

**BAF Viet Nam Agriculture JSC (BAF)**

**ADD (from HOLD)**

**CONSUMER GOODS**

Current Price	VND28,200
52Wk High/Low	VND28,200/VND19,700
Target Price	VND33,100
Previous TP	VND29,200
TP vs Consensus	n/a
Upside	17.8%
Dividend Yield	0.0%
Total stock return	17.8%

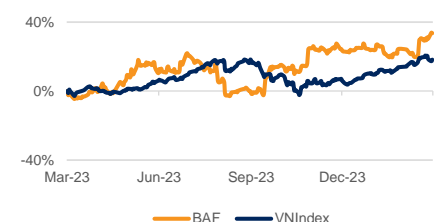
Growth rating	Positive
Value rating	Positive
ST Technical Analysis	<a href="#">Positive</a>

Market Cap	US\$121.4m
3m Avg daily value	US\$3.0m
Avail Foreign Room	US\$77.8m
Outstanding Shares	143.5m
Fully diluted O/S	143.5m

	BAF	VNI
P/E TTM	150.0x	14.5x
P/B Current	1.6x	1.8x
ROA	0.3%	2.0%
ROE	1.1%	12.1%

*\*as of 14/3/2024*

**Share Price performance**



Share price (%)	1M	3M	12M
Ordinary share	9.7	11.0	40.0
Relative to index	6.0	5.5	21.7

**Ownership**

Siba Holdings	40.5%
Bui Huong Giang	3.3%
Others	56.2%

**Business Description**

Established in 2017, BAF focuses on the porker value chain with three animal feed factories and 25 farms with over 300,000 pig heads – among top-5 largest livestock companies in Vietnam. The company aims to be the Top-3 largest 3F listed companies in terms of total herd size by 2030F.

**Analyst(s):**



**Hien Ha Thu**

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**Valuation becoming more attractive**

- We upgrade to ADD rating with 17.8% upside. We increase our TP by 13.4% while the share price has increased 8% since our last report.
- Our TP increased due to the WACC revision and EPS adjustment.
- Forward EV/EBITDA of 7.3x is 35.4% below global Feed-Farm-Food peers' average.

**Financial Highlights**

- FY23 net revenue plunged 25.9% yoy to VND5,250bn (US\$213.9m), completing 113.6% of our full-year forecast. We expect FY24 net revenue to decline 24.2% yoy and continue to decline as BAF pivots out the agribusiness segment.
- We expect FY24-25 net profit to grow 966%/46% to VND213bn/VND311bn (US\$8.8m/US\$12.8m) due mainly to GM expansion and high operating leverage.
- We forecast FY24 ROE to increase significantly to 10.9% from 1.1% in FY23.

**Investment Thesis**

**Swine price is likely to improve**

The swine price increased 8.8% yoy as of March 12 thanks to: 1) a decrease in the supply of pork from smallholder farmers; while 2) meat consumption demand recovered slightly in factories as working hours increased to meet new export orders in 2M24. We expect swine prices to maintain their upward momentum in the coming months and increase by 5%/1% yoy in FY24-25. The number of small households should gradually decrease as farmers have suffered losses for two years when swine prices remained low and law 32/2018/QH14 on animal husbandry in Vietnam is gradually implemented.

**3F segment: Significant bounce in productivity as capacity expands**

We expect BAF's total herd to increase by 50%/30% yoy in FY24-25. In March 2024, BAF plans to put five new farms into operation including Hai Dang 1, Hai Dang 2, Hai Dang 3 with total scale of 5,000 sows and 60,000 porks, Tan Chau (30,000 porks) and Tan Hung (5,000 sows). In 2024-25, the company aims to expand their herd size strongly through investing in 18 new farms.

**Higher gross margin due to shift from agribusiness to 3F segment**

In FY24-25, we expect blend gross margin expand by 7.2% pts/4.1% pts yoy to 13.7%/17.8% which is 2.1x/2.7x FY23 levels thanks to the company's restructuring strategy. BAF plans to focus more on the 3F segment, which accounts for 92.5% of total gross profit because its GPM is 10x that of agricultural trading. Therefore, we forecast BAF's net profit to escalate 10.7x to VND213bn (US\$8.8m) and continue recording double digit growth in FY25.

**Current valuation does not recognize expected ROE expansion**

BAF is trading at EV/EBITDA forward of 7.3x, which is 35.4% lower than global average. This low valuation implies that the market has not yet priced in the FY24 ROE of 10.9% (20% above the 2-year historical level) that we forecast.

Financial summary	12-23A	12-24F	12-25F	12-26F
Revenue growth	(25.9%)	(24.2%)	(11.7%)	(4.4%)
EPS growth	(93.0%)	965.7%	46.1%	8.5%
Gross margin	6.5%	13.7%	17.8%	20.0%
Net profit margin	0.4%	5.3%	8.9%	10.0%
P/E (x)	202.7	19.0	13.0	11.9
Rolling P/B (x)	1.9	2.0	1.7	1.7
ROAE	1.1%	10.9%	14.5%	14.2%
Net debt to equity	91.9%	104.8%	93.5%	87.5%

Source: VNDIRECT RESEARCH

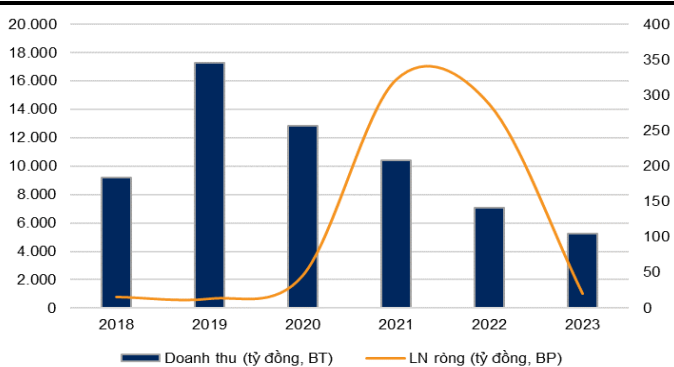
## Company Profile: A rising star in 3F (Farm, Feed and Food) business

BAF Viet Nam Agriculture Joint Stock Company (BAF) was established in April 2017 with an initial charter capital of VND30bn (US\$1.2m). The company was listed on the Ho Chi Minh Stock Exchange in December 2021.

