

SEAFOOD

Awaiting the “inflection point”

“... Seafood sector is over the hump and being on a recovery path, but we believe this path still faces to some challenges in 2H24F. We await the “inflection point”, when more catalysts emerge to strongly accelerate export volumes and selling prices...”

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What is the report about?

- 2H24F’s pangasius sector outlooks
- 2H24F’s shrimp sector outlooks
- Forecasts business results of listed enterprises in 2H24F and 2024F

I. Executive summary

Pangasius - Recovery driven by US market amidst challenges in China and EU

In 5M24, the pangasius sector has shown promising signs of recovery, highlighted by a strong rebound in export volume due to (1) the low base effect (2) more vibrant restocking activities in key markets following a year of inventory clearance. *In 2H24F*, The US market will likely continue to be the main driver of growth. However, the growth prospects for the Chinese and EU markets could be bleak as these markets still face intense competition and subdued consumption.

VHC is a spotlight thanks to the leading position in US

Based on these analyses, we stay optimistic about VHC, given its high proportion of pangasius exports to the US. On the other hand, we anticipate that enterprises with a high proportion of exports to China (ANV), which still face challenges.

Shrimp - The risk of competition remains present

In 5M24, shrimp exports hit their lowest point and then recovered in both volume and ASPs. The top three key markets - the US, China, and the EU showed a recovery. In contrast, the Japanese market was disappointing, as consumer demand remained sluggish. *In 2H24F*, we peg the shrimp export volume could persist recovery path, with the US market playing a leading role. In contrast, shrimp average selling prices (ASPs) may be flat amidst intense competition. Additionally, the depreciation of Yen currency could hit hard ASPs of these enterprises exporting to Japan.

FMC outperforms other shrimp enterprises thanks to solid fundamentals

We peg FMC’s performance could fare better than the other listed shrimp enterprises thanks to (1) Self-sufficiency improvement of raw shrimp (2) New farming areas meet ASC standards that open opportunities to expand market share in EU (including UK) markets.

Risks to be considered: (1) Slower-than-expected consumption (2) Fierce competition (3) Hike shipping costs

We believe that the recovery prospects of the sector could face risks from slower-than-expected consumer demand, alongside continued high competition persisting in 2024F, affecting the pace of ASPs revival for both pangasius and shrimp products. Additionally, the risks associated with increasing shipping freight rates remain unresolved, potentially negatively impacting export enterprises’ transportation costs.

VHC is our favorable stocks, but its short-term valuation needs to wait for new catalysts

We maintain NEUTRAL ratings for seafood sector. We increase our TP for VHC to VND85,500 per share and maintain a BUY recommendation. We stay optimistic about 2025F-26F earning growth thanks to consumption in key markets becomes more vibrant. Meanwhile, we maintain HOLD rating for FMC due to ongoing concerns about competitive pressures. For ANV share, we consider its valuation could be reflected the growth expectations for 2025F.

Table 1. Coverage valuation

Recommendation & TP			Earning & Valuation										
Company				Sales	OP	NP	EPS	BPS	ROE	ROA	PE	PB	EV/EBI TDA
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(%)	(%)	(x)	(x)	(x)
Vinh Hoan Corp (VHC)	Recommendation	BUY	2022A	13,231	2,254	2,013	10,771	41,027	29.7	19.8	11.1	1.3	5.8
	TP	85,500	2023A	10,033	969	974	4,914	44,629	11.6	8.3	14.3	1.7	14.6
	Price	71,900	2024F	12,129	1,289	1,201	5,058	39,802	13.1	9.9	13.4	1.8	13.0
	Market cap	16,138	2025F	15,192	2,340	2,088	8,795	46,097	20.5	16.0	7.7	1.6	7.2
	(VND bn)		2026F	16,447	2,827	2,540	10,698	54,295	21.3	17.2	6.4	1.3	5.9
Nam Viet Corp. (ANV)	Recommendation	Non-rated	2019A	4,481	805	704	5,542	18,769	33.3	18.6	3.4	1.0	4.1
	TP	N. A	2020A	3,439	243	202	1,591	18,359	8.6	4.5	14.2	1.2	14.0
	Price	32,800	2021A	3,494	216	129	1,013	18,372	5.5	2.6	30.7	1.7	16.5
	Market cap	4,367	2022A	4,897	863	674	5,299	22,672	25.8	13.0	4.1	1.0	4.5
	(VND bn)		2023A	4,439	183	39	295	21,392	1.4	0.7	105	1.5	20.0
Sao Ta Foods (FMC)	Recommendation	HOLD	2022A	5,702	307	322	4,084	27,252	18.7	13.0	6.4	1.2	12.1
	TP	54,376	2023A	5,087	292	302	4,726	29,423	16.7	11.3	11.1	1.3	7.2
	Price	49,250	2024F	6,044	291	331	4,221	31,024	14.0	9.5	9.7	1.5	11.7
	Market cap	3,220	2025F	6,387	440	450	4,625	33,650	14.3	9.5	9.7	1.5	11.8
	(VND bn)		2026F	6,575	372	390	6,201	37,851	17.3	11.9	7.3	1.3	7.8

Source: Company Data, KIS VN

Table 2: 2H24 business results

(VNDbn, %, %p)

	Revenue			NPAT		
	2H24	yoy	qoq	2H24	yoy	qoq
VHC	5,983	17	(3)	809	1.5x	1.1x
ANV	2,264	2.5	1.2	109	209x	1.5x
FMC	3,322	9	22	206	13	55

Source: Company data, KIS VN

II. Pangasius industry – The US market drives growth in the sector

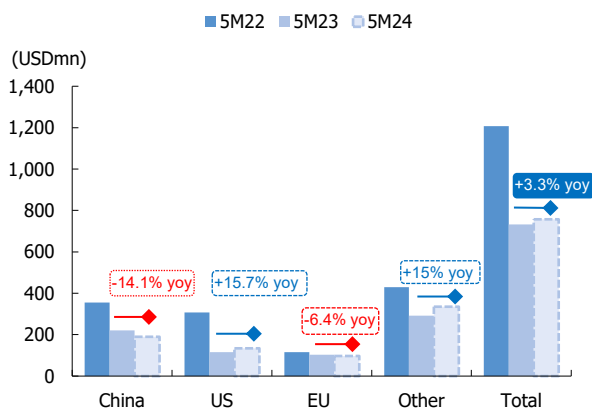
1. 5M24 – The volume sales rebounded strongly

Pangasius export volume soared in 5M24

In 5M24, pangasius export turnover sat at USD757mn, inching up +3.3% yoy, it was driven by the resurgence of export volume (+16% yoy). Meanwhile, pangasius ASPs plummeted to USD2.16/kg (-10.9% yoy, vs. USD2.42/kg in 5M23) due to subdued consumption and fierce competition to other whitefishes.

