

Company Note

Vietnam

ADD (no change)

Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price: VND56,300
 Target price:  VND67,546
 Previous target: VND61,988
 Up/downside: 20.0%
 CIMB / Consensus: 4.1%

Reuters: VHC.HM
 Bloomberg: VHC VN
 Market cap: US\$230.5m
 VND5,196,596m
 Average daily turnover: US\$0.44m
 VND9,919m
 Current shares o/s: 92.40m
 Free float: 30.7%
 *Source: Bloomberg

Key changes in this note

 No change.



Price performance	1M	3M	12M
Absolute (%)	0	2.4	122.5
Relative (%)	-3.4	2.1	90.9

Major shareholders	% held
Truong Thi Le Khanh	49.3
Dragon Capital	6.5
Lam Quang Thanh	5.0

Analyst(s)



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Vinh Hoan Corporation

Minimal impact from the likely cancellation of TPP

- VHC exports pangasius fish fillets, about ½ of which are sold in the US, prompting some concerns that the cancellation of the TPP trade pact would hurt the company.
- Most of VHC's local competitors are obligated to pay a 30-75% anti-dumping tariff on the products that they export to the US – which VHC is not obligated to pay.
- The company is expanding beyond its core business of exporting frozen pangasius fillets, and into producing higher value-added products, including collagen.

Minimal impact from the cancellation of TPP

VHC exports ~ ½ of its production to the US, but its exports to the US market are subject to much lower tariffs than most of its local competitors are obligated to pay. The differential stems partly from VHC's superior product quality, which enables it to charge a higher price for its products, and also from its strengths in complying with all the administrative procedures mandated by the US government. VHC's low tariffs mean that the TPP would actually be a disadvantage vis-à-vis its local competitors.

Progress towards higher margin, finished seafood products

The vast majority of VHC's revenues and earnings are derived from its pangasius export business: farming, processing, and exporting fish to its core US and EU markets. The company is building a 60 tonnes/day capacity plant to produce higher value-added finished seafood products, like breaded fried fish, etc. The new factory should begin producing finished seafood products in 1Q17, and the margins on those products will probably be about 10% pts above what VHC earns from exporting frozen fish fillets.

Collagen production still ramping up

The company's new collagen factory began operations last year, but it is only operating at a 25% capacity utilisation rate because VHC's prospective customers - cosmetics companies – need more time to test VHC's collagen in order to verify the quality of its products. VHC has cost and quality advantages over its Chinese competitors (that produce collagen from pigs and cattle) because fish skin is a waste product of its fish processing business and it is able to certify the origin of its collagen; cosmetics companies prefer suppliers that can clearly trace and verify the source of their inputs.

High value-add businesses indirectly support pangasius business

VHC's foray into the finished seafood products business will probably face steep challenges because many regional firms (in Vietnam, Thailand, etc.) already compete in this business although VHC's new collagen business has some advantages. However, VHC's new high-value added products should support the sales of its basic frozen fillet products by reinforcing buyers' perceptions that VHC is Vietnam's best pangasius processor, with the highest quality products.