BAF's business activities initially focused on trading agricultural products, but in March 2019, BAF reset its entire farming system and expanded its business into Feed and Food. According to the management, agricultural trading had potential but created many challenges for a new business like BAF. Therefore, from the beginning of 2020, the company decided to change its strategy and now operates a vertically integrated Farm, Feed and Food (3F) system. Currently, BAF operates three animal feed factories for internal demand and 28 farms with capacity of 300,000 pig heads and aims to build two meat processing facilities in Binh Phuoc and Hoa Binh with capacity of 240 porkers/hour.

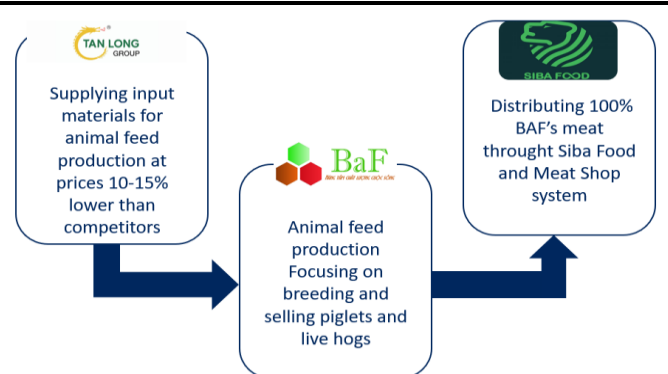
BAF is a piece in Tan Long Group's ecosystem - the leader in animal feed ingredient imports in Vietnam. Tan Long not only trades agricultural products, but also invests in a closed value chain of livestock products. BAF is the key for Tan Long Group to enter the 3F business. Thanks to support from Tan Long Group, BAF can access to raw materials resources with reasonable and stable prices. Therefore, the cost of BAF's animal feed is 10-15% lower than competitors, according to management.

Figure 1: BAF's revenue and net profit in 2018-22



Source: VNDIRECT RESEARCH, COMPANY REPORT

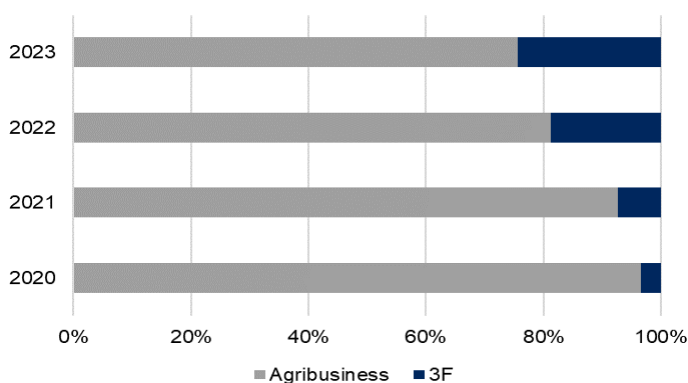
Figure 2: Tan Long Group's ecosystem



Source: VNDIRECT RESEARCH, COMPANY REPORT

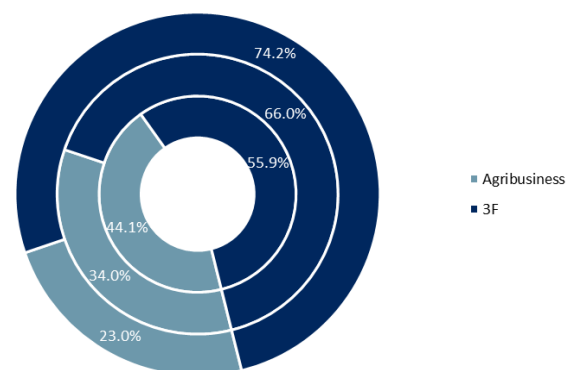
Agricultural trading contributed the largest proportion of 2023 revenue with 74.9%, followed by the 3F segment with 24.6%. However, the 3F segment contributed 74.2% of gross profit with higher gross margin of 19.6% compared to 2.0% in the agricultural trading segment.

Figure 3: BAF's net revenue distributed by segments (unit: %)



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 4: BAF's gross profit distributed by segments (unit: %)



Inner circle: FY21 – Middle circle: FY22 – Outer circle: FY23  
Source: VNDIRECT RESEARCH, COMPANY REPORT

## Results Recap: Earnings disappoint despite high season

Figure 5: 4Q23 and 2023 earnings revision

VNDbn	4Q23	%yoy	2023	%yoy	Vs full year forecast
Net sales	1,625	-24.7%	5,250	-25.9%	113.6%
Agribusiness	1,260	-29.8%	3,934	-31.3%	117.0%
3F	364	0.8%	1,292	35.3%	102.7%
Gross profit	41	-34.0%	340	-35.3%	86.3%
SG&A	52	10.4%	191	19.2%	106.4%
Net financial expenses	(44)	104.9%	(127)	N/a	110.1%
PBT	(44)	N/a	15	-95.6%	14.7%
NPAT-MI	(31)	N/a	20	-93.0%	23.2%
GPM	2.5%	-0.4% pts	6.5%	-0.9% pts	-2.2% pts
NPM	-1.9%	N/a	0.4%	-3.7% pts	-2.9% pts

Source: VNDIRECT RESEARCH, COMPANY REPORT

### Weak revenue growth driven by the drop of agribusiness trading segment

BAF's 4Q23 net revenue dipped 24.7% yoy to VND1,625bn (US\$66.2m). Agribusiness trading revenue, representing approximately 77.5% of total sales, declined significantly by 29.8% yoy due to the company's guidance to focus on livestock activities.

