

# SEAFOOD INDUSTRY

IN RECOVERY PHASE



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# SEAFOOD INDUSTRY – IN RECOVERY PHASE



**Investment rating**

**Negative**

**Neutral**

**Positive**

*In 2024, we expect the seafood industry to recover due to increased consumption demand, driven by the low base in 2023 and the global economic recovery. The Pangasius industry is expected to recover early in the US market, while the shrimp industry is anticipated to recover earlier in the Japanese market than in other markets.*

*The increase in stock prices since the beginning of the year reflects a strong recovery, as the export value in the first two months increased by 28% year on year. In terms of valuation, we believe that the shrimp industry is currently more attractive than the fish industry.*

## **The Pangasius industry is expected to recover from the low base of 2023**

- **US Market:** We expect export volumes in 2024 to increase due to economic recovery and the low base of 2023. The opportunity for Pangasius from the US ban on importing Russian pollock is not significant as US exports of pollock exceed imports, and the allowable catch in the Bering Sea is forecasted to be similar to last year. Therefore, we believe the US will not face a shortage of pollock supply. Export price in 2024 are expected to remain similar to last year as it competes with tilapia due to an expected increase in tilapia supply. The 19th period of review of antidumping (POR 19) reduces duties for some Vietnamese firms, helping to maintain a competitive pricing advantage.
- **European Union (EU) Market:** Export volumes and prices are expected to remain similar to last year as they compete with abundant supplies of pollock. The EU has imposed a 13.7% import duty on Russian fish products from January 2024 to 2026, but the significant supply of pollock as its blockage from export to the US, keeps pollock prices low in the EU. Consequently, import prices may not differ significantly from Pangasius prices.
- **Chinese Market (China):** Export volumes to China are expected to continue to grow well in 2024 as the Chinese economy improves. However, prices are likely to remain stagnant due to price competition with tilapia, which remains high. The increase in export volume in China will help reduce inventory levels for businesses and create conditions for a price rebound in the pangasius industry as the supply gradually decreases.

## **In 2024, the shrimp industry is expected to see an increase in export volumes while prices are expected to struggle to recover**

- **Japanese Market:** Export volumes and prices are expected to increase in 2024 due to rising wages in Japan and the low baseline.
- **China and US markets:** Export volume is expected to grow due to economic recovery, while prices are expected to remain relatively unchanged due to high competition in raw shrimp. The growth rate of Vietnamese shrimp exports to these markets will depend on the preliminary results of the CBPG tax on India and Ecuador in April 2024.
- **EU Market:** Difficulties in increasing export volume and prices are anticipated due to high competition and the challenging economic situation in the EU.

## **Shrimp and raw pangasius prices have resumed their upward trend, affecting diverse on gross profit of seafood industry**

- The increase in raw pangasius prices is attributed to higher prices of pangasius fingerling due to a shortage of pangasius fingerling supply. Raw fish prices are expected to continue to rise until March as fingerling prices remain high and demand for farming remains high in the early part of the year. However, the rate of increase will be constrained and gradually decrease from April onwards due to (1) a decrease in feed prices as agricultural prices decrease and (2) high levels of raw fish inventories.
- Raw shrimp prices have increased in the first two months of 2024 and are expected to continue to rise slightly in the first half of 2024 as demand in the Chinese market increases and shrimp seed supply decreases. However, raw shrimp prices in the first half of the year are still expected to be lower than the same period last year and higher in the second half of 2024 due to the low baseline of 2023.
- As of February 2024, the increase in raw pangasius prices compared to average selling prices will put pressure on the gross margins of pangasius companies. Meanwhile, the slower increase in raw shrimp prices compared to shrimp average selling prices will help improve gross margins. However, as feed costs decline, we expect raw pangasius prices to increase slower than selling prices from April onwards, thereby improving the gross margins of pangasius companies.

## **Exchange rates and higher shipping costs impact net profit**

- The USD/VND exchange rate expect to growth 3% YoY will improve selling prices in VND YoY as selling prices convert into VND is higher selling price in USD.
- Increased shipping costs due to tensions in the Red Sea will put pressure on exporters' net margins through CFR pricing (price of order and shipping cost) or curb the increase in selling prices as they share costs with buyers for FOB-priced businesses.

## **Seafood sector stock prices reflect a strong recovery**

- For the pangasius industry, we expect net profit to increase this year. However, stock valuations seem to have already priced in these positive recovery expectations. As for the shrimp industry, we believe that the current stock valuations remain attractive.
- Recommendations FMC (Neutral, TP: 52,600 VND), VHC (Neutral, TP: 71,500 VND).

## **Risks**

### **Upside risks**

Rapid increase in fish prices or significant strengthening of the exchange rate. Higher-than-expected consumption volume.

### **Downside risks**

Slow economic recovery leading to weaker-than-expected seafood demand. Disease outbreaks in shrimp leading to a sharp increase in raw shrimp prices.

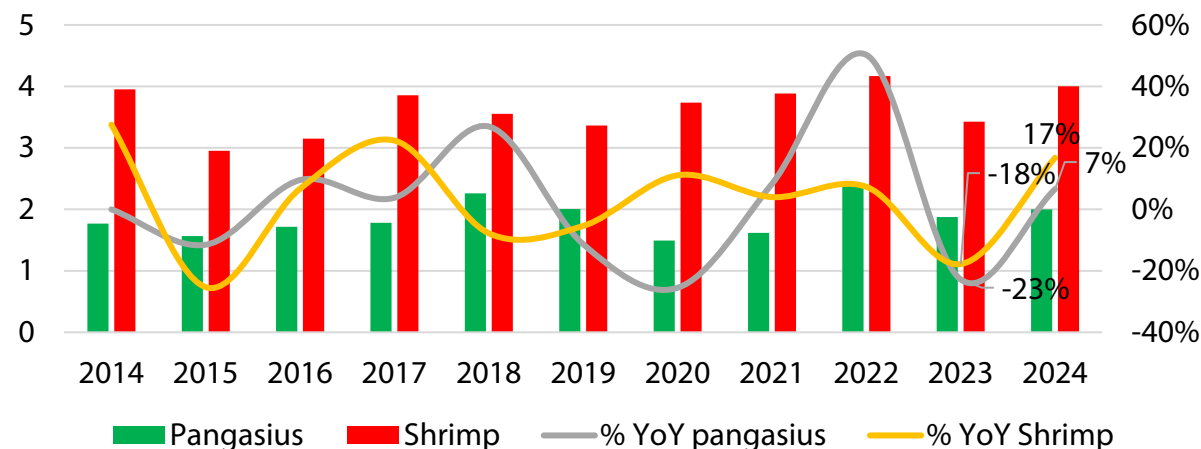
## Seafood exports stabilized in the second half of 2023

