

**BAF Viet Nam Agriculture JSC - BAF**
**Add**

# Solid expansion into meat processing value chain

CONSUMER GOODS | Update

Target price (12M)

**VND27,200**

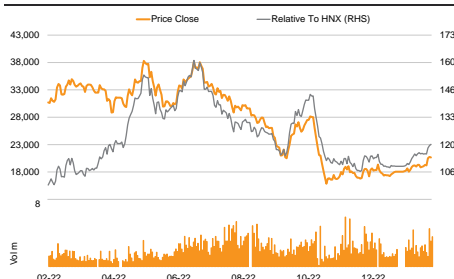
Consensus\*: Add:0 Hold:0 Reduce:0

Target price / Consensus: N/a

**Key changes in the report**

- Decrease EPS FY23F by 27.2%
- Decrease EPS FY24F by 28.6%

Previous rating	ADD
Previous TP	VND33,500
Current price	VND20,550
52w high (VND)	38,300
52w low (VND)	15,850
3m Avg daily value (VNDmn)	42,372
Market cap (VNDbn)	2,250
Free float	56%
Dividend yield	0.00%
TTM P/E (x)	7.7
Current P/B (x)	1.7

**Price performance**


Source: VNDIRECT RESEARCH

**Ownership**

Siba Holdings	20.5%
Bui Huong Giang	13.3%
Phan Ngoc An	6.4%
Others	59.8%

Source: VNDIRECT RESEARCH

**Analyst(s):**

**Hien Ha Thu**

hien.hathu@vndirect.com.vn

- BAF's FY22 net revenue and net profit (NP) decreased 32.5%/9.2% yoy, respectively, fulfilled 121%/85.2% our full-year forecasts.
- We expect moderate earnings growth over FY23-24F due to higher gross margin (GM) from 3F (Feed-Farm-Food) segment.
- Reiterate Add with lower TP of VND27,200.

**FY22 results below our expectation**

FY22 revenue decreased 32.5% yoy, of which, an 72.5% yoy increase of 3F (Feed-Farm-Food) revenue has partially offset the 40.7% yoy slump of revenue from agricultural trading. 3F sales fell short of our forecast as 1) revenue from traditional channel (account for 55% 3F revenue) was 22.5% lower than our estimate due to weak meat demand and swine price, and 2) BAF lowered the selling price in modern channel to attract consumers. Besides, GM of 3F segment expanded 2.2% pts yoy in FY22 while selling expenses increased strongly by 360.0% yoy due to the expansion of farm and distribution system. Thus, BAF's net profit declined 9.2% yoy in FY22, 15% lower than our expectation.

**More expansion in 3F segment**

In 2023F, the company plans to build three new farms in Binh Phuoc and Nghe An (with total capacity of 11,250 piglets and 120,000 porkers), raising total herd by 65.5% yoy. BAF also aims to expand its distribution system with Siba Food supermarket and Meat shop from current to 72/600 stores (+20%/100% yoy) in 2023F. We expect BAF's sales volume to increase 26.0%/13.0% yoy in FY23-24F. Meanwhile selling price is projected to rise 1.0%/1.0% yoy in FY23-24F as we believe that BAF is still in the stage of expanding its market share, thus the company will maintain a preferential price policy to attract consumers. In conclusion, we forecast 3F revenue to enjoy 34.1%/19.9% yoy increase in FY23-24F.

**We expect swine price to improve in 2023F**

For 2023F, swine price is expected to increase 5.0% yoy thanks to 1) the recovery of eat-out demand, and 2) supply from farmers decline. We believe animal feed cost would cool down gradually from 2023F. Therefore, we forecast 3F segment to enjoy 3.3% pts/0.6% pts yoy increase in FY23-24F gross margin. As the results, BAF's net profit is projected to improve 4.6%/8.2% yoy in FY23-24F.

**Reiterate Add with lower TP of VND27,200**

We reiterate Add rating for BAF with lower TP of VND27,200. Our valuation is based on equal weighting combination of 10-year DCF valuation and EV/EBITDA multiple. Potential re-rating catalysts include 1) higher-than-expected meat demand, and 2) higher-than-expected swine price. Downside risks include 1) lower-than-expected meat consumption in Vietnam, 2) slower-than-expected expansion of Siba Food stores, and 3) the prices of key animal food rising faster than expected.

Financial summary (VND)	12-21A	12-22A	12-23E	12-24E
Net revenue (m)	10,434	7,047	7,193	7,656
Revenue growth	(18.8%)	(32.5%)	2.1%	6.4%
Gross margin	4.7%	6.9%	8.4%	8.9%
EBITDA margin	3.5%	4.2%	3.2%	2.7%
Net profit (m)	322	292	305	330
Net profit growth	602.3%	(9.2%)	4.6%	8.2%
Recurring profit growth				
Basic EPS	2,243	2,047	2,128	2,302
Adjusted EPS	2,243	2,047	2,128	2,302
BVPS	18,652	12,179	14,318	16,631
ROAE	31.9%	18.3%	16.1%	14.9%

