

# Nafoods Group JSC (NAF)

Industry	Agribusiness
Report Date	Sep 25, 2023
Current Price	VND16,500
Dividend Yield	0.0%

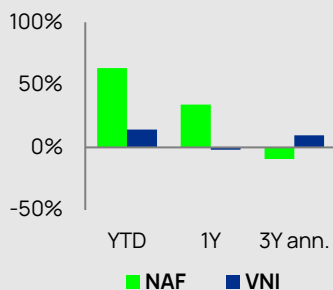
Market Cap	USD34.8mn
Foreign Room	USD27.7mn
30D ADTV	USD0.2mn
State Ownership	0%
Outstanding Shares	50.6mn

	NAF	Peers	VNI
P/E (ttm)	10.2x	9.5x	16.7x
P/B (cur.)	0.9x	1.5x	1.8x
ROA	5.7%	3.6%	2.0%
ROE	11.3%	8.0%	12.3%

## Company overview

Nafoods Group JSC (HOSE: NAF) ranks among the top three fruit & vegetable exporters in Vietnam. Moreover, NAF holds the distinction of being Asia's top passion fruit exporter.

## Share price performance



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	2020	2021	2022
Revenue (VND bn)	1,203	1,615	1,767
Revenue % YoY	15.4%	34.3%	9.4%
NPAT-MI (VND bn)	61	77	80
NPAT-MI % YoY	27.8%	26.6%	2.9%
EPS % YoY	18.8%	18.2%	-1.0%
GPM	21.2%	18.1%	21.3%
EBITDA margin	11.0%	8.4%	8.1%
OPM	9.3%	6.7%	6.8%
NPM	5.1%	4.8%	4.5%
EV/EBITDA*	12.0x	12.9x	9.9x
P/E*	17.1x	15.3x	10.5x
P/B*	1.5x	1.5x	0.9x
ROE	8.5%	9.8%	9.2%

\* Valuations based on historical share prices – except 2022, which is based on current share price and shares outstanding

## Promising growth prospects for fruit & vegetable exports

- Nafoods Group JSC (HOSE: NAF) is a prominent player in Vietnam's fruit & vegetable export industry, ranking among the top three exporters in the country and holding the distinction of being Asia's top passion fruit exporter (according to the company).
- NAF's key business lines include fruit concentrates and purees, individually quick frozen (IQF) fruit products, passion fruit seedlings, fresh fruits, and other added-value products.
- Export markets are NAF's main revenue driver, contributing an average of 78% to the company's revenue in 2019-2022. NAF's domestic presence is most pronounced in southern Vietnam, which accounted for an average of 17% of revenue in 2019-2022. Meanwhile, northern and central Vietnam accounted for less than 10% of the company's revenue.
- In H1 2023, NAF's NPAT-MI jumped by 57% YoY, which was primarily due to increased sales of seedlings, fruit concentrates/purees, and IQF products. Lower passion fruit material and logistics costs also played a significant role in this growth (see p. 7).
- NAF targets 2023 NPAT of VND106bn (+33% YoY), which we believe is achievable given our positive outlook for Vietnam's export prospects in H2 2023.
- NAF targets VND10tn of revenue for 2026 – equivalent to a CAGR of 53% in 2022-2026G.
- NAF is currently trading at a TTM PER of 10.2x, which is broadly in line with our selected peer group median of 9.5x. NAF's slightly higher PER may reflect positive expectations about the company's short-to-medium-term performance (see p. 11).
- NAF has announced it will pay a 2023 stock dividend of 15%.
- Key risks: (1) EPS dilution from 2023 share issuance plan; (2) VND depreciation (see p. 11).

**Outlook for Vietnam's fruit & vegetable exports.** In H1 2023, Vietnam's fruit & vegetable exports amounted to USD2.7bn (+60% YoY). China was the largest importer of Vietnamese fruits & vegetables, with exports valued at USD1.8bn (+122% YoY) – equivalent to nearly two-thirds of Vietnam's total fruit & vegetable export value in H1 2023. While the US's export value dropped by 14% YoY, other markets such as the EU (USD115mn; +40% YoY) and South Korea (USD106mn; +12% YoY) reported positive results. The Vietnam Fruits and Vegetables Association expects the upcoming harvest season will yield nearly 7.6 million tonnes of fruits & vegetables in H2 2023, ensuring an ample supply for rising export orders. The export value of fruits & vegetables is thus projected to exceed USD5bn by the end of the year, as per the Association's estimates.

**Fully integrated and sustainable agricultural value chain.** Over nearly 30 years, NAF has developed a fully integrated and sustainable agricultural value chain, spanning from cultivation to production and distribution. This value chain enables NAF to provide high-quality products to the most demanding global markets, especially in light of increasingly stricter requirements from NAF's export markets such as the EU and China (see p. 8). By 2026, NAF targets to expand its exclusive high-tech and traceable farming area from its current 4,000 ha to 11,600 ha (see p. 9).

