

VHC – Triple earnings in 2Q2022

VHC almost doubled its 2Q2022 revenue over last year to VND4,226.3bn (+80.4% YoY) and tripled net profit to VND784.1bn (+200.9% YoY). Revenue generated by the fillet segment grew the most with 84.6% YoY in 2Q2022, followed by Wellness segment (+48.1% YoY), by product segment (+47.1% YoY) and rice products from Sa Giang (+43.3% YoY). We note that the value-added products have not delivered good performance yet while both pangasius fillet segment and by-product segment recorded negative MoM revenue growth in June 2022. In terms of export markets, the US recorded the highest growth rate of 135.8% YoY in 2Q2022, followed by EU (+49.3% YoY). We note that Chinese market started to recover in June with 45.9% YoY growth. Overall, the chinese market recorded 8.3% YoY growth in 2Q2022.

VHC revenue by segment and by market

Revenue (VND bn)	2Q2021	2Q2022	YoY growth
Pangasius fillet	1,522	2,810	+84.6%
By-product	490	721	+47.1%
Wellness	156	231	+48.1%
Value-added product	45	45	0.0%
Shrimp chips	72	85	+2.9%
Rice product	22	33	+43.3%
Export turnover by market (VND bn)	2Q2021	2Q2022	YoY growth
US	901	2,125	+135.8%
EU	359	536	+49.3%
China	387	419	+8.3%
ROW	647	1,142	+76.6%

Source: VHC

2Q2022 gross margin improved to 25.9% (vs. 18.5% in 2Q2021) while SG&A expenses increased at a slower pace than top line growth, boosting EBIT (+213.4% YoY). We believe the high profitability recorded in 2Q2022 is boosted by higher ASP thanks to increasing domestic raw pangasius prices and strong bargaining power of VHC. Raw pangasius prices jumped by 46.8% YoY in 2Q2022 to as high as VND32,500/kg in April and May, while both fingerlings and breeding fish prices jumped by 66.2% YoY and 49.6% YoY, respectively in 2Q2022.

VHC's interest expenses increased to VND110.3bn on the back of higher short term debt which we believe the purpose is to finance working capital as business grew strongly.

Overall 1H2022 result of VHC is equivalent to 56.6% and 79.5% of our top and bottom line full year forecasts, respectively.

Raw pangasius prices cooled down in July by approx. 5.6% vs. June 2022 given the seasonality of the pangasius business. However prices remain 35.6% higher than last year and we believe this will continue to support VHC profitability in 3Q2022.

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