Meanwhile, 3F revenue was nearly flat at VND364bn (+0.8% yoy) due to mixed impacts of a 7.1% yoy decrease in swine prices offset by an estimated 8% yoy increase in sales volume, per our estimate.

For FY23, net revenue plunged 25.9% yoy to VND5,250bn (~US\$213.9m), but completed 113.6% of our full-year forecast.

### The GM narrowed slightly while gross profit dropped significantly

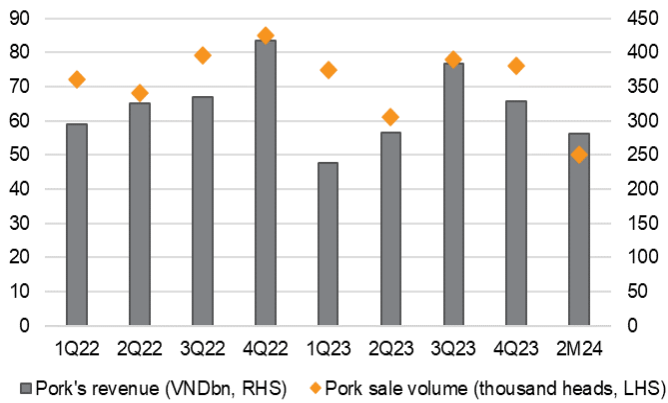
BAF's 4Q23 gross margin contracted by 0.4% pts yoy, following a 7.1% yoy decrease in the average swine price. Therefore, gross profit declined 34.0% to VND41bn (~US\$1.7m). 4Q23 gross profit disappointed us as Q4 is considered the peak meat consumption season. 4Q23 swine prices were also lower than we expected as swine prices tend to increase in every fourth quarter of the year thanks to high demand during the Tet holiday. In FY23, BAF's gross profit dipped 35.3% yoy to VND340bn (~US\$13.8m), fulfilling 86.3% of our projection.

### Interest expense soared, likely due to farm cap-ex

4Q23 interest expense soared 2.2 times yoy mainly due to a 141.3% yoy increase in total short-term and long-term debt. We believe BAF's debt increased sharply as the company promoted investment and farm construction in 2023. In 4Q23, BAF kept building three new farms, which are expected to be put into operation in 1Q24.

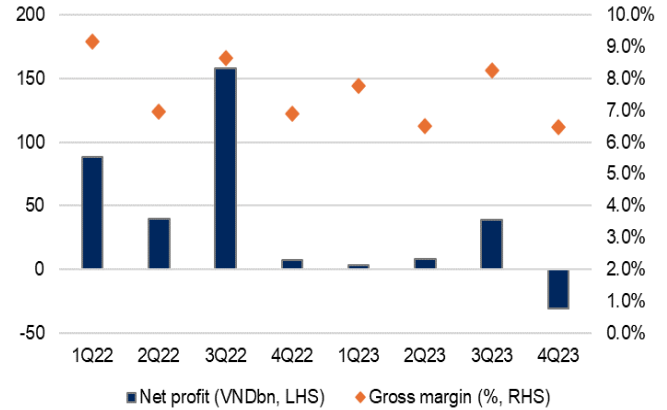
Thus, BAF recorded a net loss of VND30.8bn (~US\$1.2m) in 4Q23. This was also the first time the company reported a loss since listing on HoSE at the end of 2021. For FY23, net profit plunged 93% yoy to VND20bn (~US\$0.8m), only completing 23.2% of our whole year forecast.

**Figure 6: BAF's pork sales volume and revenue**



Source: VNDIRECT RESEARCH, COMPANY REPORT

**Figure 7: BAF's net profit and gross margin**



Source: VNDIRECT RESEARCH, COMPANY REPORT

### 06 March 2024 Analyst meeting's key takeaways

- Business plan:** The company plans to put 18 new farms into operation in 2024-25, which boosts pork sales volume in the next two years respectively to 520,000 heads and 1,000,000 heads. In 2M24, BAF's pork revenue reached VND281bn (US\$11.6m), which is 18% higher than 1Q23 but similar to 2Q23 figure.
- Expansion plan:** Currently, BAF is leading in the Top-5 companies with the largest herds and Top-3 companies with the largest sows herds. In Dec 2023, BAF owned 45,000 sows and 265,000 porks. In 2024, the company aims to raise their total herds to 70,000 sows and 600,000 porks by investing in new farms and another two animal feed factories. According to the management, BAF will not widely sell weaned pigs to the market to serve farm expansion. Instead, the company may sell weaned pigs to farmers enclosed with BAF's animal feed.
- M&A activities:** BAF has just acquired two subsidiaries which already have licenses to build farms with total scale of 5,000 sows and 60,000 porks - preparing for the new farms' construction in 2025. According to the management, the company will continue their M&A strategy with partners who already have land funds and farm construction licenses to speed up the expansion of the pig herd.
- Swine price outlook:** Management has a positive view about swine price performance. They expect swine prices to fluctuate in the range of VND56,000-VND57,000/kg in 2024.
- Restructuring plan:** BAF plans to keep narrowing its agribusiness segment and exit the business from 2026. The company will still take advantage of Tan Long Group - the largest agricultural trading company in the country to optimize input costs for producing animal feed.