- In 2023, the seafood export turnover decreased by 17% YoY, reaching USD 9 billion. Specifically, shrimp exports decreased by 18% YoY and pangasius exports decreased by 23% YoY. However, seafood export turnover in the last three months of the year stabilized and returned to the average level of the 2018-2022 period (except for 2021).

## Seafood exports in 2024 are expected to increase in volume

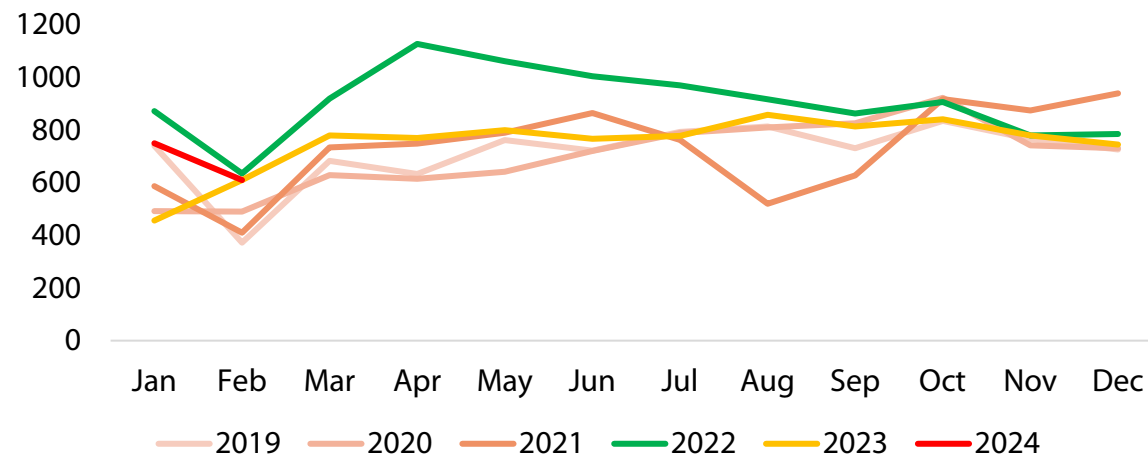
- VASEP forecasts that seafood export turnover in 2024 will reach USD 9.5 billion (+6% YoY). Specifically, shrimp and pangasius exports are expected to increase by 17% and 7% YoY, respectively, in 2023.
- The total value of seafood exports in the first two months of the year increased by 28% YoY, with the export value of pangasius increasing by 8% YoY and shrimp export value increasing by 28% YoY. The increase in export value is mainly attributed to the increase in volume by 18% YoY for pangasius and 32% YoY for shrimp, while prices have not yet recovered compared to the same period.

