

# Seafood

## 1Q24F Preview: First stages of restoration

### 1Q24F pangasius: On a tear

In 2M24, pangasius export turnover recovered steadily at +7.8% yoy. Specifically, the US market gained the spotlight, with an export volume upturn of +40.2% yoy thanks to the temporary whitefish shortage and picking up average selling prices (ASPs). The other markets were tepid (EU: -12.9% yoy, China: -4.9% yoy) due to weak consumer confidence. In 1Q24F, we anticipate business performance across the industry to diverge due to varied export market structures, of which the US market keeps thriving. Hence, we peg VHC's revenue at VND2,718bn (+20.7% yoy/+12.4% qoq), and a NPAT at VND226bn (+0.6% yoy/+240% qoq).

### 1Q24F shrimp: Positive signals from Japan and US

In 2M24, shrimp export turnover bounced back 22.6% yoy thanks to the rosy revival of some key markets (China: +145% yoy, US: +26.3% yoy, Japan: +3.5% yoy), when the consumption of food services and retail channels boomed. In contrast, the EU market inched down -3.9% yoy due to glimmer consumption and intense competition. In 1Q24F, we stay optimistic about results of shrimp export businesses, particularly those exporting to the US and Japan. However, we still concern about the competition risks of Vietnam products in the US and EU markets against cheap sources from Ecuador and India. FMC's 1Q24F revenue could reach VND1225bn (+21.4% yoy/-2.2% qoq), and NPAT could be at VND56.9bn (+17.2% yoy/-35.8% qoq), in our view.

### Watching out risks of high shipping costs

We observe escalating tensions in the Red Sea, leading to a slowdown in logistics activities and subsequently rendering the fluctuations in transportation freight rates unpredictable. Particularly, high transportation costs on routes between Asia and the EU, as well as between Asia and the US, are impeding the timeline for the signing of new orders by importers, per Agromonitor. This could weigh on shipping costs for exporting enterprises (including FOB and CIF orders) and potentially impede their recovery process.

### Recommendation and rating

We maintain Neutral on the seafood industry. Specifically, we reaffirm BUY rating for VHC shares thanks to the gradually uptick of export volume and pangasius ASPs. Meanwhile, we maintain HOLD rating for FMC shares due to the concerns about intense competition in the US and EU markets.

## Neutral (Maintain)

Company	Rating	TP (VND)
Vinh Hoan	BUY	77,118
Sao Ta Foods	HOLD	

**Table 1. Coverage valuation**

Recommendation & TP				Earnings & Valuation									
Company				Sales	OP	NP	EPS	BPS	PE	PB	ROE	EV/EBITDA	DY
				(VNDbn)	(VNDbn)	(VNDbn)	(VNDbn)	(VNDbn)	(X)	(X)	(%)	(X)	(%)
VHC	Recommendation	BUY	2022A	13,231	2,254	1,975	10,053	41,027	6.3	1.7	29.7	5.1	3.0
	TP (VND)	77,118	2023A	10,039	928	897	4,565	44,510	14.8	1.6	11.3	10.6	3.1
	Price (Apr 10, VND)	74,000	2024F	10,789	1,707	1,462	6,205	42,232	11.3	1.8	16.6	8.1	-
	Market cap. (VNDbn)	16,610	2025F	12,128	2,162	1,880	7,980	47,281	8.8	1.6	18.7	6.5	-
			2026F	12,918	2,395	2,080	8,829	52,867	8	1.4	18.5	5.8	-
FMC	Recommendation:	HOLD	2022A	5,702	307	309	4,703	29,400	6.4	1.0	16.7	7.5	6.5
	TP (VND)	-	2023A	5,087	292	276	4,221	31,024	10.7	1.5	14.0	7.2	4.4
	Price (Apr 10, VND)	50,000	2024F	5,733	350	351	4,979	34,647	8.7	1.3	15.5	5.0	-
	Market cap. (VNDbn)	3,269	2025F	6,489	407	408	5,851	38,436	8.0	1.2	16.2	4.6	-
			2026F	7,129	442	442	6,370	42,774	7.2	1.1	15.8	4.1	-

Source: Bloomberg, KISVN estimate

**Table 2: 1Q24F business results forecast, KIS coverage**

(VNDbn, %)

	Revenue			NPAT		
	1Q24F	yoy	qoq	1Q24F	yoy	qoq
<b>VHC</b>	2,718	20.7	12.4	226	0.6	240
<b>FMC</b>	1,225	21.4	(2.2)	56.9	17.2	(35.8)

Source: Company data, KISVN estimate

## CONTENTS

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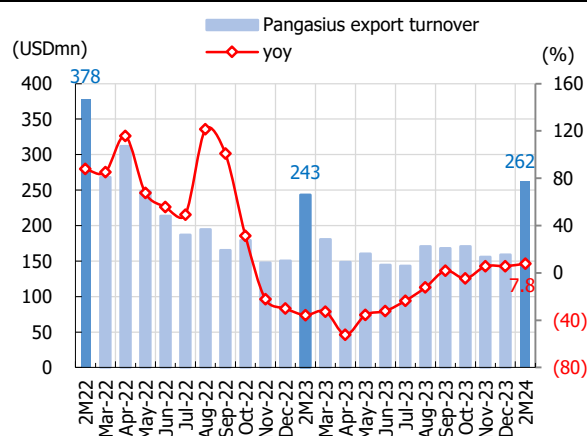
<b>I.</b>	<b>Pangasius: On a tear</b>	<b>4</b>
<b>II.</b>	<b>Shrimp: Positive signals from Japan and US</b>	<b>9</b>
<b>III.</b>	<b>1Q24F business results of listed enterprises</b>	<b>13</b>
	VHC - Over the hump	13
	FMC - Brighter outlook thanks to the solid fundamentals	14