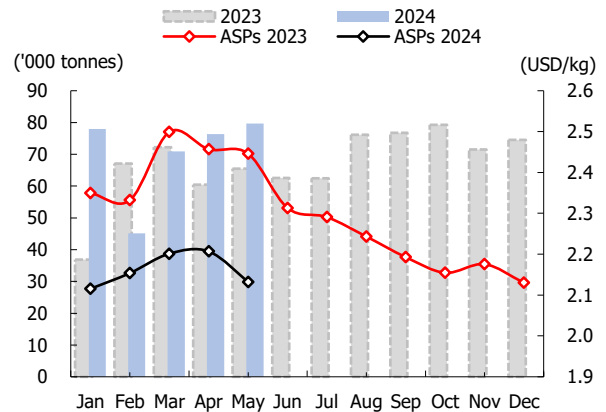
Specifically, the US market showed a rosy recovery in both export volume and ASPs, total export turnover reached USD134mn (+15.7% yoy). Meanwhile, China and EU were bleak, with an export value of USD190.2mn (-14.1% yoy) and USD96.5mn (-6.4% yoy), respectively. Besides, other market ramped up +15% yoy thanks to the resurgence of export volume to South America.

Figure 1. Pangasius export turnover edged up +3.3% thanks to the strong resumption of US market



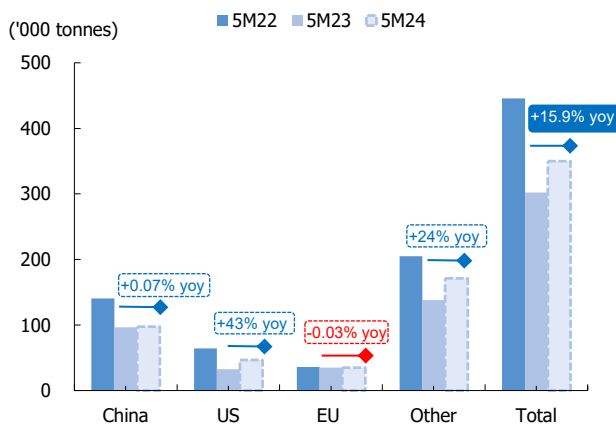
Source: Agromonitor, KISVN

Figure 2. Monthly export data showed an improvement in volumes, whilst ASPs were still weak



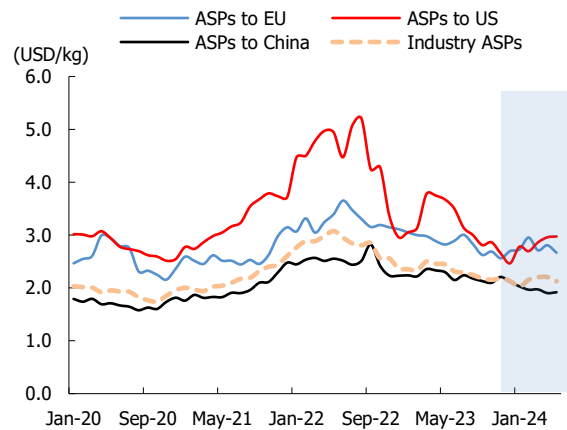
Source: Agromonitor, KISVN

Figure 3. The US market sharply rallied in export volume thanks to demand revival



Source: Agromonitor, KISVN

Figure 4... Meanwhile, the ASPs to US also outperformed other markets

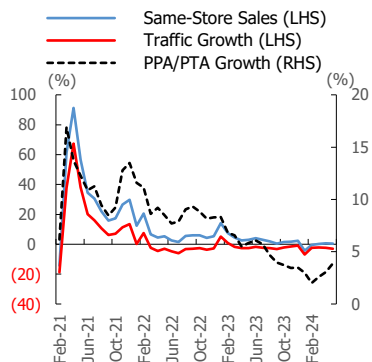


Source: Agromonitor, KISVN

The prospects for differentiation among markets

The vibrant consumption partially supports recovery trend

Figure 5. Foodservice channels showed early signs of recovery



Source: Bloomberg, KISVN

The export volume continues to pick up

The tilapia shortage could benefit to pangasius

The pangasius will likely be moderate

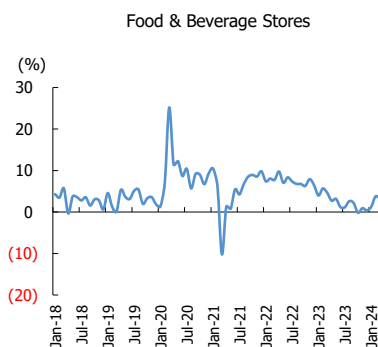
2. 2H24F - Consumption demand is expected to be still tepid, but a bright spot comes from the U.S. market

In 2H24F, we expect the EU and Chinese markets still drag on pangasius export growth due to (1) intense competition and (2) weak consumer, causing pangasius ASPs to have fewer catalysts for rebound. In contrast, the U.S. market could be on the recovery path thanks to vibrant spending on foodservice and retail channels.

The US market – staying on the recovery track

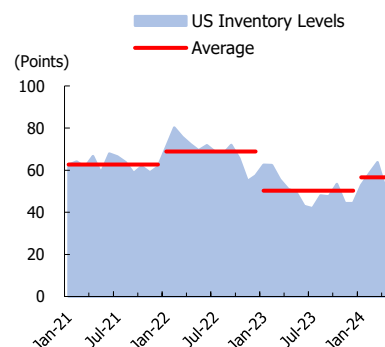
In 5M24, the strong recovery of US market was attributed to (1) the gradual recovery of HORECA (Hotel, Restaurant and Café) and retail channels; and (2) lower F&B stockpile in US market that stimulate restocking activities, and (3) Taking advantages from the ban on Russian-origin pollock (pangasius’s substitutes) entering the US.

Figure 6. Meanwhile, F&B retail channel also improved



Source: Bloomberg, KISVN

Figure 7. Restocking activities were more vibrant due to low stockpile levels



Source: Logistics manager index, KISVN

In 2H24F, we expect (1) & (2) factors that continue to fuel the robust pangasius export turnover, whereas pangasius will not benefit from the ban on Russian-origin pollock for too long, in our view. To elaborate, Total Allowance Catches (TAC) for pollock in Alaska (the main fisheries for pollock in the US) set approximately 1.5mn metric tonnes in 2024 (+3% yoy), and the quota will likely be fully utilized, per National Marine Fisheries Service (NMFS) (Figure 8). Besides, Alaska pollock landings typically ramp back up mid-July/August, thereby concerns about a shortage of whitefish supply might not materialize.

