

16 May 2025

Sao Ta Foods (FMC)

Mounting difficulties due to high input costs

- Shrimp export volumes surged by +37.6% yoy in 1Q25
- Khang An's revenue soared by 71.4% yoy
- Maintain HOLD rating for FMC

Facts: Weaker-than-expected gross margin in 1Q25

In 1Q25, FMC released a revenue of VND1,990bn (+36.3% yoy/ +45.9% qoq), including shrimp products revenue: +37.6% yoy, posting to VND1,962bn while agricultural products revenue: -19.7% yoy (VND28bn). In particular (Table 2):

- **Shrimp products:**
 - Shrimp volumes soared to 6,119 tonnes (+43.2% yoy), driven by the significant contribution of Khang An Foods (KAF), a 51%-owned subsidiary of FMC. Additionally, FMC fostered export volume to US market during 90-day postponement of new tariff.
 - Average selling prices (ASPs) sat at VND320,717/kg, inching down by 3.9% yoy in 1Q25, per our estimate. We think FMC proactively reduced its ASPs to boost export volume.
- **Agricultural products:** The volume was down by 29.2% yoy, to 238 tonnes, while ASPs increased to VND117,900/kg (+13.4% yoy/ +3.7% qoq), per our estimates.

Regarding to KAF, we observed that KAF kept a growth stance in 1Q25:

- **KAF's revenue:** It significantly surged by 71.4% yoy, about VND688bn. Meanwhile, the parent company (FMC) increased +23% yoy (Figure 6).
- **KAF's gross margin (GM):** it plummeted to 6.1% (-1.6%p yoy and -34.4%p qoq), we think KAF no longer benefiting from the stockpiling of low-cost raw shrimp as 4Q24, coupled with the escalation of raw shrimp prices. As such, KAF's GM has returned to its normal level (Figure 7).

1Q25's gross profit posted to VND127bn (+32.2% yoy/ -38.5% qoq). And 1Q25's blended GM was down to 6.4% (-0.2%p yoy/ -8.8%p qoq, figure 4), due to (1) The raw shrimp prices remained high, (2) Coupled with inefficient harvests from self-sufficient farming areas. As such, costs per kg finished goods resurged by 50.1% qoq in 1Q25, per our estimates.

1Q25's SG&A/revenue inched up to 5.4% (+2%p yoy/ +0.3%p qoq, figure 5), as FMC recorded VND24bn for anti-dumping (AD) provision and VND12bn for countervailing duties (CVD) provision.

At the bottom line, 1Q25's NPAT-MI plummeted to VND30bn (-40.4% yoy/ -73.1% qoq).

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

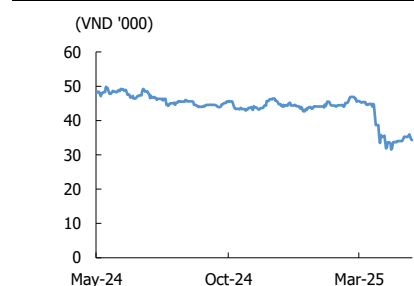
Stock Data

VNIndex (16 May, pt)	1,302
Stock price (16 May, VND)	34,250
Market cap (USD mn)	86
Shares outstanding (mn)	65
52-Week high/low (VND)	49,832/31,548
6M avg. daily turnover (USD mn)	0.14
Free float / Foreign ownership (%)	22.9/#N/A N/A
Major shareholders (%)	
PAN Group	37.8
C.P Vietnam	24.9

Performance

	1M	6M	12M
Absolute	7.7	(21.6)	(28.6)
Relative	(0.1)	(29.1)	(33.2)

Stock price trend



Source: Bloomberg

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Table 1. Quarterly earnings snapshot in 1Q25

(VND bn, %, %p)

	1Q24	2Q24	3Q24	4Q24	1Q25	QoQ	YoY
Sales	1,461	1,243	2,845	1,364	1,990	45.9	36.3
OP	57	84	91	190	35	(81.4)	(38.2)
OP margin (%)	4	7	3.2	13.9	1.8	(12.2)	(2.1)
EBT	57	84	91	190	36	(80.9)	(36.7)
NPAT-MI	50	66	80	110	30	(73.1)	(40.4)

Source: Company data, KIS Research

Pros & cons: High raw shrimp costs remain a challenge

In 2Q25F, we expect shrimp segment that:

- *Shrimp export volume*: We expect that shrimp export volume prospects could remain intact as in 2Q25F thanks to the front-loading from US clients;
- *Shrimp ASPs*: The recovery momentum may be moderate due to the continued pressure of global shrimp supply. At the same time, demand is only in the early stages of recovery. In fact, export ASPs also showed a moderate trend in 1Q25, hence we expect shrimp ASPs will likely stay flattish in 2Q25F.