## FY24-25 outlook

### FY24-25 earnings forecast revision

Figure 8: FY24-25 earnings forecast revision

Unit: VNDbn	FY23	Old		New				Comments
		FY24	FY25	FY24	% yoy	FY25	% yoy	
<b>Net revenue</b>	<b>5,249</b>	<b>4,939</b>	<b>5,325</b>	<b>3,979</b>	<b>-24.2%</b>	<b>3,513</b>	<b>-11.7%</b>	
Agribusiness	3,934	3,396	3,495	2,294	-41.7%	1,392	-39.3%	We lower lower sale volume by 31.4%/59.7% compared to the previous forecast in FY24-25 to reflect the company's restructuring plan of narrowing agribusiness segment.
3F business	1,291	1,540	1,828	1,682	30.3%	2,119	25.9%	
<b>Gross profit</b>	<b>340</b>	<b>530</b>	<b>622</b>	<b>546</b>	<b>60.5%</b>	<b>667</b>	<b>22.3%</b>	
Gross margin	6.5%	10.7%	11.7%	13.7%	7.2% pts	17.8%	4.1% pts	Gross margin forecast increase by 3.0% pts/6.2% pts compared to the previous report as we revised 3F contribution to total gross profit following the higher-than-expected figure in FY23.
<b>SG&amp;A</b>	<b>191</b>	<b>198</b>	<b>223</b>	<b>148</b>	<b>-22.2%</b>	<b>142</b>	<b>-4.3%</b>	
SG&A as % revenue	3.6%	4.0%	4.2%	3.7%	0.1% pts	4.0%	0.3% pts	
<b>EBIT</b>	<b>149</b>	<b>333</b>	<b>399</b>	<b>397</b>	<b>165.9%</b>	<b>525</b>	<b>32.2%</b>	
EBIT margin	2.8%	6.7%	7.5%	10.0%	7.1% pts	15.0%	5.0% pts	
<b>Financial expenses</b>	<b>(164)</b>	<b>(124)</b>	<b>(108)</b>	<b>(166)</b>	<b>0.7%</b>	<b>(149)</b>	<b>-10.1%</b>	
Interest expense	(163)	(123)	(106)	(166)	1.7%	(149)	-10.1%	We increase interest expenses forecast by 34.9%/40.4% in FY24-25 compared to the previous report as we revised total debt by 18.0%/18.3% following higher-than-expected debt in FY23.
<b>Tax</b>	<b>(9)</b>	<b>34</b>	<b>48</b>	<b>38</b>	<b>N/a</b>	<b>61</b>	<b>62.2%</b>	
Tax rate	-57.9%	16.0%	16.0%	15.0%	N/a	15.0%	0.0% pts	
<b>Net profit</b>	<b>20</b>	<b>180</b>	<b>251</b>	<b>213</b>	<b>965.7%</b>	<b>345</b>	<b>62.2%</b>	
Net margin	0.4%	3.6%	4.7%	5.3%	5.0% pts	9.8%	4.5% pts	

Source: VNDIRECT RESEARCH, COMPANY REPORT

### Weaker net revenue due to restructuring plan

#### 3F segment: Time for a significant bounce in productivity

In March 2024, BAF plans to put five new farms in to operation including Hai Dang 1, Hai Dang 2, Hai Dang 3 with total scale of 5,000 sows and 60,000 porks, Tan Chau (30,000 porks) and Tan Hung (5,000 sows). In 2024-25, the company aims to expand their herd size strongly through investing in 18 new farms. Therefore, we expect BAF's total herd to increase by 50%/30% yoy in FY24-25.

Besides modern distribution channels such as Siba Food supermarket chain, Meat shops, and popular brand supermarkets (AEON Mall, GO!), BAF still distributes meat through merchant channels. In 2024, the company plans to boost production of processed meat products such as lean pork paste and sausages as well as promote marketing campaigns to increase brand identity for consumers. Therefore, we forecast meat sales volume to increase by 53.2%/27.4% yoy in FY24-25.

Meanwhile, we expect swine prices to increase by 5%/1% yoy in FY24-25 as better economic conditions will stimulate consumer spending while pork supply from small households may decline. Law 32/2018/QH14 on animal husbandry in Vietnam, effective from 2020, prohibits breeding operated in areas not permitted for livestock rearing in cities, district-level towns, commune-level towns and residential zones. According to the Law, localities have five years from the effective date, meaning that by 1/1/2025, a large number of small livestock farmers across the country will have to relocate out of residential areas.

We forecast 3F revenue to jump 30.3%/25.9% yoy in FY24-25. In 2M24, BAF's revenue from pork reached VND281bn (US\$11.6m), which is 18.1% higher than 1Q23 and equal to the 2Q23 figure.

