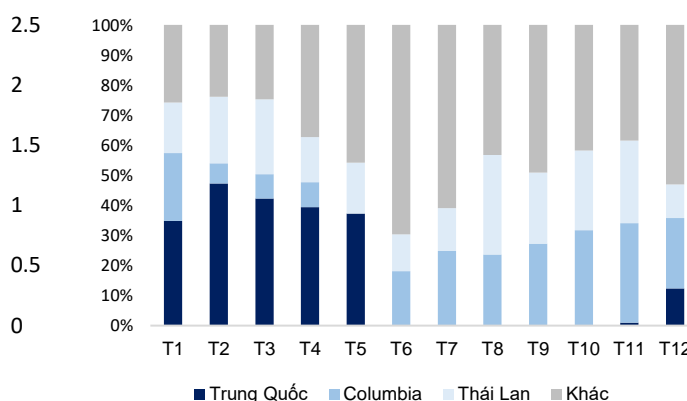
It is expected that with the positive outlook of the industry, **ANV will also benefit from an increase in export prices.** According to BSC, in 2021, the average selling price of ANV will increase by 2% YoY, however, the average selling price in Q4 will increase by 20% YoY when the export activities of the industry increase sharply. BSC expects export prices to maintain an uptrend and stay at a high level throughout 2022.

Not only that, in 2021, export activities to China - the main market accounting for 40 - 50% of ANV's revenue will be interrupted due to problems with the Chinese supplier (FeiHuang). BSC expects that in 2022, **ANV will restore exports to China - a market with better selling prices than markets like Thailand and Columbia.**

ANV's turnover and selling price in 2021



ANV's export market structure



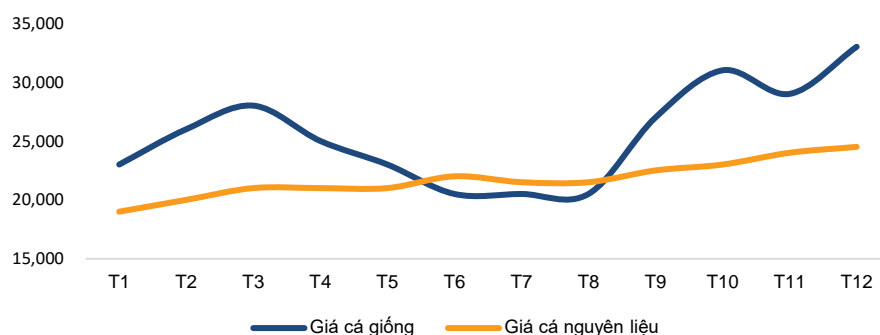
Source: Viettrader

2) Expecting to have the advantage when the price of raw fish increases and transportation costs are reduced in 2022

The price of raw fish and fingerlings is currently on an upward trend, BSC believes that the input price of fish is reflecting the positive demand from the factory (when export orders are good) while the supply has not recovered. recover in time after the interval. Notably, thanks to 100% autonomy in raw material areas, ANV will reduce the negative impact when input prices increase compared to other businesses. The company also sells raw fish to the

market, expecting to benefit when the price of raw fish increases (sales of finished fish in 2020 is 9%).

Price of fingerlings and raw fish prices in 2021



Source: compiled by BSC

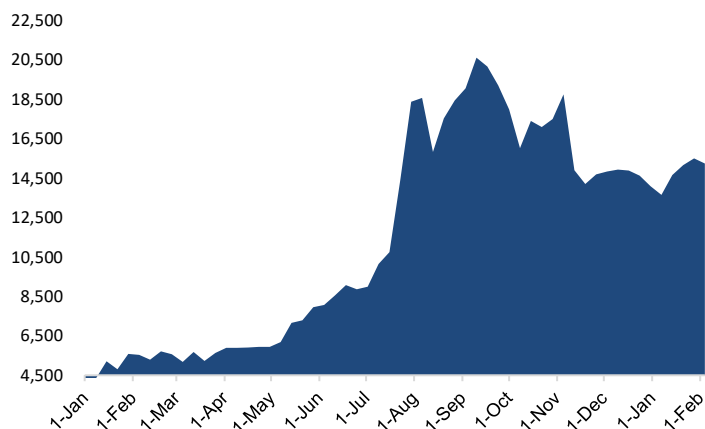
In 2021, high freight rates negatively affected ANV's business: Transportation costs reached 205 billion, double the same period last year. BSC expects that in 2022, the negative impact of freight rates will decrease based on the expectation that (i) ANV will restore exports to China (this route does not have sudden rates like Southeast Asia - USA and Southeast Asia) – EU (ii) World production gradually returns to normal levels, reducing the gap between supply and demand