Moreover, Chinese tilapia exports to US (mainly substitute of pangasius) keeps sliding due to shrinking supply situation, causing the resurgence of its ASPs (Figure 9). As such, we expect Vietnam’s pangasius could benefit from the tilapia shortage to bolster export volume thanks to the more affordable ASPs.

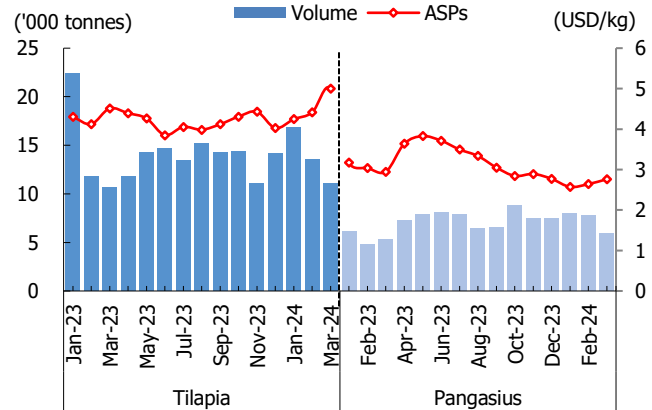
ASPs could see a slight uptick as the demand resumption, but the momentum could be slow due to consumers are sensitive about prices. Exporters are prioritizing affordable-price strategies for stimulating export orders, accepting trade-off between ASPs and volume.

Figure 8. the quota for harvested pollock inches up by 3% yoy in 2024F

	2022 Harvest	2023 Harvest	2024 TAC
Total in Alaska	1,238,625	1,446,195	1,495,720
+ Bearing Sea	1,108,747	1,314,439	1,300,000
+ Gulf of Alaska	129,878	131,756	195,720

Source: NMFS, KISVN

Figure 9. Pangasius could take advantages amidst shrinking Chinese tilapia in the US market



Source: NOAA, KISVN

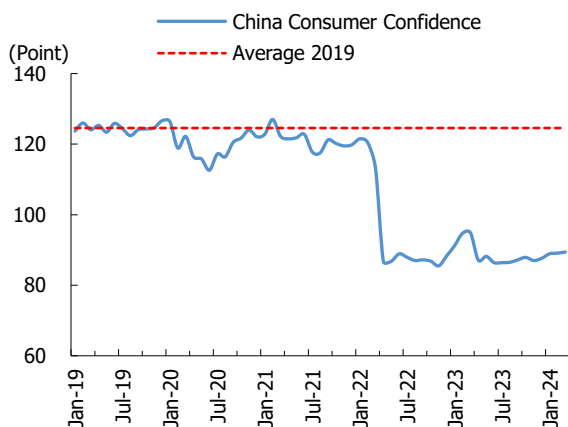
The Chinese market – Dim prospects due to stagnant consumption and intense competition

The snakehead fish arises concerns of price competition

In 5M24, pangasius export was constrained by (1) slower-than-expected consumer spending, leading restaurant chains and food service operators to prioritize discounts (2) Vietnam’s pangasius competes with snakehead fish products as the ASPs of snakehead fish decreased to a comparable, or even lower, level than that of pangasius. (Figure 10, 11)

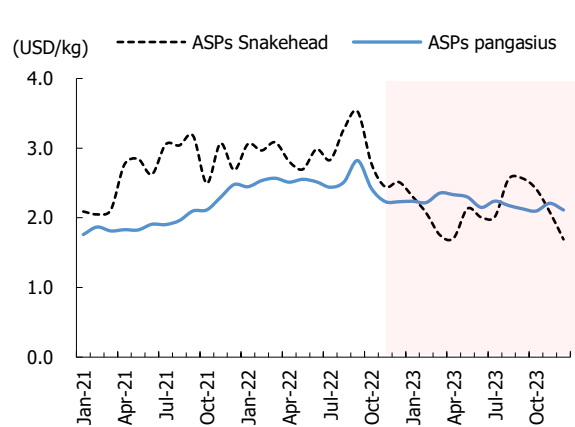
Given these challenges, we expect the prospect of Chinese market will likely glimmer in 2H24F, it needs more times to revive consumer confidence after economic difficulties pass.

Figure 10. Glimmer consumer confidence which caused heavy discounts in restaurant chains



Source: Bloomberg, KISVN

Figure 11 ... Alongside the recovery path could be hindered by competition risks to snakehead fish



Source: GlobalFish, KISVN

Pangasius faces to competition risks in EU market

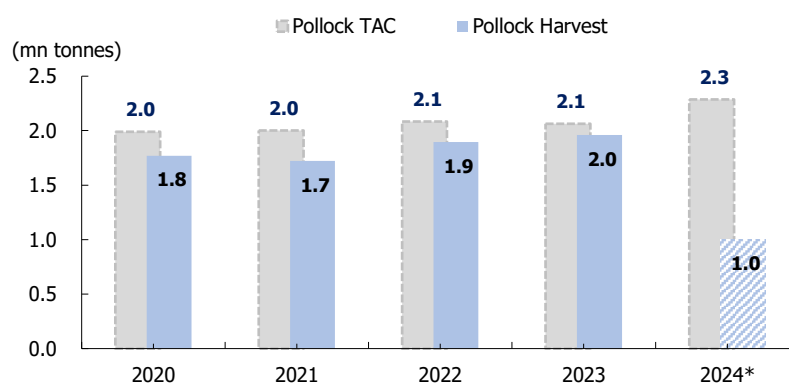
The EU market – Abundant pollock sources heat up competition

In 5M24, the recovery of pangasius was relatively slow despite the imposition of a higher tariff of 13.7% on Russian-origin pollock (accounting for approximately 70% of the imported pollock supply into

the EU). According to NMFS, the Total Allowance Catches (TAC) for pollock in Russia set at 2.3mn metric tonnes (+11% yoy, figure 12).

Furthermore, due to facing bans on from the US, Russian pollock has been shifting to other markets, including the EU. Consequently, competition could intensify and erode Vietnam’s pangasius exports in this market. Therefore, we expect the recovery prospects of pangasius exports to the EU to remain bleak in both volume and ASPs in 2H24F.

Figure 12. Pangasius export to EU faces to potential competition from abundant Russian pollock supply



Source: NMFS, KISVN, (*) Harvesting during 4M24 vs. TAC 2024

Input costs ease, hence supporting pangasius processors' GM

Pangasius harvest volume pick up in 5M24

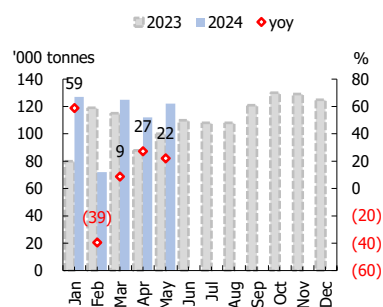
In 5M24, the pangasius harvest volume reached 558,000 tonnes (+11.2% yoy, figure 13), this indicates that aquaculture activities operated smoothly. Additionally, raw pangasius inventory remained at a high level compared to yoy. As a result, we peg prices of raw pangasius will likely be stable in 2H24F due to demand-supply balance.

