

April 24, 2025

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Vinh Hoan Corporation (VHC)

Strategic resilience amidst global challenges

VHC maintains a resilient outlook for 2025 despite global trade headwinds

- In the worst-case scenario, where Vietnam faces a 46% retaliatory tariff imposed by the US, VHC remains confident in its competitive position. This is because its pangasius prices are lower than most other types of whitefish, such as tilapia and cod, in the US market. In addition, VHC may pass on higher costs to buyers; however, it is anticipated that it will take some time for end consumers to accept the increased prices, which could potentially impact short-term performance. Management is optimistic that US consumer demand will remain robust and stable in 2Q2025.
- Key factors supporting revenue growth in 2025 include: (i) rising demand from the EU due to declining fishing quotas for various fish types (e.g., cod quotas were reduced by 15% in 2024), while Chinese tilapia remains less favored in the region; (ii) double-digit growth from Sa Giang (VHC's subsidiary, specializing in producing shrimp chips and rice-based products) and the Collagen & Gelatin segment, fueled by expanded production lines and improved products with higher selling prices and profit margins; and (iii) reduced input costs for imported fish feed, benefiting from ongoing global trade tensions.
- Under a prudent plan, VHC expects NPAT-MI to reach VND1,000 billion in 2025 (~18% YoY), equivalent to a forward P/E ratio of 8x, which is in line with historical averages.

Muted financial performance is anticipated for 1Q2025

- In the first quarter of 2025, raw pangasius prices rose sharply (+18% YoY), leading to higher input costs. Meanwhile, fish from VHC's own farms, which supply 70% of the company's raw materials, were primarily still small in size and not yet ready for harvest.
- We anticipate that 1Q2025 results will be less favorable, as revenue has already been reported to decline by 6%, mainly due to subdued demand in China and the US amid global uncertainties, while selling prices remained flat compared to the same period last year.

VHC eyes tilapia and salmon expansion as potential new growth engines

- Management plans to expand further into tilapia and salmon markets. The salmon segment, primarily sourced from Japan for processing, secured its first orders in 2024. Concurrently, VHC aims to leverage its existing production and operational capabilities to enter tilapia farming and processing for export to the US, particularly in light of rising tariffs on Chinese tilapia, the world's largest tilapia exporter. We believe this initiative could serve as a new growth driver, as the favorable conditions in the Mekong Delta are well-suited for tilapia farming. Moreover, export prices for tilapia are typically higher than those for pangasius, and tilapia enjoys strong demand in the US market.

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Investment Ratings for Stocks

(Based on the expectation of price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(Based on the assessment of sector prospects over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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