Source: VNDIRECT RESEARCH

## Solid expansion into meat processing value chain

### FY22 recap: Below-our-expectation

Figure 1: 4Q22 & FY22 results comparison

VNDbn	4Q22	4Q21	% yoy	2022	2021	% yoy	2022 forecast	% our forecast	Comment
Revenue	2,158	1,348	60.1%	7,047	10,434	-32.5%	5,788	121.7%	
Agricultural trading	1,798	1,105	62.6%	5,731	9,671	-40.7%	4,197	136.6%	Agricultural trading revenue increased strongly 62.6% yoy in 4Q22 mainly due to higher prices of agricultural products compared to 4Q21. In which, corn/soybean/wheat prices increased by 18.3%/12.9%/5.4% yoy.
3F	290	234	23.7%	1,315	762	72.5%	1,589	82.7%	3F segment enjoyed 23.7% yoy increase in 4Q22 revenue mainly due to the expansion of POS (point-of-sale) through Siba Food supermarket (+46% yoy) and Meat shop system (+1,479% yoy). However, 3F revenue in FY22 was below our forecast as 1) revenue from traditional channel was 22.5% lower than our estimate due to lower-than-expected meat demand and swine price and 2) BAF cut the selling price in modern channel to attract consumers during the period of rapid store expansion.
Gross profit	62	140	-55.4%	485	488	-0.5%	546	88.8%	
Gross margin	2.9%	10.4%	-7.5% pts	6.9%	4.7%	2.2% pts	9.4%	-2.6% pts	Gross margin declined 7.5% pts yoy mainly due to 21.7% pts plunge in 3F segment's GM in 4Q22. In our view, 3F segment's GM decreased as 1) lower ASP (-22.1% yoy) in both traditional channel and modern channel and 2) Animal feed began to contribute to 3F segment with lower GM (3.5%) compare to Farm and food (26.9%).
SG&A	47	26	78.6%	156	70	122.3%	107	145.5%	
SG&A as % revenue	2.2%	2.0%	0.2% pts	2.2%	0.7%	1.5% pts	1.8%	0.4% pts	
Selling expenses	22	7	198.0%	73	16	360.9%	55	132.0%	
% revenue	1.0%	0.6%	0.5% pts	1.0%	0.2%	0.9% pts	1.0%	0.1% pts	% selling expenses of revenue increased 0.5% pts mainly due to a 0.6% pts increase in % transportation expenses of revenue as the result of store expansion.
G&A expenses	25	19	31.4%	83	54	53.1%	52	159.8%	
% revenue	1.2%	1.4%	-0.3% pts	1.2%	0.5%	0.7% pts	0.9%	0.3% pts	
EBIT	15	114	-86.5%	330	418	-21.1%	442	74.5%	
EBIT margin	0.7%	8.4%	-7.7% pts	4.7%	4.0%	0.7% pts	7.6%	-3.0% pts	
Financial expenses	25	26	-0.7%	26	32	-20.3%	33	77.5%	
% revenue	1.2%	1.9%	-0.7% pts	0.4%	0.3%	0.1% pts	0.6%	-0.2% pts	
Net other income	18	1	3221.2%	37	0.4	10272.7%	0.20	18706.0%	In 4Q22 the company received one off gain from the liquidation of fixed assets (about VND22bn).
% revenue	0.8%	0.0%	0.8% pts	0.5%	0.0%	0.5% pts	0.0%	0.5% pts	
Pre-tax profit	12	93	-87.1%	349	390	-10.6%	411	84.9%	
Pre-tax margin	0.2%	0.9%	-0.7% pts	5.0%	3.7%	1.2% pts	7.1%	-2.2% pts	
Tax	5	11	-52.6%	56	64	-12.1%	68	82.0%	
Effective tax rate	43.6%	11.9%	31.8% pts	16.0%	16.3%	-0.3% pts	16.6%	-0.6% pts	
Net profit	7	77	-91.4%	292	322	-9.2%	343	85.2%	
Net margin	0.1%	0.7%	-0.6% pts	4.1%	3.1%	1.1% pts	5.9%	-1.8% pts	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

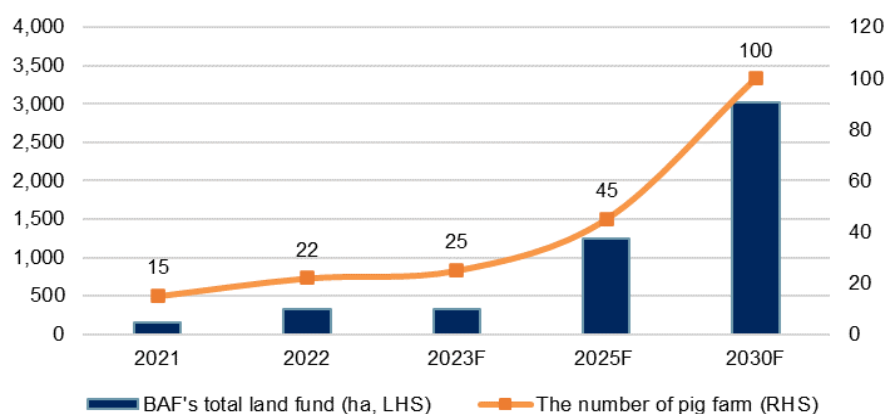
## More expansion in 3F segment

### Increase the herd capacity with new farms

In 2022, BAF invested in seven new farms in Tay Ninh and Phu Yen, bringing the total number of farms to 22 compared to 15 in 2021. The new farms put into operation have brought the total number of pig herds to 200,000 heads (+57% yoy) in 2022. In addition, the company also put a new animal feed factory into operation in Nghe An with a capacity of 180,000 tonnes/year, raising total production capacity to 460,000 tonnes/year in 2022 – 8 times higher than in 2021. We believe that BAF has completed the construction plan set out in 2022.

In 2023F, the company plans to build three new farms including a farm in Binh Phuoc (with a capacity of 6,250 piglets and 30,000 porkers) while the other two farms in Nghe An with a total capacity of 5,000 piglets and 90,000 porkers. We estimate the total herd in 2023F will increase by 65.5% yoy compared to 2022.

**Figure 2: BAF plans to increase total number of farms to 100 by 2030F**



Source: VNDIRECT RESEARCH, COMPANY REPORT

### Modern channel will gradually replace traditional channel

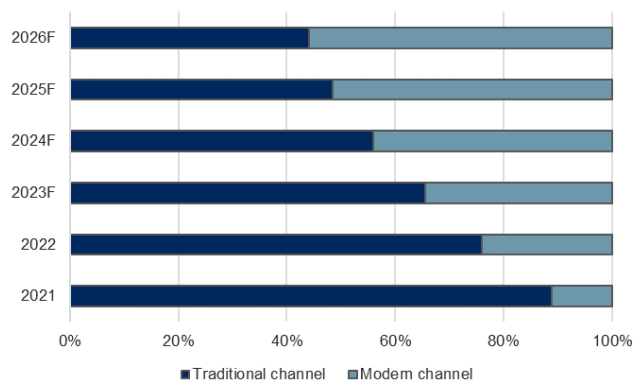
In 2022, BAF expanded its distribution chain with 60 Siba Food supermarkets and 300 Meat shop in 2022 compared to 41 Siba Food supermarkets and 19 Meat shop in 2021. We expect BAF to continue to expand distribution network in 2023-24F. Compared to BAF's competitor, HAG also planned to build their own distribution system in 2022. However, in the recent shareholder meeting, HAG announced that they will increase the proportion of franchise stores to 80% instead of building their own stores due to insufficient capital.