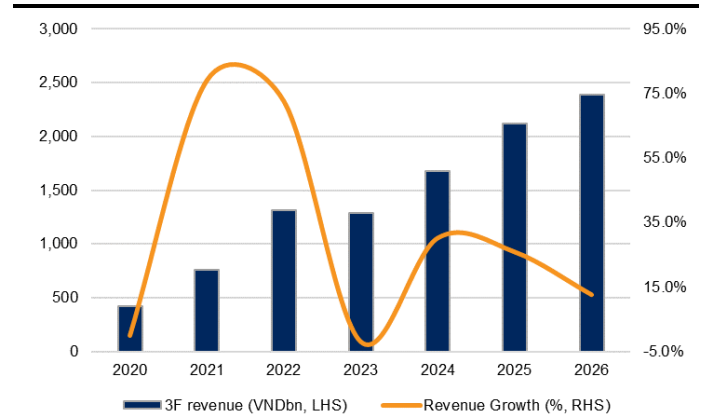


**Figure 9: Domestic swine price from Jan-22 to Mar-24 (unit: VND/kg)**



Source: VNDIRECT RESEARCH, ANOVA FEED

**Figure 10: We expect 3F revenue to jump 30.3%/25.9% yoy in FY24-25**



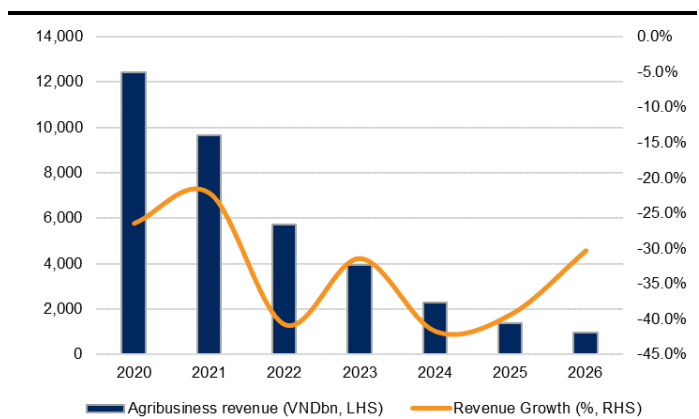
Source: VNDIRECT RESEARCH, COMPANY REPORT

### Keep narrowing agricultural trading segment

In 2024, BAF plans to phase out the agribusiness segment and exit the business from 2026. However, we believe it will take the company longer to completely shrink this sector as agribusiness still contribute the most to the total revenue (74.9% in FY23). Therefore, we expect sales volume to decline by 40.5%/40.0% yoy in FY24-25, which is in line with BAF's plan. Meanwhile, we forecast the average selling price to decrease 1.0% yoy following global grain's downtrend price. As a result, agribusiness revenue is projected to plunge 41.7%/39.3% yoy in FY24-25.

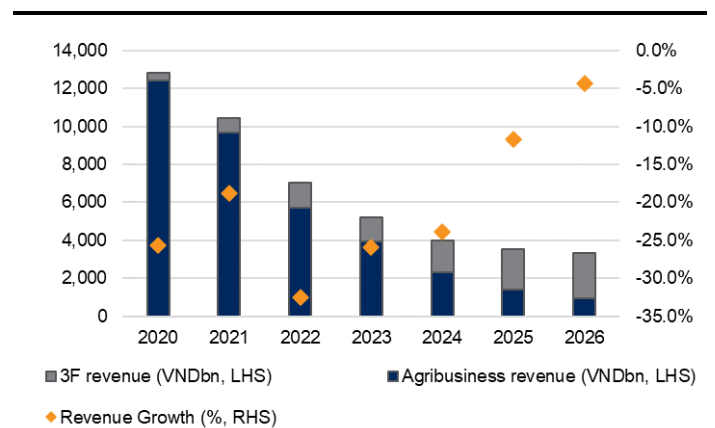
In conclusion, we forecast total revenue to decline 24.2%/11.7% yoy in FY24-25 as the agribusiness segment still contributes 59.1%/41.1% to BAF's revenue.

**Figure 11: BAF keeps reducing the agribusiness segment**



Source: VNDIRECT RESEARCH, COMPANY REPORT

**Figure 12: Total revenue in FY20-26**



Source: VNDIRECT RESEARCH, COMPANY REPORT

### Earnings strongly rebound thanks to deeper penetration to 3F segment

#### Higher gross margin due to more expansion in 3F segment

We expect 3F's gross margin to improve 11.1% pts yoy in FY24 and remain flat in FY25, which will equal 9M22 levels (average swine price was VND57,400/kg) because:

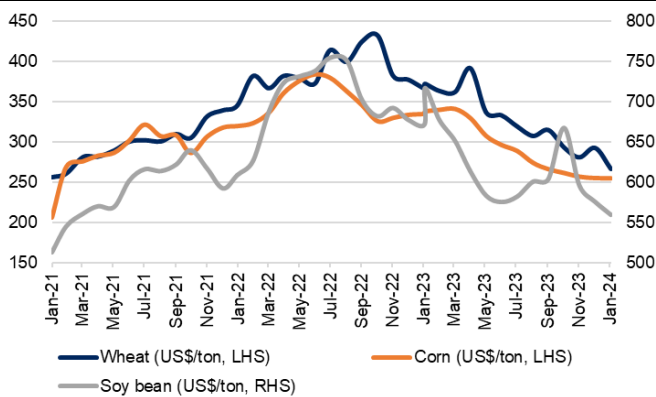
- Animal feed price is forecasted to be lower than FY23 level. According to the Vietnam Commodity Exchange (MXV), currently the import price of animal feed inputs has decreased by 20%-30% yoy. Specifically, import prices of wheat, corn, and soybeans decreased by

24.4%/24.2%/18.3% yoy in 2M24 and 25.5%/20.7%/9.0% yoy in 4Q23, respectively. As animal feed price lags behind imported input price, we expect animal feed price to keep declining in 2024.

- We expect swine prices to increase by 5%/1% yoy in FY24-25.

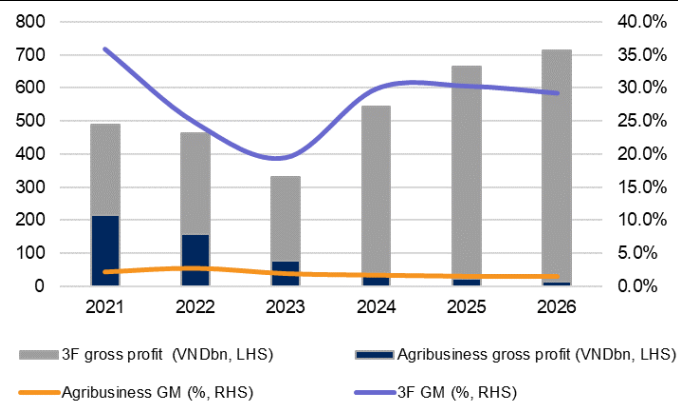
Moreover, we expect the 3F segment to keep increasing contribution to BAF's gross profit in FY24-25 of 92.5% and 96.5% (from 74.2% in FY23), with higher gross margin than agribusiness segment. In conclusion, we expect blended gross margin to expand by 7.2% pts/4.1% pts yoy in FY24-25.

