

Sector note

21 November 2022

AGRIBUSINESS: WHAT'S ON THE MENU IN 2023F?



- Global grain and palm oil price cooling down in 2023F will have positive impact to meat and edible oil producers' gross margin.
- Meanwhile, we expect sugar and rice producers will benefit from rising price of domestic sugar and export rice.
- We like BAF and put DBC, QNS, and KDC in our watchlist.

Cost pressure ease, gross margin rebound in FY23F across segment

Global grain prices are likely to decline in FY23F thus we expect animal feed cost would cool down gradually. This will benefit to animal feed, meat producers and fisheries thanks to lower input price for animal feed. Meanwhile, we expect raw palm oil price to decline 8% yoy in 2023F, which ease pressure from higher material costs on edible oil producers. Therefore, we expect these producers to enjoy gross margin rebound in FY23F thanks to material cost pressure ease.

Rice and sugar price likely on the rise

We believe domestic sugar price will be supported in 2023F by the tailwind of new Decision on the anti-dumping tax in Aug 2022. Besides, Vietnam's rice exports will benefit from India rice exports restriction. With higher duty, Indian rice price will become uncompetitive and likely prompt buyers to shift towards Thailand and Vietnam. Thus, we expect rice and sugar producers to enjoy higher GM across the board thanks to increasing output price.

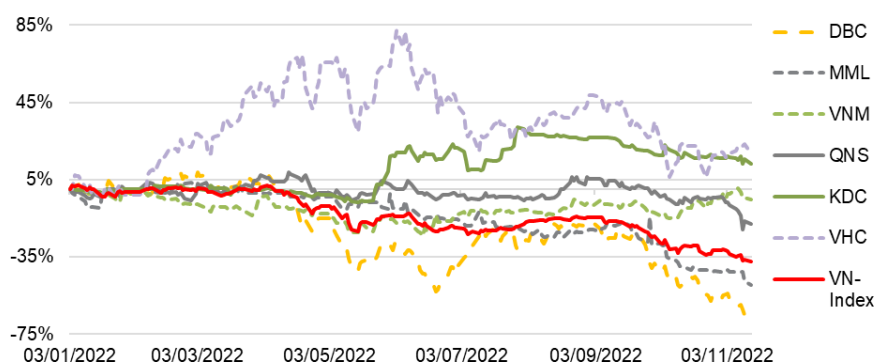
Potential impact of stronger US\$ on Vietnam agribusiness

Stronger US\$ has put pressure on US\$/VND exchange rate, making US\$/VND rate on the interbank rise to the highest level in history. In our view, rising exchange rate will have different effects on producers. Rice and seafood exporters are likely key winners, enjoying higher export price. Meanwhile, there is potential negative impact for edible oil, meat, dairy and sugar producers.

Our stock pick is BAF while DBC, QNS and KDC will be on our watchlist

We see BAF as a relatively defensive pick with earnings growth of 16.2% over FY23-24F and encouraging profitability (ROE >15%) among the rising cost-push inflation and tightening capital market. Meanwhile, QNS will be added on our watchlist as QNS could benefit from the sugar price upward trend. We also put KDC and DBC in our watchlist as KDC's growth potentials already priced in while weak NP growth in FY22 may affect DBC's share price in short term.

Figure 1: Stock price movements of agribusiness under our coverage since 2022



Source: VNDIRECTS RESEARCH, BLOOMBERG

Analyst(s):



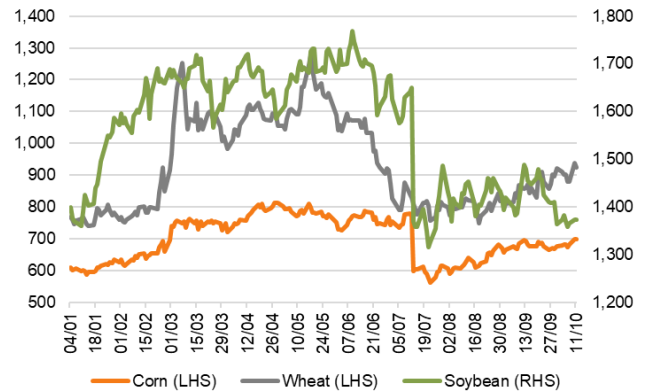
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Agribusiness 2022 snapshot

Global grain prices (US\$/bu) may have peaked

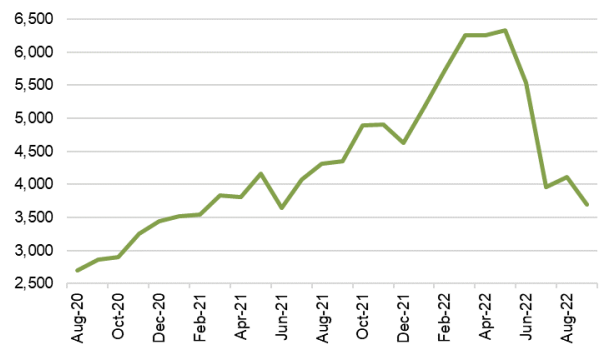
In our view, commodity prices are likely to decline in 2023F thanks to 1) initial fears of grain shortages due to crisis have gradually subsided as other producers can step in to increase supply, 2) Ukraine grain shipments have resumed following agreement to end the blockade of Ukrainian ports, and 3) Fertiliser prices have also fallen and could boost grain harvests by increasing crop yields.



Source: VNDIRECT RESEARCH, TRADING ECONOMIC

Palm oil (MYR/tonne) is forecasted to decline in 2023F

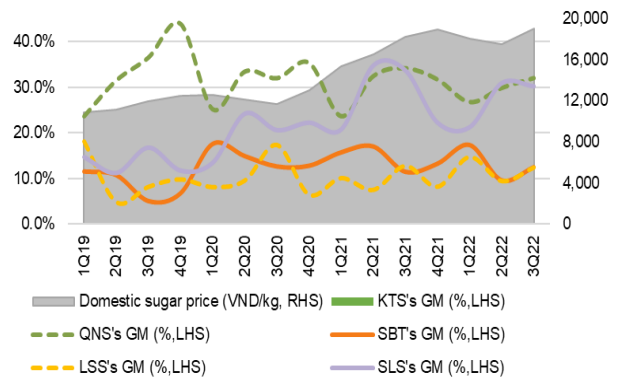
According to the U.S. Department of Agriculture, global palm oil output is forecast to jump by 8% over 2022-23F, after a flat 2021 will help palm oil prices continue the reduction trend in 2023F. Thus, we expect 2022/23F raw palm oil price to average at 4,800/4,400 Myr/tonne, corresponding to +17% yoy/-8% yoy in 2022/23F.



