

## Nam Viet Joint Stock Company (HSX: ANV)

### The Beginning of a New Cycle

#### Recommendation

**BUY**

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

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:

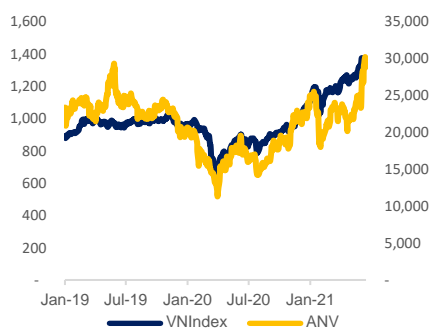
Le Huu Ngoc  
[ngochl@bsc.com.vn](mailto:ngochl@bsc.com.vn)

#### Technical Analyst:

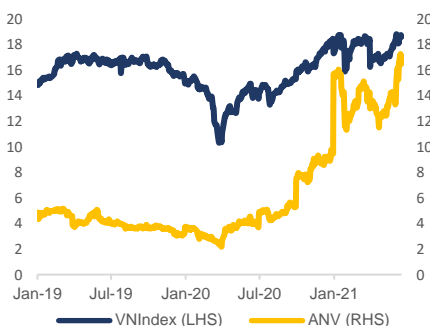
Nguyen Tien Duc  
[ducnt@bsc.com.vn](mailto:ducnt@bsc.com.vn)

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%

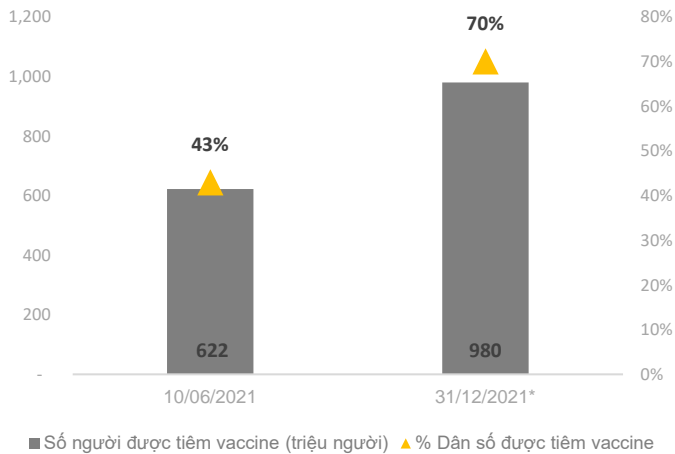
**INVESTMENT THESIS**

**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**

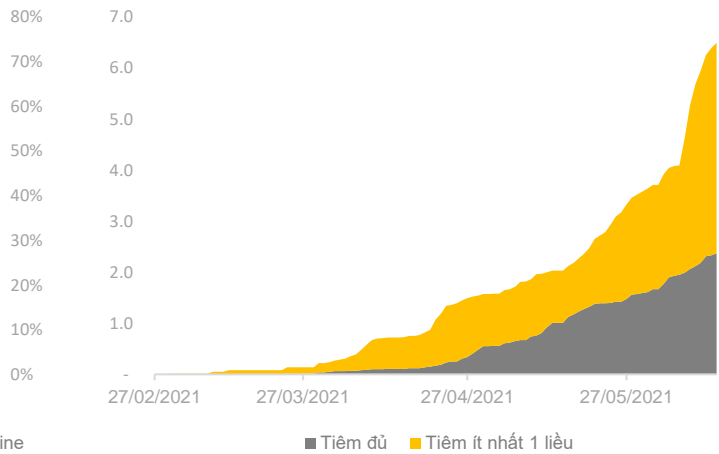
China, Thailand... are the key export markets of ANV. Currently, the epidemic situation in these countries is progressing positively with the Government's promotion of the whole population vaccination program. It is expected that by the end of 2021, most of the population of countries will be vaccinated