Aquafeeds prices mitigated thanks to lower commodity prices

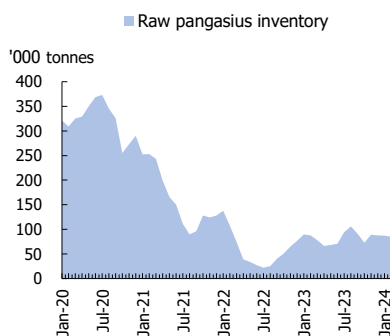
According to our forecasts, aquafeeds prices will likely tumble in 2H24F thanks to the slump in agricultural commodity prices (such as soybean meal, corn...). This is deemed by (1) abundant supply particularly in the South American region, due to favorable weather conditions, and (2) sluggish global consumption demand, per Agromonitor.

...Hence GM is expected to inch up in 2H24F

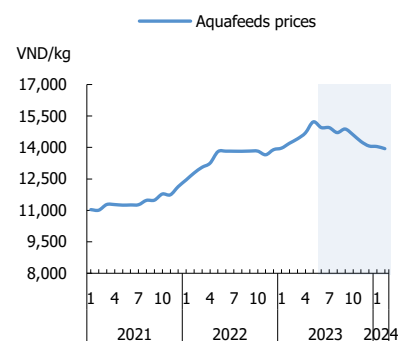
Based on these fundamentals, we expect that the 2H24F's COGS of pangasius processors could ease thanks to lower input costs. Along with the bottoming out of ASPs (particularly ASPs to the US market), pangasius exporters' GM will likely pick up.

Figure 13. the pangasius harvest volume reached 558,000 tonnes (+11.2% yoy)

Source: Agromonitor, KISVN

Figure 14. Pangasius inventory is expected to remain at a high level compared to yoy

Source: Agromonitor, KISVN

Figure 15. The aquafeeds prices decrease and lowering COGS

Source: Agromonitor, KISVN

An export turnover gradually improved MoM

III. Shrimp industry – Competition risks hold up

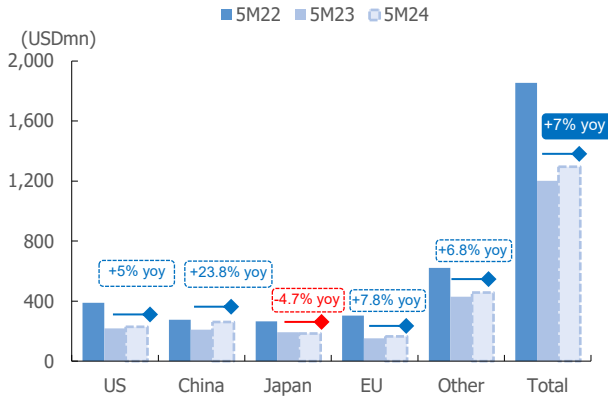
1. 5M24 – A shrimp export turnover inched up

In 5M24, total shrimp export turnover posted to USD1.3bn, edging up +7% yoy. The recovery of shrimp export was attributed to (1) the low comparable base effect in 5M23 (2) the gradual revival of consumption in key markets as US, China and EU markets (Figure 16). The export volume and ASPs are on the recovery path, but there are still moderate (Figure 17). Specifically:

- **US market:** export turnover sat at USD229mn (+5% yoy). Notably, these were some signs suggesting a US shrimp demand revival. Per NOAA 1Q24 data, the US market imported a total of 183,000 tonnes (+1% yoy). Additionally, frozen seafood sales by volume rose +2.9% yoy across U.S. retailers in 1Q24, per Circana. It could be attributed to restocking activities after a year of high stockpile clearance in foodservice and retail channels.
- **Chinese market:** Vietnam’s shrimp exports to China swelled +23.8% yoy, taking advantage of the obstacles faced by Ecuadorian shrimp after high sulfite levels were detected in their shrimp products.
- **Japanese market:** Shrimp export turnover edged down -4.7% yoy, to USD183mn. It was attributed to a weak Yen currency weighing on consumer spending.
- **EU market:** Plummeting to USD165mn (+7.8% yoy), the export turnover witnessed a recovery in April and May-24, with a monthly growth by 30% yoy and 35% yoy, respectively.

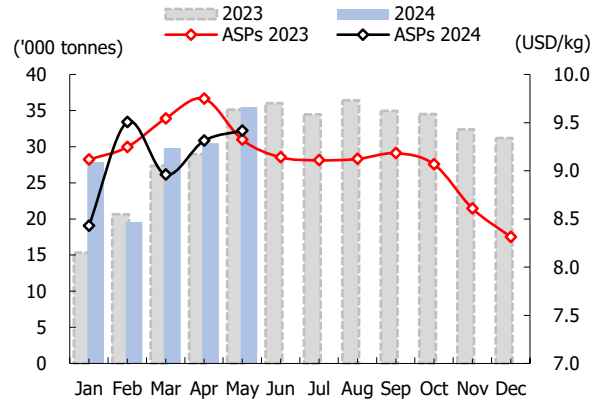
Generally, we observe an improvement in export volumes to key markets, while the ASPs remain bleak, especially in the Japanese market, as shrimp exporters proactively maintain low prices to boost orders (Figure 18).

Figure 16. Vietnam’s shrimp export turnover edged up by 7% yoy in 5M24



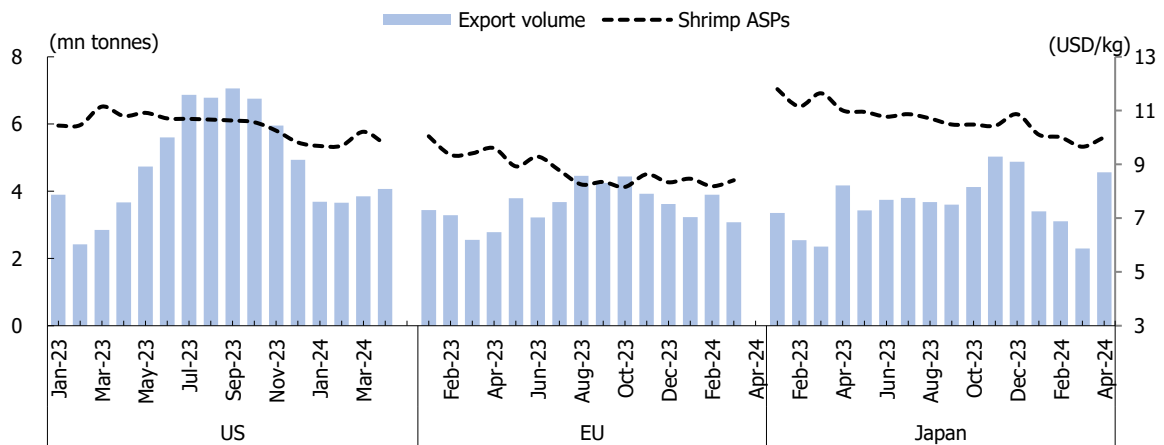
Source: VASEP, KISVN

Figure 17. Export volume and ASPs have bottomed out and recovered in 5M24



Source: Agromonitor, KISVN

Figure 18. Vietnam’s Shrimp ASPs continue to be bleak in key market (US, EU, and Japan)