## I. Pangasius: On a tear

### 1Q24F – Shinning the volume, but dimming average selling prices

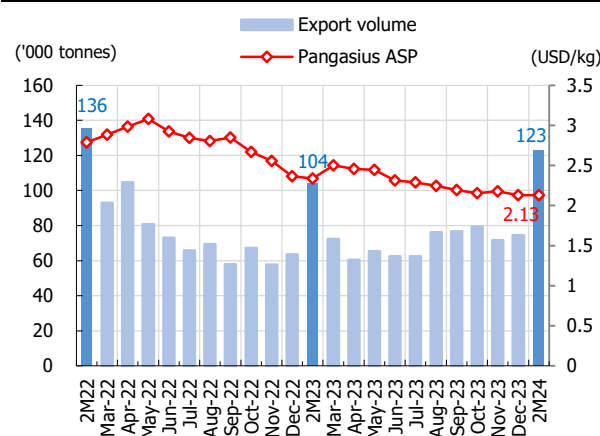
In 2M24, pangasius export turnover inched up to USD262mn (+7.8% yoy), mainly on the backdrop of rosy volume growth (123,100 tonnes, +18.4% yoy), compensating tepid average selling prices (ASPs) (USD2.13/kg in 2M24 vs. USD2.34/kg in 2M23) (Figure1, 2). The turnover growth was attributed to the steady demand revival in US market (USD34mn, +23.7% yoy), offset by export slump in others (EU: -12.9% yoy; China: -4.9% yoy). We forecast 1Q24F pangasius export revival to US, EU, and China remains in place, driven by export volume upturn and the pangasius ASPs stabilization.

**Figure 1. Pangasius export inched up +7.8% yoy**



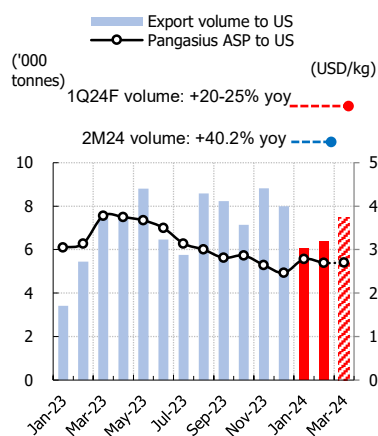
Source: Agromonitor, KISVN

**Figure 2... Volume growth bore fruit**



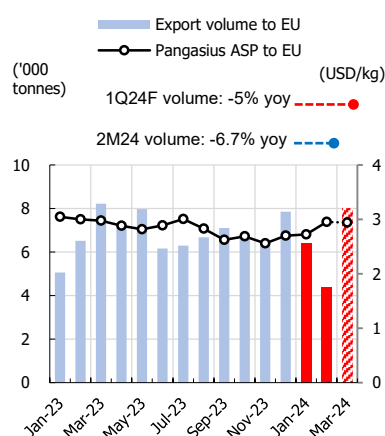
Source: Agromonitor, KISVN

**Fig 3. Export volume revived on US market**



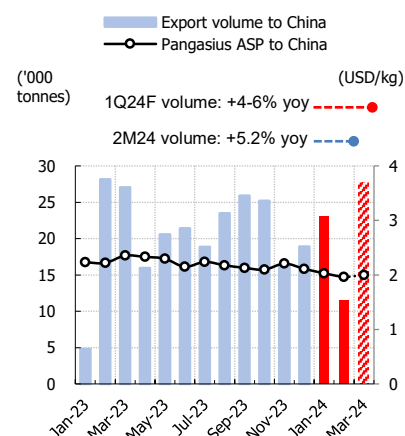
Source: Agromonitor, KISVN

**Fig 4... ASPs spiked up to USD2.95/kg in EU market**



Source: Agromonitor, KISVN

**Fig 5. Weak demand slashed ASPs in Chinese market**



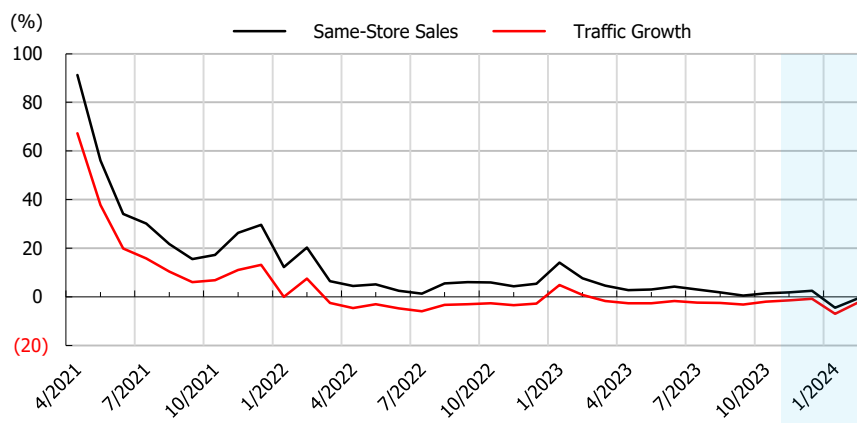
Source: Agromonitor, KISVN

Specifically:

- **The US market:** the ASPs rebounded to USD2.74/kg in 2M24 vs. USD2.65/kg in 4Q23 and export volume rallied to 12,440 tonnes (+40.2% yoy) (Figure 3). In 1Q24F, we expect the turnover could edge down by 2.6% yoy of which volume rakes up by 20 - 25% yoy thanks to (1) picking up consumption on HORECA channels (Figure 6) (2) benefiting from US sanctions on Russian pollock (main substitute of pangasius,

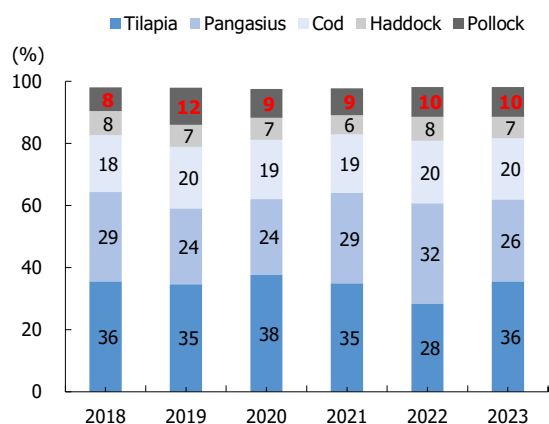
figure 7,8). Meanwhile, the ASPs keep trimming USD2.72/kg (-21.9% yoy) in 1Q24 but seem improving as compared to the low level in 4Q23.

**Figure 6: Same-store sales and traffic growth of HORECA in US channels narrowed negative growth momentum**



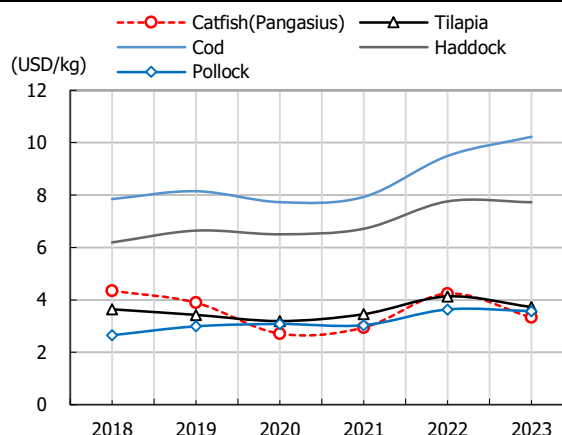
Source: Bloomberg, KISVN

**Figure 7. Russia pollock accounted for 10% whitefish market in the US**



Source: NOAA, KISVN

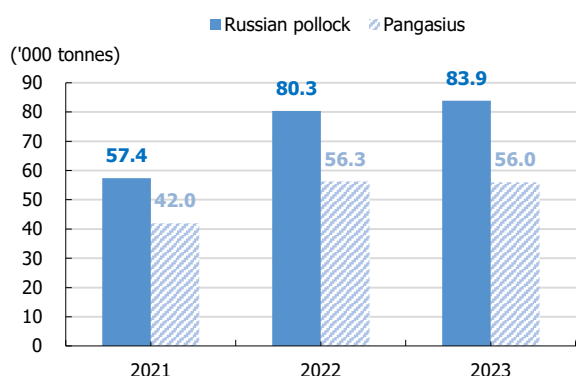
**Figure 8. Capitalizing on affordable ASPs advantage, Vietnamese pangasius could be an ideal alternative**



Source: NOAA, KISVN

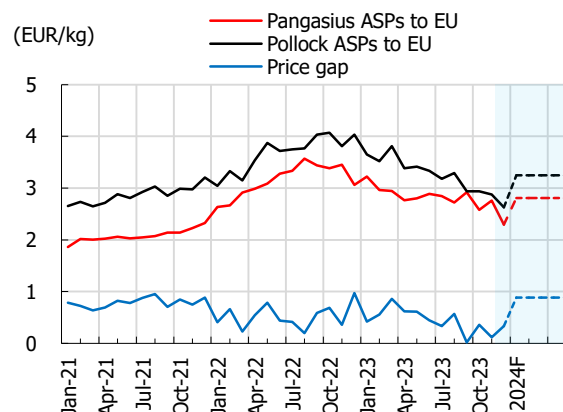
- The EU market:** The EU also proposes a 13.7% import tariff in Russia pollock in 2024. As our estimate, Russian pollock ASPs could be fatter by 27% than pangasius ASPs after incurring tariffs (based on ASPs in 2023), and that fosters importers to seek pangasius as alternative sources with more affordable prices. Hence, ASPs rose to USD2.82/kg in 2M24 vs USD2.65/kg in 4Q23, outstripping the volume contraction (10,800 tonnes, -6.7% yoy) (Figure 4). In 1Q24F, we forecast ASPs could sit at USD2.88/kg (-4% yoy), while volume could edge down -5% yoy amidst consumer cautiousness. As such, pangasius export turnover to the EU could decrease by 9%.