Source: VNDIRECT RESEARCH, TRADING ECONOMIC

Domestic sugar regains its position

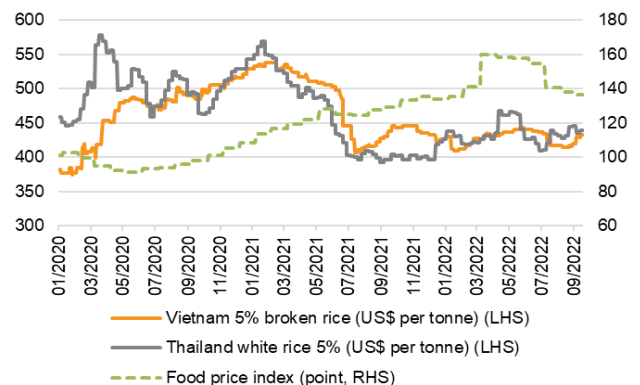
Based on our estimate, the smuggled sugar price after imposition of anti-dumping tax will be about 15% higher than the domestic sugar price, thus the new tax will create a competitive advantage for domestic sugar price. Besides, the domestic sugar supply only meets 35-40% of the domestic demand, therefore the domestic sugar price will follow the global sugar increasing price.



Source: VNDIRECT RESEARCH, VSSA, FIINPRO

Rice prices soar as India restricts rice exports.

We observe that white rice 5% price has increased significantly by 11.8% ytd/2.3% mom/1.1% yoy on 14 Sep, just a short period of time since India officially announced the export restriction.



Source: VNDIRECT RESEARCH, BLOOMBERG

Global food prices may have peaked

Meat producers: Cost pressure ease, gross margin rebound in FY23F

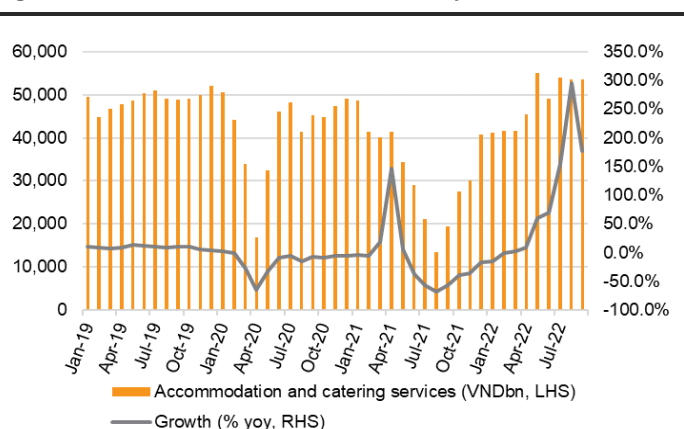
Based on our estimate, aggregated revenue of listed meat producers plunged 31.0% yoy in 9M22 and NP also declined 6.2% yoy. In our view, BAF and MML have excluded their non-core businesses, together, dragging the sector revenue. Meanwhile total gross profit of meat producers weakened by 31.0% yoy in 9M22 due to higher input material price for animal feed and lower output price. Based on our estimate, wheat, corn and soybean meal prices increased strongly by 37.9%/19.8%/10.7% yoy in 9M22.

Figure 2: 9M22 earnings recap of meat production companies (unit: VNDbn)

Ticker	Meat producers	9M21 revenue	9M22 revenue	Change (yoy)	9M21 gross margin	9M22 gross margin	Change (yoy)	9M21 NP	9M22 NP	Change (yoy)
DBC	Dabaco Group	7,752	9,339	20.5%	19.1%	11.0%	-8.2% pts	718	229	-68.1%
MML	Masan MeatLife Corporation	15,152	3,232	-78.7%	13.0%	7.3%	-5.6% pts	409	-3	From net profit to net loss
VSN	Vissan JSC	3,381	2,800	-17.2%	22.5%	23.8%	1.3% pts	120	98	-18.6%
NCG	Nova Consumer Group	2,664	3,450	29.5%	16.3%	11.0%	-5.3% pts	329	247	-25.0%
BAF	BAF Viet Nam Agriculture JS	9,066	4,889	-46.1%	3.8%	8.6%	4.8% pts	245	286	16.4%
HAG	Hoang Anh Gia Lai JSC	1,364	3,471	154.5%	20.9%	21.5%	0.6% pts	42	890	2024.1%

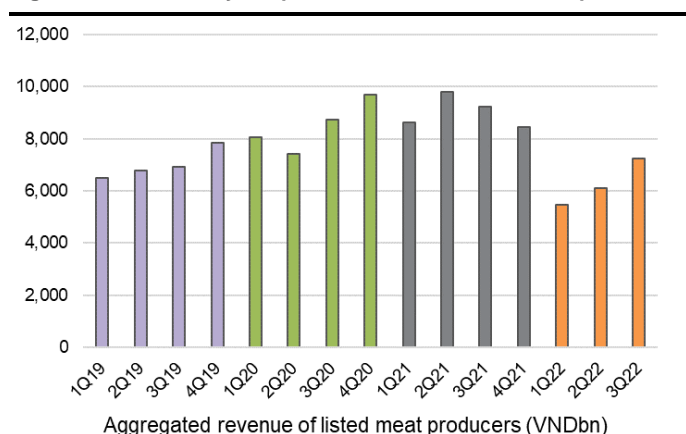
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 3: Domestic demand increased steadily in 9M22