**Figure 1: Export revenue of shrimp and pangasius by year (billion usd, right) and growth rate (% yoy, left)**



Source: VASEP, RongViet Securities

**Figure 2: Monthly export revenue of seafood (million usd)**

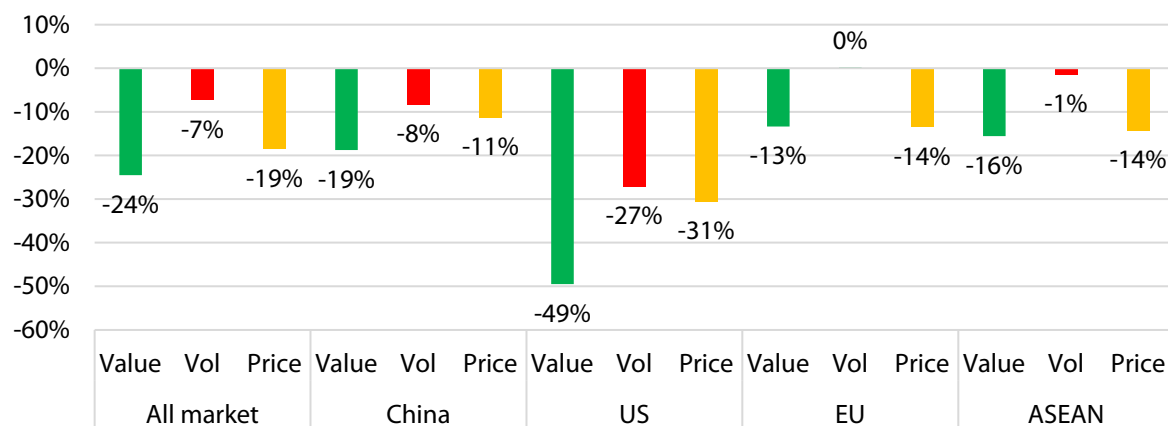


Source: VASEP, RongViet Securities

## The Pangasius industry has shown improvement YoY since November 2023

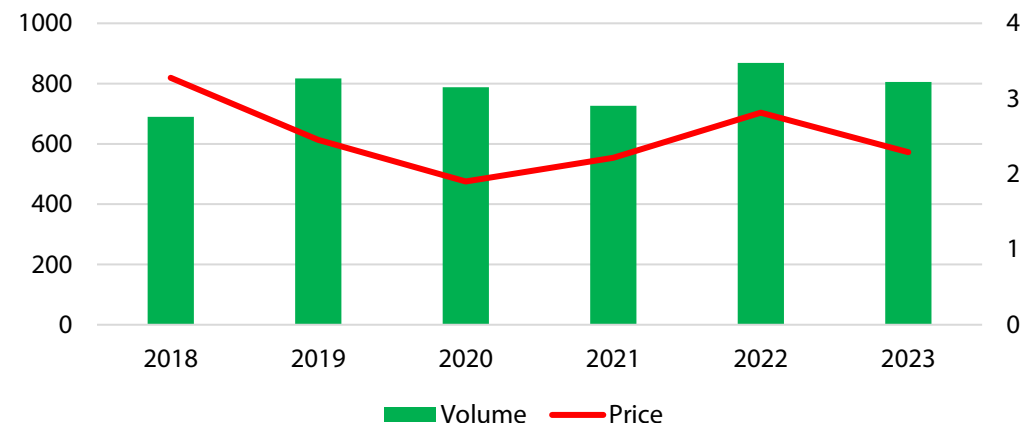
- The export value of the pangasius industry in 2023 decreased by 2% YoY due to a 19% YoY decrease in selling prices, primarily driven by a significant 31% price decline in the US market. However, the export value showed positive growth in the last two months of the year.
- Although the volume and selling prices of pangasius in 2023 decreased compared to 2022, they remained higher than in 2020-2021, indicating stable consumer demand for pangasius.
- The export value of the pangasius industry for the first two months of 2024 has increased by 8% YoY, with a 18% YoY increase in volume, while prices continue to decrease by 9% YoY.

**Figure 4: Year-over-year changes in value, volume, and price of the entire pangasius industry and by major market in 2023**



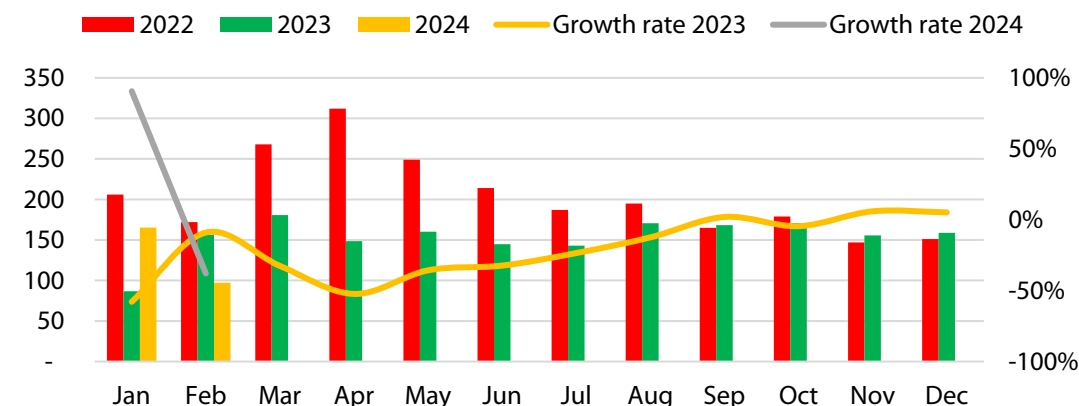
Source: Agromonitor, RongViet Securities

**Figure 3: Export volume (thousand tons, left) and price of pangasius (USD/kg, right)**



Source: Agromonitor, RongViet Securities

**Figure 5: Export value of pangasius (million USD, left) and growth rate (%/right)**



Source: Agromonitor, RongViet Securities

Expectedated growth due to economic recovery

- The 19th period of review of anti-dumping (POR 19) for pangasius maintains a rate of 0 USD/kg for VHC and ANV, and reduces from 2.39 USD/kg to 0.18 USD/kg for IDI, helping to maintain price competitiveness.
- In the first 2 months of 2024, the export volume to the US increased by 40% YoY while the selling price decreased by 12% YoY. We expect the export volume to increase in 2024 as the US economy's recovery and the low base of the previous year. However, it will be difficult for the selling price to increase compared to the same period last year when competing with tilapia as the supply of tilapia is expected to increase significantly.
- The US has issued a ban on importing fish of Russian origin for shipments after December 22, 2023. In 2023, the US imported 83 thousand tons of fish of Russian origin, including pollock (22 thousand tons), cod (31 thousand tons), and haddock (7 thousand tons). Among them, pollock has a similar selling price to pangasius, making it a direct competitorof pangasius. We assess that the opportunity for pangasius from this ban is negligible, as the export volume of pollock exceeds imports, and the allowable catch in the Bering Sea region is forecasted to be similar to last year by the National Marine Fisheries Service (NFMS) in the US. Therefore, we believe that the US will struggle with a shortage of pollock.

Table 1: Changes in tax rates from Por 19 have improved for the pangasius

Period of review	POR 17	POR 18	POR 19
Unit: USD/kg	1/8/2019-31/7/2020	1/8/2020-31/7/2021	1/8/2021-31/7/2022
VHC	0	0	0
ANV	0	0	0
IDI	2.39	2.39	0.18
Other	2.39	2.39	2.39

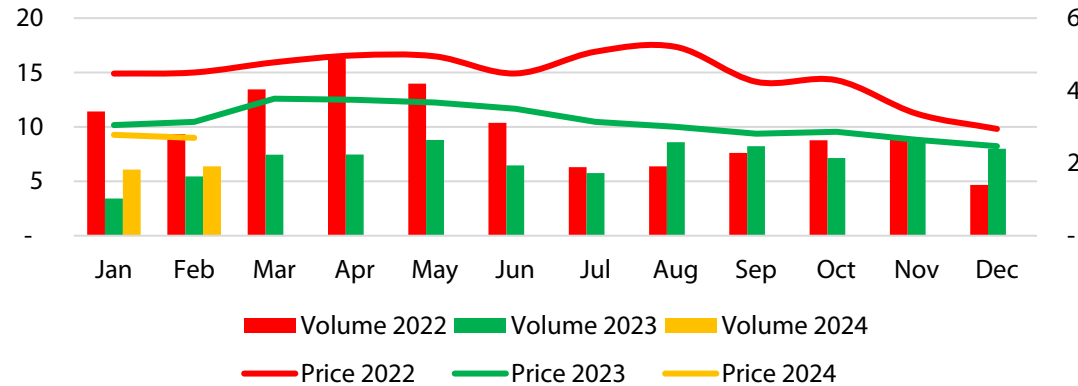
Source: Federal Register, RongViet Securities