Source: NOAA, Eurostat, Japan Custom, KISVN compiled

2. 2H24F - On the recovery path but lacking catalysts to achieve robust growth

Shrimp ASPs could have no catalyst to rise in 2H24F

In 2H24F, we peg the shrimp export volume could persist recovery path thanks to the demand uptick in key market, with the US market playing a leading role for entire sector. However, the shrimp ASPs may be flat amidst intense competition. Additionally, the depreciation of Yen currency could continue to hit hard ASPs these enterprises exporting to Japan.

A gradual demand revival in shrimp across US retailers, but ASPs still hit hard

US market – volume rebounds, but ASPs lack catalysts to rise

In 1Q24, shrimp sales volume across US retailers perked up +2.9% yoy, per Circana. However, shrimp’s ASPs kept sliding, frozen shrimp prices in retail in the US dipped by 6.6% yoy, per Kontali data. The ASPs of seafood are still less affordable for consumers compared to other protein sources. As such, retailers have been increasing in the overall promotion of seafood product to foster demand.

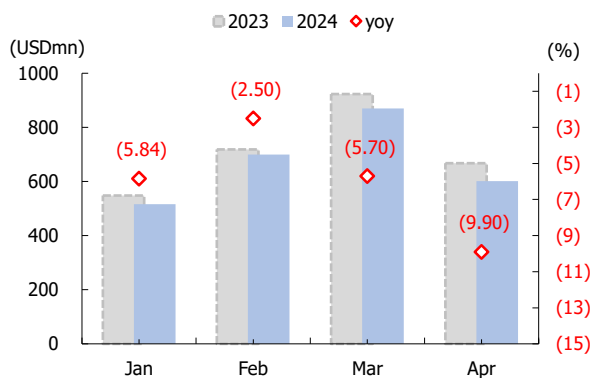
CVD tax threatens Vietnam’s frozen shrimp exporting enterprises to US

Waiting for a tailwind for shrimp ASPs

In addition, frozen shrimp from Vietnam faces a CVD tax rate of approximately 2.84%. This impacts shrimp exporters with a high proportion of frozen shrimp (HS03), as they find it challenging to raise prices in the context of subdued consumption to offset the increased costs. There are fears of losing price competitiveness compared to competitors. For companies with a high proportion of processed shrimp (HS16), this tax imposition poses less risk.

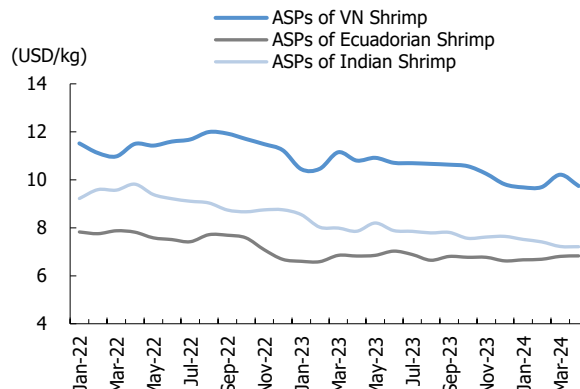
In 2H24F, we peg that export volume could continuously enjoy a demand revival on retail channels from 2H24F onwards. Meanwhile, we expect the shrimp’s ASPs of Vietnam could stay flat before the consumption becomes more vibrant and competition reduction. Additionally, we notice that some Indian shrimp exporters are potentially facing an export ban to the US market. These difficulties for Indian shrimp in the US market could alleviate competition risks in 2H24F.

Figure 19. Frozen seafood retail sales decreased, mainly dragged down by a slump in ASPs



Source: Circana data, KISVN

Figure 20. Shrimp ASPs to US persist low due to competitive pressures to other countries



Source: NOAA, KISVN

Table 3. The countervailing duty (CVD) investigations of frozen warmwater shrimp

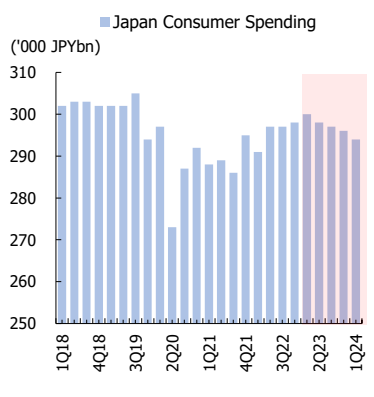
Country	Enterprises	CVD (%)
Vietnam	Thong Thuan Seafood	196.41
	Soc Trang Seafood	2.84
	Others	2.84
Ecuador	Industrial Pesquera Santa Priscila	2.89
	Sociedad Nacional de Galapagos (SONGA)	1.69
	Others	2.89
India	Devi SeaFoods	4.72
	Sandhya Aqua Exports; Neli SeaFoods; Vijay Aqua	3.89
	Others	4.36
Indonesia	All shrimp exporters	0

Source: DOC, KISVN

Glimmer consumption hit hard shrimp exporting to Japan

Hike wage growth could be a good catalyst in 2H24F

Figure 21. Japan Consumer Spending kept retreated in 1Q24, indicating subdued consumption



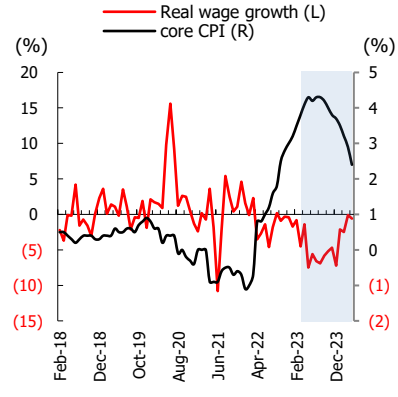
Source: Japan Custom, KISVN

Japanese market - Slower-than-expected consumption could hinder recovery

As data showed, 1Q24’s Japan consumer spending recorded a slump for 5 consecutive quarters (Figure 21). It stems from the Yen currency has been depreciating during 5M24, leading to weakened purchasing power.