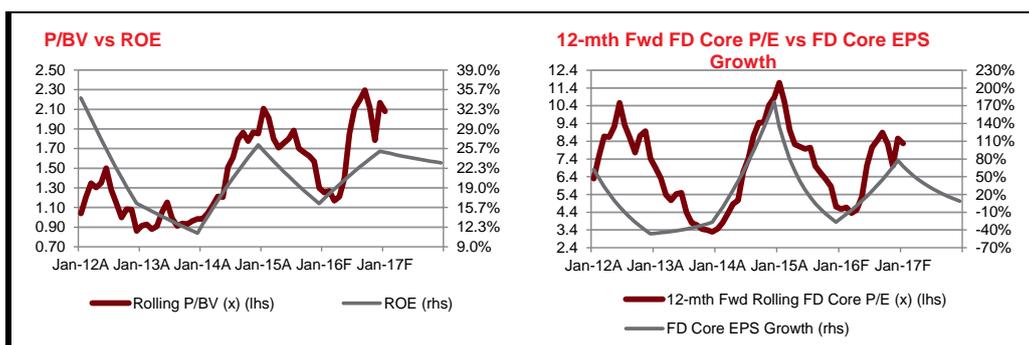
Maintain Add rating

We maintain our Add rating on VHC, and raise our target price by 9% in light of the company's ongoing progress in developing its collagen product line. Our target price continues to be based on 10x FY17 P/E, which equals the stock's average P/E valuation over the last three years. Catalysts include further progress in the collagen business, while risks include increased competition for raw material inputs from Chinese fish farming factories.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (VNDb)	6,292	6,493	7,082	7,584	8,103
Operating EBITDA (VNDb)	533	577	975	1,042	1,111
Net Profit (VNDb)	439.2	322.6	572.8	624.1	682.5
Core EPS (VND)	4,806	3,491	6,199	6,755	7,386
Core EPS Growth	180%	(27%)	78%	9%	9%
FD Core P/E (x)	11.85	16.13	9.08	8.34	7.62
DPS (VND)	1,843	1,000	2,000	2,000	2,000
Dividend Yield	3.27%	1.78%	3.55%	3.55%	3.55%
EV/EBITDA (x)	11.94	11.60	6.90	6.32	5.57
P/FCFE (x)	108.0	17.4	10.9	31.2	16.4
Net Gearing	64.0%	70.6%	59.1%	43.6%	24.7%
P/BV (x)	2.75	2.50	2.11	1.79	1.53
ROE	26.3%	16.3%	25.2%	23.2%	21.6%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.01	1.01	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	6,292	6,493	7,082	7,584	8,103
Gross Profit	940	947	1,379	1,474	1,573
Operating EBITDA	533	577	975	1,042	1,111
Depreciation And Amortisation	(117)	(144)	(172)	(180)	(188)
Operating EBIT	416	432	803	862	923
Financial Income/(Expense)	(22)	7	(50)	(44)	(31)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	192	(53)	0	0	0
Profit Before Tax (pre-EI)	587	387	753	818	892
Exceptional Items					
Pre-tax Profit	587	387	753	818	892
Taxation	(124)	(66)	(128)	(139)	(152)
Exceptional Income - post-tax					
Profit After Tax	463	321	625	679	740
Minority Interests	(24)	2	(32)	(35)	(38)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax			(20)	(20)	(20)
Net Profit	439	323	573	624	682
Recurring Net Profit	439	323	573	624	682
Fully Diluted Recurring Net Profit	439	323	573	624	682

Cash Flow

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	533	577	975	1,042	1,111
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(562)	(338)	(407)	(382)	(202)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	238	(35)	(11)	(11)	(11)
Net Interest (Paid)/Received	(22)	7	(50)	(44)	(31)
Tax Paid	(124)	(66)	(128)	(139)	(152)
Cashflow From Operations	64	146	379	467	716
Capex	(358)	(335)	(200)	(100)	(100)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(739)	816			
Cash Flow From Investing	(1,097)	480	(200)	(100)	(100)
Debt Raised/(repaid)	1,082	(327)	300	(200)	(300)
Proceeds From Issue Of Shares	136	0			
Shares Repurchased					
Dividends Paid	(168)	(92)	(185)	(185)	(185)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	1,049	(419)	115	(385)	(485)
Total Cash Generated	16	207	294	(18)	131
Free Cashflow To Equity	48	299	479	167	316
Free Cashflow To Firm	(995)	663	256	446	685