For BAF, we believe the company will benefit from Tan Long Group's ecosystem as it expands distribution system without sacrificing opening costs. Besides, we believe the event that Tan Long group laid off employees will not affect BAF's business activities. In our view, Tan Long group is restructuring the business to focus on priority segment such as rice production, pig farming, and supplying animal feed material instead of allocating resources to many segments as before. Thus, we expect Siba Food supermarket to increase by 20%/20% yoy while Meat shops rise significantly by 100%/50% yoy in FY23-24F.

The company is distributing pork through traditional distribution channels (large wet markets in Ho Chi Minh and neighboring cities such as Binh Duong, Dong Nai, Long An) and modern distribution channels including Siba Food

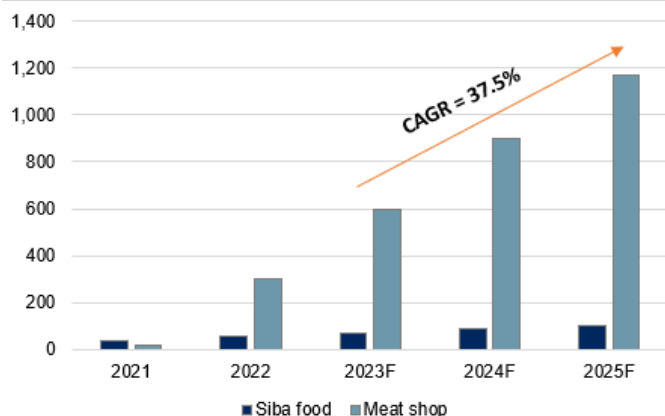
supermarkets and Meat shops system. We estimate 24% of BAF's sale volume are distributed through modern distribution channels while the other is distributed in traditional markets. With the rapid expansion of Siba Food and Meat shop, we expect the volume distributed through Siba Food to increase by 86.7%/46.8% yoy, respectively accounting for 34.5%/44.0% of total sales volume in 2023-24F.

**Figure 3: We expect the modern channels account for 34.5%/44.0% of total sales volume of BAF in 2023-24F**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 4: We expect BAF's distribution system to grow CAGR of 37.5% in 2023-25F**



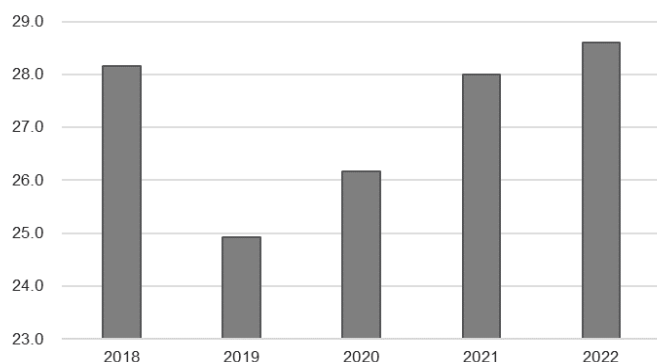
Source: VNDIRECT RESEARCH, COMPANY REPORTS

### We expect swine price to slightly improve in 2023F

We see some reason for the decline in swine recently as 1) domestic supply remains stable, 2) unemployment increases currently has affected people's income, leading to tightening spending, and 3) the recent outbreak of African swine fever (ASF) has caused farmers to sell off pigs in large quantities, causing an oversupply in the market. According to GSO, the total number of pig herd increased by 10.4% yoy in Jan 2023, meanwhile ASF was still in 10 provinces of which Ca Mau has recorded new outbreak.

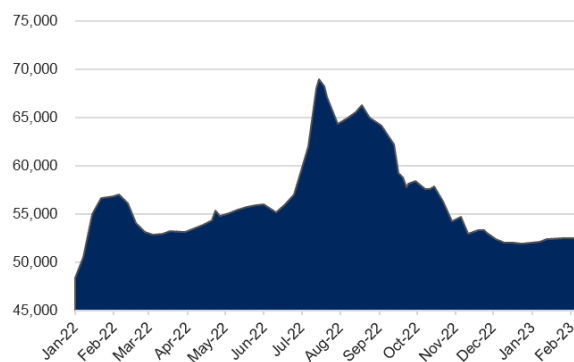
For 2023F, swine prices are expected to increase 5.0% yoy to VND59,000/kg in 2023F thanks to 1) the recovery of eat-out demand, and 2) supply from famers decline as they still hesitate in re-herding due to the recent drop in swine prices. Currently, farming households account for 60% of the total pork supply. In addition, the reopened of China may support domestic swine prices to increase as China is the main export market of Vietnam's pork through unofficial-quota trade.

**Figure 5: The total pig herd has returned to pre-ASF levels (unit: million heads)**



Source: VNDIRECT RESEARCH, WORLD BANK

**Figure 6: Swine prices decrease nearly flat in Feb 2023 (unit: VND/kg)**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

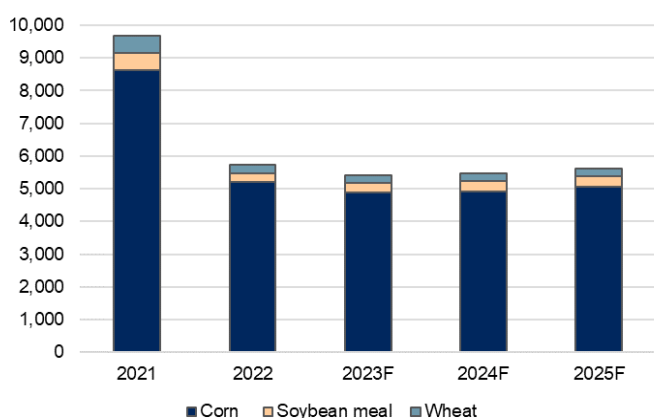
## Earning growth return to positive territory from FY23F