**Figure 13: Imported input price for animal feed from Jan-24 to Feb-24**



Source: VNDIRECT RESEARCH, FIIN PRO

**Figure 14: We expect 3F to keep increasing contribution to GM**



Source: VNDIRECT RESEARCH, COMPANY REPORT

### Net profit skyrocketing in FY24

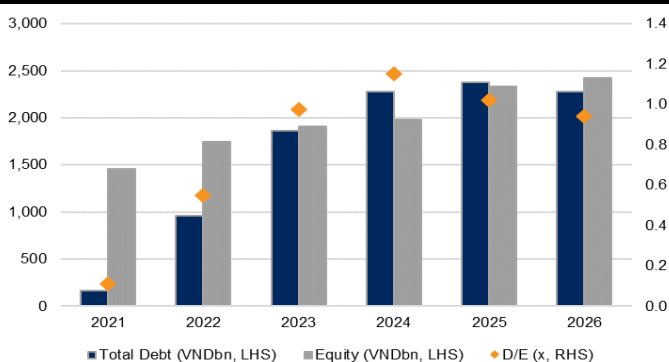
BAF's farm construction costs are mainly funded by long-term debt. Therefore, with the target of total pig herd grows with CAGR of 35% in 2024- 26, we believe the company will have a large demand for loans. We forecast total debt to reach VND2,283bn/VND2,381bn (US\$101m/US\$105m) in FY24/25 (compared to VND1,860bn in FY23). Thus, interest expense to increase 2% yoy in FY24 but decline 10% yoy in FY25 mainly thanks to lower lending interest rate compared to FY23.

In FY24, we forecast BAF's net profit to escalate 10.7 times to VND213bn (US\$8.8m) because:

- Net revenue is forecast to decline 24.2% yoy; but
- Blended gross margin could improve by 7.2% pts yoy to 13.7%; and
- Interest expense will increase 2% yoy.

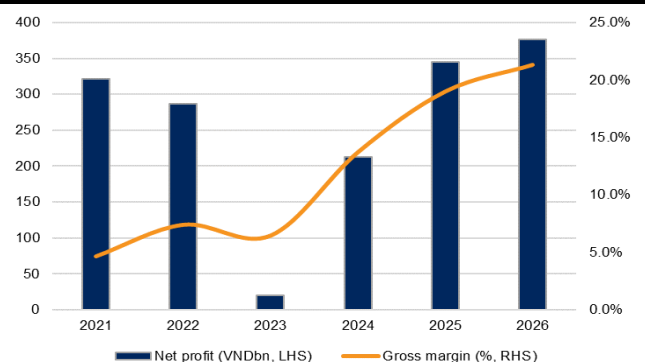
In FY25, we expect net profit to increase another 46% yoy to VND311 (US\$12.8m) thanks to a 5.3%-pts yoy expansion in gross margin and 10% yoy decline in interest expense.

**Figure 15: BAF maintains financial leverage at a high rate in FY23-25**



Source: VNDIRECT RESEARCH, FIIN PRO

**Figure 16: BAF's net profit and net margin in FY21-26**



Source: VNDIRECT RESEARCH, COMPANY REPORT

## Valuation: Upgrade to ADD with higher TP of VND33,100

Our valuation is based on an equal weighting of DCF and EV/EBITDA methods. We revised up our TP by 13.4% due to the mixed impact of:

- The 10-year DCF model being impacted by: 1) FY24 EPS forecast adjustments; and 2) lower WACC from 8.4% to 7.5% as we lowered our risk-free rate from 2.7% to 2.24% (based on the 10-year bond yield as of 31 December) and [equity risk premium](#) from 9.6% to 9.0%.
- P/E method: Target EV/EBITDA of 9.5x (peer EV/EBITDA) applied on FY24 EBITDA.

**Potential re-rating catalysts include:** 1) stronger-than-expected domestic dairy consumption; and 2) higher-than-expected demand in the Middle East.

**Downside risks include:** 1) higher-than-expected whole milk powder prices; and 2) weaker-than-expected domestic dairy demand.

Figure 17: Valuation summary

Methodology	Price	Weight	Weighted price
FCFF	35,254	50%	17,627
EV/EBITDA	31,000	50%	15,500
Average price			33,127
<b>Target price</b>			<b>33,100</b>

Source: VNDIRECT RESEARCH

Figure 18: Valuation: Multiples (EV/EBITDA)

EBITDA 2024F (VNDbn)	647
Target EV/EBITDA (x)	9.5
Total debt (VNDbn)	2,283
Minority interest (VNDbn)	0
Cash & Equivalent (VNDbn)	564
Equity value (VNDbn)	<b>4,424</b>
Total share outstanding (m)	143.5
<b>Implied share price 2024 (VND)</b>	<b>31,000</b>

Source: VNDIRECT RESEARCH

Figure 19: Assumptions

Cost of Capital	
Beta (x)	0.7
Market Risk Premium	9.0%
Risk Free Rate	2.2%
Cost of Equity	8.3%
Cost of Debt	7.8%
Corporate Tax Rate	15.0%
WACC	7.5%

Source: VNDIRECT RESEARCH

Figure 20: Target price (DCF)

DCF Method	Amount	Unit
PV of Free Cash Flows	3,061	VNDbn
PV of Terminal Value	3,435	VNDbn
<b>Enterprise value</b>	<b>6,496</b>	<b>VNDbn</b>
Net debt (VNDbn)	(1,436)	VNDbn
Equity Value	5,060	VNDbn
Shares	144	million
<b>Price per share</b>	<b>35,254</b>	<b>VND/share</b>