**Figure 9. Export volume of Russian pollock and pangasius to EU markets during 2021 – 2023**



Source: EUMOFA, KISVN estimate

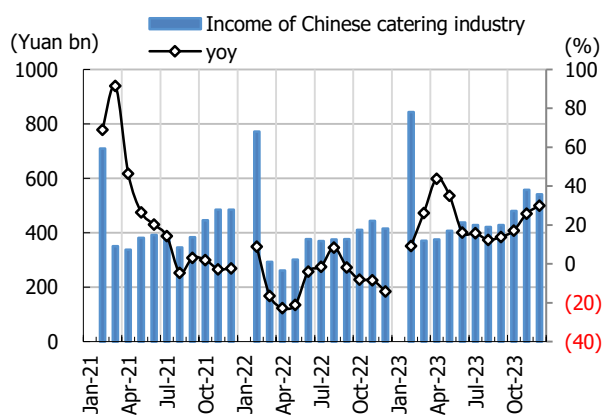
**Figure 10. Price gap between pollock and pangasius expect to widen after proposing 13.7% import tariffs**



Source: EUMOFA, KISVN

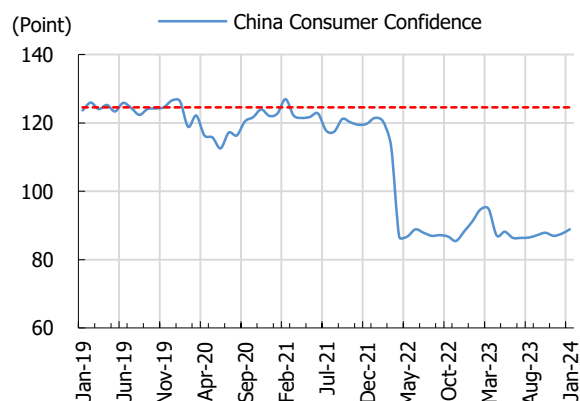
- The Chinese market:** The pangasius export volume to China inched up in 2M24 (34,680 tonnes, +5.2% yoy), but ASPs shrank down to USD1.99/kg in Feb-24 (Figure 5). The weak demand arising from pessimistic consumer confidence eroded the ASPs revamp. The export turnover could swing by -8.6% yoy in 1Q24, with volume growth of +4-6% yoy, mainly stemming from Chinese restaurant chains (Figure 11). However, we insist that the slower-than-expected consumer spending relief (Figure 12), could constrain ASPs in the short term which could sit at USD2/kg (-12% yoy) in 1Q24F.

**Figure 11. Chinese food services prospects brighten since 4Q23**



Source: China Custom, KISVN

**Figure 12...But cautious consumer sentiment weighed on pangasius ASPs**



Source: Bloomberg, KISVN

### Gross margin (GM) could widen in 1Q24F thanks to aquafeeds COGS ease

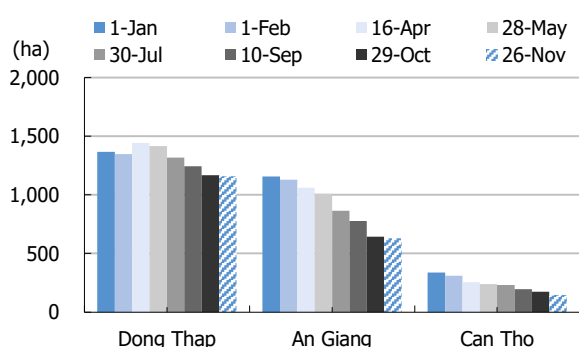
The prices of raw materials for aquafeeds (accounting for 70 - 80% of raw fish costs) and raw fish (accounting for 10% of raw fish costs) cooled down since 3Q23, facilitating the processors to stock cheap inventory. Thereby, we estimate COGS could subside in 1Q24F, thus widening qoq GM (Figure 15, 16, 17). In addition, the GM expansion could persist in 2Q24F, thanks to:

- Raw pangasius:** We expect that the raw material supply scarcity could remain intact due to the impact of modest levels of fingerlings capacity and shrinking farming areas in 2H23 (Figure 13).

Based on the analysis, the highly-secured internal sources of listed enterprises (VHC: 70%; ANV: 100%...) could bear fruit. They help stabilize gross margin and ensure sufficient supply as demand rebounds. Notably, imbalance supply and demand dynamics in the short-term could bode well for pangasius ASPs increase (Figure 14).

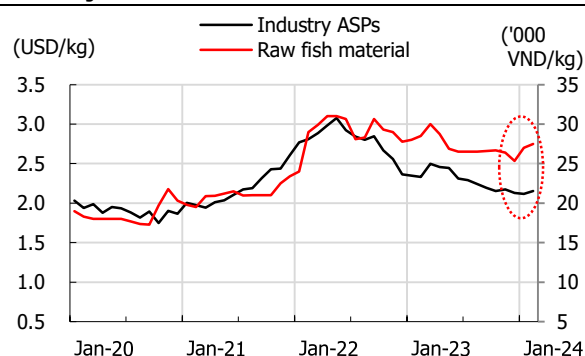
- **Aquafeeds:** Per Agromonitor, the prospects for agricultural commodity prices (such as soybean meal, corn...) could keep declining thanks to abundant supply particularly in the South American region, due to favorable weather conditions, along with sluggish global consumption demand. Therefore, the accommodative conditions could squeeze the prices of aquafeeds more.