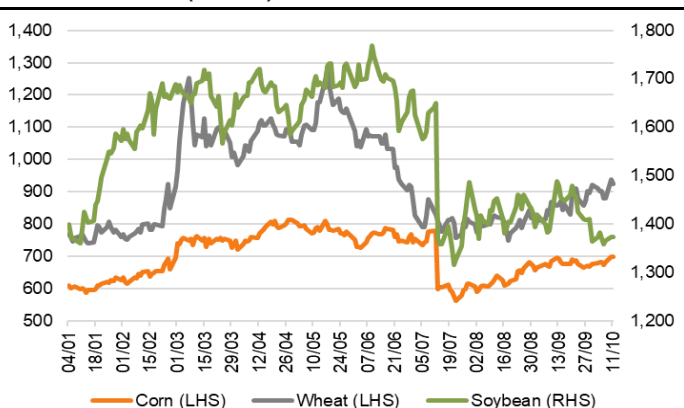
Source: GSO, VNDIRECT RESEARCH

Figure 4: 4Q is usually the peak season of meat consumption



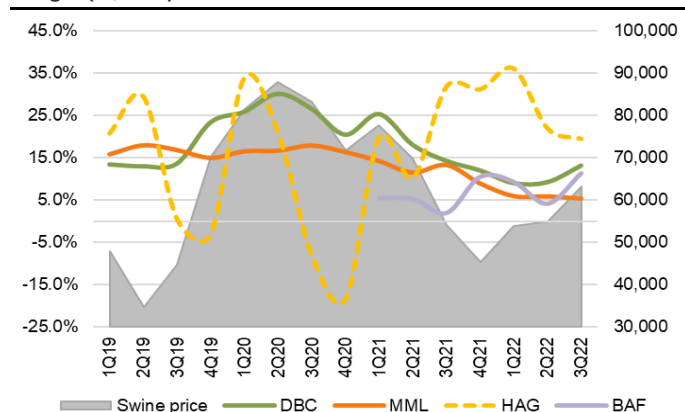
Source: FIINPRO, VNDIRECT RESEARCH. (*) The Covid-19 accompanied by a sharp drop in swine prices weighed on FY21 results.

Figure 5: Global grain prices declined in 3Q22 after reaching a peak at the end of 2Q22 (US\$/bu)



Source: TRADING ECONOMICS, VNDIRECT RESEARCH

Figure 6: Swine price (VND/kg, RHS) and meat producers' gross margin (% LHS) in 1Q19-3Q22



Source: FIINPRO, VNDIRECT RESEARCH, ANOVA FEED

We believe headwinds will subside in 2023F with meat producers as:

- Swine prices are expected to increase 5.0% yoy in 2023F thanks to 1) the recovery of eat-out demand, and 2) supply shortage as farmers still hesitate in re-herding due to the recent drop in swine prices while feed prices are still high. Currently, farming households account for 60% of the total pork supply in Vietnam.

Grain prices are likely to decline in 2023F thanks to 1) initial fears of grain shortages due to crisis have gradually subsided as other producers can step in to increase supply, 2) Ukraine grain shipments have resumed following agreement to end the blockade of Ukrainian ports, and 3) Fertiliser prices have also fallen and could boost grain harvests by increasing crop yields. As domestic feed prices have increased more slowly than global agricultural prices. Thus, we expect animal feed cost would cool down gradually in 2023F.

We expect meat consumption increase by 10-15% yoy in 4Q22F as this is the peak consumption season when the Lunar New Year approaches. For 2023F, we believe meat demand will remain unabated thanks to 1) real income growth thanks to the government's plan to increase basic wages to around 20.8% in 2023F and 2) international tourist volume is expected to recover to 84% in 2Q23F and 100% in 4Q23F, leading to a strong recovery in entertainment, accommodation, and catering service. Thus, we believe meat producers record positive revenue growth in FY23F. In which, we forecast DBC and BAF's net revenue to increase by 3.5% yoy and 18.0% yoy, respectively in FY23F.

Amid lower input animal feed price and a slight increase in selling price, we expect meat producers' GM to improve in FY23F such as DBC, MML, HAG, and BAF.

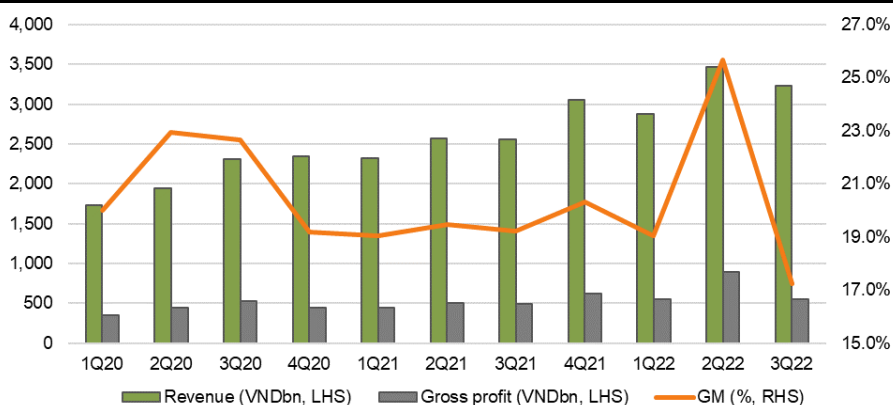
Sector risks include:

- Prolonged tensions between Russia and Ukraine affecting the shipping in the Black Sea may put upward pressure on global grain prices.
- As about 80% of input materials for animal feed production are imported, the increase in US\$/VND rate will lead to the higher raw materials price for animal feed production.
- The African Swine Fever disease could affect meat supply in 2023F. According to the Departments of Agriculture and Rural Development, the whole country has 53 outbreaks in 53 districts currently. The total number of infected pigs was 3,164 heads while the total number of dead was 3,259 heads. Amid the vaccine has not given specific positive results yet, the ASF still has the risk of reducing the pig supply.

Edible oil producers: Pressure from rising input costs has cooled down

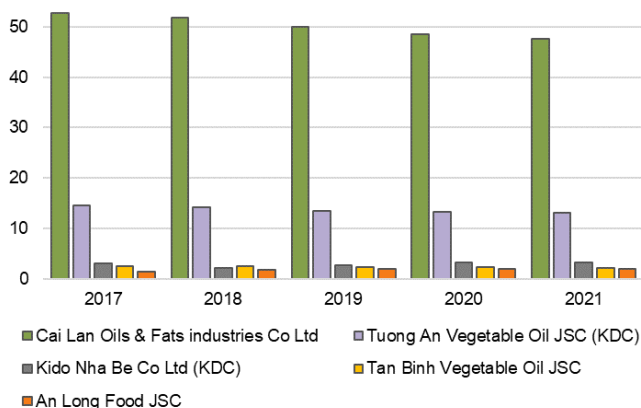
Following the global crisis since Feb 22, the price of palm oil (accounting for about 90% of Vietnam's imported raw edible oil) has increased significantly to around 6,000 – 7,000 Myr/tonne during the period Mar– early Jun 22 (+44% - +70% vs. 2021 average price). This caused a sharp increase in material cost of edible oil companies, typically KDC. However, per our estimate, KDC has raised their selling prices of cooking oil by 40% yoy in 1H22, thus gross margin still expanded 1.6% pts 9M22.