Source: VNDIRECT RESEARCH

Figure 21: DCF Valuation - Free cashflow to Firm (unit: VNDbn)

	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>EBIT</b>	<b>397</b>	<b>485</b>	<b>523</b>	<b>536</b>	<b>548</b>	<b>545</b>	<b>542</b>	<b>555</b>	<b>567</b>
Add:	249	377	493	574	632	685	731	772	807
Less:	(1,353)	(1,148)	(1,043)	(734)	(524)	(472)	(419)	(367)	(314)
Changes in Working Capital	380	397	316	126	124	167	130	184	206
<b>Free Cash Flow (FCF)</b>	<b>(326)</b>	<b>110</b>	<b>288</b>	<b>502</b>	<b>781</b>	<b>925</b>	<b>984</b>	<b>1,144</b>	<b>1,266</b>
Less:	(38)	(55)	(60)	(64)	(66)	(68)	(66)	(70)	(71)
<b>Free Cash Flows to Firm</b>	<b>(364)</b>	<b>55</b>	<b>228</b>	<b>437</b>	<b>715</b>	<b>857</b>	<b>918</b>	<b>1,074</b>	<b>1,195</b>
Terminal Value									7,024
<b>PV of FCFF</b>	<b>(339)</b>	<b>48</b>	<b>184</b>	<b>328</b>	<b>499</b>	<b>557</b>	<b>555</b>	<b>604</b>	<b>625</b>
PV of Terminal Value									3,435

Source: VNDIRECT RESEARCH, COMPANY REPORTS



Figure 22: Peer comparison (data at 14/03/2024)

Company	Country	Mkt cap US\$m	TTM net revenue US\$m	yoy %	TTM Net profit US\$m	yoy %	Debt/equity x	ROE %	TTM P/E x	Adj.P/E x	LQ P/B x
Charoen Pokphand Foods PCL	Thailand	4,342	16,846	-4.6	-73	N/a	N/a	N/a	N/a	N/a	N/a
Thai Union Group PCL	Thailand	1,753	3,915	-12.5	-380	N/a	103.0	-22.4	8.7	10.6	1.2
DABACO Vietnam Group JSC	Vietnam	308	463	-3.9	1	381.4	125.7	0.5	309.7	309.7	1.6
Masan MeatLife Corp	Vietnam	370	291	46.0	-23	-165.4	108.7	-7.4	N/a	N/a	1.8
HAGL JSC	Vietnam	469	289	35.6	76	51.4	117.6	30.0	6.8	6.8	1.8
Henan Shuanghui Investment & D	China	13,723	9,133	6.7	847	7.4	66.2	29.1	17.5	19.1	4.9
Average			5,156	11.2	75	68.7	108.7	0.5	13.1	14.9	1.8
Median			2,189	1.4	(11)	29.4	104.2	6.0	85.7	86.6	2.3
<b>BAF Viet Nam Agriculture JSC</b>	<b>Vietnam</b>	<b>163</b>	<b>220</b>	<b>-25.9</b>	<b>1</b>	<b>-93.0</b>	<b>121.3</b>	<b>1.1</b>	<b>150.0</b>	<b>150.0</b>	<b>1.6</b>

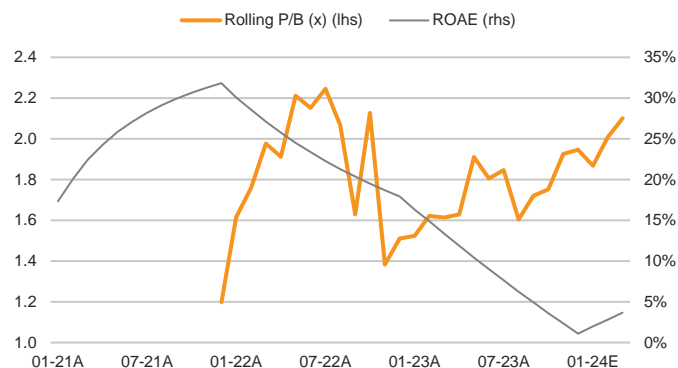
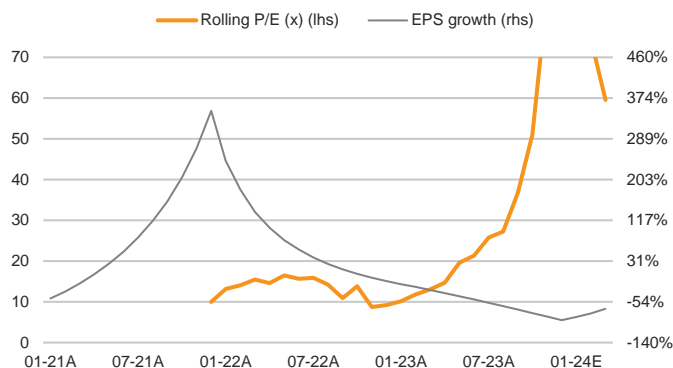
Source: VNDIRECT RESEARCH, BLOOMBERG

Figure 23: Sensitivity of valuation assumption

Terminal growth rate	Cost of equity							
	7.4%	7.7%	8.0%	8.3%	8.6%	8.9%	9.2%	
0.1%	34,500	33,800	33,100	32,500	31,900	31,300	30,700	
0.4%	34,700	34,000	33,300	32,700	32,000	31,400	30,900	
0.7%	35,000	34,200	33,500	32,800	32,200	31,600	31,000	
<b>1.0%</b>	<b>35,300</b>	<b>34,500</b>	<b>33,800</b>	<b>33,100</b>	<b>32,400</b>	<b>31,800</b>	<b>31,200</b>	
1.3%	35,600	34,800	34,000	33,300	32,600	31,900	31,300	
1.6%	35,900	35,100	34,300	33,500	32,800	32,100	31,500	
1.9%	36,300	35,400	34,600	33,800	33,100	32,400	31,700	