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## Company Overview

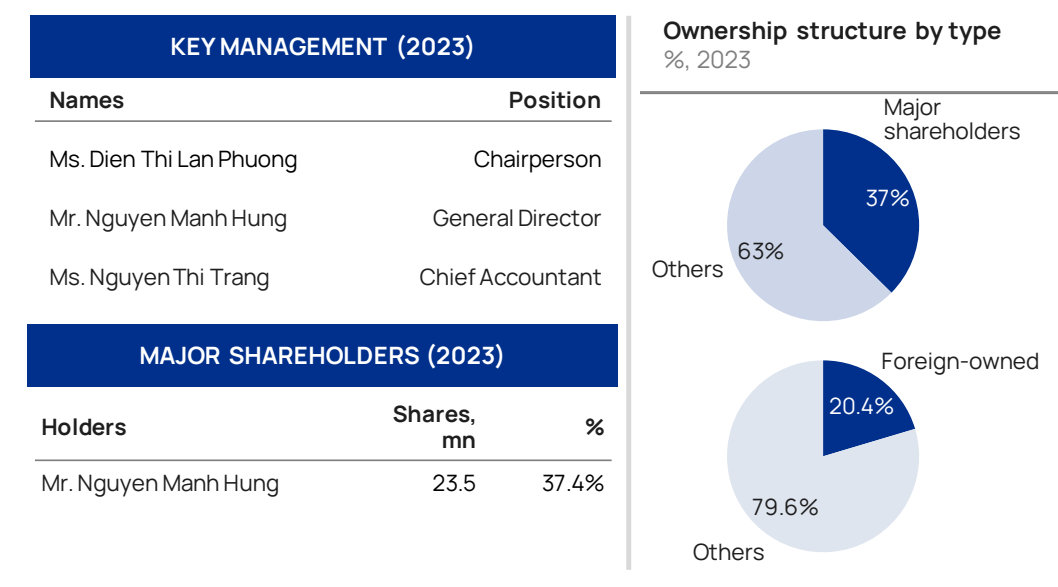
**Nafoods Group JSC (HOSE: NAF)** is one of Vietnam's leading exporters of fruits & vegetables. Currently, NAF ranks among the top three fruit & vegetable exporters in Vietnam and holds a prominent position as one of Asia's top exporters of passion fruit. NAF's key business lines include fruit concentrates and purees, individually quick frozen (IQF) fruit products, passion fruit seedlings, fresh fruits, and other added-value products. The company was listed on HOSE in 2015.

### Ownership structure

**NAF's general director is the largest shareholder, holding a 37% stake (Figure 1).** In addition, the International Finance Corporation (IFC), a financial institution operating under the World Bank Group, holds a significant investment.

In 2019, the IFC invested USD8mn through a private placement in NAF, acquiring 12 million preferred redeemable shares. The primary purpose of this investment was to support the expansion of NAF's processing factory in Long An Province and the construction of a packing house in Vietnam's Central Highlands. These preferred shares do not carry any voting rights and can be converted into common shares upon IFC's request. Additionally, IFC holds the option to request NAF to redeem all the preferred shares in specific situations, including if NAF fails a liquidity test – a test conducted by the IFC every six months that assesses NAF's ADTV and volume-weighted average price. Redemption may also be triggered in the event of a change in control or a default by NAF. Furthermore, NAF is obligated to pay an annual fixed dividend to the IFC – equivalent to 7.2% of the total investment value. This commitment remains in effect until 2026 at the latest.

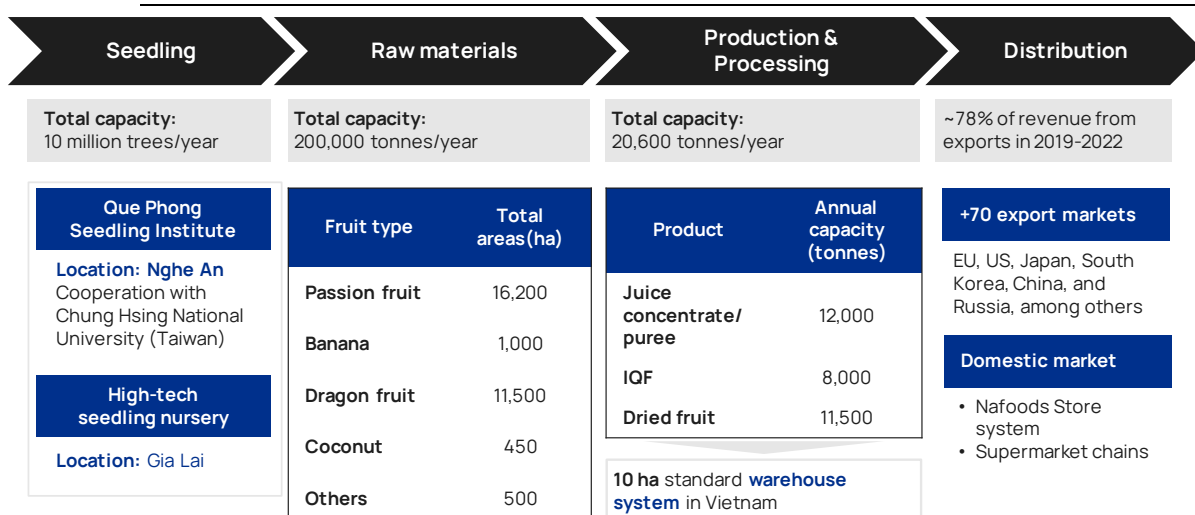
**Figure 1: NAF's ownership structure**



Source: NAF, Vietcap

## A fully integrated passion fruit value chain

Figure 2: NAF's agricultural value chain



Source: NAF, Vietcap (data as of end-2022)

According to NAF, it is the leading passion fruit exporter in Asia and among the top three fruit & vegetable exporters in Vietnam. Over nearly 30 years of operation, NAF has been dedicated to creating a fully integrated, environmentally-friendly, and high-tech value chain that spans from cultivation to production and distribution (Figure 2). This comprehensive value chain forms the foundation for a substantial, dependable, and premium-quality supply network, catering to the most discerning global markets.