Table 2: Expected increase in the supply of tilapia exceeds pangasius

	CAGR 2010-2021	2022	2023E	2024F
Pangasius	4.1%	8.8%	0.5%	2.8%
Tilapia	5.4%	4.6%	5.3%	5.0%

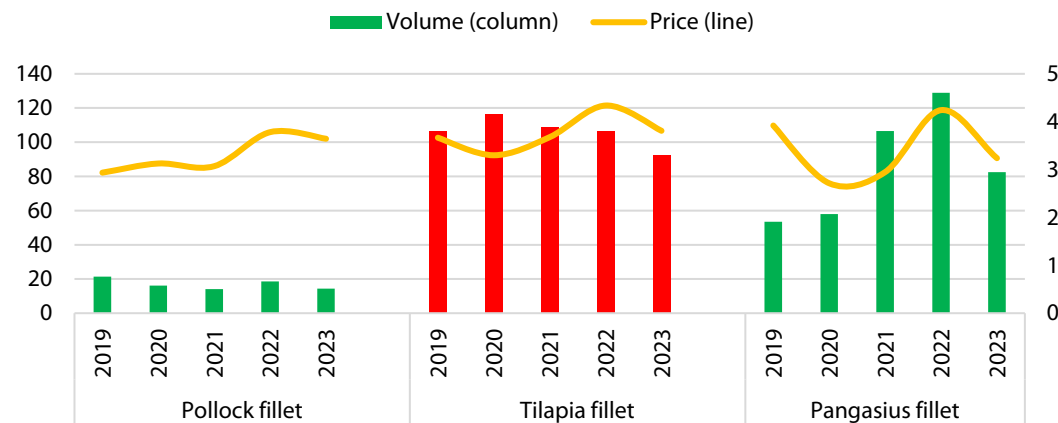
Source: Rabobank, RongViet Securities

**Figure 6: Export volume (thousand tons, right) and selling price (USD/kg, left) from 2022 to 2024 per month from Vietnam to US market**



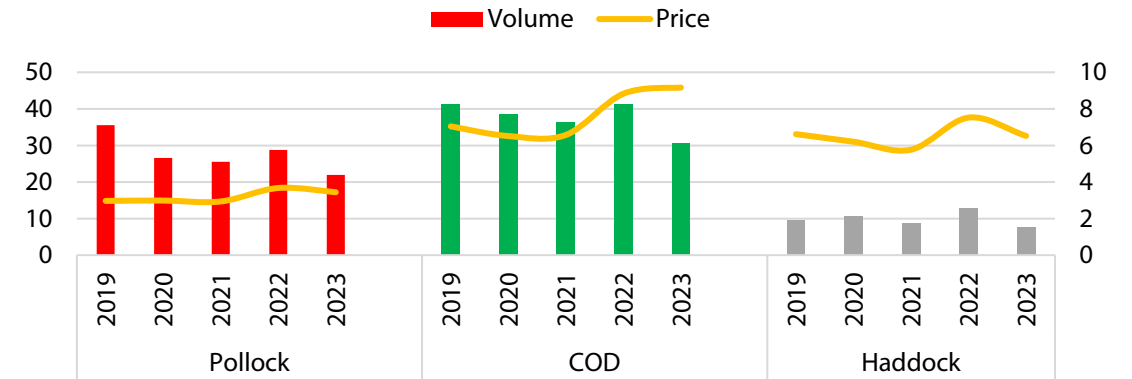
Source: Agromonitor, RongViet Securities

**Figure 8: Imported volume (thousand tons, left) and selling price (USD/kg, right) of various fish imported into the US at competitive prices with pangasius**



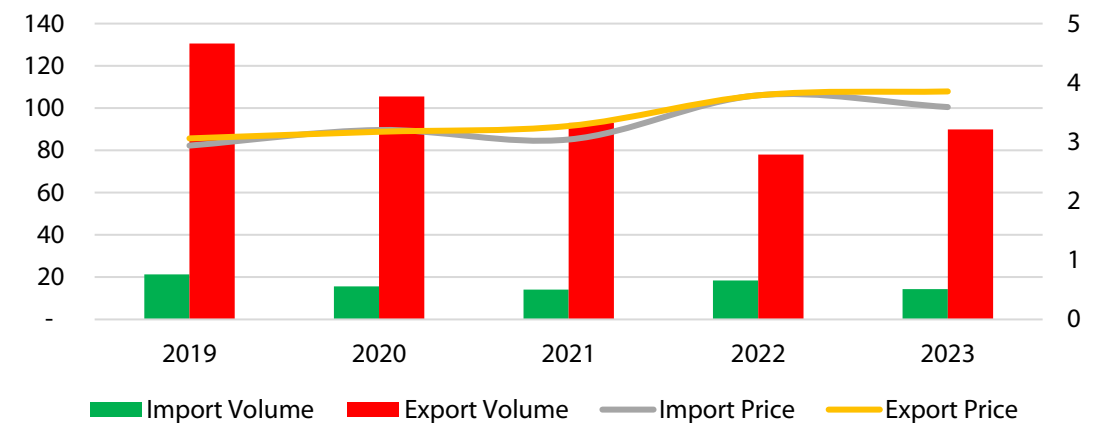
Source: NOAA, RongViet Securities

**Figure 7: Imported volume (thousand tons, left) and selling price (USD/kg, right) of various types of fish imported from Russia to China and then to the US**



Source: NOAA, RongViet Securities

**Figure 9: Export volume (thousand tons, left) of frozen fillet Pollock by the US surpassing imports indicates no shortage of domestic supply of Pollock**