Regarding input costs, from the BODs' perspective, they are confident in new stocking shrimp during the on-season in 1Q25. Conversely, the cost of outsourced raw shrimp has continued to rise. As a result, we anticipate FMC's GM could slight rebound from the low base in 1Q25, though not significantly.

As such, we peg that FMC's NPAT-MI could stay flat yoy but rebound from qoq.

Action: Maintain HOLD rating for FMC

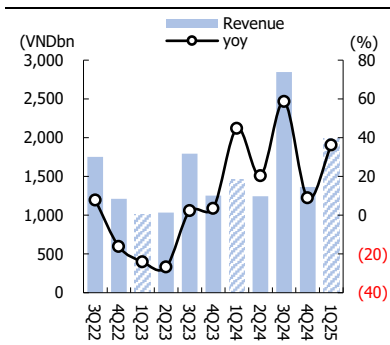
We maintain **HOLD recommendation for FMC** due to (1) The uncertainties of exports to US market under new tariff regime, (2) The subdued shrimp ASPs prolong during 2025F, and (3) high raw shrimp costs will likely hit hard FMC's GM.

Table 2. FMC's revenue breakdown in 1Q25

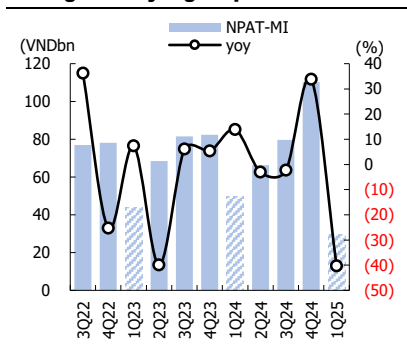
(VNDbn, %)

	1Q24	4Q24	1Q25	YoY	QoQ
Total revenue	1,461	1,364	1,990	36.3	45.9
<i>of which:</i>					
a. Shrimp revenue	1,426	1,334	1,962	37.6	47.1
+ Shrimp volume (tonnes)	4,272	4,890	6,119	43.2	25.1
+ Shrimp ASPs (VND/kg)	333,773	272,809	320,717	(3.9)	17.6
b. Agricultural revenue	35	30	28	(19.7)	(6.8)
+ Volume (tonnes)	336	267	238	(29.2)	(11.0)
+ ASPs (VND/kg)	104,003	113,683	117,923	13.4	3.7

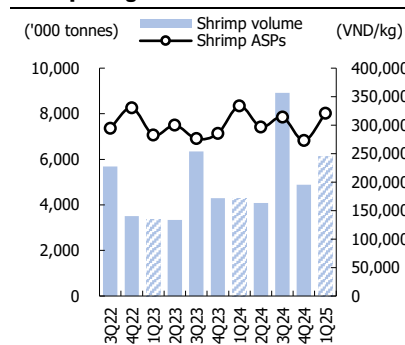
Source: Company data, KIS Research

Fig 1. Revenue soared by 37.6% yoy


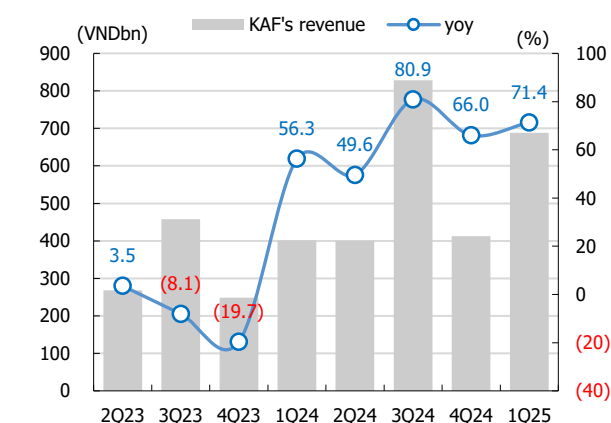
Source: Company data, FiinproX, KIS Research