### Enhancing quality control with self-developed passion fruit seedlings

NAF has established a partnership with Chung Hsing National University (Taiwan) to create a cutting-edge facility known as the Que Phong Seedling Institute. According to management, seedlings play a key role in successful sustainable farming. Since 2017, the company has been collaborating with experts from Chung Hsing National University to produce its own passion fruit seedlings for use in its plantations. This institute is located in Nghe An Province and can provide ~6 million disease-free passion fruit seedlings annually under the Nafoods brand. The development of self-produced passion fruit seedlings allows NAF to have complete control over its passion fruit value chain, spanning from cultivation to production and distribution.

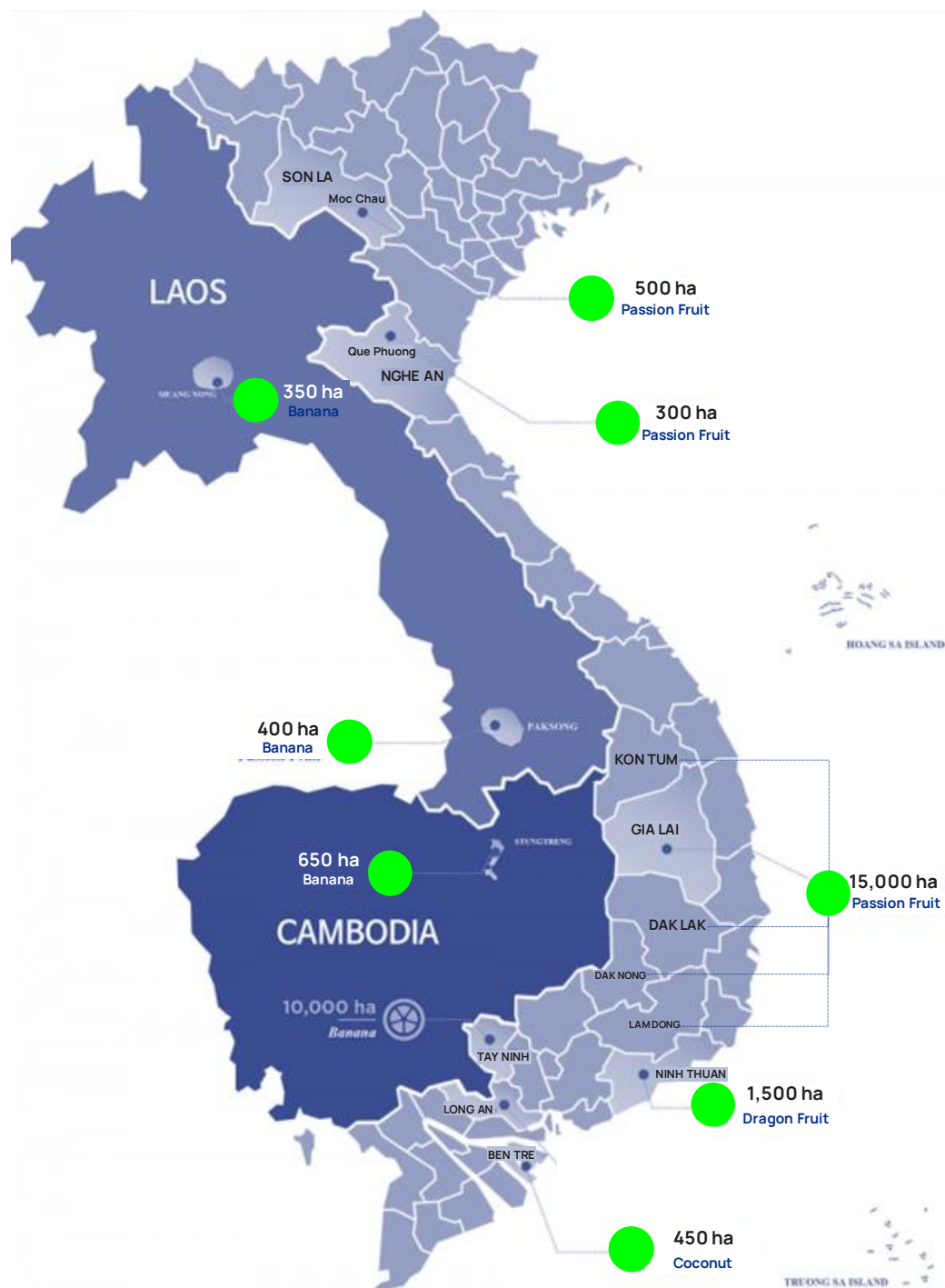
In 2022, NAF held a 60% share of Vietnam's passion fruit seedling market. NAF not only boasts the Que Phong Seedling Institute but also a high-tech seedling nursery located in Gia Lai Province. The collective annual output of these two nurseries exceeds 10 million seedlings and 50,000 tonnes of passion fruit extract. This impressive production capacity positions NAF as the leading provider of passion fruit seedlings in Vietnam, accounting for approximately 60% of the market share in 2022.

### Stable supply of inputs spanning nearly 30,000 ha

NAF has raw material areas in Vietnam, Laos, and Cambodia, yielding an annual harvest of 200,000 tonnes of fruit. As of end-2022, NAF's raw material area comprised approximately 28,000 ha in Vietnam, 750 ha in Laos, and 650 ha in Cambodia (Figure 3). The primary crop cultivated on these lands is passion fruit, accounting for 56% of the total area. Additionally, NAF cultivates 40 different fruits & vegetables, which vary in accordance with the seasonal cycle of the harvest. These include bananas, dragon fruit, coconuts, durians, mangoes, and limes, among others.