Freight rates increased slightly in Q4 again after falling sharply from the peak in Q3 2021:

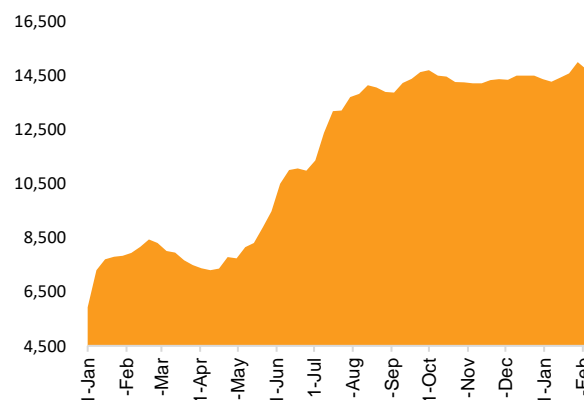
+ The average fare for the trip from Southeast Asia to the US West is 15,834 USD/40ft (-3% QoQ) (+275% YTD)

+ Average fare for the trip from Southeast Asia to Northern Europe is 14,394 USD/40ft (+6% QoQ) (+143% YTD)

Freight rates from Southeast Asia to the US



Single freight rates from Southeast Asia to Europe



Source: FBX

FORECAST AND VALUATION

Forecast of business results in 2022: BSC expects ANV's 2022 revenue and profit after tax to reach 6,130 billion (+75% YoY) and 469 billion (3 times higher than the same period) based on the following assumptions:

- + Pangasius segment grew strongly: Average selling price reached +18% YoY, Output +5% YoY
- + Solar power segment expects revenue to grow slightly +10% YoY. BSC believes that it is difficult for solar power revenue to spike in the coming years.
- + Gross profit margin improved to 18.8% thanks to an 18% increase in export prices

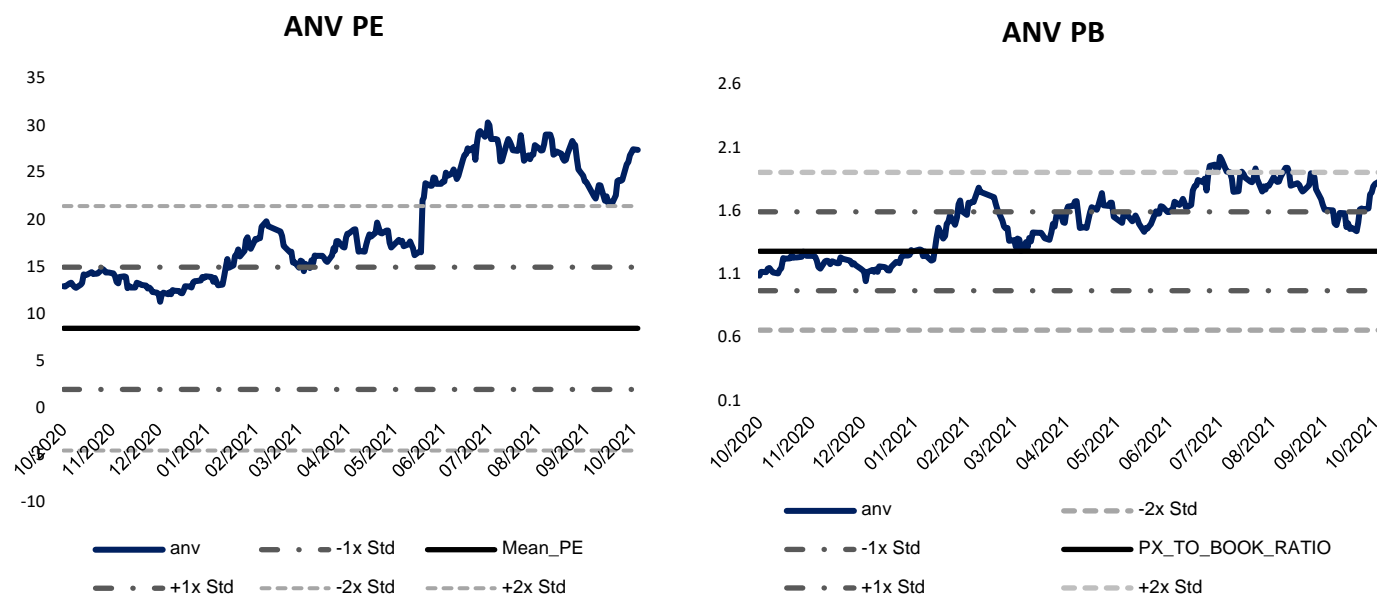
ANV's Business Performance Forecast Table