Figure 7: KDC's revenue and GM from 1Q20 to 3Q22



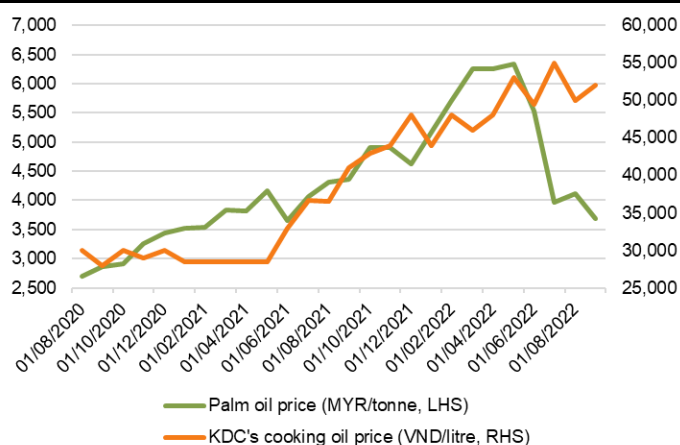
Source: VNDIRECTS RESEARCH, BLOOMBERG

Figure 8: Market share of top 5 biggest edible oil producers in domestic market (unit: %)



Source: EUROMONITOR, VNDIRECT RESEARCH

Figure 9: Palm Oil price and KDC's cooking oil price Aug 2020 to Sep 2022



Source: TRADING ECONOMIC, VNDIRECT RESEARCH

We expect 2023 will be a better year for edible oil producers thanks to lower input cost. As the Indonesian government controlled raw palm oil, its price dip sharply to around 4,000 – 4,200 Myr/tonne during the middle Jun 22 – Aug 22, which equates to a roughly 43% drop from the Apr 22 peak and on par with the 2021 average price. Moreover, according to the US Department of Agriculture, global palm oil output is forecast to jump by 8% over 2022/23F, after a flat 2021 will help palm oil prices continue the reduction trend in 2023F. Thus, we expect 2022/23F raw palm oil price to average at 4,800/4,400 Myr/tonne, corresponding to +17% yoy/-8% yoy in 2022/23F.

For domestic market, we believe retail edible oil price will also follow the same trend as raw palm oil price. In which, KDC's edible oil price may decline at a slower rate as the company is holding second position of market share in edible oil market, accounting for more than 30% market share in Vietnam. Thus, KDC has a good pricing power to maintain their edible oil retail prices. We expect KDC's revenue in FY22F will rise 24.3% yoy, then soften 2.4% yoy in FY23F on lower selling price but GM to widen to 15.2% in FY23F.

Sector risks include:

- Political instability or lower-than-expected palm oil production leads to higher global palm oil prices, resulting in higher input costs for edible oil production.

Sugar producers: Domestic sugar regains its position

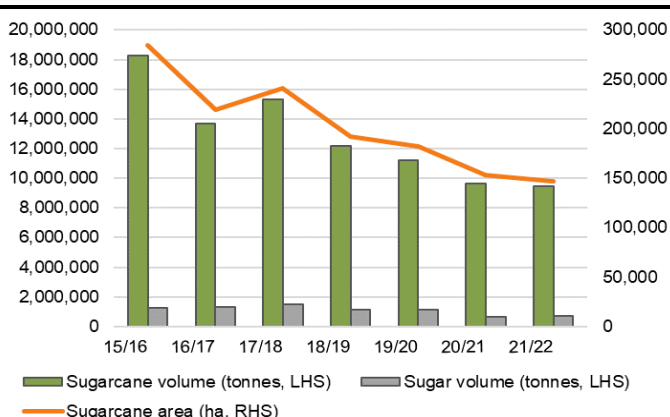
Based on our estimate, aggregated revenue of listed sugar producer companies increased 16.7% yoy in 9M22 and NP rose 5.4% yoy. Top companies to record strongest 9M22 earnings growth were KTS (+72% yoy) and LSS (+47% yoy). We believe total revenue increased thanks to 1) 9.0% yoy increase in sugar price and 2) about 7-9% yoy increase in sale volume. Meanwhile total gross margin of sugar producers rose 2.9% pts yoy in 9M22 thanks to higher output price. In which, SBT record weaker GM growth compared to peers, narrowing 2.1% pts in 9M22 due to higher raw sugar price affected negatively to the company's GM in 2Q22.

Figure 10: 9M22 earnings recap of sugar production companies (unit: VNDbn)

Ticker	Sugar producers	9M21 revenue	9M22 revenue	Change (yoy)	9M21 gross margin	9M22 gross margin	Change (yoy)	9M21 NP	9M22 NP	Change (yoy)
QNS	Quang Ngai Sugar JSC Thanh Thanh Cong - Bien Hoa JSC	5,776	6,311	9.3%	30.5%	29.7%	-0.8% pts	869	858	-1.4%
SBT	Lam Son Sugar JSC	11,669	14,333	22.8%	14.7%	12.5%	-2.1% pts	560	598	6.9%
LSS	Son La Sugar JSC.	1,645	1,549	-5.8%	9.3%	11.7%	2.4% pts	27	39	47.0%
SLS	Kon Tum Sugar JSC	675	882	30.7%	28.3%	27.0%	-1.3% pts	156	201	28.7%
KTS		197	215	9.1%	10.2%	15.0%	4.8% pts	4	8	72.0%

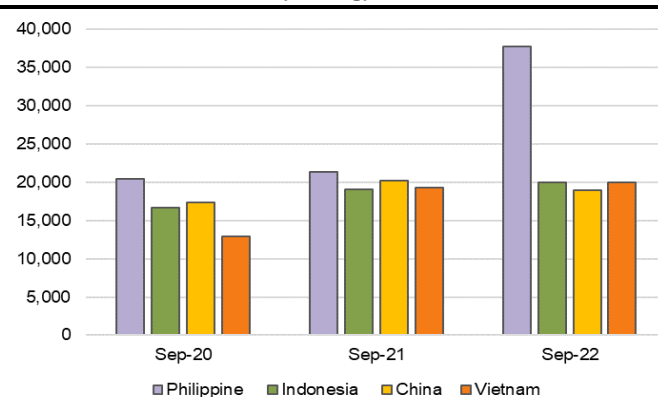
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 11: Sugarcane area slightly decreased in the 2021/22



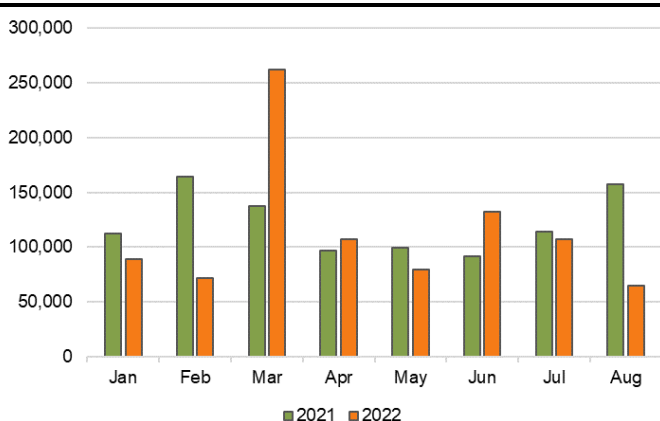
Source: VSSA, VNDIRECT RESEARCH

Figure 12: Domestic sugar price has approached the sugar price of ASEAN countries and China (VND/kg).



