

VHC – AGM note

Vinh Hoan Corp (HSX: VHC) held its AGM on April 20th 2022 with the following highlights:

- VHC sets a high target for 2022 with VND13,000 bn of revenue (+61.4% YoY) and VND1,600bn of PAT (+45.6% YoY). The company is focusing on 4 main pillars:

- **Vinh Foods:** VHC increased its freezing capacity in Vinh Phuoc and Thanh Binh and upgraded its processing lines in 2021, allowing the company to reach up to 1,000 tonnes of raw material/day. In order to maintain its self sufficiency rate stable at 70%, VHC will expand its farming area by 100-150 additional hectares. In early 2022, VHC also invests in Feed One factory with a total capacity of 400,000 tonnes/year (phase 1 will be 350,000 tonnes/year) and a total investment cost of VND800bn. The Feed One factory is expected to come onstream by late 1H2022. Finally, to maintain the integrated and sustainable supply chain, VHC is investing in a new 90ha breeding farm to increase traceability and survival rates. The capacity will be 3.2bn of juvenile fishes, 1.6 bn of fingerlings and 30mn of breeding fishes annually. VHC has launched BasaMaster brand in 2021, offering VHC's pangasius products in several super and hypermarkets in main export markets (17/19 main supermarkets in the US) and in Vietnam via both online and offline channels. Besides pangasius, VHC also starts to offer salmon to meet increasing demand from Japanese customers. Finally, a new surimi production line with a capacity of 3,000 tonnes/year is expected to come into operation in August 2022, allowing VHC to optimize the utilisation of over sized fish and by-products, increasing the company's profitability. Sa Giang invested in a new factory last year, expanding its processing capacity for rice products by 2.5x (such as dry rice noodle). This will be the main catalyst for Sa Giang to increase revenue from that segment, although the contribution from rice products is still modest.
- **Vinh Agriculture:** VHC launched Thanh Ngoc subsidiary (70% ownership) in 2021, operating vegetables and fruit products. The factory is expected to come onstream by the end of 2022. Main products are frozen vegetables, vacuum dried fruits, and fruit puree
- **Vinh Wellness:** The wellness segment continue to focus on collagen and gelatin products. Vinh Wellness will also optimize the utilisation of fruit and vegetable by-products from Vinh Agriculture to reach the "zero waste strategy" of VHC and to produce natural colorants, flours, oils, butters. The company is also planning to produce fruit flavored chewy candies and fermented fruit juices.
- **Vinh Technology:** based in Singapore, Vinh technology aims to reduce carbon footprint across VHC's supply chain. Vinh Technology recently invests in Shiok Meats in Singapore using cellular agriculture technology instead of animals. The company also invests in the biotech Entobel company using black soldier fly's larvae for fish feed. VHC is also a very few pangasius farms in Vietnam to have a high vaccination rate for breeding fish, allowing higher survival rate.

- VHC has invested approx. VND200bn in 2 blocks of 136 condos and 44 shop houses. Thanks to that, VHC can afford "3 on-site" during the 4th wave of COVID-19 in Vietnam in 3Q2021. The company is planning to build another 4 blocks with 280 condos and 2 parking lots. No additional cost for landbank needed. The housing is located near VHC factories and according to management, housing will be offered as a welfare for longterm employees while VHC might rent shophouses to compensate the cost.

- Total investment for all projects in 2022 is expected to be VND1,530bn.

Investment cost (VND bn)	2021	2022
Feed One	333	100
Fish oil and fish meal factory and upgrading existing processing lines at Thanh Binh	198*	350
Collagen processing line and R&D	-	150
Thanh Ngoc fruit processing	-	500
Farming area	-	280
Upgrading Vinh Phuoc factory	-	150
Total	531	1,530

Source: Company data, *including Sa Giang 3 and breeding factory

- 20% of stock dividend and 20% of cash dividend (VND2,000/sh) has been approved for 2022.

- As of 1Q2022, VHC reported VND3,267.6bn of net revenue (+82.7% YoY) and VND547.8bn of net income (+318% YoY), fulfilling 25.1% and 34.2% of the company full year plan, respectively. VHC 1Q2022 gross margin reached 23.8% - the highest quarterly gross margin since 2018. This is supported by the disadvantage situation of pollock and cod fish in Russia, combined with raw material price hike in Vietnam which helps VHC to negotiate higher ASP. As of mid April, pangasius raw material price jumped by 38.9% YoY and fingerlings price jumped by 58.6% YoY. While juvenile fish price remains low in 1Q2022, price starts to jump since end of March 2022, resulting in a 4.0% YoY increase in avg. since the beginning of the year. More noticeably, juvenile fish price jumped 49.1% YoY over the last month, suggesting an uptrend for pangasius raw material price over the next few months.

- The company currently has VND1,403bn of cash and equivalent. With nearly VND1,000bn of operating cashflow annually, we believe VHC able to finance all company's investment and expansion plan without debt.

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