Source: VNDIRECT RESEARCH, BLOOMBERG

**Valuation**



**Income statement**

(VNDbn)	12-23A	12-24E	12-25E
Net revenue	5,250	3,979	3,513
Cost of sales	(4,910)	(3,433)	(2,886)
Gen & admin expenses	(96)	(74)	(69)
Selling expenses	(94)	(75)	(73)
<b>Operating profit</b>	<b>149</b>	<b>397</b>	<b>485</b>
Operating EBITDA	47	148	108
<b>Depreciation and amortisation</b>	<b>103</b>	<b>249</b>	<b>377</b>
<b>Operating EBIT</b>	<b>149</b>	<b>397</b>	<b>485</b>
Interest income	21	19	19
Financial expense	(164)	(166)	(149)
Net other income	8	(1)	11
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>15</b>	<b>250</b>	<b>366</b>
Tax expense	9	(38)	(55)
Minority interest	(3)	0	0
<b>Net profit</b>	<b>20</b>	<b>213</b>	<b>311</b>
Adj. net profit to ordinary	20	213	311
Ordinary dividends	0	0	0
<b>Retained earnings</b>	<b>20</b>	<b>213</b>	<b>311</b>

**Balance sheet**

(VNDbn)	12-23A	12-24E	12-25E
Cash and equivalents	108	206	234
Short term investments	315	358	422
Accounts receivables	1,094	829	714
Inventories	1,605	1,114	949
Other current assets	35	242	290
<b>Total current assets</b>	<b>3,157</b>	<b>2,749</b>	<b>2,608</b>
Fixed assets	2,521	3,389	4,070
Total investments	0	0	0
Other long-term assets	896	686	610
<b>Total assets</b>	<b>6,574</b>	<b>6,824</b>	<b>7,288</b>
Short-term debt	704	796	703
Accounts payable	2,205	1,870	2,002
Other current liabilities	149	93	82
<b>Total current liabilities</b>	<b>3,057</b>	<b>2,758</b>	<b>2,787</b>
Total long-term debt	1,156	1,487	1,678
Other liabilities	454	597	527
Share capital	1,435	1,435	1,435
Retained earnings reserve	318	531	842
<b>Shareholders' equity</b>	<b>1,907</b>	<b>1,982</b>	<b>2,296</b>
Minority interest	0	0	0
<b>Total liabilities &amp; equity</b>	<b>6,574</b>	<b>6,824</b>	<b>7,288</b>

**Cash flow statement**

(VNDbn)	12-23A	12-24E	12-25E
<b>Pretax profit</b>	<b>15</b>	<b>250</b>	<b>366</b>
Depreciation & amortisation	103	249	377
Tax paid	(57)	(38)	(55)
Other adjustments	133	0	0
<b>Change in working capital</b>	<b>(406)</b>	<b>380</b>	<b>397</b>
<b>Cash flow from operations</b>	<b>(213)</b>	<b>842</b>	<b>1,084</b>
Capex	(1,153)	(1,353)	(1,148)
Proceeds from assets sales	0	0	0
Others	(169)	186	(6)
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(1,322)</b>	<b>(1,168)</b>	<b>(1,155)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	1,493	423	98
Other financing cash flow	0	0	0
Dividends paid	0	0	0
<b>Cash flow from financing activities</b>	<b>1,493</b>	<b>423</b>	<b>98</b>
Cash and equivalents at beginning of period	151	108	206
<b>Total cash generated</b>	<b>(43)</b>	<b>98</b>	<b>28</b>
Cash and equivalents at the end of period	108	206	234

**Key ratios**

	12-23A	12-24E	12-25E
<b>Dupont</b>			
Net profit margin	0.4%	5.3%	8.9%
Asset turnover	0.93	0.59	0.50
ROAA	0.4%	3.2%	4.4%
Avg assets/avg equity	3.10	3.45	3.30
ROAE	1.1%	10.9%	14.5%
<b>Efficiency</b>			
Days account receivable	61.9	62.1	61.9
Days inventory	119.3	118.8	120.0
Days creditor	163.9	199.3	253.2
Fixed asset turnover	2.65	1.35	0.94
ROIC	0.5%	5.0%	6.6%
<b>Liquidity</b>			
Current ratio	1.0	1.0	0.9
Quick ratio	0.5	0.6	0.6
Cash ratio	0.1	0.2	0.2
Cash cycle	17.3	(18.5)	(71.3)
<b>Growth rate (yoy)</b>			
Revenue growth	(25.9%)	(24.2%)	(11.7%)
Operating profit growth	(59.1%)	165.9%	22.1%
Net profit growth	(93.0%)	965.7%	46.1%
EPS growth	(93.0%)	965.7%	46.1%

Source: VND RESEARCH

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## 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.*

### Growth Ratings Definition:

Positive	We forecast the company to have stronger earnings growth than peers over the investment horizon.
Neutral	We forecast the company's earnings growth to be in line with peers over the investment horizon.
Negative	We forecast the company to have weaker earnings growth than peers over the investment horizon.

### Value Ratings Definition:

Positive	The current share price is lower than peers on the basis of historical P/E, P/B or another ratio specified.
Neutral	The current share price is in-line with peers on the basis of historical P/E, P/B or another ratio specified.
Negative	The current share price is higher than peers on the basis of historical P/E, P/B or another ratio specified.

### Sector Ratings Definition:

Overweight	Stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	Stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	Stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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