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



Source: Our World In Data

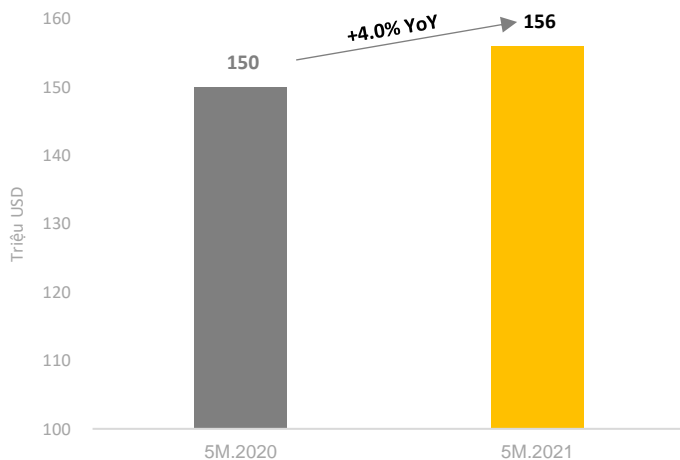
**Figure 2: The proportion of Thailand's population vaccinated against vaccine increased sharply (%)**



Source: Our World in Data

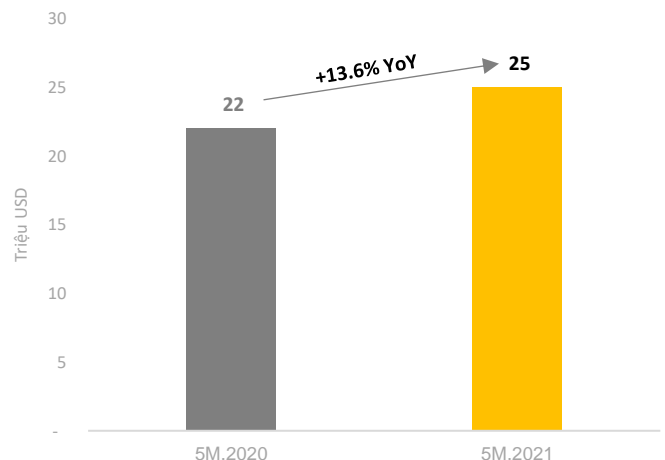
Due to the positive situation of the epidemic, social distancing measures have also been relaxed, thereby promoting the recovery of food consumption demand in service chains, restaurants, etc. The export turnover of pangasius products to China, Thailand ... therefore shows signs of recovery in the first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



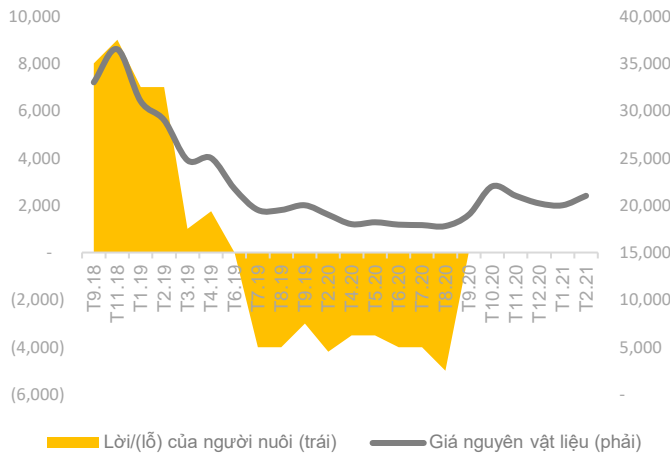
Source: BSC compilation

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**

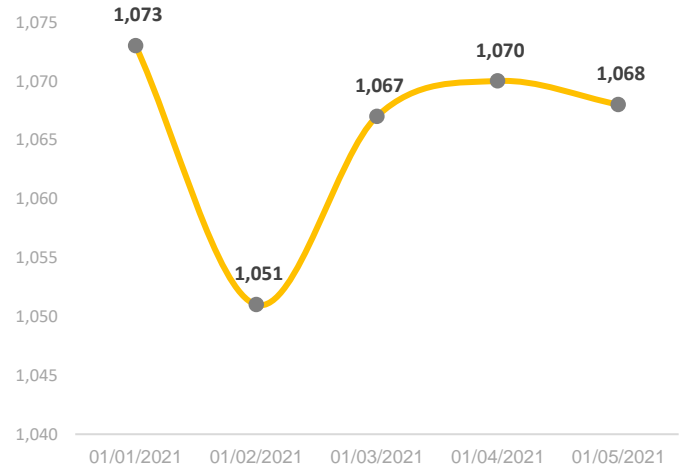
After two difficult years of the pangasius industry, with the low price of raw fish, not enough farming costs, many people had to abandon ponds and stop raising. BSC believes that **the pangasius farming area is not expanded in the context of increasing demand, which will help ANV increase selling prices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