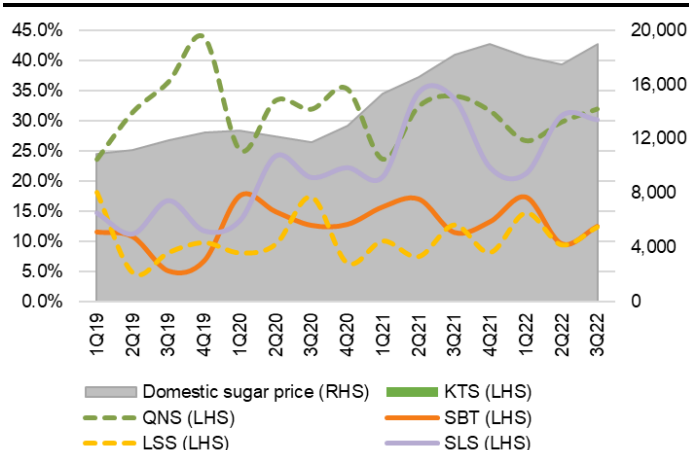
Source: VSSA, VNDIRECT RESEARCH

Figure 13: The imported sugar volume (unit: tonnes) decreased significantly after the imposition of anti-dumping tax



Source: VSSA, VNDIRECT RESEARCH

Figure 14: Domestic sugar price (VND/kg) and sugar producers' gross margin (%) in 1Q19-3Q22



Source: FIINPRO, VSSA, VNDIRECT RESEARCH

In our view, 2023F will be a sweet year for sugar producers thanks to:

Sugarcane area is expected to expand in 2023F. The sugarcane area has decreased continuously since the 2017/18 due to the low price of sugarcane, prompting farmers to convert their land to other varieties. Due to the shortage domestic sugarcane in recent years, sugar producers also import raw sugar for refining in addition to pressing sugar from cane. However, we believe that the recent sharply increase in domestic sugar prices along with protective measures from the government will be the driving force for farmers to expand the sugarcane plantation in the 2022/23 season. According to VSSA, the sugarcane area is expected to reach 151,305 ha (+3.0% yoy), the output of processing sugarcane is 8,764,277 tones (+16.5% yoy) and the sugar output is 870,930 tones (+16.6% yoy).

Domestic sugar price keeping increasing in 2023F. Based on our estimate, the smuggled sugar price after imposition of anti-dumping tax will be about 15% higher than the domestic sugar price, thus the new tax will create a competitive advantage for domestic sugar price. In 3Q22, the domestic sugar price increased by 10-14% compared to the beginning of July 2022 (before the application of anti-circumvention measures against trade remedies for sugar imported from ASEAN countries), at the same level price in the ASEAN region and China. Besides, the domestic sugar supply only meets 35-40% of the domestic demand, therefore the domestic sugar price will follow the world sugar price. According to QNS, due to the high oil price, major sugar producing countries such as Brazil, Thailand and India will switch sugarcane to ethanol production, keeping the world sugar price high in 1H23F.

We expect SBT and QNS can take advantage of the sugar price upward trend and expand the GM of its sugar business as these companies has the largest scale in sugarcane materials for sugar production which is well positioned to capture the increasing demand for domestic sugar. For QNS, we expect the company to enjoy a 13.1%/8.5% yoy revenue growth and -0.6% pts/0.2% pts GM expansion in FY22-23F.

Sector risks include:

- Smuggling and trade fraud that have not been completely controlled can create competitive pressure on prices with domestic sugar.
- Weather forecasts show a high probability of Neutral phase in 2023F (less rainfall than La Nina) which may effect sugarcane production.

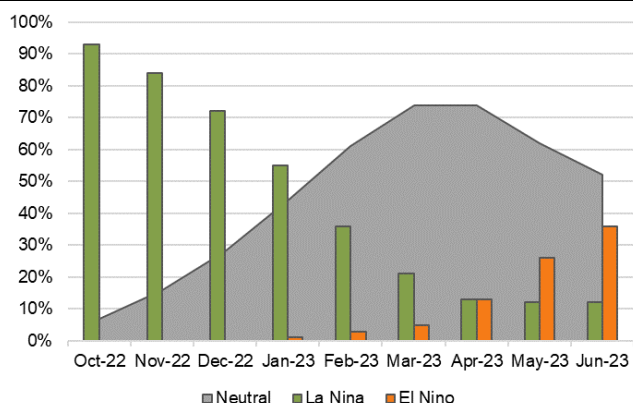
Rice exporters: Well-positioned to ride on the rice price uptrend

We expect 2023 to be a favorable year for the rice sector as

- Rice prices increase as India restricts rice exports.
- Demand for rice imports keep increasing due to unfavorable weather conditions in Vietnam's main export markets. Currently, Philippines is Vietnam's largest rice customer. Their domestic supply is at a low level due to 1) inventories for 2023F are quite low and 2) rice production is forecast to decrease due to crop damage as the result Typhoon Noru.

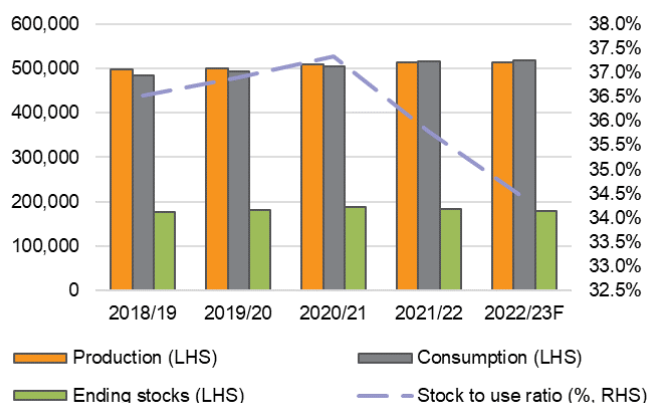
Global rice supplies at risk as harsh weather hits top exporters. The recent harsh weather in top rice exporter countries in Asia (such as Patchy rains in India, drought in China and flood in Bangladesh) is likely to effect the production outlook in the 2022/23. On the other side, we see the demand is picking up. Due to the yield losses, China is expected to lift rice imports to a record of 6m tonnes in 2022/23, according to the USDA. Besides, we see the rising of protectionism in order to ensure food security since the recent geopolitical disputes. Amid the declining supply while demand is stable, the global rice price and Vietnam's export price will keep increasing in 2023F.