### We expect revenue to stay nearly flat in FY23-24F

In our view, the ASF epidemic that has lasted for 2 years together with the fluctuations in swine and animal feed prices, will make smallholder farmers afraid to re-herd as they have suffered losses for nearly 2 years. Therefore, we expect the supply of porker from smallholder farmers will decrease gradually in 2023-24F which create opportunities for 3F business (such as BAF, HAG, DBC) to capture more market share from smallholder farmers. We expect BAF's sale volume to increase 26.0%/13.0% yoy in FY23-24F. Meanwhile selling price is projected to rise 1.0%/1.0% yoy in FY23-24F as we believe that BAF is still in the stage of expanding its market share, thus the company will maintain a preferential price policy to attract consumers. In conclusion, we forecast 3F revenue to enjoy 34.9%/19.9% yoy increase in FY23-24F.

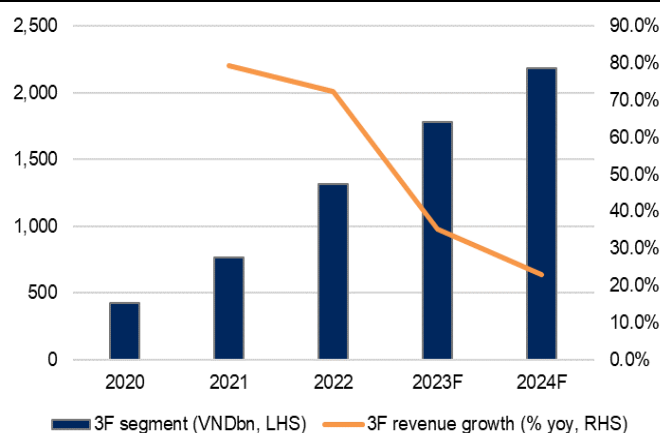
Meanwhile, we expect BAF to maintain a flat sales volume in FY23-24F as the company has no intention of expanding the agricultural trading business. Thus, we forecast sales volume increase slightly by 2.0%/2.0% yoy in the meanwhile average selling price decline 4.5%/0.7% yoy in FY23-24F in line with the decrease in global agricultural product prices. As the results, we expect agricultural trading revenue to decline 5.6% yoy in FY23F before nearly flat by 1.0% yoy in FY24F.

**Figure 7: Agricultural trading revenue is forecasted to grow CAGR of 1.9% in FY23-25F (unit: VNDbn)**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 8: We expect expect 3F revenue to grow 35.2%/22.9% yoy in FY23-24F**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

### Commodities price will be more favourable for BAF in FY23-24F

According to Worldbank, agricultural products prices are expected to fall by nearly 5% in 2023, before stabilizing in 2024 as 1) supplies of most food commodities increase due to improved yields, 2) the ongoing Ukraine's return to the global markets and 3) weakening demand response to the slowdown in the global economy. In which, corn and soybean meal are forecasted to decline 7.9%/1.8% yoy in 2023F and 1.0%/0.2% yoy in 2024F. As domestic feed prices have increased more slowly than global agricultural prices, we expect animal feed cost would cool down gradually from 2023F. Therefore, we forecast 3F segment to enjoy 3.3% pts/0.6% pts FY23-24.

Besides, we expect the 3F segment to contribute 78.6% to BAF's gross profit in FY23F (from 66.0% in FY22), with its GM increasing by 3.3% pts yoy.



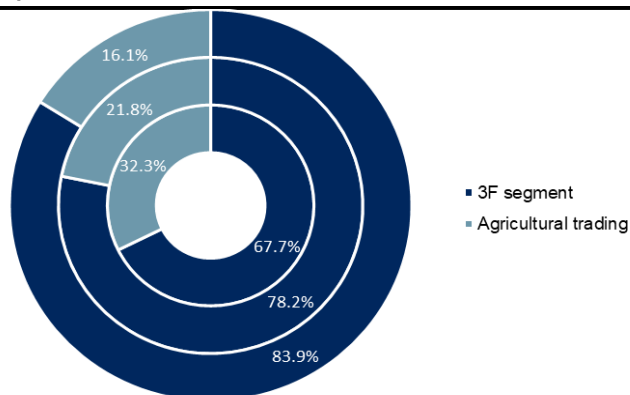
Meanwhile, GM of agricultural trading segment is projected to slightly decrease 0.4% pts yoy in FY23F due to lower selling price. Therefore, we forecast BAF's blended GM to increase 1.5% pts yoy in FY23F to 8.4%.

**Figure 9: World bank forecast global agricultural products price to fall in 2023F before stabilizing in 2024F (unit: US\$/tonne)**

	2020	2021	2022	2023F	2024F
<b>Corn</b>	165	260	315	290	287
% yoy		57.6%	21.2%	-7.9%	-1.0%
<b>Soybean meal</b>	394	481	550	540	539
% yoy		22.1%	14.3%	-1.8%	-0.2%
<b>Wheat</b>	232	315	430	410	405
% yoy		35.8%	36.5%	-4.7%	-1.2%
<b>Rice</b>	497	458	435	435	436
% yoy		-7.8%	-5.0%	0.0%	0.2%
<b>Soy bean</b>	407	583	680	650	641
% yoy		43.2%	16.6%	-4.4%	-1.4%

Source: VNDIRECT RESEARCH, WORLD BANK

**Figure 10: We expect 3F segment to increase its contribution to BAF's gross profit in FY23-24F**



\* Inner circle: FY22 – Middle circle: FY23F – Outer circle: FY24F  
Source: VNDIRECT RESEARCH, COMPANY REPORTS