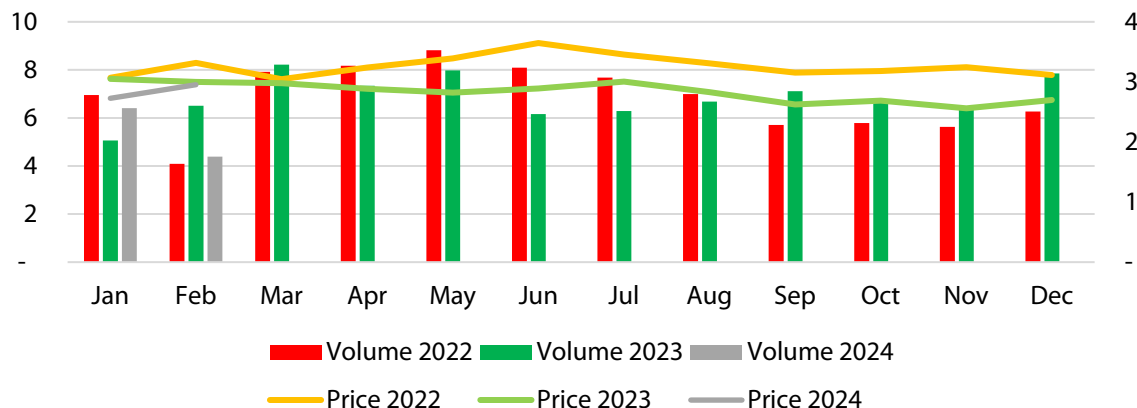
Source: NOAA, RongViet Securities



## Export volume and prices to the EU remain the same as last year

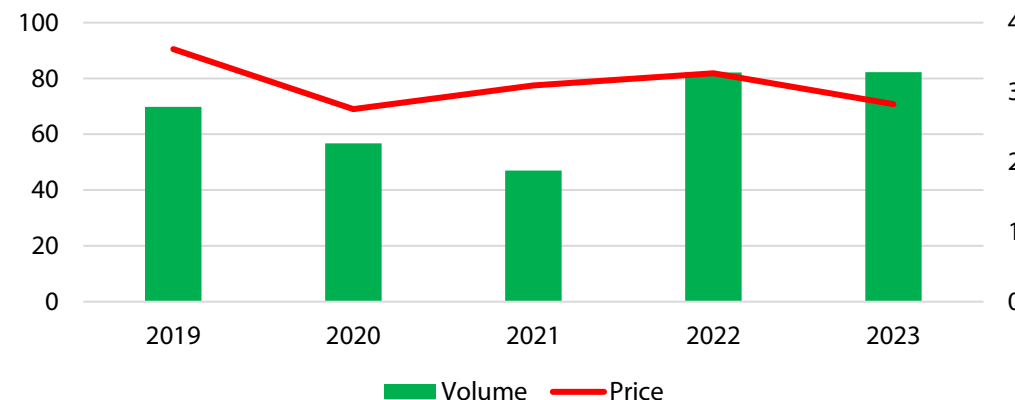
- Since December 2023, the EU has ceased granting tax exemptions for Russian fish for the period 2024-2026. Russian fish will now be taxed at 13.7% from 2024.
- According to Tradexfood, the allowable catch of Russian pollock is expected to increase by 27% this year, and with exports to the US blocked, the price of Russian pollock may remain low, reducing the competitive advantage in import prices for pangasius. The price of Russian pollock dropped sharply in 2023 and narrowing the gap with pangasius prices.
- Currently, export volume of pangasius to the EU in 2M-2024 is 7% lower YoY, and the average selling price has decreased by 12% YoY.
- In 2024, we expect export volume and prices to remain at the same level as last year, as the modest competitive advantage in price.

**Figure 10: Export volume (thousand tons, right) and price (USD/kg, left) of pangasius in 2022-2024 by month from Vietnam to the EU market**



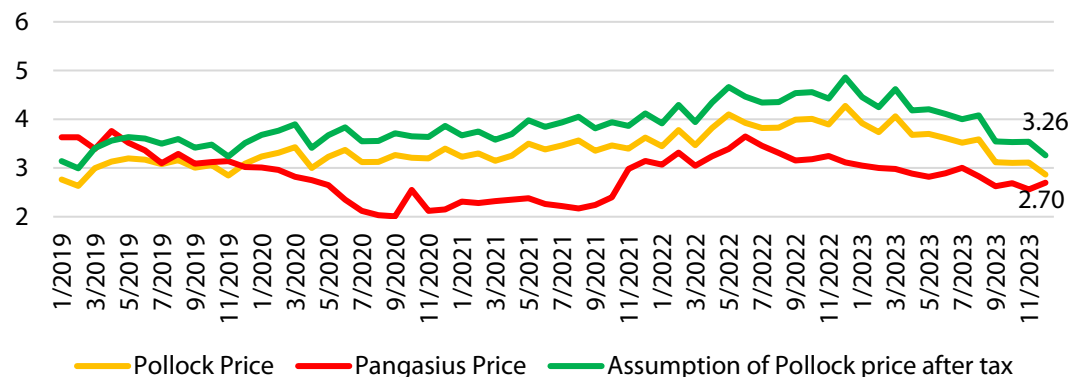
Source: Agromonitor, RongViet Securities

**Figure 11: Export volume (thousand tons, left) and selling price from Vietnam to the EU market (million USD, right)**



Source: Agromonitor, RongViet Securities

**Figure 12: Price of Russian Pollock (converted at the average monthly EUR/USD exchange rate) and price of Pangasius (USD/kg) exported to the EU (\*)**