**NAF procures its raw materials from both exclusive and contractual farms.** The total land area of exclusive farms was ~3,000 ha at end-2022, with a maximum annual capacity of 150,000 tonnes of fruit. However, the fruit collected from this area only accounted for less than 20% of total volume in 2022, per management. As for contractual farms, NAF ensures product quality by providing farmers with qualified seedlings, fertilizers, plant protection products, and training in cultivation techniques.

**Figure 3: NAF's raw material area**



Source: NAF, Vietcap

### Six manufacturing factories nationwide with international qualifications

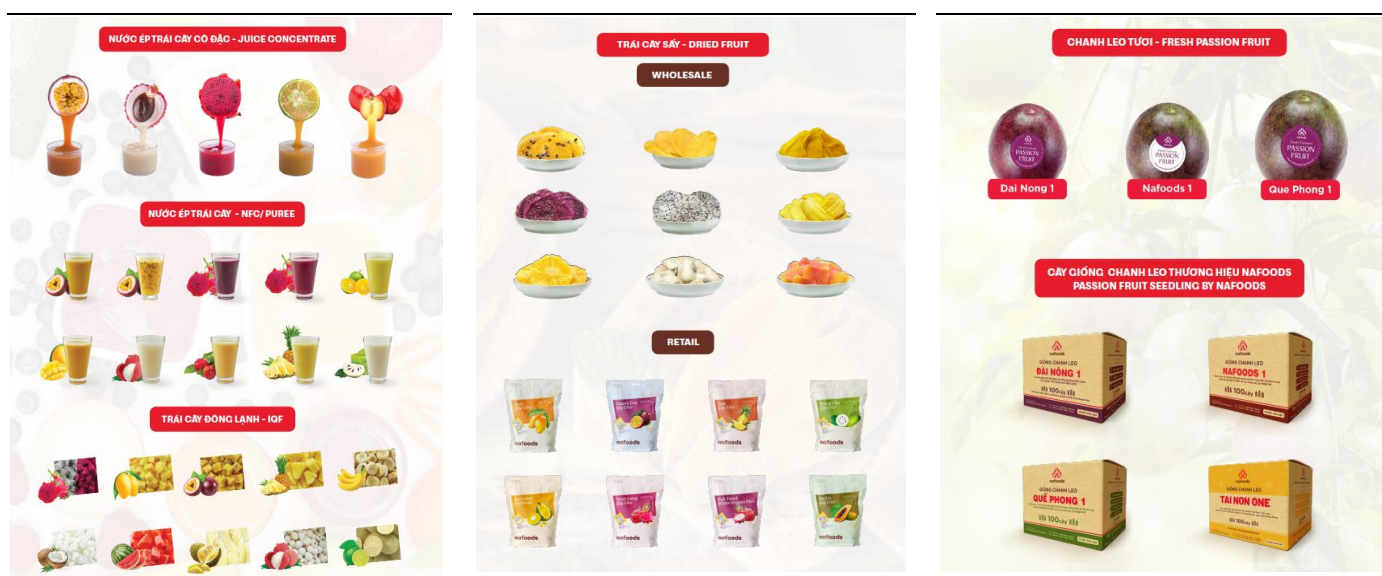
NAF boasts a nationwide presence, with its factories strategically situated throughout Vietnam, spanning from Son La Province and Nghe An Province to Long An Province and Binh Thuan Province. These locations are carefully chosen to ensure proximity to farming areas,

facilitating the swift transportation of freshly harvested fruits & vegetables to production facilities. With a total annual capacity of 20,000 tonnes of fruit products, all of NAF's factories are equipped with state-of-the-art European processing lines capable of meeting the most discerning markets globally. According to management, NAF's products meet the standards of stringent food safety standards such as those of the European Fruit Juice Association (AIJN), British Retail Consortium (BRC), Safe and Food Certification (SGF), and ISO 22000:2005. In addition, NAF's products comply with standards for both kosher and halal food.

## Diverse portfolio of fruit & vegetable products serving over 70 countries worldwide

NAF's product portfolio includes (1) fruit juice concentrates/purees, (2) individually quick frozen (IQF) fruit products, (3) passion fruit seedlings, (4) fresh fruits, and (5) added-value products such as dried fruits and nuts. NAF initially started in the industrial business segment (i.e., fruit concentrates/purees and IQF products). In 2014, it expanded into passion fruit seedlings, followed by fresh fruits in 2017 and other added-value products in 2021.

Figure 4: NAF's product portfolio



Source: NAF, Vietcap

**The export market is NAF's primary revenue contributor.** In 2019-2022, the export market accounted for an average of 78% of NAF's revenue, with its GPM ranging from 18%-21%. The company's products are exported to over 70 countries worldwide. Notably, the EU is the largest export market. Other key export markets include the US, Japan, South Korea, and China.

**In the domestic market, NAF mainly focuses on southern Vietnam, which accounted for an average of 17% of its revenue in 2019-2022.** While northern and central Vietnam have accounted for a small fraction of NAF's revenue, their contributions improved from 2% to 9% of revenue in 2019-2022. Currently, NAF distributes its products via its Nafoods Store chain and over 40 convenience stores/supermarkets across Vietnam.