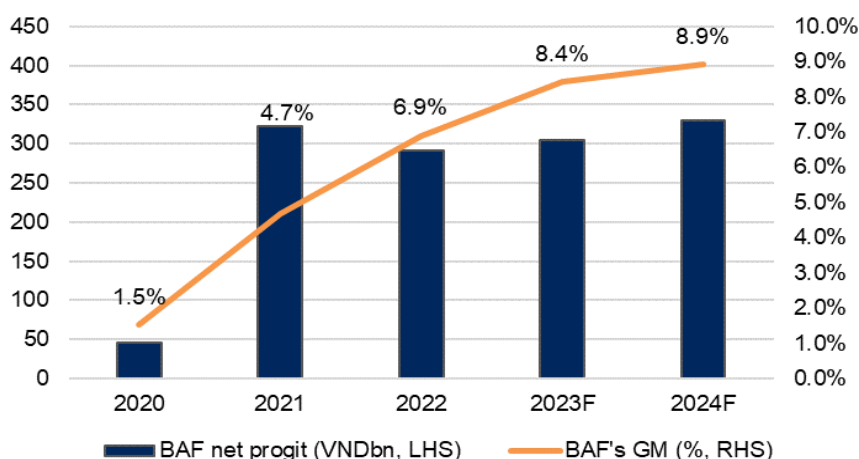
## We expect net profit to increase 4.6%/8.2% yoy in FY23-24F

We expect FY23F net profit to grow 4.6% yoy as:

- BAF's revenue increase slightly by 2.1% yoy in FY23F. In which, we forecast 3F segment to record 35.2% yoy revenue growth in FY23F thanks to 1) 26.0% increase in sales volume and 2) 1.0% increase in selling price. Meanwhile, agricultural trading revenue is projected to decline 5.6% yoy
- Blended GM improve 1.5% pts yoy in FY23F.

For FY24F, we expect BAF's revenue to increase 6.4% yoy due to 1) 22.9% yoy increase in 3F revenue and 2) 1.0% yoy increase in agricultural trading revenue, in which sale volume rise 2.0% yoy. Besides, blended GM is projected to expand 0.5% pts yoy in FY24F thanks to higher contribution from 3F segment in BAF's gross profit. Therefore, we forecast BAF's net profit to surge 8.2% yoy in FY24F.

**Figure 11: We expect BAF's GM to expand 1.5%/0.5% pts yoy in FY23-24F**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

## Changes in FY23-24F earnings forecasts

Figure 12: FY23-24F earnings forecast revision

Unit: VNDbn	2022	2023F			2024F			Comment
		Old	New	Change	Old	New	Change	
<b>Net revenue</b>	<b>7,048</b>	<b>6,828</b>	<b>7,193</b>	<b>5.4%</b>	<b>7,471</b>	<b>7,656</b>	<b>2.5%</b>	
Agribusiness	5,732	4,378	5,413	23.7%	4,502	5,468	21.5%	We raise sale volume by 16.2%/18.5% in FY23-24F compared to the previous forecast to inline with the FY22 figures.
3F business	1,313	2,447	1,776	-27.4%	2,965	2,183	-26.4%	
Animal feed	88	703	122	-82.6%	1,018	199	-80.4%	We revise down sale volume forecast of animal feed by 81.3%/69.2% in FY23-24F as revenue from the feed segment is much lower than our forecast and the company's plan in FY22.
Farm and food	1,224	1,744	1,654	-5.2%	1,948	1,984	1.9%	We raise sale volume forecast by 22.0%/37.8% in FY23-24F due to faster-than-expected expansion of Siba Food system. We expect BAF to focus on distributing products through modern channel in FY23-24F. Meanwhile, we lower selling price forecast by 20.6%/19.8% in FY23-24F due to lower-than-expected selling price in FY22.
<b>Gross profit</b>	<b>485</b>	<b>698</b>	<b>606</b>	<b>-13.2%</b>	<b>797</b>	<b>683</b>	<b>-14.3%</b>	
Gross margin	6.9%	10.2%	8.4%	-1.8% pts	10.7%	8.9%	-1.7% pts	We lower 3F segment's GM forecast by 2.1% pts/1.8% pts in FY23-24F due to 0.7% pts lower-than-expected GM in FY22. Besides we also believe animal feed price remain high until mid 2Q23F which effect 3F segment's GM in 1H23F.
<b>SG&amp;A</b>	<b>156</b>	<b>158</b>	<b>177</b>	<b>12.4%</b>	<b>205</b>	<b>214</b>	<b>4.5%</b>	
SG&A as % revenue	2.2%	2.3%	2.5%	0.2% pts	2.7%	2.8%	0.1% pts	We revise up % G&A of revenue forecast by 0.2% pts/0.1% pts in FY23-24F as we believe the company to increase employee expenses to run new farms.
<b>EBIT</b>	<b>330</b>	<b>540</b>	<b>429</b>	<b>-20.7%</b>	<b>592</b>	<b>469</b>	<b>-20.8%</b>	
EBIT margin	4.7%	7.9%	6.0%	-2.0% pts	7.9%	6.1%	-1.8% pts	
<b>EBT</b>	<b>349</b>	<b>503</b>	<b>371</b>	<b>-26.4%</b>	<b>555</b>	<b>401</b>	<b>-27.7%</b>	
EBT margin	5.0%	7.4%	5.2%	-2.2% pts	7.4%	5.2%	-2.2% pts	
<b>Tax</b>	<b>56</b>	<b>84</b>	<b>65</b>	<b>-22.0%</b>	<b>92</b>	<b>71</b>	<b>-23.4%</b>	
Tax rate	16.0%	16.6%	17.6%	1.0% pts	16.6%	17.6%	1.0% pts	
<b>Net profit</b>	<b>292</b>	<b>420</b>	<b>305</b>	<b>-27.2%</b>	<b>463</b>	<b>330</b>	<b>-28.6%</b>	
Net margin	4.1%	6.1%	4.2%	-1.9% pts	6.2%	4.3%	-1.9% pts	