Figure 15: We see higher probability of a Neutral phase in 2023 (unit: %)



Source: VNDIRECT RESEARCH, BLOOMBERG

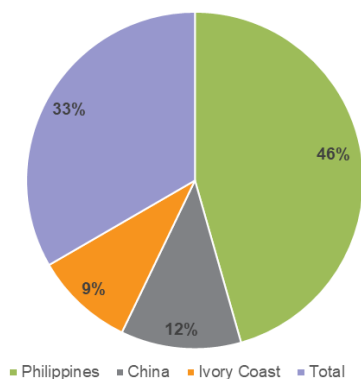
Figure 16: World rice supply and demand from crop year 2018-19 to 2022-23 (unit: thousand tonnes)



Source: VNDIRECT RESEARCH, USDA

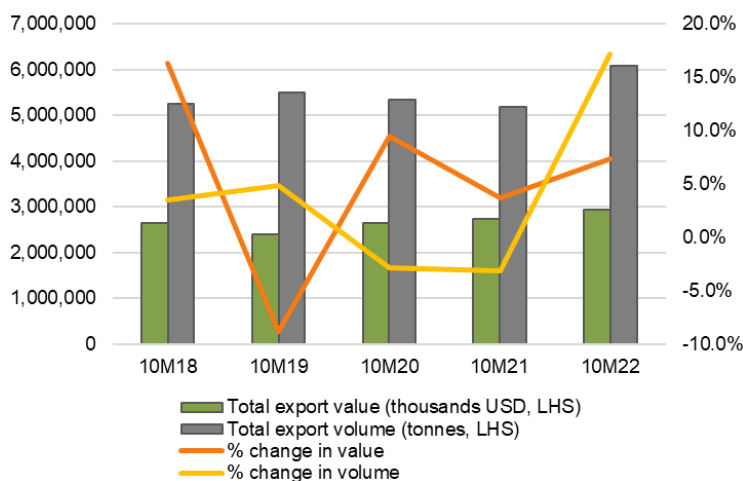
In our view, domestic rice exporters are well-positioned to ride on the rice price uptrend. Vietnam is the world third largest rice exporter, behind India and Thailand. With higher duty, Indian rice price will become uncompetitive and likely prompt buyers to shift towards Thailand and Vietnam. We believe that LTG will benefit directly from rice exports thanks to being one of the rice distributors to both key markets, Europe and China. Meanwhile, TAR will benefit from China's reduced output and India's export restrictions due to drought. Rice trading is TAR's main business, with exports accounting for nearly 15% of total revenue. In which, China is the main rice export market of this enterprise with a proportion of up to 27% of export revenue.

Figure 17: Top rice export markets of Vietnam



Source: VNDIRECT RESEARCH, BLOOMBERG

Figure 18: Value of Vietnam's rice exports in 10M22



Source: VNDIRECT RESEARCH, USDA

Sector risks include:

- India's cancellation of the rice export ban will put competitive pressure on Vietnamese rice and reduce export prices.
- We also see that Vietnam's rice supply may decrease slightly compared to 2022 due to a higher probability of a Neutral phase in 2023F (less rainfall than La Nina).

Potential impact of strengthening US\$ on Vietnam agribusiness

Stronger US\$ has put pressure on US\$/VND exchange rate, making US\$/VND rate on the interbank rise to the highest level in history. In our view, rising exchange rate will have different effects on producers. Rice and seafood exporters are likely key winners, enjoying higher export price. Meanwhile, there is potential negative impact for edible oil, meat, dairy and sugar producers.

Figure 19: There is potential negative impact for edible oil, meat, dairy and sugar producers

Core business	Related stocks	Potential impact	Investment thesis
Animal feed	DBC, BAF, HAG		<p>About 80% of input materials for animal feed production are imported, of which, soybean and soybean meal are imported 90-95%. Therefore, the higher US\$ lead producers to pay an extra amount when importing input materials for animal feed.</p> <p>However, we believe that BAF and HAG will be less affected by rising exchange rate than its peers. BAF can get support from Tan Long Group in term of input cost while HAG can take advantage of banana production that does not meet export standards from the fruit business to be used as input materials for animal feed production.</p>
Edible oil producers	KDC		<p>With an estimated 90% of raw cooking oil imported, especially palm oil from Malaysia and Indonesia, an increase in the exchange rate will increase the cost of importing material for edible oil producers. We believe this will have impact on the input cost of KDC's oil production segment, which accounts for nearly 80% of KDC's total revenue.</p>
Meat producers	DBC, BAF, HAG		<p>We believe meat businesses' GM will be affected by the feed prices increase. However, swine price is forecasted to raise 5% yoy in 2023F, which may reduce the impact of higher input price.</p>
Dairy producers	VNM		<p>VNM will face a new challenge in terms of rising exchange rate as 50% of VNM's milk material is imported from the EU to produce powdered milk and nutritional powder. However, we expect whole milk powder price to keep falling and trading at 5.0% lower than 2022 as China continues the Zero-Covid policy and the 2023F output increase by 1.5% yoy. Thus, we believe that lower material price will offset the effect of rising exchange rate in 2023F VNM's GM.</p> <p>Besides, VNM's short-term debts, accounting for 98% total debt, are mainly bank loans in US\$. Thus, we believe the company's financial expenses will increase significantly in FY22-23F. However, at end Sep-22, VNM has a strong balance sheet with net cash position (VND10,718/share) and low leverage of 0.3x which allow the company to downplay the risks of interest rates and FX fluctuation.</p>
Sugar producers	QNS, SBT		<p>Due to a decrease in the domestic sugarcane area in recent years, sugar producers also import raw sugar for refining in addition to pressing sugar from cane.</p> <p>In 2021, SBT produced 708,000 tonnes of sugar, of which about 210,000 tonnes were from sugarcane and the rest was from imported raw sugar. Meanwhile, QNS also plans to import 5,000 tonnes of raw sugar to refine RE sugar. Therefore, we believe that QNS and SBT will be affected by rising exchange rate with different level. However, we also expect domestic sugar prices to keep increasing in 2023F. Therefore, the higher sugar price may offset the effect of rising exchange rate in GM.</p>