## H1 2023 NPAT-MI jumped by 57% YoY

**H1 2023 net revenue was VND864bn (+6.2% YoY).** Management attributes this mainly to the seedling and industrial business segments. Despite a modest decline in dried fruit export sales, the 6.2% YoY increase in revenue during H1 2023 was mostly driven by greater revenue from the seedling and industrial businesses.

**Lower costs supported margins.** Thanks to lower passion fruit material costs, particularly in Q2 2023, NAF's GPM improved from 22% in H1 2022 to 25% in H1 2023. In addition, selling expenses dropped by 39% YoY, which was mainly due to lower sea freight rates and logistics costs in H1 2023.

**On the other hand, general & administrative expenses surged by 253% YoY in H1 2023.** In H1 2023, NAF booked VND33bn of expenses for provisions for doubtful debts vs only VND84mn in H1 2022. As a result, NAF finished H1 2023 with NPAT-MI of VND61.4bn (+57% YoY).

**In H1 2023, NAF completed 58% of its 2023 NPAT target.** At the company's April 2023 AGM, NAF guided for 2023 net revenue and NPAT of VND2.1tn and VND106bn, respectively. As of end-H1 2023, had completed 41% and 58% of its 2023 revenue and NPAT targets, respectively.

Figure 5: NAF's H1 2022-2023 results

VND bn	H1 2022	H1 2023	YoY	Vietcap's comments
<b>Gross revenue</b>	<b>807.8</b>	<b>863.5</b>	<b>6.9%</b>	* Increased mainly due to the seedling and juice & IQF segments.
Sales discount	-9.3	-15.3	65.1%	
<b>Net revenue</b>	<b>798.5</b>	<b>848.2</b>	<b>6.2%</b>	
COGS	-623.7	-639.7	2.6%	
<b>Gross profit</b>	<b>174.8</b>	<b>208.5</b>	<b>19.2%</b>	
SG&A expenses	-113.3	-119.5	5.5%	* NAF booked VND33bn of expenses for provisions for doubtful debt vs only VND84mn in H1 2022.
<b>EBIT</b>	<b>61.6</b>	<b>89.0</b>	<b>44.5%</b>	
Financial income	8.8	16.4	87.1%	
Financial expenses	-18.9	-35.6	87.9%	
Associates	-1.0	-0.5	-46.4%	
Net other income/loss	-5.2	-0.6	-89.3%	
<b>PBT</b>	<b>45.2</b>	<b>68.7</b>	<b>52.0%</b>	
Tax expense	-6.1	-7.2	17.1%	
<b>NPAT before MI</b>	<b>39.1</b>	<b>61.5</b>	<b>57.4%</b>	
Minority interest	0.0	0.1	138.5%	
<b>NPAT-MI</b>	<b>39.0</b>	<b>61.4</b>	<b>57.3%</b>	
<b>Gross margin</b>	<b>21.9%</b>	<b>24.6%</b>	<b>+2.7 ppts</b>	* Supported by lower passion fruit material costs.
<b>NPAT-MI margin</b>	<b>4.9%</b>	<b>7.2%</b>	<b>+2.4 ppts</b>	

Source: NAF, Vietcap (Figures may not sum up due to rounding)

## Outlook

### Market Outlook

#### Vietnam's fruit & vegetable exports set to grow further in H2 2023

**In H1 2023, Vietnam's fruit & vegetable exports amounted to USD2.7bn (+60% YoY).** Notably, China was the largest importer of Vietnamese fruits & vegetables, contributing to an export value of USD1.8bn (+122% YoY) – equivalent to nearly two-thirds of Vietnam's total fruit & vegetable export value. Ms. Ngo Tuong Vy, the General Director of the Chanh Thu Fruit Export & Import Company, highlights that despite China's stringent food safety regulations, Chinese consumers continue to favor Vietnamese agricultural products due to their high quality and affordable prices. Furthermore, fruits & vegetables can stay fresh and be shipped with less expensive logistics costs thanks to Vietnam's proximity to China, in comparison to competitors like Thailand, Malaysia, and the Philippines.

With the exception of the US, whose export value dropped by 14% YoY, other markets reported positive results. Exports to the EU amounted to USD115mn (+40% YoY) while those to South Korea reached USD106mn (+12% YoY). As Vietnam enters the harvest season, the Vietnam Fruits and Vegetables Association anticipates there will be a yield of approximately 7.6 million tonnes of fruits & vegetables in H2 2023, providing an abundant supply for rising export orders. Consequently, the Association expects the total export value of Vietnamese fruits & vegetables will exceed USD5bn by the end of 2023.

#### Opportunities abound for agricultural exports to China

**Additional protocols to be signed with China in the near future.** In 2022, Vietnam signed protocols for the export of passion fruit (NAF's key product), durian, jackfruit, and sweet potatoes. The Ministry of Agricultural and Rural Development expects to sign more protocols, which will facilitate the exportation of additional fruits like watermelon, lychee, and mango jackfruit to China through official channels in the short term.

**Nevertheless, agricultural products must meet specific standards outlined in these protocols.** According to the Minister of Industry and Trade, Mr. Nguyen Hong Dien, China has become a more demanding market than in the past. As a result, the Minister recommends that companies adjust their production practices to align with the traceability criteria outlined in the protocols.