Source: BSC compilation

Figure 6: Pangasius farming area in Dong Thap has not been expanded (ha)

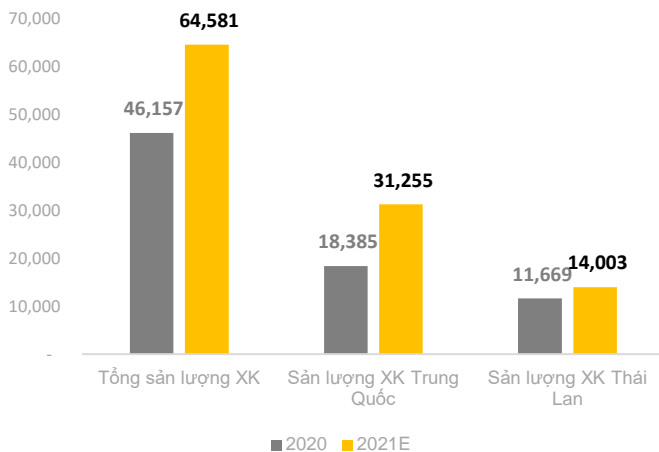


Source: BSC compilation

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

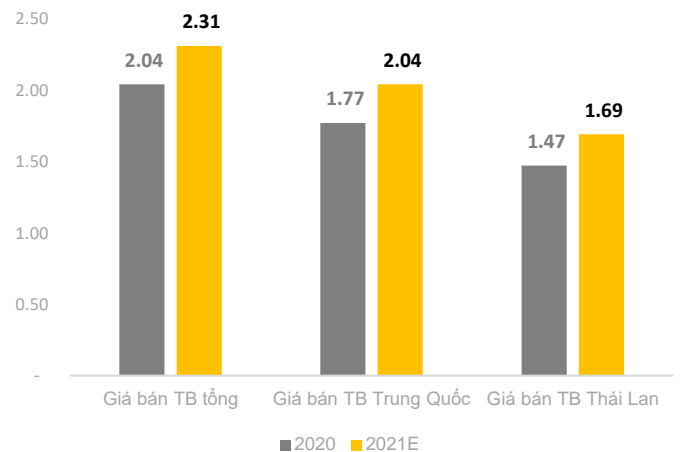
In the context of increased demand and difficult to increase supply in the short term, BSC believes that **ANV will achieve the double growth from increasing output and selling price of pangasius products.** In addition, taking advantage of the distribution system that has close connections with exclusive 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)