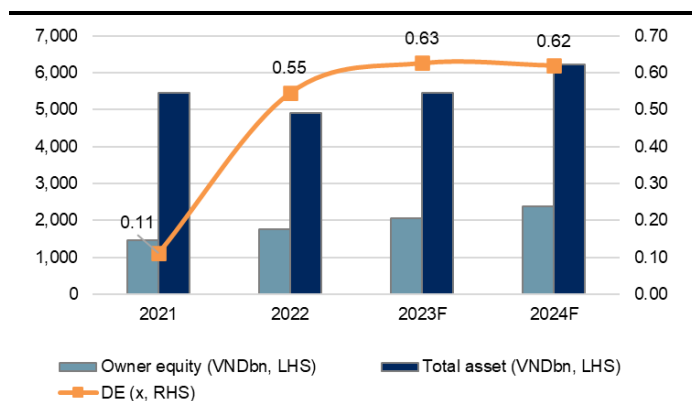
Source: VNDIRECT RESEARCH, COMPANY REPORTS

## Financial health – Maintain low leverage despite raising debt for expansion plan

In 2022, BAF's total debt increased by 486% yoy to VND956bn to fulfil the rapid farm expansion plan, which in line with our projection. The company plans to issue VND600bn of private bonds to the International Finance Corporation (IFC) in 1Q23 to sponsor expansion plan. Besides, we expect BAF to maintain short-term loans to operate new farms in 2023. We forecast total debt to reach VND1,288bn/VND1,481bn in FY23/24F and D/E ratio to reach 0.63x/0.62x in FY23-24F from 0.55x in FY22.

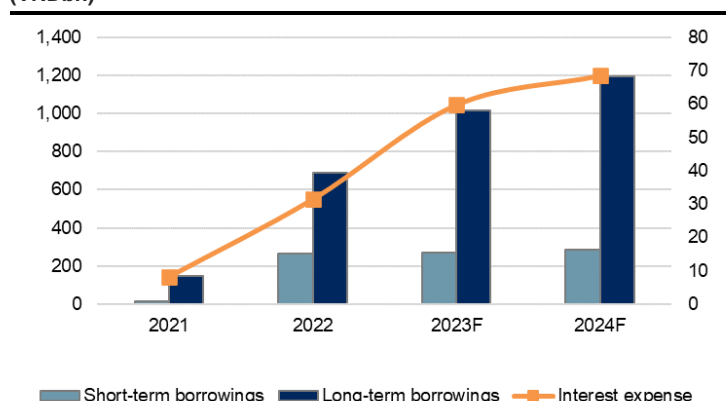
We believe BAF still has healthy balance sheet with low leverage of 0.5x (in FY22) compared to peers such as DBC (1.0x), MML (1.0x) and HAG (1.6x). This allows the company to downplay the risks of high interest rates in FY23F.

Figure 13: BAF maintains financial leverage at a low rate in FY22-24F



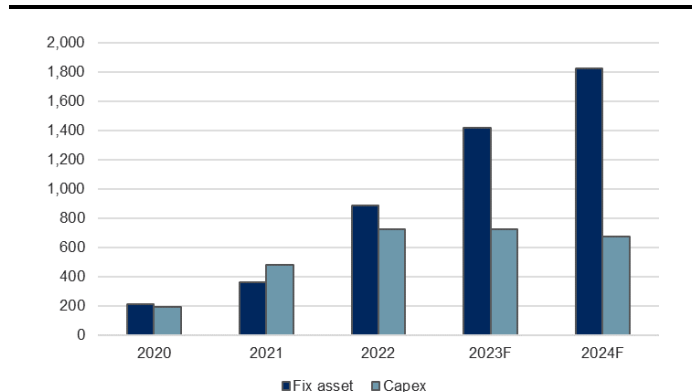
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 14: Total debt increase in FY23-24F fulfil the expansion plan (VNDbn)



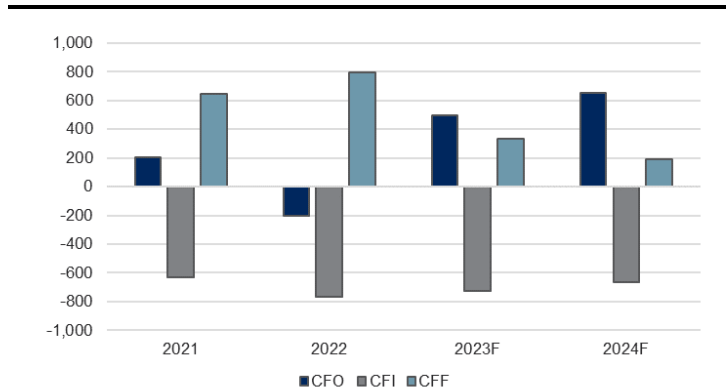
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 15: BAF's fix asset and capex in FY20-24F (Unit: VNDbn)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 16: BAF's cash flow in FY21-24F (Unit: VNDbn)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

## Investment thesis

We still like BAF for:

- BAF has long-term growth potential thanks to expanding the herd capacity with new farms and distribution system through Siba Food supermarkets and Meat shops. We expect GM to improve 1.5% pts in FY23F as 3F business segment keep increasing its contribution to BAF's gross profit with GM much higher than agricultural trading segment.
- The company is able to raise capital for its expansion plan through issuing VND600bn of private bonds to the International Finance Corporation (IFC) in 1Q23. Besides, BAF still maintain healthy balance sheet with low leverage of 0.6x in FY23F, which allows the company to downplay the risks of high interest rates in FY23F.
- BAF is trading at P/E of 7.7x, which is lower than regional peer with MML's P/E of 11.8x, DBC's P/E of 22.5x, CP Thailand's P/E of 15.8x. Thus, we believe the current valuation is compelling for a potential stock like BAF.

We reiterate Add rating for BAF with lower TP of VND27,200 Our valuation is based on equal weighting combination of 10-year DCF valuation and EV/EBITDA multiple.



- In DCF valuation, we roll forward our valuation to FY23F and raise risk free rate assumption to 4.0% from 3.0% previously to reflect the rising interest rate environment globally.
- EPS in FY23-24F are revised down by 27.2%/28.6%.
- We apply target EV/EBITDA of 7.3x on FY23F EPS instead of average FY22-23F in the previous forecast

Potential re-rating catalysts include 1) higher-than-expected demand for meat products, and 2) higher-than-expected live hog price.