#### Vietnamese fruit & vegetable exporters can unlock potential from the EU market

**The EU-Vietnam Free Trade Agreement (EVFTA) has opened opportunities for Vietnamese fruit & vegetable exporters.** Previously, fruits & vegetables exported from Vietnam to the EU faced tax rates as high as 10%-20% under the Generalized System of Preferences (GSP). However, since the EVFTA came into effect on August 1, 2020, Vietnam has been able to eliminate 94% of the total 547 tax lines governing fresh and processed fruits & vegetables. This agreement has provided strong support to Vietnam's fruit & vegetable exports. Despite the challenges posed by COVID-19, the Russia-Ukraine conflict, and the global economic downturn over the last three years, Vietnam's fruit & vegetable exports have continued to deliver positive results. In 7M 2023, Vietnam's total fruit & vegetable exports to the EU amounted to USD134mn (+36% YoY).

**Upside potential for Vietnamese fruit & vegetable exporters.** According to the Vietnam Fruit and Vegetable Association, the EU's fruit & vegetable market is worth more than USD60bn – equivalent to 43% of the global trade value of fruits & vegetables. However, Vietnam's fruit & vegetable exports to the EU represent less than 1% of this market. This indicates a vast untapped opportunity for Vietnamese fruit & vegetable exporters to exploit, particularly given that Vietnam (1) has a favorable climate for growing fruits & vegetables and (2) the distinct advantage of benefiting from the EVFTA – a privilege not shared by direct competitors like Thailand and China.

**However, NAF's main obstacle is the increasingly stringent standards in the EU.** According to Mr. Nguyen Nhu Tiep, the Director of the National Agro-Forestry-Fisheries Quality Assurance Department in the Ministry of Agriculture and Rural Development, the EU's regulations used to primarily focus on food safety; however, they now also include provisions for sustainable development. Sustainable development is an emerging concept that addresses global issues such as human rights, fair labor practices, environmental protection, and anti-corruption. To meet these criteria, Vietnamese exporters must now place a greater emphasis on traceability, which is the ability of a company to track a product's journey from raw materials to final customer delivery.

The significance of traceability in the context of sustainability lies in the reliability of the information obtained from a traceable system. When the sources of materials and production techniques are verifiable, third-party certifications can validate any claims being made. As a result, NAF, which is actively developing a fully integrated, environmentally friendly, high-tech value chain, is well positioned to become one of the preferred suppliers for EU customers, in our view.

## Company Outlook

### Focusing on the development of a sustainable agricultural value chain

**NAF aims to expand its total exclusive farm area to 11,600 ha by 2026.** Currently, NAF's exclusive farms utilize advanced Indian software to enhance management efficiency and ensure better traceability. These farms are also closely supervised by the company's technical managers. As a result, NAF expects its exclusive farms to yield fruits & vegetables that meet the higher quality standards demanded by export markets. NAF plans to triple the area of its exclusive farms from the current amount of 4,000 ha to 11,600 ha by 2026, which will complete the company's sustainable agricultural value chain. With this expansion, management states that NAF's annual production capacity will rise to 400,000 tonnes, which could satisfy more than 80% of NAF's projected output demand. The primary focus will be on passion fruit, which will occupy approximately 65% of the total farm area, along with mangoes, durians, kumquats, pineapples, and papayas. Furthermore, NAF is actively engaged in R&D efforts for other fruits – including papayas, avocados, and lychees – to increase its ability to meet growing export demand from its key foreign markets over the medium term. We believe this approach is well positioned to capitalize on the increasingly stringent requirements of export markets, as previously mentioned.

### To expand the agency network and diversify the seedling product portfolio

**NAF aims to expand its agency network to boost seedling sales.** For 2023, management targets to have 40 seedling agencies throughout Vietnam, which will benefit both NAF's contracted and exclusive farmers while also increasing sales in the seedling segment.

**Furthermore, NAF is committed to expanding its seedling offerings beyond passion fruit.** As of mid-2023, the company had obtained intellectual property rights protection certificates for an additional six new varieties. In addition to passion fruit, NAF is actively pursuing the development of other seedling types, such as MD2 pineapples, papayas, premium rice, and various species of flowers. In the short to medium term, NAF is also considering the expansion of its portfolio by the importation of select seedlings from South America, including various mango varieties.

### To increase market share in the domestic market

**For 2023, NAF has outlined two key strategic priorities for the domestic market: (1) expanding its product portfolio and (2) enhancing its sales channels.** Recognizing the significant growth potential within the domestic market, NAF is committed to increasing its market share in Vietnam over the next five years. According to management, NAF's strategic focus will be on the development of 300 g and 500 g dried fruit packages, as well as the

production of juice concentrates. In addition to leveraging its existing Nafoods Store system, the company intends to connect with customers through various e-commerce channels.

## NAF aims to develop 10,000 ha of rice farming area in 2027

**NAF targets to expand into the rice segment in 2027.** Management estimates that 10,000 ha of rice farming area could produce 30,000 tonnes of rice annually, which would generate revenue of VND500bn. NAF's focus within the rice sector will revolve around organic rice, premium rice, and specialty rice varieties. Moreover, the company intends to distribute its rice products through various partner channels.

## To issue 30 million shares in 2023G

**At the company's April 2023 AGM, NAF proposed to issue 30 million shares to strategic and professional shareholders.** NAF anticipates that the issuance price will not fall below book value (~VND18,400/share as of end-Q2 2023). A lockup period of three years will be imposed on strategic shareholders, while professional shareholders will have a one-year lockup period. Management expects the private placement will take place in late 2023. The issuance of these additional shares will bolster NAF's investment and financial capabilities, enabling the company to realize its development strategy for 2023-2027, according to management.