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	892	296	590	572	704
Total Debtors	555	978	1,267	1,557	1,663
Inventories	1,455	1,300	1,418	1,518	1,622
Total Other Current Assets	217	273	297	318	340
Total Current Assets	3,119	2,847	3,572	3,965	4,329
Fixed Assets	1,170	1,313	1,341	1,261	1,173
Total Investments	0	13	13	13	13
Intangible Assets	91	81	72	62	53
Total Other Non-Current Assets	112	103	113	121	129
Total Non-current Assets	1,373	1,510	1,538	1,457	1,368
Short-term Debt	2,036	1,334	1,634	1,434	1,134
Current Portion of Long-Term Debt					
Total Creditors	246	199	217	232	248
Other Current Liabilities	253	286	312	334	357
Total Current Liabilities	2,534	1,819	2,163	2,000	1,739
Total Long-term Debt	64	438	438	438	438
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	8	10	0	0	0
Total Non-current Liabilities	71	449	438	438	438
Total Provisions	0	0	0	0	0
Total Liabilities	2,605	2,268	2,601	2,439	2,177
Shareholders' Equity	1,870	2,077	2,465	2,904	3,402
Minority Interests	17	12	44	79	117
Total Equity	1,887	2,089	2,509	2,983	3,519

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	23.5%	3.2%	9.1%	7.1%	6.8%
Operating EBITDA Growth	61.3%	8.1%	69.0%	6.9%	6.6%
Operating EBITDA Margin	8.5%	8.9%	13.8%	13.7%	13.7%
Net Cash Per Share (VND)	(13,216)	(15,971)	(16,037)	(14,069)	(9,400)
BVPS (VND)	20,465	22,476	26,675	31,429	36,815
Gross Interest Cover	10.84	11.74	10.45	10.93	13.40
Effective Tax Rate	21.1%	17.0%	17.0%	17.0%	17.0%
Net Dividend Payout Ratio	38.3%	28.6%	32.3%	29.6%	27.1%
Accounts Receivables Days	28.19	43.10	58.02	67.96	72.53
Inventory Days	87.02	90.63	87.19	87.70	87.76
Accounts Payables Days	11.24	14.63	13.35	13.42	13.43
ROIC (%)	20.0%	13.9%	22.5%	21.7%	21.6%
ROCE (%)	14.1%	12.1%	19.7%	19.0%	19.3%
Return On Average Assets	13.8%	7.1%	13.8%	13.3%	13.5%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,tertiary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , tertiary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	18.4%	7.8%	17.2%	3.6%	3.4%
Export Sales/total Sales (%)	78.9%	85.5%	92.3%	89.8%	87.4%

SOURCE: CIMB RESEARCH, COMPANY DATA

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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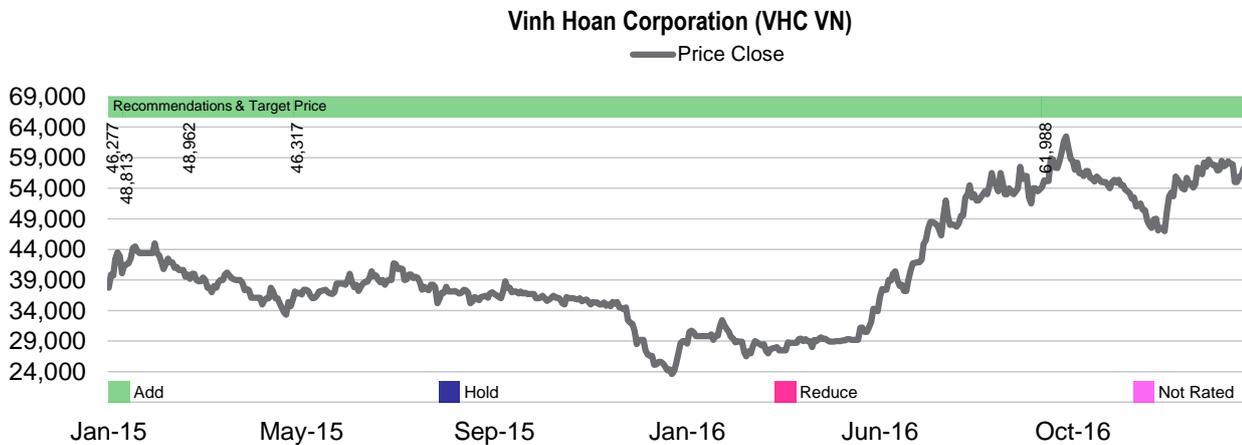
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2016		
1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** – Good, n/a, **IVL** – Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PSH** – not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand’s Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more 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.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.