**Figure 13: Farming areas slid in 2023, partially reflecting shrinking supply situation in 2024F**



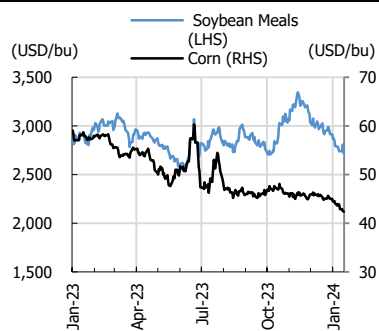
Source: Agromonitor, KISVN

**Figure 14. Raw pangasius material price and industry ASPs showed a resilience in 2M24**



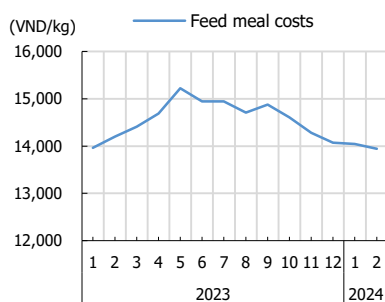
Source: Agromonitor, KISVN

**Figure 15: Trend of key agricultural products for aquafeeds has declined**



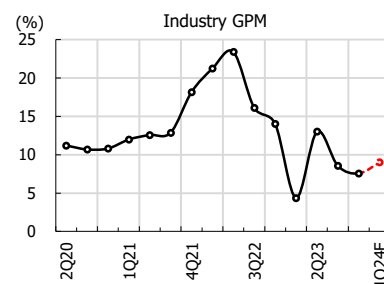
Source: Bloomberg, KISVN

**Figure 16...Thus, lower aquafeeds could support the revival of industry's GM**



Source: Agromonitor, KISVN

**Fig 17. Industry GM could improve in 1Q24F on qoq basis**



Source: Company data, KISVN estimate

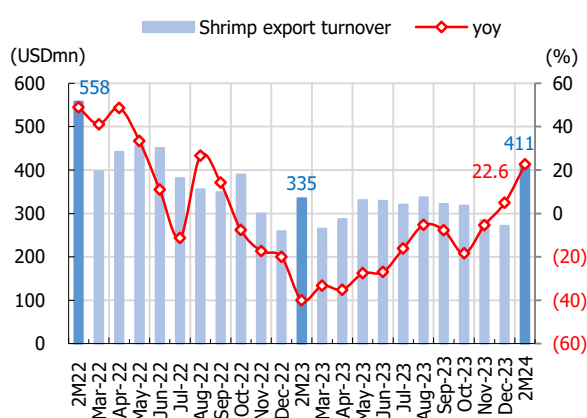
## II. Shrimp: Positive signals from Japan and US

### 1Q24F - The prospects diverge among key markets

In 2M24, the total shrimp export turnover swelled by 22.6% yoy (USD411mn) backed by volume growth (47,494 tonnes, +32% yoy), and ASPs rebounded (USD8.74/kg in 2M24 from USD8.66/kg in 4Q23) (Figure 18,19).

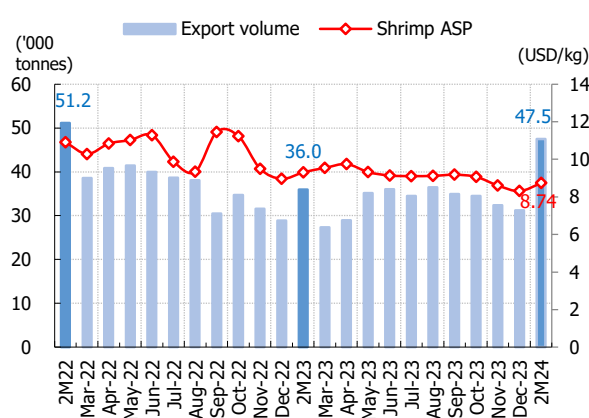
Bullish signals of shrimp export to key markets stayed firm in 2M24, including US (USD72mn, +26.3% yoy); China (USD81mn, +145% yoy); Japan (USD60mn, +3.5% yoy) and EU (USD49mn, -3.9% yoy) (Figure 20). This growth was attributed to an uptick in demand after economic headwinds and an unfavorable yoy low base. We believe that listed shrimp processors (FMC, MPC) could improve thanks to the recovery of major markets as Japan, US, and EU.

**Figure 18. Shrimp export value is on a tear in 2M24**



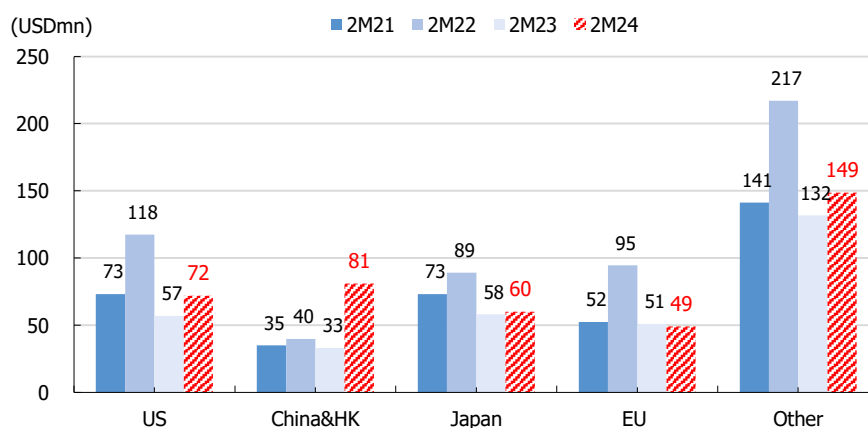
Source: Agromonitor, KISVN

**Figure 19. Volume and ASPs slowly picked up**



Source: Agromonitor, KISVN

**Figure 20. The export to China and the US resilie compared to other markets**



Source: VASEP, KISVN

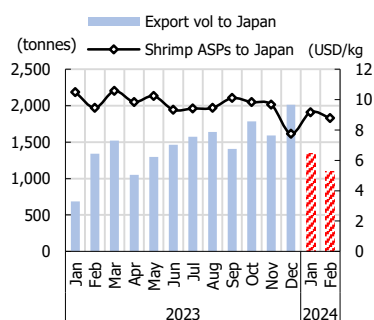
Generally, we forecast 1Q24F shrimp export turnover could rise by 18 - 20% yoy, mainly driven by consumption revival in the Japanese and US market, compensating the sluggish EU market. We assess that:

- **The Japanese market:** Optimistic consumer confidence is leveraged by wage growth and inflation relief in 2024F (Figure 22, 23); thus, we expect consumption could be gradually resumed. Besides, Vietnamese shrimp has a built-in competitive advantage (accounting for 24% market



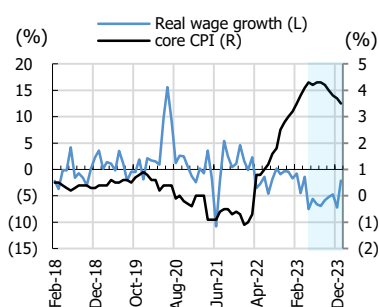
share in Japan), coupled with moderate competition. Therefore, we forecast the growth momentum sustain by +10 - 15% yoy in 1Q24F.

**Fig 21. Shrimp ASPs and volume has improved in 2M24**



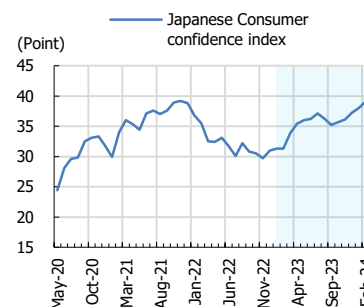
Source: Vietnam Custom, KISVN estimate based on Top10 Vietnamese shrimp exporters (Accounting for 50% total export value)

**Fig 22. Inflation relief and wage growth could a good catalyst for consumption**



Source: Bloomberg, KISVN

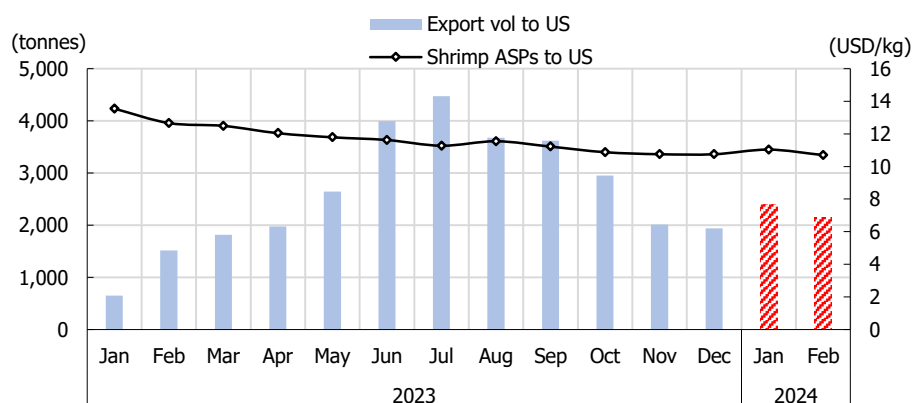
**Fig 23. Consumer confidence index is improving obviously**



Source: Bloomberg, KISVN

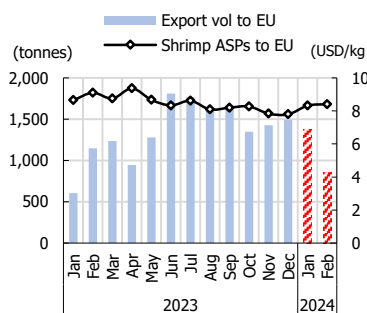
- The US and EU markets:** we forecast shrimp export to US could surge by 10 - 15% yoy and EU to edge up +2 - 5% yoy, respectively. As our estimate, the 2M24 robust shrimp export growth to the US market was fostered by the demand resumption in retail channel. Per Circana, the US frozen shrimp consumption in retail channel (accounting for 50% of frozen seafood), edged up by 8.7% yoy in Feb-24. Thereby, Vietnamese shrimp ASPs to US halted its decline and stabilized USD10.9/kg in 2M24 (Figure 24). Therefore, we believe the shrimp export could ride on the tailwinds in the US market given the inflation ease.

**Figure 24. The recovery in export volume has accelerated by positive signals from the US retail channel.**

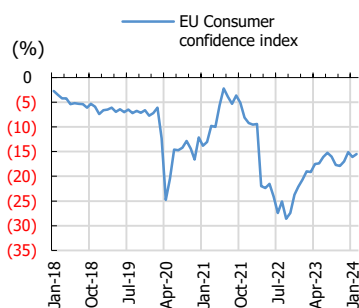


Source: Vietnam Custom, KISVN estimate based on Top10 Vietnamese shrimp exporters (Accounting for 50% total export value)

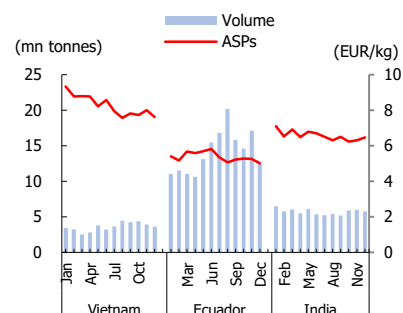
In the EU market, slump persists despite consumer confidence revival (Figure 26). Furthermore, Vietnamese shrimp export to EU primarily consists of large-sized and value-added processed shrimp, exposing to unfavorable ASPs compared to competitors (Ecuador, India) (Figure 27). Therefore, in context of cautious consumer spending in 1Q24F, the EU consumers lean towards opting for lower-priced products. As such, Vietnamese shrimp could lose its advantages, dragging export recovery momentum to slowdown.