## Company Guidance

**Management targets NPAT-MI YoY growth of 33% YoY for 2023.** The company has established a 2023 revenue target of VND2.1tn (+17% YoY) and 2023 NPAT target of VND106bn (+33% YoY). Based on our market outlook, we believe these targets are achievable. Additionally, NAF expects to pay a 10 % share dividend for 2022 and a maximum of 15% for 2023G.

Figure 6: NAF's guidance for 2023G

	Unit	2023G
Net revenue	VND bn	2,125
%YoY growth	%	17%
NPAT	VND bn	106
%YoY growth	%	33%
Dividend	% par value	≤15%

Source: NAF, Vietcap

**NAF targets revenue of VND10tn for 2026.** This target is equivalent to a CAGR of 53% in 2022-2026. The industrial business will continue to be NAF's core segment, with revenue targeted at VND4tn for 2026. This will be followed by revenue from dried fruit (VND1.5tn from Russia and VND1.5tn from other markets), nuts (VND1.5tn), seedlings (VND500bn), and others (VND1tn).

## Valuation

For peer references, we select listed Vietnamese agribusiness companies that are similar to NAF in terms of market capitalization.

**NAF is currently trading at a TTM PER of 10.2x – a ~7% premium over the peer group median.**

In our view, this modest premium could indicate that investors are optimistic regarding NAF's short-to-medium-term performance, particularly in light of the company's ambitious goals for 2023-2027G.

**Figure 7: Domestic peers**

Company	Mkt cap (USD mn)	TTM Net Sales (USD mn)	Y-o-Y (%)	TTM NPAT (USD mn)	Y-o-Y (%)	Net debt/Equity (%)	ROE (%)	ROA (%)	TTM P/E (x)	LQ P/B (x)
IFS Interfood	91.8	72.5	5.8	7.8	82.4	-82.3	15.5	13.0	11.6	1.7
TAR Trung An Hi-tech Farming	59.1	193.7	111.1	1.6	-134.4	112.6	1.5	0.6	83.2	1.2
LAF Long An Food Processing	8.5	22.7	34.6	1.2	88.8	61.1	14.5	6.5	7.4	1.0
SCD Chuong Duong Beverages	5.5	5.2	-97.1	-3.1	256.2	666.3	-72.9	-12.4	-1.8	1.9
<b>Average</b>	<b>41.2</b>	<b>73.5</b>	<b>13.6</b>	<b>1.9</b>	<b>73.2</b>	<b>189.4</b>	<b>-10.3</b>	<b>1.9</b>	<b>25.1</b>	<b>1.5</b>
<b>Median</b>	<b>33.8</b>	<b>47.6</b>	<b>20.2</b>	<b>1.4</b>	<b>85.6</b>	<b>86.8</b>	<b>8.0</b>	<b>3.6</b>	<b>9.5</b>	<b>1.5</b>
<b>NAF Nafoods Group</b>	<b>34.8</b>	<b>71.7</b>	<b>-9.2</b>	<b>4.0</b>	<b>56.6</b>	<b>75.4</b>	<b>11.3</b>	<b>5.7</b>	<b>10.2</b>	<b>0.9</b>

Source: FiiPro, Vietcap (data as of September 22, 2023)

## Investment Risks

**Share issuance plan in 2023 implies substantial EPS dilution.** Based on the number of shares outstanding at 50.6 million and assuming no transfers from NPAT to bonus and welfare funds, management's 2023G NPAT of VND106bn would imply 2023G EPS of ~VND2,100 and a PER of 7.9x. However, we believe the company is likely to proceed with the proposed private placement to fund its investments, which is crucial for the company's revenue and NPAT-MI targets. Therefore, investors should consider the dilutive impact of this share issuance. If the private placement goes ahead, assuming a full subscription, the company's 2023 NPAT guidance would suggest a theoretical ex-rights price of VND17,300/share and an effective 2023G PER of 13.1x (assuming notional completion of the share issuance at the beginning of 2023 to avoid time-weighted adjustments to the number of shares outstanding).

**The depreciation of the VND against the USD could have a negative impact on NAF.** As of end-Q2 2023, NAF had reported a total USD-denominated debt of VND63bn (~8% of total debt). If the VND significantly depreciates against the USD, the VND-equivalent amount of debt and related interest costs would increase.

## Financial Statements

P&L (VND bn)	2019	2020	2021	2022
<b>Revenue</b>	<b>1,042</b>	<b>1,203</b>	<b>1,615</b>	<b>1,767</b>
COGS	-809	-948	-1,323	-1,391
<b>Gross Profit</b>	<b>233</b>	<b>255</b>	<b>291</b>	<b>376</b>
Sales & Marketing exp.	-110	-96	-148	-190
General & Admin exp.	-37	-48	-35	-66
<b>Operating Profit</b>	<b>85</b>	<b>111</b>	<b>109</b>	<b>119</b>
Financial Income	7	9	24	29
Financial Expenses	-41	-54	-42	-49
- o/w Interest Expense	-32	-42	-32	-27
Associates	1	0	0	-1
Net Other Income/(Loss)	0	-1	-1	-5
Profit Before Tax	<b>52</b>	<b>65</b>	<b>90</b>	<b>93</b>
Income Tax	-5	-4	-13	-13
NPAT Before MI	<b>48</b>	<b>61</b>	<b>78</b>	<b>80</b>
Minority Interest	0	0	0	0
<b>NPAT Less MI, Reported</b>	<b>48</b>	<b>61</b>	<b>77</b>	<b>80</b>
<b>NPAT Less MI, Adjusted</b>	<b>48</b>	<b>61</b>	<b>77</b>	<b>80</b>
(1) Adjusted for bonus & welfare				
EBITDA	108	133	135	143
EPS Reported, VND	1,134	1,347	1,593	1,576
DPS Reported, VND	0	0	0	0
DPS/EPS (%)	0.0%	0.0%	0.0%	0.0%