Downside risks include 1) lower-than-expected meat consumption in Vietnam, 2) slower-than-expected expansion of Siba Food stores, and 3) the prices of key material for animal feed rising faster than expected.

**Figure 17: Valuation summary**

Methodology	Price	Weight	Weighted price
FCFF	29,066	50%	14,533
EV/EBITDA	25,400	50%	12,700
<b>Target price</b>			<b>27,200</b>

Source: VNDIRECT RESEARCH

**Figure 18: Valuation: Multiples (EV/EBITDA)**

EBITDA 2023F (VNDbn)	626
Target EV/EBITDA (x)	7.3
Total debt (VNDbn)	1,288
Minority interest (VNDbn)	0
Cash & Equivalent (VNDbn)	361
<b>Equity value (VNDbn)</b>	<b>3,647</b>
Total share outstanding (m)	143.5
<b>Implied share price 2023F (VND)</b>	<b>25,400</b>

Source: VNDIRECT RESEARCH

**Figure 19: Discounted Cash Flows - Future Cash Flows to Firm (FCFF)**

Present value of Free Cash Flows to Firm (VNDbn)	3,665
Present value of Terminal value (VNDbn)	1,211
Enterprise Value (VNDbn)	4,876
Net debt (VNDbn)	(704)
Equity Value	4,172
No. of Outstanding Share (million)	144
<b>Equity value per share (VND)</b>	<b>29,066</b>
WACC	11.8%
Cost of Equity	16.1%
Long-term growth	1.0%

Source: VNDIRECT RESEARCH

**Figure 20: DCF Valuation - Free cashflow to Firm (unit: VNDbn)**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>EBIT</b>	<b>179</b>	<b>418</b>	<b>330</b>	<b>429</b>	<b>469</b>	<b>527</b>	<b>558</b>	<b>597</b>	<b>625</b>	<b>647</b>	<b>674</b>	<b>712</b>	<b>760</b>
Add: Depreciation & Amortization	17	32	84	198	265	315	366	438	511	584	656	729	815
Less Capital expenditure	(192)	(482)	(726)	(726)	(672)	(448)	(224)	(224)	(224)	(224)	(224)	(224)	(224)
Changes in Working Capital	1,633	(157)	(636)	(5)	57	76	91	86	93	95	99	76	80
<b>Free Cash Flow (FCF)</b>	<b>1,637</b>	<b>(189)</b>	<b>(949)</b>	<b>(105)</b>	<b>119</b>	<b>470</b>	<b>791</b>	<b>898</b>	<b>1,005</b>	<b>1,102</b>	<b>1,205</b>	<b>1,293</b>	<b>1,432</b>
Less Taxes Paid	(12)	(69)	(56)	(65)	(71)	(82)	(89)	(98)	(103)	(108)	(112)	(119)	(127)
<b>Free Cash Flows to Firm</b>	<b>1,625</b>	<b>(258)</b>	<b>(1,005)</b>	<b>(170)</b>	<b>49</b>	<b>388</b>	<b>701</b>	<b>800</b>	<b>901</b>	<b>994</b>	<b>1,093</b>	<b>1,174</b>	<b>1,305</b>
<b>Terminal Value</b>													<b>5,390</b>
<b>PV of FCFF</b>	<b>1,625</b>	<b>(258)</b>	<b>(1,005)</b>	<b>(152)</b>	<b>39</b>	<b>278</b>	<b>449</b>	<b>459</b>	<b>463</b>	<b>457</b>	<b>449</b>	<b>432</b>	<b>429</b>
<b>PV of Terminal Value</b>													<b>1,211</b>

Source: VNDIRECT RESEARCH, COMPANY REPORTS

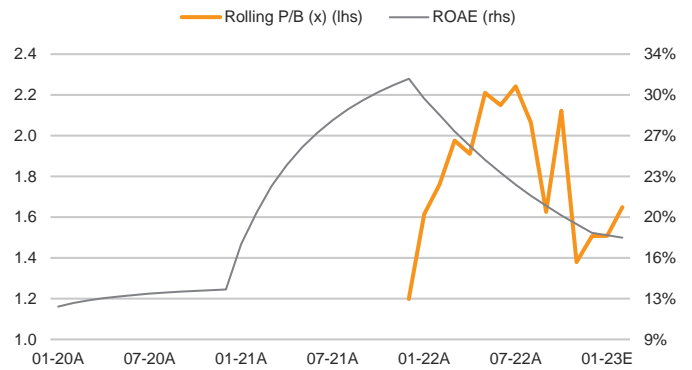
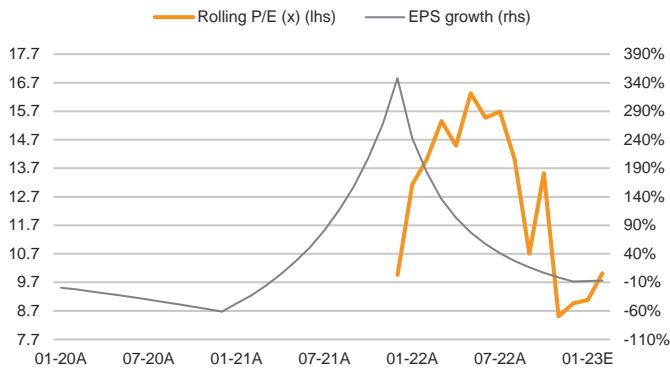
**Figure 21: Peer comparison (data as at 21/02/2023)**