Unit: billion dong	2020	2021	2022F
Net Revenue	3,438	3,493	6,131
Cost of goods sold	(2,953)	(2,940)	(4,980)
Gross profit	484	553	1,151
Gross Profit Margin	14.1%	15.8%	18.8%
Net financial profit	(37)	(75)	(79)
Selling expenses	(185)	(280)	(367)
Selling cost margin	5.4%	8.0%	6.0%
Management costs	(56)	(56)	(92)
Management cost margin	1.6%	1.6%	1.6%
Profit before tax	239	151	628
Profit after tax	201	127	470
EPS	1,588	1,006	3,250

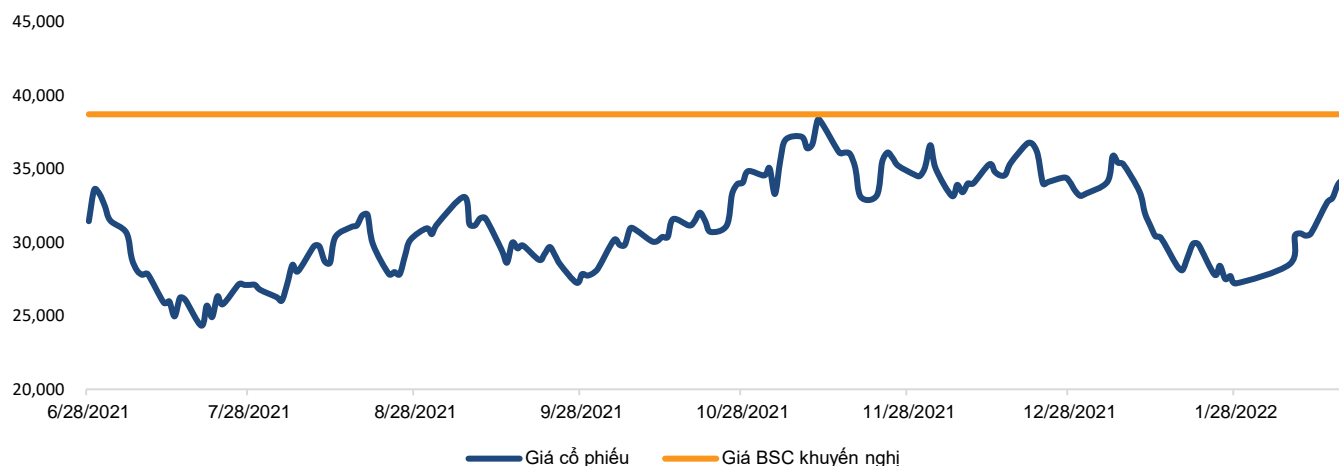
PE method: BSC raises the target PE for ANV from 11 to 12.5 due to expectations (i) A strong recovery of ANV in 2022 (ii) Upward cycle.

PE method	2021	2022F
EPS	1,006	3,250
PE		12.5
Fair value		40,600

BSC maintains a **BUY** recommendation for ANV with a target price for 2022 of VND 40,600/share, equivalent to an upside 18% compared to the closing price on February 21, 2022.



VHC STOCK PRICE CHANGE OF VHC COMPLEX WITH BSC's RECOMMENDATION



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