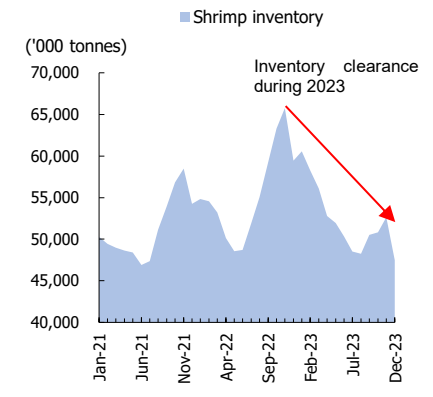
However, we peg that the expectations for 2024’s wage hike (+5.28% in 2024) could gradually reinforce on consumer spending as it materializes in 2H24F (Figure 22). Additionally, shrimp inventory eased after an aggressive inventory clearance 2023 (Figure 23). We expect restocking activities could continuously persist in 2H24F, hence stimulating shrimp export volumes. Additionally, shrimp’s ASPs may bottom out from late 4Q24F due to the Japanese Yen not improving significantly, which could cause the ASPs to recover moderately.

Figure 22. Real wage growth gradually resurges after inflationary eases and wage hike in 2024



Source: Bloomberg, KISVN

Figure 23. Lower shrimp stockpile in Japanese market could push restocking activities



Source: Ministry of Agricultural, Forestry & Fishery, KISVN

Vietnam’s shrimps lack of competitive edge in EU market

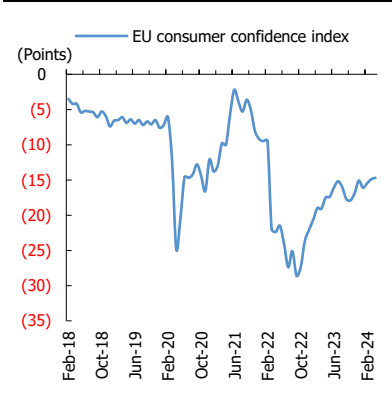
The robust recovery momentum due to the avoidance of competition

EU market (Including UK) - There are prospects for divergence among countries in the region

Although EU market witnessed the resurgence of shrimp export in April and May-24, we believe that the prospects of recovery will likely be bleak in 2H24F. Based on these rationales: (1) Consumer sentiment remains poor (2) per Globefish, white-leg shrimp continues to be over-supplied in the EU market, thus heating up price competition between exporters, and (3) Vietnam’s shrimp ASPs are less competitive pricing compared to other competitors.

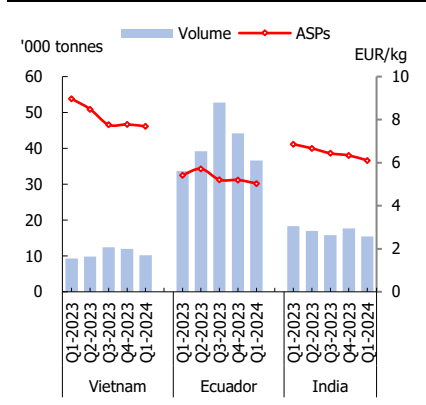
In UK market, the advantage in quality allows Vietnam’s shrimp exports to maintain a high market shares (Figure 26) and shrimp export turnover growth in 5M24 recorded +15% yoy, according to VASEP. This indicates that the export turnover to the UK fared better than the overall EU market. In 2H24F, we believe that companies with ASC-certified farming areas will likely pick up despite a gloomy export outlook due to consumers’ appetite towards high-quality products and avoiding harsh competition to Ecuador.

Figure 24. Consumer confidence are still weak



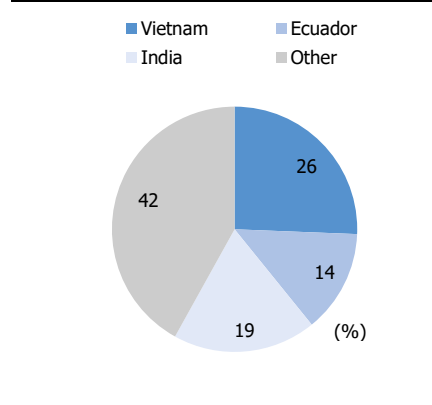
Source: Bloomberg, KISVN

Figure 25... Higher ASPs compared to other competitors, that impede recovery



Source: Eurostat, KISVN

Figure 26. However, Vietnam’s shrimp revived faster in UK market due to absence of competition



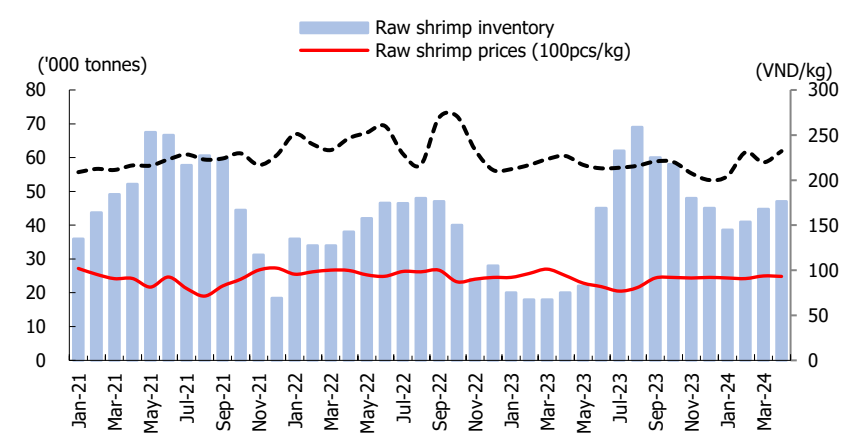
Source: UK Customs, KISVN

Raw shrimp prices remain stable, thus minimize risk of squeezed margins

Raw shrimp prices could not fluctuate significantly in 2H24F

Domestic shrimp inventory remained at high level in 1Q24, which lowered raw shrimp prices compared to yoy. In 2H24F, raw shrimp prices are unlikely to rise significantly due to the commencement of the main harvest season, thus ensuring an adequate supply for shrimp processors. Therefore, we peg GM of exporters will likely stabilize in context of subdued ASPs in key markets.