NOTE: ● = "Positive", ● = "Negative"

Source: VNDIRECT RESEARCH

Figure 20: Rice and seafood exporters are likely key winners amid increasing exchange rate

Core business	Related stocks	Potential impact	Investment thesis
Rice producers	LTG, PAN, TAR		<p>Most export orders are paid in US\$, thus rising exchange rate will help rice exporters to improve their gross margins. The specificity of the rice industry is that orders are signed monthly, therefore who have already delivered will benefit when the US\$ increases. However, for orders that have not yet been delivered, customers will be afraid and consider buying rice at another stage to avoid the impact of the US\$ increase.</p> <p>Besides, we also see that LTG currently have a short-term debt of US\$69m (accounting for 49.5% total short-term debt). Thus, we believe LTG's financial expenses will increase amid higher exchange rate.</p>
Fisheries	VHC, FMC		<p>Seafood exporters will benefit when the US\$ increases as most transactions are currently paid in US\$. In 9M22, the U.S is still the main market of seafood exporters (accounting for about 60%).</p> <p>However, seafood enterprises are also facing two pressures at the same time, which is to reduce export prices to compete with other countries' products, but also have to increase the purchase price of raw fish materials due to lack of supply.</p>

NOTE: = "Positive", = "Negative"

Source: VNDIRECT RESEARCH

Stock pick: We like BAF and put DBC, QNS, and KDC in our watchlist

Figure 21: Investment ideas

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	BAF	33,500	ADD	<p>We have a positive view on BAF short term and long term by:</p> <p>(1) Herd size will increase significantly in 2023F. During FY22-23F, the company will enter a heavy investment cycle with 2 slaughter factories, 5 porker farms, 2 piglet farms and 3 combined piglet and porker farms which will come online since 3Q22 – 1Q23F. These projects will lift BAF 's pig herd up 226% from current scale and also finalize its "Food" segment in 3F business model.</p> <p>(2) We expect BAF's net profit to grow at average 16.2% over FY23-24F, driven by capacity expansion. Gross margin will improve 0.7% pts as 3F business segment increase its contribution to BAF's gross profit by 6.1% pts in FY23F with GM much higher agribusiness segment.</p> <p>(3) We believe that BAF can get support from Tan Long Group in term of input cost, thus the company will be less affected by rising exchange rate than its peers.</p>
2	DBC	18,600	ADD	<p>(1) Swine price is expected to increase by 5.0% yoy in 2023F which will impact positively to the company's GM. We expect DBC to enjoy 1.5% pts yoy in gross margin's expansion.</p> <p>(2) The company's NP is expected to grow 68.9% yoy in FY23F after a sharp decrease by 60.7% yoy in FY22F regarding the sharp increase in animal feed input cost.</p> <p>DBC's share price has slumped 64.8% ytd which has been largely priced in the weak FY22 result, in our view.</p>
3	KDC	70,900	HOLD	<p>(1) We expect KDC's cooking oil input cost to decline due to a sharp drop in raw cooking oil price (palm oil) after peaking in Jun 2022.</p> <p>(2) Kido bakery opened a factory with a scale of 19.000 tonnes, officially returned to the confectionery segment, in which KDC has a lot of experience and wide distribution chain with the largest market share position (nearly 50% market share). This will help KDC maintain revenue and net profit growth in FY23-24F.</p>

4	QNS	N/A	N/A	<p>(1) We see QNS can take advantage of the sugar price upward trend and expand the GM as the company has the second largest scale in sugarcane materials which is well positioned to capture the increasing demand for domestic sugar.</p> <p>(2) Global soy bean price is expected to decrease in 2023F which ease pressure on input material cost for soybean milk segment.</p> <p>(3) We expect QNS to deliver an 8.5% yoy revenue growth and better GM, making net profit to increase 10.3% yoy in FY23F.</p>
5	VHC	N/A	N/A	<p>(1) The leading position in pangasius export in Vietnam as well as in the world. Meanwhile, global inflation has reduced the demand for many seafood products, but pangasius product still have advantages because it is affordable for consumers. Therefore, we believe that pangasius prices and export volume in the coming time will not be severely decrease.</p> <p>(2) Main export market of VHC's pangasius products is the US market. Although in 2023, it may be difficult for the company to maintain an exceptional high export volume like in 2022, but VHC will still benefit quite a lot in the environment of an increasing US\$ exchange rate.</p> <p>However, the current valuation is not attractive, in our view as we expect that VHC's NP may decrease in the next 2 years after recording an outstanding performance in FY22F thanks to pent-up demand of US market.</p>

Source: VNDIRECT RESEARCH

Figure 22: FY22-FY23F earnings forecasts

	BAF			DBC			QNS		
	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
Revenue (VNDbn)	5,788	6,828	7,471	11,704	12,115	12,610	8,296	8,998	9,628
% growth	-44.5%	18.0%	9.4%	8.2%	3.5%	4.1%	13.1%	8.5%	7.0%
Gross profit	549	698	797	1,371	1,604	1,669	2,506	2,733	2,924
Gross margin (%)	9.5%	10.2%	10.7%	11.7%	13.2%	13.2%	10.8%	9.1%	7.0%
EBITDA	505	683	819	1,070	1,304	1,365	1,565	1,710	1,820
EBITDA margin (%)	8.7%	10.0%	11.0%	9.1%	10.8%	10.8%	18.9%	19.0%	18.9%
Net profit (VNDbn)	343	420	463	326	550	594	1,333	1,470	1,574
% growth	6.5%	22.4%	10.2%	-60.7%	68.9%	7.9%	6.4%	10.3%	7.1%
EPS (VND/share)	2,389	2,925	3,224	1,331	2,247	2,425	3,501	3,948	4,256
BVPS (VND/share)	17,067	19,997	23,224	22,986	24,565	26,390	21,499	23,506	25,803
Net cash/share (VND/share)	2,501	2,806	3,579	4,040	4,693	4,357	12,846	14,833	17,023
D/E	0.27	0.34	0.30	0.48	0.46	0.33	0.29	0.29	0.28
Dividend yield (%)	0.0%	0.0%	0.0%	4.1%	8.3%	8.3%	5.7%	7.1%	5.7%
ROAE (%)	21.1%	18.9%	17.9%	8.1%	11.0%	11.2%	20.7%	21.0%	20.5%
ROAA (%)	7.1%	7.8%	7.7%	3.8%	5.6%	5.9%	14.7%	14.7%	14.6%