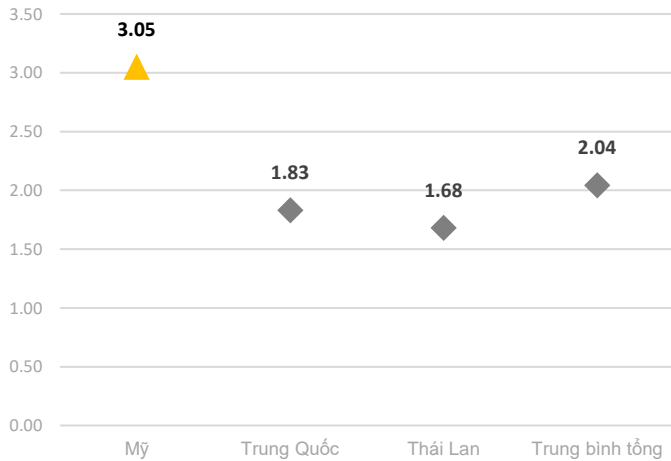


Source: BSC Research

The export potential to the US market

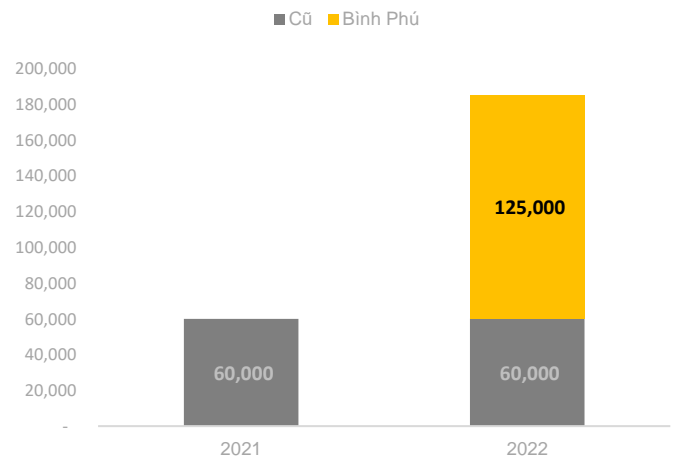
ANV is one of two companies entitled to a tax rate of 0.09 USD/kg in the POR 16 (preliminary) phase introduced by the US Department of Commerce (DOC) on December 28, 2020. Official results are expected to be announced in June 2021, if the results are unchanged, **ANV is expected to re-enter the US market** 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)



Source: BSC compilation

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



Source: ANV, BSC Research

## COMPANY UPDATE

Table 1: ANV's update in Q1/2021

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

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
<b>Net revenue</b>	<b>4,118</b>	<b>4,481</b>	<b>3,439</b>	<b>4,792</b>
<i>Export to China</i>	-	-	750	465
<i>Export to Thailand</i>	-	-	394	543
COGS	(3,256)	(3,438)	(2,954)	(3,971)
<b>Gross profit</b>	<b>862</b>	<b>1,043</b>	<b>485</b>	<b>821</b>
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)
<b>Operating Profit</b>	<b>693</b>	<b>805</b>	<b>243</b>	<b>553</b>
Other Income	2	34	35	35
Other expenses	(1)	(1)	(1)	(1)
Net other income	1	33	34	34
Gain/loss from affiliates	-	-	-	-
<b>Profit before tax</b>	<b>690</b>	<b>831</b>	<b>240</b>	<b>551</b>
Corporate tax	(86)	(126)	(37)	(86)
<b>Profit after tax</b>	<b>604</b>	<b>704</b>	<b>202</b>	<b>465</b>
Minority interest	4	-	-	-
<b>NPATMI</b>	<b>600</b>	<b>704</b>	<b>202</b>	<b>465</b>
<b>Basic EPS (VND)</b>	<b>4,811</b>	<b>5,541</b>	<b>1,590</b>	<b>3,520</b>

Source: BSC Research

## VALUATION

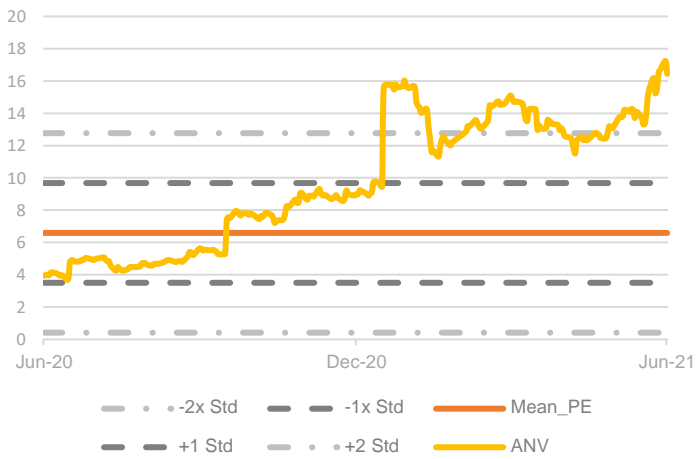
We recommend **BUY** for ANV with fair value of **VND38,700/share**. This price is equivalent to **upside 20%** (according to the closing price on June 27, 2021, is 32,350 VND).

### 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.

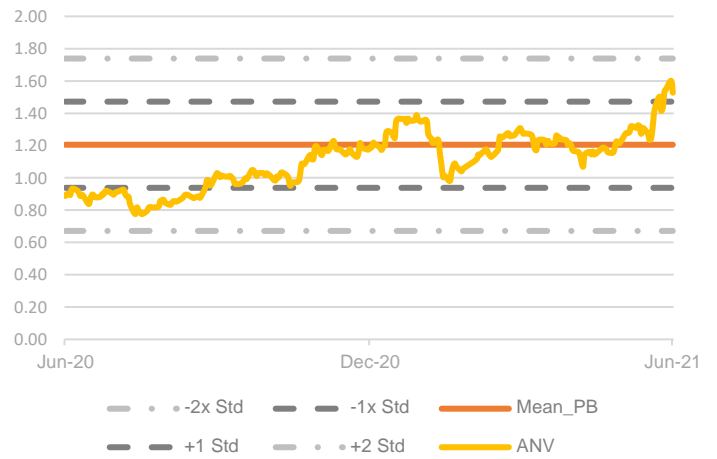
P/E method	Value
EPSFW2021	3,520 VND/CP
Target P/E 2021	11x
<b>Fair value</b>	<b>VND 38,700/share</b>