Company	Ticker	Target price	Price	Mkt cap	P/E (x)	3-year EPS		EV/EBITDA (x)		ROA (%)		ROE (%)	
		LC\$	LC\$	US\$m	TTM	FY23F	CAGR (%)	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Regional listed meat producers													
Charoen pokphand foods PUB	CPF TB	N/a	22.8	5,513	15.8	13.7	(0.8)	13.0	13.0	2.0	2.1	6.9	7.0
Thai union group PCL	TU TB	N/a	16.1	2,227	10.5	10.3	28.8	9.2	8.6	4.6	5.0	11.3	12.0
DABACO corp	DBC VN	15,900	14,850	151	22.5	6.2	79.0	3.8	5.2	4.1	3.6	8.1	7.1
Masan MeatLife Corporatiom	MML VN	N/a	34,100	470	11.8	N/a	109.6	N/a	N/a	8.5	5.6	8.2	6.1
Hoang Anh Gia Lai JSC	HAG VN	N/a	8,290	324	6.2	N/a	N/a	N/a	N/a	N/a	N/a	13.6	17.9
Average				1,737	13.4	10.1	54.2	8.7	8.9	4.8	4.1	9.6	10.0
Median				470	11.8	10.3	53.9	9.2	8.6	4.3	4.3	8.2	7.1
BAF Vietnam agriculture JSC	BAF VN	27,200	20,450	163	7.7	9.6	N/a	6.7	5.7	5.9	5.7	16.1	14.9

Source: VNDIRECT RESEARCH, BLOOMBERG

Source: VNDIRECT RESEARCH, BLOOMBERG

## Valuation



### Income statement

(VNDm)	12-22A	12-23E	12-24E
Net revenue	7,047	7,193	7,656
Cost of sales	(6,562)	(6,587)	(6,973)
Gen & admin expenses	(83)	(89)	(101)
Selling expenses	(73)	(88)	(112)
<b>Operating profit</b>	<b>330</b>	<b>429</b>	<b>469</b>
Operating EBITDA	246	231	204
<b>Depreciation and amortisation</b>	<b>84</b>	<b>198</b>	<b>265</b>
<b>Operating EBIT</b>	<b>330</b>	<b>429</b>	<b>469</b>
Interest income	2	4	3
Financial expense	(26)	(62)	(71)
Net other income	42	0	0
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>349</b>	<b>371</b>	<b>401</b>
Tax expense	(56)	(65)	(71)
Minority interest	1	0	0
<b>Net profit</b>	<b>292</b>	<b>305</b>	<b>330</b>
Adj. net profit to ordinary	292	305	330
Ordinary dividends	0	0	0
<b>Retained earnings</b>	<b>292</b>	<b>305</b>	<b>330</b>

### Balance sheet

(VNDm)	12-22A	12-23E	12-24E
Cash and equivalents	111	218	401
Short term investments	140	143	152
Accounts receivables	1,683	1,717	1,828
Inventories	875	791	842
Other current assets	27	45	8
<b>Total current assets</b>	<b>2,836</b>	<b>2,915</b>	<b>3,231</b>
Fixed assets	1,440	1,920	2,339
Total investments	30	0	0
Other long-term assets	602	613	649
<b>Total assets</b>	<b>4,908</b>	<b>5,447</b>	<b>6,218</b>
Short-term debt	264	270	287
Accounts payable	1,934	1,974	2,101
Other current liabilities	270	130	138
<b>Total current liabilities</b>	<b>2,468</b>	<b>2,373</b>	<b>2,526</b>
Total long-term debt	691	1,018	1,193
Other liabilities	1	1	112
Share capital	1,435	1,435	1,435
Retained earnings reserve	304	609	940
<b>Shareholders' equity</b>	<b>1,748</b>	<b>2,055</b>	<b>2,387</b>
Minority interest	0	0	0
<b>Total liabilities &amp; equity</b>	<b>4,908</b>	<b>5,447</b>	<b>6,218</b>

### Cash flow statement

(VNDm)	12-22A	12-23E	12-24E
<b>Pretax profit</b>	<b>349</b>	<b>371</b>	<b>401</b>
Depreciation & amortisation	84	198	265
Tax paid	(18)	(65)	(71)
Other adjustments	17	0	0
<b>Change in working capital</b>	<b>(636)</b>	<b>(5)</b>	<b>57</b>
<b>Cash flow from operations</b>	<b>(204)</b>	<b>498</b>	<b>652</b>
Capex	(726)	(726)	(672)
Proceeds from assets sales	0	0	0
Others	(42)	3	9
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(768)</b>	<b>(724)</b>	<b>(662)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	793	332	193
Other financing cash flow	0	0	0
Dividends paid	0	0	0
<b>Cash flow from financing activities</b>	<b>793</b>	<b>332</b>	<b>193</b>
Cash and equivalents at beginning of period	291	111	218
<b>Total cash generated</b>	<b>(180)</b>	<b>107</b>	<b>183</b>
Cash and equivalents at the end of period	111	218	401

### Key ratios

	12-22A	12-23E	12-24E
<b>Dupont</b>			
Net profit margin	4.2%	4.2%	4.3%
Asset turnover	1.36	1.39	1.31
ROAA	5.7%	5.9%	5.7%
Avg assets/avg equity	3.24	2.72	2.63
ROAE	18.3%	16.1%	14.9%
<b>Efficiency</b>			
Days account receivable	75.3	75.3	75.5
Days inventory	48.7	43.8	44.2
Days creditor	107.6	109.4	110.3
Fixed asset turnover	6.32	4.28	3.60
ROIC	10.9%	9.1%	8.5%
<b>Liquidity</b>			
Current ratio	1.1	1.2	1.3
Quick ratio	0.8	0.9	0.9
Cash ratio	0.1	0.2	0.2
Cash cycle	16.4	9.8	9.4
<b>Growth rate (yoy)</b>			
Revenue growth	(32.5%)	2.1%	6.4%
Operating profit growth	(21.1%)	30.0%	9.4%
Net profit growth	(8.7%)	3.9%	8.2%
EPS growth	(8.7%)	3.9%	8.2%

Source: VNDIRECT RESEARCH

## DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

## RECOMMENDATION FRAMEWORK

### Stock Ratings

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.

## Hien Tran Khanh – Head of Research

Email: [hien.trankhanh@vndirect.com.vn](mailto:hien.trankhanh@vndirect.com.vn)

## Hien Ha Thu – Analyst

Email: [hien.hathu@vndirect.com.vn](mailto:hien.hathu@vndirect.com.vn)

## VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>