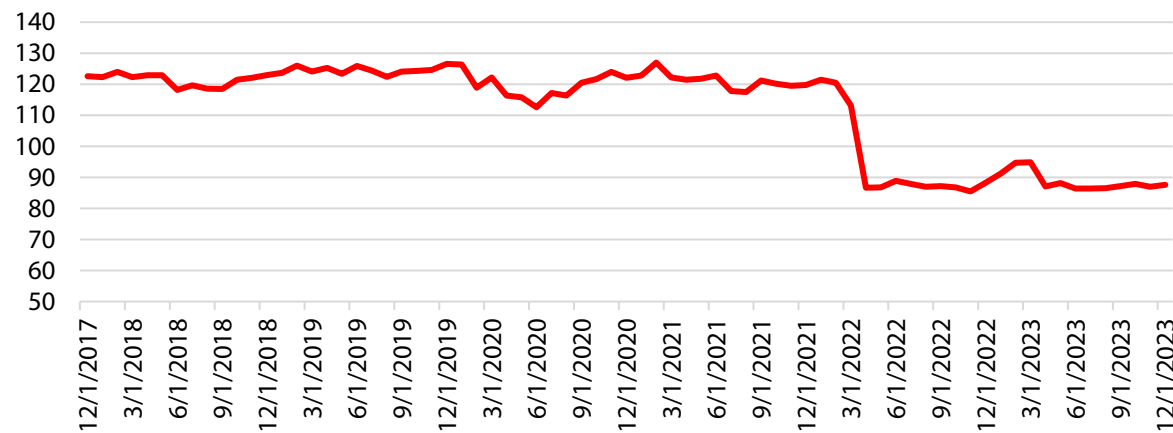
Source: Eurostat, RongViet Securities; \* Data of Pollock according to EU 22



**The Chinese market (China) is expected to see an increase in export volume, while prices are unlikely to rise due to continued intense competition in 2024**

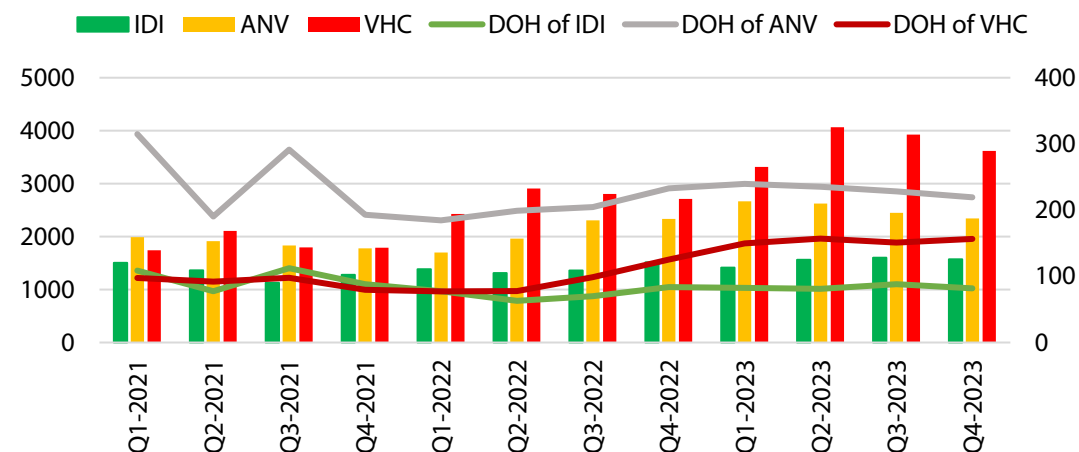
- The China recovered in the second half of 2023 with an increase in export volume; however, prices continued to decrease due to competition from snakehead fish and tilapia. According to Agromonitor, prices of snakehead fish and pangasius sold in China have decreased by an average of 20% YoY. Additionally, the Consumer Confidence Index (CCI) remains low, indicating that people are still concerned about prices in order to save costs.
- The recovery in China has helped reduce the inventory of pangasius companies and created conditions for price increases as the supply gradually decreases. Currently, the Q4/2023 day of inventory on hand (DOH) of ANV and IDI, the main exporters to China, has decreased QoQ.
- In 2024, we expect the export volume to China to continue to increase; however, prices are unlikely to rise due to competition from snakehead fish and tilapia. In the first two months of 2024, the export volume to China has increased by 5% YoY, while prices have decreased by 10% YoY.

**Figure 13: Consumer Confidence Index (CCI) (points) of the Chinese market is currently at a low level**



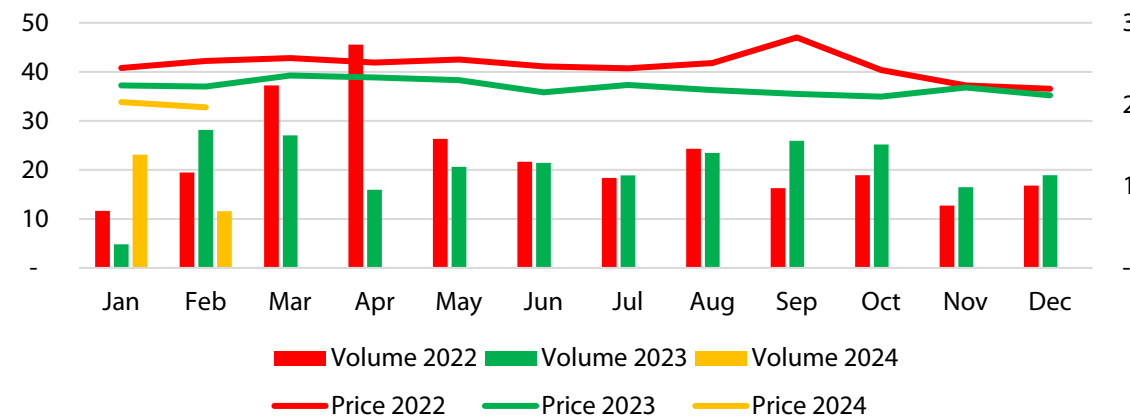
Source: Bloomberg, RongViet Securities

**Figure 14: Inventory (billion VND, left) and days of inventory on hand (DOH) (days, right) by quarter have gradually decreased**



Source: Agromonitor, RongViet Securities

**Figure 15: Export volume (thousand tons, left) and selling price (USD/kg, right) of Vietnam to the Chinese market from 2022 to 2024**



Source: Agromonitor, RongViet Securities

### Export volume improved in the first two months of 2024 but the average selling prices have decreased YoY

- Export volume in the first two months of the year has shown improvement in the US and Chinese markets. However, US volume is currently lower than the 2020-2022 period, while the Chinese market is gradually increasing. The average selling prices for the first two months in key markets still decreased YoY.