Fig 2. But NPAT steeply plummeted, hitting hard by high input costs


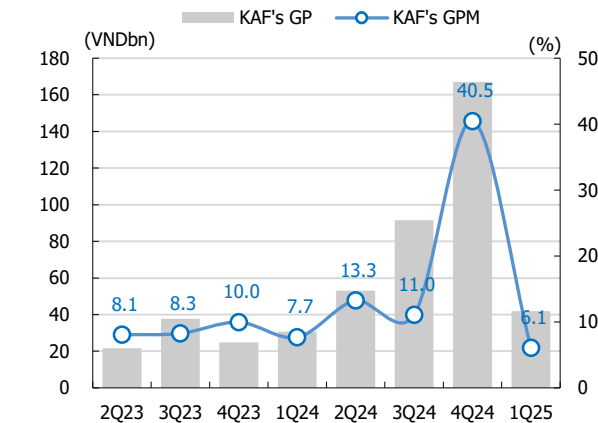
Source: Company data, FiinproX, KIS Research

Fig 3. Export volumes were a key driver for topline growth


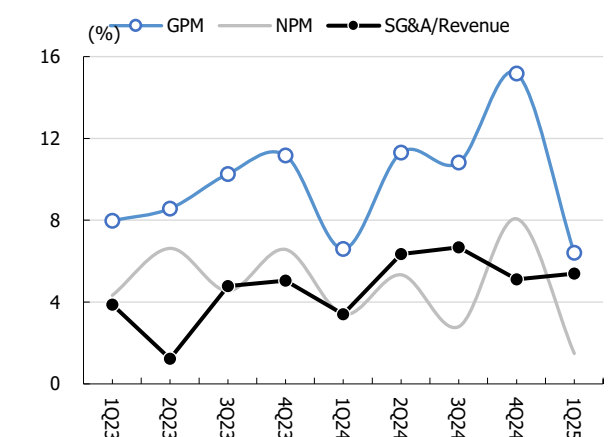
Source: Company data, FiinproX, KIS Research

Figure 4. KAF's revenue kept a growth stage in 1Q25


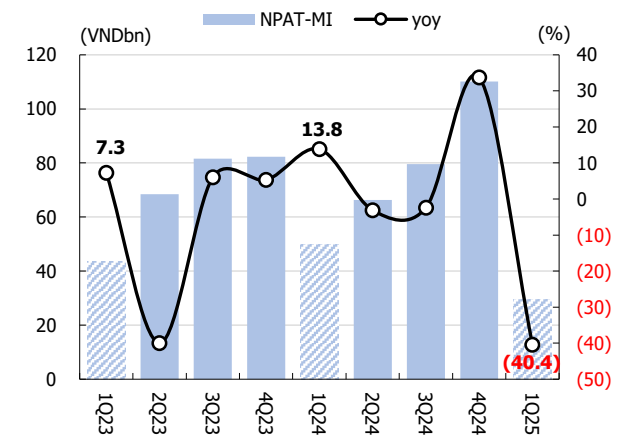
Source: Company data, FiinX, KIS Research

Figure 5...But GM returned to normal level


Source: Company data, FiinX, KIS Research

Figure 6. GM steeply plummeted due to high raw shrimp costs


Source: Company data, FiinX, KIS Research

Figure 7... NPAT-MI slid to VND30bn (-40.4% yoy/ -73.1% qoq)


Source: Company data, FiinX, KIS Research

Company overview

Sao Ta Foods JSC was established in 1996 in Soc Trang Province. The company specialized in farming, processing, and exporting shrimp products. FMC has been top 3 shrimp exporters of Vietnam, accounting for 5% of shrimp market shares. The products are distributed in Japan, the US, EU, Korea and other.

