

## VISSAN JSC (VSN VN)

### Pork to get roasted in 2019

### Not Rated

Current price: VND 37,800

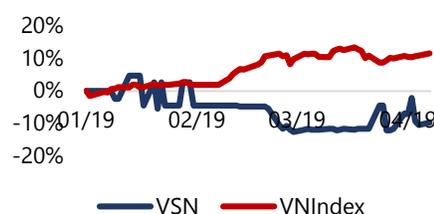
Target price: **N/A**

Upside: **N/A**

We attended VSN's annual general meeting on April 11. Management delivered tepid guidance for FY19 due to the impact of African Swine Fever. Short term headwinds aside, we like the longer term general story of market consolidation into the hands of branded meat producers. We came away from the discussions with bolstered confidence that MSN's [short-term headwinds are priced in](#).

52-week Price Range (VND)	Market Capitalization	FY18A Dividend Yield	Remaining Foreign Room	Free-float	ADTV-3month
31,500-50,000	USD131.9mn	1.3%	44.9%	10%	USD1K

#### Price performance



#### Key Takeaways

- Management delivered conservative guidance for FY19 due to Asian Swine Fever.
- Key short run initiatives include distribution network expansion and restructuring of the product portfolio.
- SATRA currently has no plan to divest its stake.

#### Risks

- Plan to move its production facilities could be beset by delays.
- Branded meat demand could underperform VSN's expectations.

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**Company profile:** VSN specializes in the processing and trading of fresh meat, processed foods, and other meat-related products. VSN operates its own distribution network through the VISSAN chain, with 49 stores as of end-2018. Major shareholders include Saigon Trading Group (SATRA, with a 67.8% stake), Masan Group (25.0%), and CJ CheilJedang (3.8%).

#### VSN's FY18 results and FY19 guidance

VND Bn	FY18A	FY19 guidance	YoY growth
<b>Total revenue</b>	<b>4,440</b>	<b>4,850</b>	<b>+9%</b>
<i>Fresh meat</i>	2,123	N/A	
<i>Processed food</i>	2,007	N/A	
<i>Others</i>	310	N/A	
<b>Profit after tax</b>	<b>175</b>	<b>200</b>	<b>+14%</b>
<i>Core business</i>	175	180	+3%
<i>Reversal of science and technology fund</i>	0	20	N/A
ROA	7.9%		
ROE	14.2%		
EPS growth	4.8%		
P/E	24.0		
P/BV	3.3		

Source: VSN

**Management delivered conservative guidance for FY19** on concerns over African Swine Fever. Compared to previous years, top-line growth guidance for FY19 was quite low at just 10% YoY, with net income to grow a paltry 3% YoY. Management acknowledges that both fresh meat and processed foods could be hit by pork supply shortages and increased input costs, as VSN expects swine prices to rise once consumer demand returns in 2H19.

**Key short-term initiatives: Expanding the distribution network & restructuring the product portfolio.** VSN plans to accelerate its market share penetration via modern channels, with supermarket/mini-mart chains (e.g., Coopmart, Coopfoods, and Satrafoods) comprising 70% of its growth plan. It plans to open an average of 5 additional self-owned VISSAN stores per year and also to establish a VISSAN Premium store brand. Additionally, management plans to expand its product range and redesign current product packaging to increase consumer interest.

**Key long-term initiatives: Moving operational facilities, & increasing internal production.** In line with local requirements, VSN plans to move its operational facilities, which should cost VND 1.6 tn and be completed in 2021. VSN also plans to increase its contribution of internally-sourced pork from the current 8% to 20%-30% by 2025.

**SATRA: No immediate plans to divest.** A SATRA representative at the meeting stated that the divestment plan will be a component of SATRA's restructuring and equitization program, which he expects to occur sometime after 2020.

**Our view:** We don't cover VSN and have no investment view on the stock other than to note its very low liquidity, which prompts our interest in SATRA's divestment timetable. We came away from the AGM more confident in our overall views on the pork industry: cautious in the short term, but more positive in the longer term given the implied industry consolidation that should benefit large producers such as Masan (MSN VN, BUY, 8.3% expected TSR).

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<b>HOLD</b>	Between -10% to +10%
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