RATIOS	2019	2020	2021	2022
<b>Growth YoY</b>				
Revenue	73.6%	15.4%	34.3%	9.4%
Op. Profit (EBIT)	41.3%	30.7%	-2.2%	9.7%
PBT	15.7%	24.2%	38.9%	2.8%
Reported EPS	68.3%	18.8%	18.2%	-1.0%
<b>Profitability</b>				
Gross Profit Margin	22.4%	21.2%	18.1%	21.3%
Op. Profit, (EBIT) Margin	8.2%	9.3%	6.7%	6.8%
EBITDA Margin	10.3%	11.0%	8.4%	8.1%
NPAT-MI Margin	4.6%	5.1%	4.8%	4.5%
ROE	8.1%	8.5%	9.8%	9.2%
ROA	4.1%	4.4%	4.9%	4.7%
<b>Efficiency</b>				
Days Inventory On Hand	40.4	49.0	34.9	30.0
Days Accts, Receivable	194.5	208.5	174.3	175.7
Days Accts, Payable	36.9	43.5	43.9	32.2
Cash Conversion Days	198.0	214.1	165.2	173.5
<b>Liquidity</b>				
Current Ratio	1.8x	1.6x	1.5x	1.5x
Quick Ratio	1.4x	1.3x	1.3x	1.3x
Cash Ratio	0.0x	0.0x	0.1x	0.1x
Debt / Assets %	36.1%	34.2%	34.1%	37.5%
Debt / Capital %	40.2%	41.1%	40.3%	42.3%
Net Debt / Equity	64.5%	66.3%	61.3%	65.8%
Interest Coverage	2.7x	2.7x	3.4x	4.4x
(Figures may not sum up due to rounding)				

Source: NAF, Vietcap

B/S (VND bn)	2019	2020	2021	2022
Cash & Equivalents	14	27	52	54
ST Investment	5	0	0	12
Accounts Receivables	625	749	793	908
Inventories	147	176	133	158
Other Current assets	28	21	52	35
<b>Total Current Assets</b>	<b>820</b>	<b>972</b>	<b>1,029</b>	<b>1,167</b>
Fixed Assets, Gross	404	417	456	537
- Depreciation	-45	-66	-92	-119
Fixed Assets, Net	359	351	364	418
LT investments	48	145	220	21
LT assets, other	45	65	41	138
<b>Total LT Assets</b>	<b>452</b>	<b>561</b>	<b>625</b>	<b>577</b>
<b>Total Assets</b>	<b>1,272</b>	<b>1,533</b>	<b>1,654</b>	<b>1,744</b>
Accounts Payable	83	203	186	126
ST Debt	341	339	450	578
Other ST Liabilities	40	53	65	67
<b>Total Current Liabilities</b>	<b>465</b>	<b>595</b>	<b>701</b>	<b>772</b>
LT Debt	118	186	115	75
Other LT liabilities	7	2	2	4
<b>Total Liabilities</b>	<b>590</b>	<b>782</b>	<b>818</b>	<b>852</b>
Preferred Equity	124	124	124	124
Paid in capital	444	476	506	506
Share premium	64	67	67	67
Retained earnings	21	61	100	136
Other equity	28	22	39	59
Minority interest	1	1	1	1
<b>Total equity</b>	<b>682</b>	<b>751</b>	<b>836</b>	<b>892</b>
<b>Liabilities &amp; equity</b>	<b>1,272</b>	<b>1,533</b>	<b>1,654</b>	<b>1,744</b>
Y/E shares out, mn	44.4	47.6	50.6	50.6

CASH FLOW (VND bn)	2019	2020	2021	2022
<b>Beginning Cash Balance</b>	<b>-12</b>	<b>-4</b>	<b>9</b>	<b>34</b>
Net Income	48	61	77	80
Dep, & Amortization	23	23	27	29
Δ in Working Capital	-355	-51	2	-118
Other Adjustments	-4	6	1	11
<b>Cash from Operations</b>	<b>-289</b>	<b>39</b>	<b>108</b>	<b>2</b>
Capital expenditures	-16	-26	-104	-84
Investments, Net	-7	-59	-36	24
<b>Cash from Investments</b>	<b>-23</b>	<b>-85</b>	<b>-140</b>	<b>-60</b>
Dividends inc. prefs	-1	-13	-13	-13
Δ in Share Capital	197	12	30	0
Δ in ST Debt	151	-2	111	129
Δ in LT Debt	-81	68	-71	-40
Other financing C/F	55	-5	1	-15
<b>Cash from Financing</b>	<b>321</b>	<b>59</b>	<b>57</b>	<b>60</b>
<b>Net Change in Cash</b>	<b>8</b>	<b>13</b>	<b>25</b>	<b>2</b>
<b>Ending Cash Balance</b>	<b>14</b>	<b>27</b>	<b>52</b>	<b>54</b>

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<b>BUY</b>	If the projected TSR is 20% or higher
<b>OUTPERFORM</b>	If the projected TSR is between 10% and 20%
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<b>UNDERPERFORM</b>	If the projected TSR is between -10% and -20%
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