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
<b>Net revenue</b>	<b>4,118</b>	<b>4,481</b>	<b>3,439</b>	<b>4,792</b>	Profit after tax	604	704	202	465
COGS	(3,256)	(3,438)	(2,954)	(3,971)	Depreciation	80	81	90	63
<b>Gross profit</b>	<b>862</b>	<b>1,043</b>	<b>485</b>	<b>821</b>	Change in NWC	7	-580	-402	396
Selling expenses	(161)	(191)	(185)	(201)	<b>CF from operating activities</b>	<b>721</b>	<b>328</b>	<b>-30</b>	<b>925</b>
G&A expenses	(9)	(47)	(57)	(67)	Fixed assets investment	-432	-432	-605	-30
<b>Operating income</b>	<b>693</b>	<b>805</b>	<b>243</b>	<b>553</b>	Other investment	-252	180	400	200
Financial income	74	52	43	45	<b>CF from investing activities</b>	<b>-685</b>	<b>-252</b>	<b>-205</b>	<b>170</b>
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	<b>CF from financing activities</b>	<b>7</b>	<b>-120</b>	<b>254</b>	<b>-755</b>
<b>Profit before tax</b>	<b>690</b>	<b>831</b>	<b>240</b>	<b>551</b>	<b>Beginning cash balance</b>	<b>26</b>	<b>69</b>	<b>25</b>	<b>44</b>
Corporate tax payment	(86)	(126)	(37)	(86)	<b>Cash in year</b>	<b>43</b>	<b>-44</b>	<b>19</b>	<b>340</b>
<b>Profit after tax</b>	<b>604</b>	<b>704</b>	<b>202</b>	<b>465</b>	<b>Ending cash balance</b>	<b>69</b>	<b>25</b>	<b>44</b>	<b>383</b>
Minority interest	4	0	0	0					
<b>NPATMI</b>	<b>600</b>	<b>704</b>	<b>202</b>	<b>465</b>					
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
<b>Cash &amp; cash equivalent</b>	<b>69</b>	<b>25</b>	<b>44</b>	<b>383</b>	<b>Liquidity ratios</b>				
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	<b>Solvency ratios</b>				
Other current assets	38	54	87	121	Debt/ Total assets	46%	42%	52%	45%
<b>Total current assets</b>	<b>2,090</b>	<b>2,690</b>	<b>2,784</b>	<b>2,797</b>	Debt/ Equity	85%	73%	107%	82%
Tangible assets	210	269	591	758	<b>Efficiency ratios</b>				
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
<b>Total non-current assets</b>	<b>1,335</b>	<b>1,444</b>	<b>2,050</b>	<b>2,021</b>	<b>Profitability ratios</b>				
<b>Total Assets</b>	<b>3,425</b>	<b>4,135</b>	<b>4,834</b>	<b>4,818</b>	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	<b>Valuation</b>				
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	<b>Growth</b>				
<b>Total Liabilities</b>	<b>1,577</b>	<b>1,749</b>	<b>2,500</b>	<b>2,177</b>	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					
<b>Shareholder's equity</b>	<b>1,848</b>	<b>2,386</b>	<b>2,334</b>	<b>2,641</b>					
<b>Total Resources</b>	<b>3,425</b>	<b>4,135</b>	<b>4,834</b>	<b>4,818</b>					
Number of shares outstanding (million)	132	132	132	132					

Source: BSC Research



## Disclosure

*The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).*

### BSC Headquarters

BIDV Tower, 10th & 11th Floor  
35 Hang Voi, Hoan Kiem, Hanoi  
Tel: +84439352722  
Fax: +84422200669

### Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor  
District 1, HCMC  
Tel: +84838218885  
Fax: +84838218510

<https://www.bsc.com.vn>  
<https://www.facebook.com/BIDVSecurities>

**Bloomberg: RESP BSCV <GO>**