### Rising cost of raw pangasius price puts pressure on gross margins

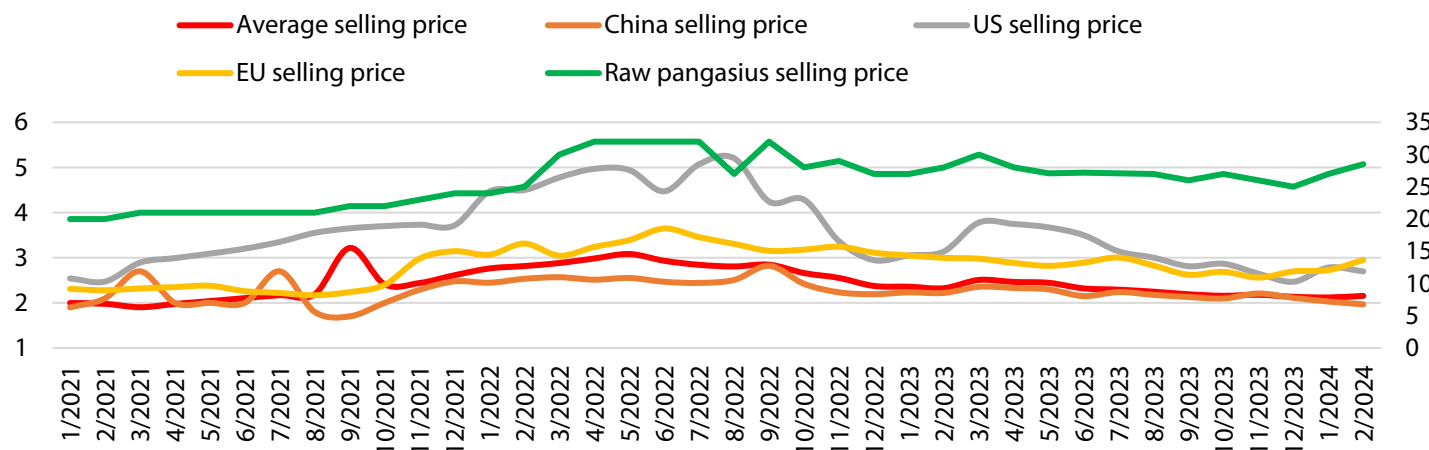
- The current increase in pangasius raw material prices, higher than selling prices, is putting pressure on the gross margins of pangasius companies. In February, raw material prices increased by 2% YoY, while the average selling price decreased by over 7% YoY. However, for companies exporting to the US and EU, where selling prices have risen again, the impact is relatively low.
- Overall, the average selling price in February 2024 increased compared to the previous month but remained 8% lower YoY due to continued price decreases in key markets. The EU market experienced the lowest decline (-2% YoY), while the US market decreased by 14% YoY.

Figure 16: Export volume (thousand tons) and selling price (USD/kg) by main market in the first 2 months of 2019-2024



Source: Agromonitor, RongViet Securities

Figure 17: Average selling price (USD/kg, left) and raw material price (thousand VND/kg, right)

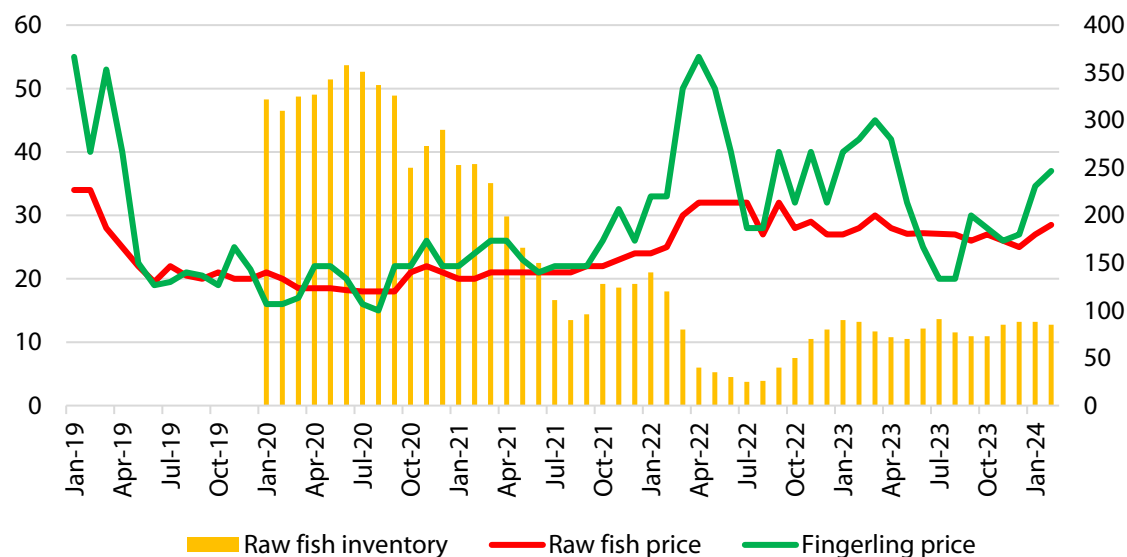


Source: Agromonitor, RongViet Securities

**The expected decrease in feed costs is anticipated to reduce the upward momentum of raw pangasius prices and slowly increase gross margin**