Source: VNDIRECT RESEARCH

Figure 23: FY22-24F earnings forecasts of stocks under coverage

	KDC			VHC		
	2022F	2023F	2024F	2022F	2023F	2024F
Revenue (VNDbn)	13,557	13,874	14,420	13,834	14,372	14,242
% growth	29.1%	2.3%	3.9%	52.8%	3.9%	-0.9%
Gross profit	2,364	3,078	3,616	2,933	2,759	2,734
Gross margin (%)	21.9%	23.5%	24.0%	21.2%	19.2%	19.2%
EBITDA	1,534	1,531	1,924	2,725	2,644	2,649
EBITDA margin (%)	9.3%	10.8%	10.3%	19.7%	18.4%	18.6%
Net profit (VNDbn)	614	802	782	1,959	1,874	1,875
% growth	4.2%	30.6%	-2.5%	77.9%	-4.3%	0.0%
EPS (VND/share)	2,440	3,187	3,108	10,469	10,016	10,019
BVPS (VND/share)	29,445	32,275	35,029	41,987	50,399	58,764
Net cash/share (VND/share)	-13,171	-10,226	-7,845	7,705	11,817	17,810
D/E	0.43	0.31	0.22	0.27	0.24	0.17
Dividend yield (%)	9.0%	1.0%	1.0%	2.7%	2.7%	2.7%
ROAE (%)	8.7%	10.3%	9.2%	28.8%	22.1%	13.6%
ROAA (%)	4.2%	5.2%	4.8%	19.6%	15.4%	13.6%

Source: VNDIRECT RESEARCH

Figure 24: Peer comparison (Data as at 18 Nov 2022)

Company	Ticker	Price		Recom.	Mkt cap US\$m	P/E (x)		P/B (x)		3 years EPS	ROE (%)		ROA (%)	
		LC\$	LC\$			FY22F	FY23F	FY22F	FY23F	CAGR (%)	FY22F	FY23F	FY22F	FY23F
<u>Vietnam listed meat producers</u>														
BAF Viet Nam Agriculture JSC	BAF VN	15,850	33,500	ADD	92	6.9	5.7	1.0	0.8	N/a	21.1	18.9	7.1	7.8
Masan MeatLife Corporation	MML VN	38,000	N/A	N/A	501	44.8	59.8	2.1	2.0	170.3	8.2	6.1	8.5	5.6
Dabaco Group	DBC VN	10,550	18,600	ADD	103	9.0	5.3	0.5	0.5	53.7	8.1	11.0	3.8	5.6
Vissan JSC	VSN VN	22,000	N/A	N/A	72	N/A	N/A	N/A	N/A	3.4	N/A	N/A	N/A	N/A
Vietnam Livestock Corporation JSC	VLC VN	13,700	N/A	N/A	95	N/A	N/A	N/A	N/A	11.1	N/A	N/A	N/A	N/A
Hoang Anh Gia Lai JSC	HAG VN	5,930	N/A	N/A	222	17.0	10.7	N/a	N/a	N/a	13.6	17.9	N/a	N/a
<i>Average</i>						19.4	20.4	1.2	1.1	59.6	12.8	13.5	6.5	6.3
<i>Median</i>						13.0	8.2	1.0	0.8	32.4	10.9	14.5	7.1	5.6
<u>Vietnam listed sugar producers</u>														
Quang Ngai Sugar JSC	QNS VN	34,000	N/A	N/A	489	8.0	7.3	1.4	1.3	0.8	20.7	21.0	14.7	14.7
Thanh Thanh Cong - Bien Hoa JSC	SBT VN	10,650	N/A	N/A	289	N/A	N/A	N/A	N/A	39.0	N/A	N/A	N/A	N/A
Lam Son Sugar JSC	LSS VN	4,750	N/A	N/A	13	N/A	N/A	N/A	N/A	84.4	N/A	N/A	N/A	N/A
Son La Sugar JSC	SLS VN	119,000	N/A	N/A	47	N/A	N/A	N/A	N/A	46.8	N/A	N/A	N/A	N/A
Kon Tum Sugar JSC	KTS VN	13,000	N/A	N/A	3	N/A	N/A	N/A	N/A	54.4	N/A	N/A	N/A	N/A
<i>Average</i>						8.0	7.3	1.4	1.3	45.1	20.7	21.0	14.7	14.7
<i>Median</i>						8.0	7.3	1.4	1.3	46.8	20.7	21.0	14.7	14.7
<u>Regional listed rice producers</u>														
Trung An Hi-Tech Farming JSC	TAR VN	8,100	N/A	N/A	26	N/A	N/A	N/A	N/A	35.7	N/A	N/A	N/A	N/A
Loc Troi Group JSC	LTG VN	17,700	N/A	N/A	58	4.4	4.2	0.4	0.4	1.6	12.3	11.8	4.4	4.0
Heilongjiang Agriculture Co Ltd	600598 CH	15	N/A	N/A	3,663	21.3	19.9	3.4	3.1	(3.3)	16.0	15.6	12.7	12.8
Shandong Denghai Seeds Co Ltd	002041 CH	22	N/A	N/A	2,695	56.9	41.6	5.6	5.1	100.4	10.1	12.0	7.2	9.4
FGV Holdings Bhd	FGV MK	1	N/A	N/A	1,058	3.9	7.6	0.8	0.7	N/A	21.3	9.3	7.6	3.7
<i>Average</i>						21.6	18.3	2.5	2.3	33.6	14.9	12.2	8.0	7.5
<i>Median</i>						12.9	13.7	2.1	1.9	18.7	14.1	11.9	7.4	6.7
<u>Vietnam listed seafood exporters</u>														
Vinh Hoan Corp	VHC VN	68,600	N/A	N/A	507	6.1	6.3	1.7	1.5	15.5	31.2	24.5	20.4	16.1
Nam Viet Corp	ANV VN	17,700	N/A	N/A	91	2.6	3.8	0.5	0.5	(30.8)	29.8	19.6	14.7	10.9
Cuu Long Fish JSC	ACL VN	9,190	N/A	N/A	19	N/A	N/A	N/A	N/A	(23.1)	N/A	N/A	N/A	N/A
International Development & Investment Corp	IDI VN	7,850	N/A	N/A	72	1.9	1.8	N/A	N/A	(27.1)	26.3	22.1	10.9	9.6
<i>Average</i>						3.5	4.0	1.1	1.0	(16.4)	29.1	22.1	15.3	12.2
<i>Median</i>						2.6	3.8	1.1	1.0	(25.1)	29.8	22.1	14.7	10.9

Source: VNDIRECT RESEARCH, BLOOMBERG

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Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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