Figure 27. Raw shrimp prices are expected to rise slower than ASPs due to the high raw shrimp stockpile in 2H24F



Source: Agromonitor, VASEP, KISVN

IV. Risks to be considered

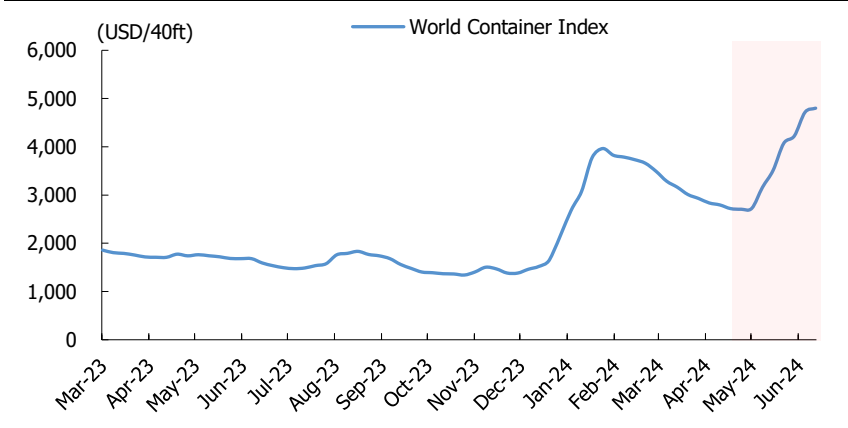
Slowing global consumption recovery, and intense competition risks

If the bleak consumption of seafood in key markets prolongs longer than expected, it could drag on the recovery momentum of export volume and ASPs. Especially in the current context of intense competition, price competition has become even more fierce. As such, the expectations of earning recovery for both the pangasius and shrimp sectors could be hindered.

Watching out risks of hike shipping costs

Escalating tensions in the Red Sea have led to unpredictable schedules for vessels returning to Asian, causing severe congestion at Singapore ports and a shortage of ships. As a result, container freight rates have sharply rallied (Figure 28). This sudden resurgence could weigh on shipping costs for exporting enterprises and impact end-users who incur higher costs, potentially reducing demand for goods.

Figure 28. World Container Index (WCI) has been steeply surging since May-24



Source: Drewry, KISVN

Company Analysis

Vinh Hoan Corp.	VHC
Nam Viet Corp.	ANV
Sao Ta Foods.	FMC

Vinh Hoan Corp. (VHC)

BUY (Maintain), TP VND85,500

		Yr to	Sales	OP	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Stock price (Jun 28, VND)	71,900	2022A	13,231	2,254	2,013	10,771	80	41,027	11.1	1.3	19.8	29.7	3.2
Market cap (USD mn)	634	2023A	10,033	969	974	4,914	(54)	44,629	14.3	1.7	8.3	11.6	2.9
Shares outstanding (mn)	224	2024F	12,129	1,289	1,201	5,058	3	39,802	13.4	1.8	9.9	13.1	2.6
52-Week high/low (VND)	79,300/50,926	2025F	15,192	2,340	2,088	8,795	74	46,097	7.7	1.6	16.0	20.5	3.5
6M avg. daily turnover (USD mn)	2.91	2026F	16,447	2,827	2,540	10,698	22	54,295	6.4	1.3	17.2	21.3	3.5
Free float / Foreign ownership (%)	49.8/29.7												
Major shareholders (%)													
Truong Thi Le Khanh	43.2												
Mitsubishi Corp.	6.4												

Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

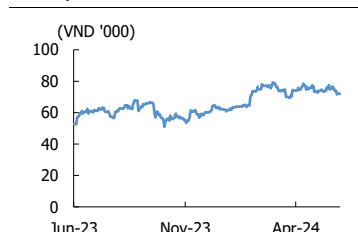
Ramping up growth thanks to US market rebounds

All VHC’s business segments resumed. VHC recorded a revenue of VND5,033bn (+23.7% yoy) in 5M24. Notably, the pangasius segment posted to VND2,696bn (+11.8% yoy), primarily driven by the restocking activities in key markets after a stagnant year.

Performance

	1M	6M	12M
Absolute (%)	(2.3)	19.5	36.8
Rel. to VNI (%p)	(0.8)	7.1	22.3

Stock price



Source: Bloomberg

Table 4. VHC earnings forecast

(VNDbn, %)

	1Q24A	2Q24F	2H24F		2024F		Consensus		
			yoy	qoq	yoy	2H24F	2024F		
Revenue	2,856	3,290	5,983	17	(3)	12,129	21	-	11,749
Pangasius fillets & Related products	2,456	2,884	5,184	16	(3)	10,524	19	-	-
C&G	238	222	489	31	(10)	949	32	-	-
Sa Giang	162	184	310	21	6	656	44	-	-
NPAT	189	203	809	1.5x	1.1x	1,201	23	-	1,196

Source: Company data, Bloomberg, KISVN estimate

The business results revival in 2H24F. We forecast business results could strongly rebounds, with a revenue of VND5,983bn (+17.5% yoy) and a NPAT of VND809bn (+1.52x yoy), thanks to:

- **Pangasius fillet products:** The US market could play a pivotal role to lead the strong revival VHC’s pangasius exports. However, pangasius’s ASPs tend to diverge between markets. ASPs to US could witness a slight upturn in 2H24F, meanwhile the rests (including EU and China) have less catalyst for growth due to tepid demand.

On the other hand, we expect costs per kg finished goods decrease thanks to the lower aquafeeds and raw pangasius prices, thereby improving GM.

- **Collagen & Gelatin products (C&G):** The C&G line 2 factory commences operations on April-24, elevating the total designed capacity to 7,000 tons/year. We forecast VHC could produce 6,000 tonnes (~86% total capacity). Sales could be fueled by two key drivers (1) a demand revival in the foodservice and healthcare segments, and (2) a potential growth rate of global C&G consumption, with a CAGR of +8.9% in 2023-32F, per Precedence Research.

We peg 2024F revenue and NPAT-MI could reach VND12,129bn (+20.9% yoy) and VND1,201bn (+23.3% yoy), respectively.

Valuation: We increase our TP for VHC from 77,118 VND per share to **85,527 VND per share** and maintain a **BUY** recommendation. Our higher TP is due to (1) demand growth in the US market and revival in the EU and Chinese markets, and (2) expecting up-cycle in pangasius ASPs in 2025F-26F. However, we think without strong drivers to significantly boost pangasius ASPs in 2H24F. Therefore, valuation could not create positive change in the short term.

Risks: Risks of weaker-than-expected demand in key market, which is likely hinder the recovery momentum of VHC’s business results.