**Fig 25. Recovery is on rocky road**

Source: Vietnam Custom, KISVN estimate based on Top10 Vietnamese shrimp exporters (Accounting for 50% total export value)

**Fig 26. EU consumer confidence is recovering slowly**

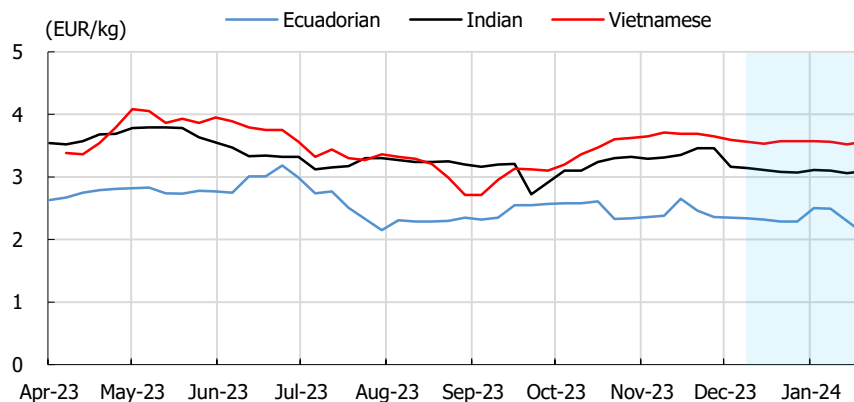
Source: Bloomberg, KISVN

**Fig 27. Vietnam's shrimp export to EU could be sluggish due to higher APs**

Source: EUMOFA, KISVN

In terms of ASPs, we expect shrimp ASPs to EU and US could swing down until the end of 1Q24F owing to:

- The Latin American (Including Ecuador) aquaculture industry's peak season in Feb-Mar could result in an abundant supply in 1Q24F, per Global Fish.
- Currently, the price gap of raw shrimp in Vietnam compared to Ecuador and India (Figure 28) remains large. Making thing worse, competitors tend to keep ASPs low to stimulate consumption amid the weak demand.

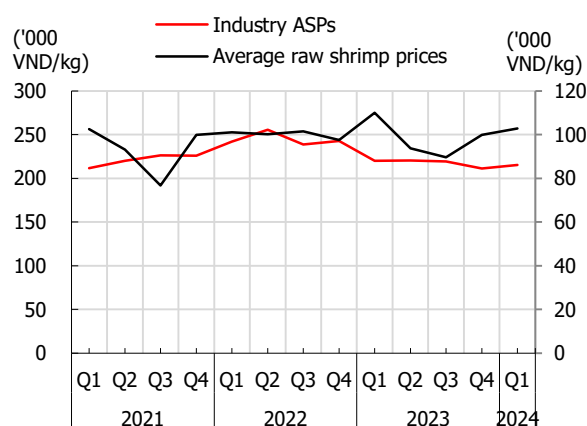
**Figure 28. Wider price gap between Vietnamese raw shrimp prices and other competitors in US and EU markets**

Source: EUMOFA, KISVN

### The favorable ASPs nourish the yoy GM expansion

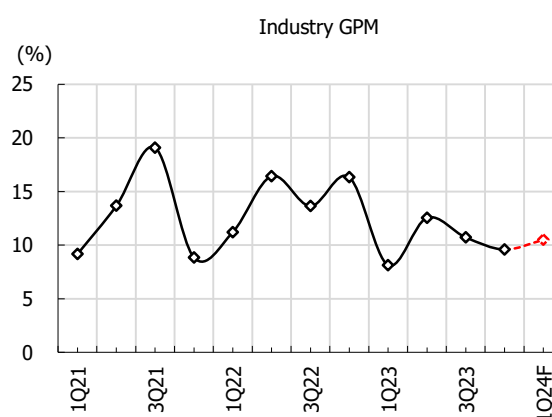
The uptrend of 2M24 raw shrimp prices vs 4Q23 is attributed to (1) 2M24 export demand increase stimulated the stockpile of raw shrimp for processing, and (2) the year-end 2023 and early 2024 are off-season, resulting in tight harvest volume and scarce supply. Nonetheless, the qoq hike was immaterial to fulfill the yoy price contraction (Figure 29). Therefore, we peg a small GM expansion of export shrimp processing plants in 1Q24F vs. 1Q23. Among these, GM of exporters to the Japanese market could benefit the most thanks to a rosy revival of ASPs, as discussed above.

**Figure 29. An increase in industry ASPs could offset higher raw shrimp prices**



Source: VASEP, Agromonitor. KISVN

**Figure 30...Thereby, we expect GM of shrimp industry could slightly recover compared to 1Q23**



Source: Company data, KISVN

### III. 1Q24F business results of listed enterprises

#### VHC – Over the hump

**Table 3. VHC 1Q24F earnings forecast**

(VNDbn, %)