Balance sheet

(VND bn)

FY-ending Dec.	2021A	2022A	2023A	2024A	2025F
Current assets	2,150	1,877	2,132	2,641	3,051
Cash & cash equivalents	770	585	492	1,077	732
Accounts & other receivables	377	280	280	370	819
Inventory	941	929	1,000	1,002	1,241
Non-current assets	1,381	1,292	1,640	1,564	2,319
Fixed assets	263	419	848	768	794
Investment assets	-	-	-	-	-
Others	287	693	364	366	468
Total assets	2,700	2,989	3,344	3,775	4,313
Advances from customers	6	21	3	15	4
Unearned revenue	-	-	-	-	-
Trade payables	98	83	94	118	135
Others	195	244	179	262	275
ST debt & due bonds	415	515	824	902	1,160
LT debt & bonds	-	-	-	-	-
Total liabilities	723	873	1,110	1,309	1,587
Controlling interest	1,782	1,924	2,029	2,168	2,411
Capital stock	654	654	654	654	654
Capital surplus	594	594	594	594	594
Other reserves	0	0	(0)	(0)	(0)
Retained earnings	534	676	781	920	1,164
Minority interest	195	192	205	298	314
Shareholders' equity	1,977	2,116	2,234	2,466	2,725

Cash flow

(VND bn)

FY-ending Dec.	2021A	2022A	2023A	2024A	2025F
C/F from operations	178	436	197	581	290
Net profit	289	329	305	423	423
Dep'n & Amort'n	83	89	154	184	255
Net incr. in W/C	372	422	467	620	673
C/F from investing	(233)	(515)	(455)	216	(157)
Capex	(277)	(438)	(212)	41	(209)
Incr. in investment	45	(78)	(243)	175	52
C/F from financing	555	(101)	163	4	(40)
Incr. in equity	682	(0)	-	(74)	-
Incr. in debt	-	-	306	1,202	91
Dividends	(98)	(142)	(143)	-	(131)
C/F from others	0	(3)	1	9	-
Increase in cash	501	(183)	(93)	810	93

Income Statement

(VND bn)

FY-ending Dec.	2021A	2022A	2023A	2024A	2025F
Sales	5,199	5,702	5,087	6,913	8,155
COGS	(4,670)	(5,074)	(4,594)	(6,161)	(7,331)
Gross profit	529	628	493	752	824
SG&A expenses	(264)	(321)	(201)	(388)	(405)
Operating profit	265	307	292	363	418
Operating profit (Adj.)	265	307	292	363	418
Financial income	54	91	73	112	64
Interest income	12	13	34	-	26
Financial expenses	(33)	(74)	(61)	(53)	(59)
Interest expenses	(14)	(17)	(28)	(23)	(47)
Other non-operating profit	3	5	1	(0)	(0)
Gains (Losses) in associates, subsidiaries and JV	0	0	0	-	-
Earnings before tax	289	328	305	423	423
Income taxes	(2)	(9)	(2)	(1)	(3)
Net profit	287	322	302	424	420
Net profit (Adj.)	267	309	276	306	367
Net profit of controlling interest	267	308	276	306	367
Exceptional items	0	0	0	0	0
EBITDA	387	493	487	655	725

Key financial data

FY-ending Dec.	2021A	2022A	2023A	2024A	2025F
Per-share data (VND, adj.)					
EPS	4,042	4,703	4,221	4,675	5,608
BPS	27,252	29,400	31,024	33,151	36,878
DPS	2,000	2,000	2,000	2,000	2,000
Growth (%)					
Sales growth	17.8	9.7	(10.8)	35.9	14.8
OP growth	17.5	15.8	(4.8)	24.3	29.1
NP growth (Adj)	27.1	11.3	(5.4)	40.2	26.1
EPS growth (Adj)	0.9	16.3	(10.3)	10.8	32.1
EBITDA growth	15.7	11.8	(3.7)	24.3	29.1
Profitability (%)					
OP margin (Adj)	5.1	5.4	5.7	5.3	5.1
NP margin (Adj)	5.5	5.6	5.9	6.1	5.1
EBITDA margin	6.8	7.0	7.5	5.3	5.1
ROA	9.9	10.3	8.3	11.9	10.3
ROE	15.0	16.0	13.6	14.6	16.0
Dividend yield	5.2	6.2	5.4	4.4	4.4
Dividend payout ratio	36.4	31.6	47.4	43	33
Stability					
Net debt (VND bn)	(184.8)	111.2	263.5	431	429
Net debt/equity (%)	(10.4)	5.8	13.0	18	16
Valuation (x)					
PE	6.4	11.1	10.7	9.8	7.5
PB	1.2	1.3	1.5	1.4	1.2
EV/EBITDA	12.1	7.2	11.7	9.9	9.1

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