Nam Viet Corp. (ANV)

NON-RATED

		Yr to	Sales	OP	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Stock price (Jun 28, VND)	32,800	2019A	4,481	805	704	5,542	15	18,769	3.4	1.0	18.6	33.3	8.0
Market cap (USD mn)	172	2020A	3,439	243	202	1,591	(71)	18,359	14.2	1.2	4.5	8.6	8.8
Shares outstanding (mn)	133	2021A	3,494	216	129	1,013	(36)	18,372	30.7	1.7	2.6	5.5	6.4
52-Week high/low (VND)	39,700/24,600	2022A	4,897	863	674	5,299	4.23x	22,672	4.1	1.0	13.0	25.8	4.6
6M avg. daily turnover (USD mn)	2.3	2023A	4,439	183	39	295	(94)	21,392	105	1.5	0.7	1.4	3.2
Free float / Foreign ownership (%)	31.1/8												
Major shareholders (%)													
Doan Toi	53.9												
Doan Chi Thanh	12.9												

Source: Company data, KIS Research

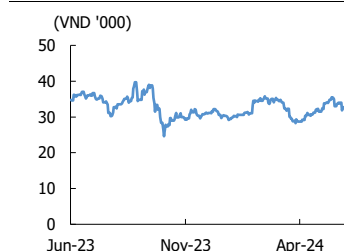
Note: NP and EPS attributed to controlling interest

Short-term obstacles delay growth plan

Performance

	1M	6M	12M
Absolute (%)	2.5	5.5	(5.0)
Rel. to VNI (%p)	4.1	(6.9)	(19.5)

Stock price



Source: Bloomberg

NPAT gradually improves qoq. In 1Q24, ANV reported a revenue of VND1,016bn (-12% yoy) and a NPAT-MI of VND16.9bn (-81.7% yoy). Export revenue plummeted by 33% yoy to VND597bn. Notably, exporting pangasius to China (the most important market of ANV) sat at USD9.02mn (-39.5% yoy), slumping in both volume and ASPs.

Table 5. ANV earnings forecast

(VNDbn, %)

	1Q24A	2Q24F	2H24F		2024F		Consensus	
			yoy	qoq	yoy	1H24F	2024F	
Revenue	1,016	1,221	2,264	2.5	1.2	4,501	1.4	-
Pangasius fillets & related products	984	1,189	2,201	2	1.3	4,374	1	-
Solar	27	27	55	11	0	110	3.4	-
Other	4	4	9	5.2x	0	17	0.3	-
NPAT	17	27	109	209x	1.5x	152	2.8x	-

Source: Company data, Bloomberg, KISVN estimate

Impressive growth due to low base effect. Revenue and NPAT could reach VND2,264bn (+2.5% yoy) and VND109bn (+10.1x yoy), respectively.

- *Export revenue:* We remain cautious about pangasius exports to China. Meanwhile, the other key markets (ASEAN, South America...) could show a slight upturn in both ASPs and export volume.
- *Domestic market sales will likely soar,* as facing difficulties of exports, ANV shifts a portion of the sales strategy to the domestic channels.
- *ANV's GM is expected to rebound,* attributed to the cooling down of aquafeed prices, as discussed in the 2H24F outlook section.

In 2024F, we project ANV's revenue and NPAT sit at VND4,501bn (+1.4% yoy) and VND152bn (+2.8x yoy), respectively. The NPAT rebounds from the low comparable base in 2023, but it could not exceed business plan (~VND306bn).

Valuation: ANV's earnings are cyclical, caused by the significant fluctuation of pangasius ASPs. Therefore, we using normalized PER as valuation approach. Based on average EPS in period of 2016-2019 and 2020-2023, the normalized PER is 14.9x. ANV's forward P/E is trading at 16.4x (Bloomberg data), suggesting that ANV's valuation might be reflected the earnings rebound within a year.

Sao Ta Foods (FMC)

HOLD (Maintain)

	Yr to	Sales	OP	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
	Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Stock price (Jun 27, VND)		49,250										
Market cap (USD mn)		127										
Shares outstanding (mn)		65										
52-Week high/low (VND)		52,600/39,886										
6M avg. daily turnover (USD mn)		0.15										
Free float / Foreign ownership (%)		22.9/31.6										
Major shareholders (%)												
P.A.N Group		37.8										
C.P Vietnam		24.9										
	2022A	5,702	307	322	4,726	15.7	29,423	11.1	1.3	11.3	16.7	6.2
	2023A	5,087	292	302	4,221	(10.7)	31,024	9.7	1.5	9.5	14.0	4.4
	2024F	6,044	291	331	4,625	9.6	33,650	9.7	1.5	9.5	14.3	4.1
	2025F	6,387	440	450	6,201	34.1	37,851	7.3	1.3	11.9	17.3	4.1
	2026F	6,575	372	390	5,334	(14)	41,184	8.4	1.2	9.6	13.5	4.1

Source: Company data, KIS Research

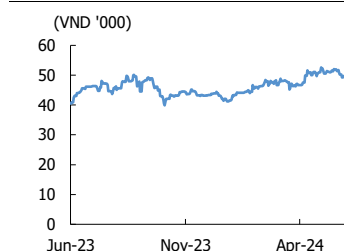
Note: NP and EPS attributed to controlling interest

Solid fundamentals could overcome industry’s headwinds

Performance

	1M	6M	12M
Absolute (%)	(5.3)	13.8	20.5
Rel. to VNI (%p)	(3.7)	1.5	6.1

Stock price



Shrimp export volume swelled. Total FMC’s revenue recorded USD81.5mn (+19.7% yoy) in 5M24, including: shrimp export volume (posting to 7,143 tonnes, +29.7% yoy). In contrast, shrimp ASPs slid due to the gloomy prospects in Japan (the most important market of FMC) and intense competition in US and EU, per our view.

Table 6. FMC earnings forecast

(VNDbn, %)

	1Q24A	2Q24F	2H24F		2024F		Consensus	
			yoy	qoq	yoy	2H24F	2024F	
Revenue	1,461	1,263	3,322	9	22	6,044	19	5,692
Shrimp products	1,426	1,228	3,252	9	23	5,906	20	-
Agricultural products	35	31	73	2	11	139	(13)	-
NPAT	57	75	206	13	55	331	9.6	330

Source: Company data, Bloomberg, KISVN estimate

Entering the main harvest season. Revenue and NPAT are forecasted to VND3,325bn (+9.2% yoy) and VND202bn (+13.3% yoy) in 2H24F, respectively.

- *Export volume will likely soar as seen in 1H24*, driven by a gradual demand revival in the US and Japan. Additionally, FMC has expanded its market share in the EU thanks to new farming areas meeting ASC standards.
- *Shrimp ASPs could be still sluggish* due to price competition pressure and the depreciation of Yen currency in Japan.
- *However, shrimp COGS could decrease* thanks to the high harvest volume from FMC’s farming areas in 2H24F, hence stabilizing FMC’s GM amidst subdued shrimp ASPs.

In 2024F, we project export volume and shrimp ASPs of FMC post to 20,026 tonnes (+15.5% yoy) and USD11.05/kg (-1.3% yoy), respectively. As a result, FMC’s revenue and NPAT will likely sit at VND6,044bn (+19% yoy) and VND331bn (+9.6%yoy) in 2024, respectively.

Valuation: We reaffirm **HOLD** recommendation for FMC shares due to ongoing concerns about competitive pressures, which may impact shrimp ASPs for an extended period.

Risks: The risks associated with increased costs of outsourced raw shrimp materials and the low success rate of shrimp farming.

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