	1Q23A	4Q23A	1Q24F	1Q24F		2024F		Consensus	
				yoy	qoq	yoy	yoy	1Q24F	2024F
<b>Revenue</b>	<b>2,252</b>	<b>2,418</b>	<b>2,718</b>	<b>20.7</b>	<b>12.4</b>	<b>10,789</b>	<b>7.5</b>	-	<b>11,981</b>
Pangasius fillets	1,300	1,209	1,411	8.5	16.7	5,944	6	-	-
By-product and others	684	845	969	41.6	14.7	3,483	6.9	-	-
C&G	178	214	204	15	(5)	841	16.8	-	-
Sa Giang	91	150	134	47.2	(10.7)	521	14.8	-	-
<b>GP</b>	<b>384</b>	<b>196</b>	<b>409</b>	<b>6.6</b>	<b>10.9</b>	<b>2,333</b>	<b>61.5</b>	-	<b>2,113</b>
SG&A costs	120	148	177	48	19	626	21.1	-	-
OP	264	47	231	(12.4)	3.9x	1,707	84.1	-	-
Non-operating P/L	(5)	52	52	8.6x	0	13	(92.8)	-	-
<b>EBT</b>	<b>259</b>	<b>99</b>	<b>283</b>	<b>9.4</b>	<b>1.9x</b>	<b>1,719</b>	<b>55.2</b>	-	<b>1,611</b>
NP	225	67	227	0.6	2.4x	1,490	56.9	-	-
<b>Controlling-int. NP</b>	<b>225</b>	<b>67</b>	<b>227</b>	<b>0.6</b>	<b>2.4x</b>	<b>1,462</b>	<b>63.1</b>	-	<b>1,342</b>

Source: Company data, Bloomberg, KISVN estimate

In 1Q24F, we peg VHC's revenue to swell by 20.7% yoy/12.4% qoq to VND2,718bn. Particularly:

- Pangasius fillets:** 1Q24F total export volume could perk up by 35.2% yoy and pangasius ASPs swing up to USD2.7/kg (-23.8% yoy, but higher than USD2.54/kg in 4Q23). As such, total pangasius export value could sit at USD56.6mn (+4% yoy/ +14.6% qoq).  
 Export to China could post to USD7.5mn (+42% yoy), driven by the low base effect. Meanwhile, the US and EU markets contribute revenues of USD27.2mn (-4.8% yoy) and USD12.7mn (-10.1% yoy), respectively, due to downward yoy ASPs.
- Pangasius-related products:** the mounting capacity of pangasius processing in 1Q24F produces more volumes of fishmeal and other by products. We project the total revenue of these segments to swell to VND967bn (+41.7% yoy / +14.7% qoq).
- Others:** collagen and gelatin (C&G) products could grow to VND204bn (+14.6% yoy), driven by a volume revival compared to the low base.

Besides, rice products and shrimp chip could broaden to VND134bn revenue (+48.6% yoy).

VHC's GM could expand to 15% (-2%p yoy/ +7%p qoq) thanks to the uptick of pangasius ASPs and the stabilization of raw material costs since 4Q23. As such, VHC could fare well with VND226bn NPAT (+0.6% yoy/ +240% qoq). We reaffirm BUY and the TP of VND77,118 based on two key drivers: (1) export volume resurgence thanks to demand growth on HORECA channel and permanent shortages of whitefish sources (2) the ASPs gradually recover due to supply-demand imbalance in short-term.

## FMC – Brighter outlook thanks to the solid fundamentals

**Table 4. FMC 1Q24F earnings forecast**

(VNDbn, %)

	1Q23A	4Q23A	1Q24F		2024F		Consensus		
				yoy	qoq		yoy	1Q24F	2024F
<b>Revenue</b>	<b>1,008</b>	<b>1,253</b>	<b>1,225</b>	<b>21.4</b>	<b>(2.2)</b>	<b>5,733</b>	<b>13.5</b>	-	<b>5,804</b>
Shrimp products	954	1224	1184	24.2	(3.3)	5,556	12.7	-	-
Agricultural products	55	28	41	(25.9)	42.3	177	11.2	-	-
<b>GP</b>	<b>80</b>	<b>140</b>	<b>112.2</b>	<b>39.4</b>	<b>(19.8)</b>	<b>637</b>	<b>29.2</b>	-	<b>640</b>
SG&A costs	39	63	67	72.4	6.5	287	43	-	-
OP	41	77	45	8.3	(41.5)	350	19.8	-	-
Non-operating P/L	9	12	12	30.5	0	26	1.1x	-	-
<b>EBT</b>	<b>51</b>	<b>89</b>	<b>57</b>	<b>12.3</b>	<b>(35.8)</b>	<b>376</b>	<b>23.4</b>	-	<b>394</b>
NP	49	89	56.9	17.1	(36)	362	20.1	-	-
<b>Controlling-int. NP</b>	<b>49</b>	<b>89</b>	<b>56.9</b>	<b>17.1</b>	<b>(36)</b>	<b>351</b>	<b>27.2</b>	-	<b>369</b>

Source: Company data, Bloomberg, KISVN estimate

In 1Q24F, FMC ramps up to widen new farming areas (203ha), aiming to reinforce self-sufficiency in shrimp raw materials, and secure gross margin amidst a lack of bode catalyst to push shrimp ASPs up.

We project FMC's revenue on the backdrop of

- **Shrimp products:** We forecast total export revenue of VND1,184bn (+24.2% yoy), of which: export volume of 4,289 tonnes (+27.1% yoy) and shrimp ASPs of USD11.2/kg (-7.3% yoy, higher than USD10.8/kg in 4Q23), driven by (1) consumption picks up in Japan (the key market of FMC) (2) new farming areas increase ASC shrimp production standard that encourage to export to EU market.
- **Agricultural products:** we project that 1Q24F revenue of VND40.7bn (-25.9% yoy).

FMC's GM could sit at 9.2% (+1.2%p yoy/ -2%p qoq), thanks to FMC's shrimp aquaculture during the off-season, boosting self-sufficiency in raw shrimp and stabilizing production costs (compared to 1Q23, FMC did not engage in off-season). This could result in an NPAT of VND56.9bn (+17.1% yoy/ -35.8% qoq). We reaffirm HOLD rating for FMC shares due to the concerns about intense competition in the US and EU markets.

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