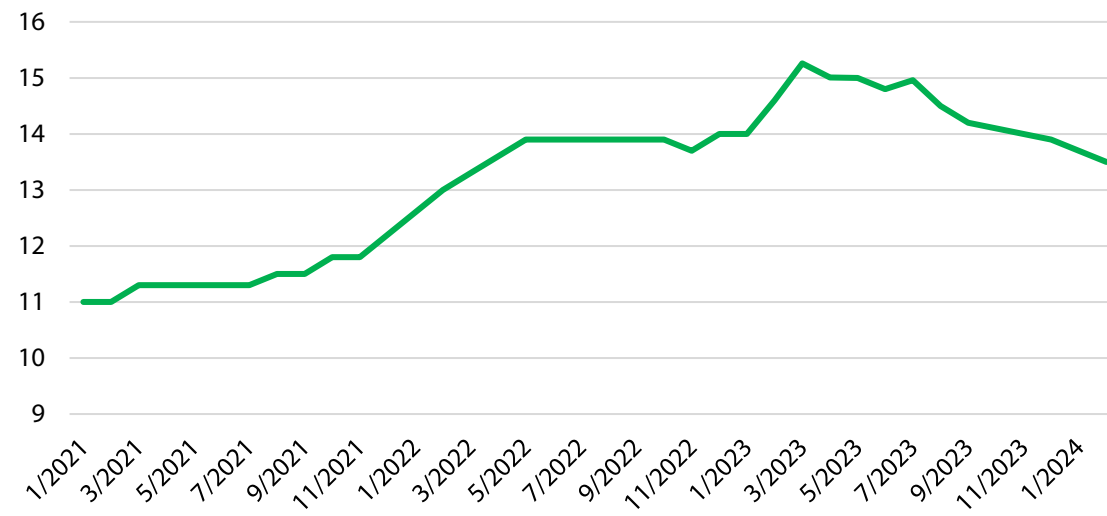
- Raw pangasius prices have risen again due to an increase in fingerling prices, as fingerling inventories remain low and decrease towards the end of the year due to the spawning season.
- Raw pangasius prices are expected to gradually increase along with fingerling prices until March 2024, and then decrease gradually as fingerling supplies increase again.
- The average price of raw pangasius in 2024 is expected to increase in line with selling prices in 2H2024, but it will not be as high as in 2023 due to (1) remaining high inventory levels, (2) decreased feed prices, and (3) a 2.8% increase in pangasius supply, according to Rabobank, which will help restrain the upward trend of raw pangasius prices. Therefore, we expect the gross margins of pangasius company improve as raw fish prices are expected to increase more slowly than selling prices from April.

**Figure 18: Prices of raw pangasius (thousand VND, left) and fingerling prices (thousand VND, left) and inventory of raw pangasius (thousand tons, right)**



Source: Agromonitor, RongViet Securities

**Figure 19: Feed prices (thousand VND/kg)**

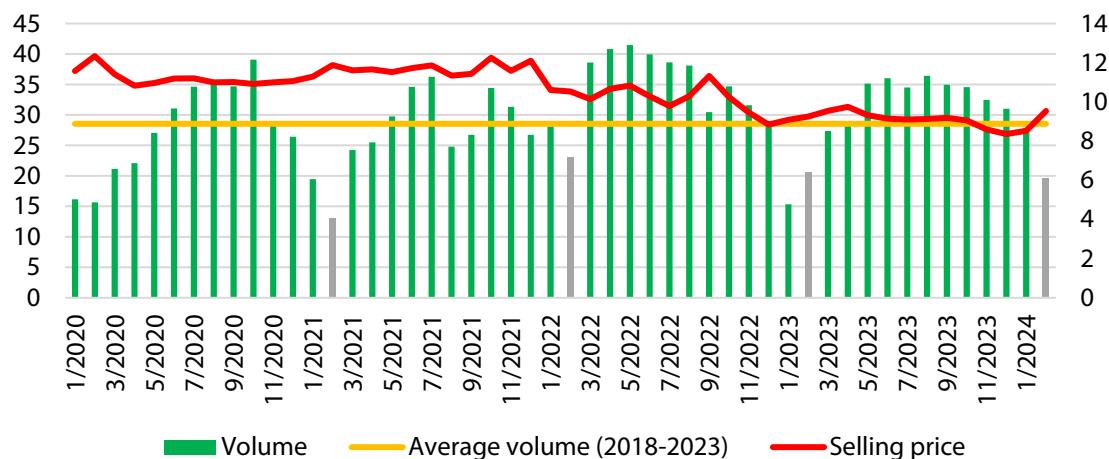


Source: Agromonitor, RongViet Securities

## Both export volume and prices decreased in 2023

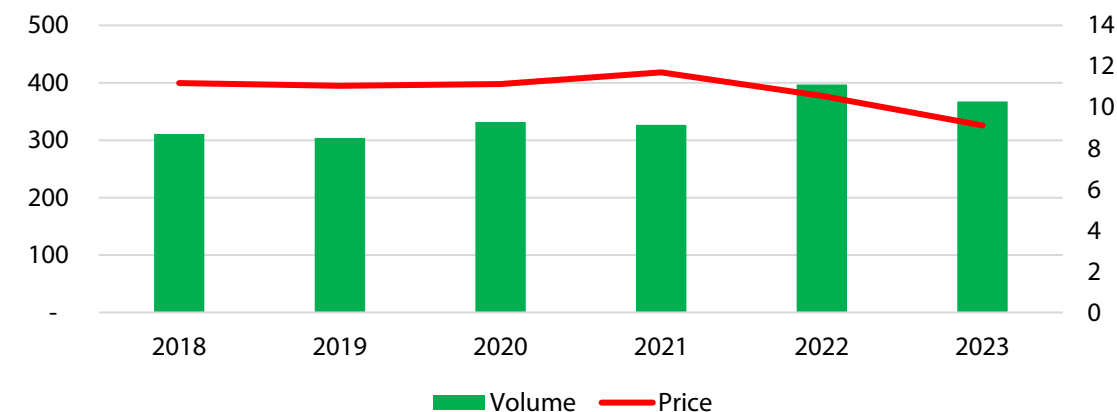
- The export value of shrimp in 2023 decreased by 21% as both decrease in price and volume by 11% YoY. Both price and volume both decreased in the major markets of the shrimp industry, however, the Japanese market experienced the most significant decline in value with a 22% YoY decrease (9% decrease in price and 15% YoY decrease in volume), strongly impacting the overall industry downturn.

**Figure 2: Export volume of shrimp and average volume (thousand tons, left) and selling price (USD/kg, right) by month**



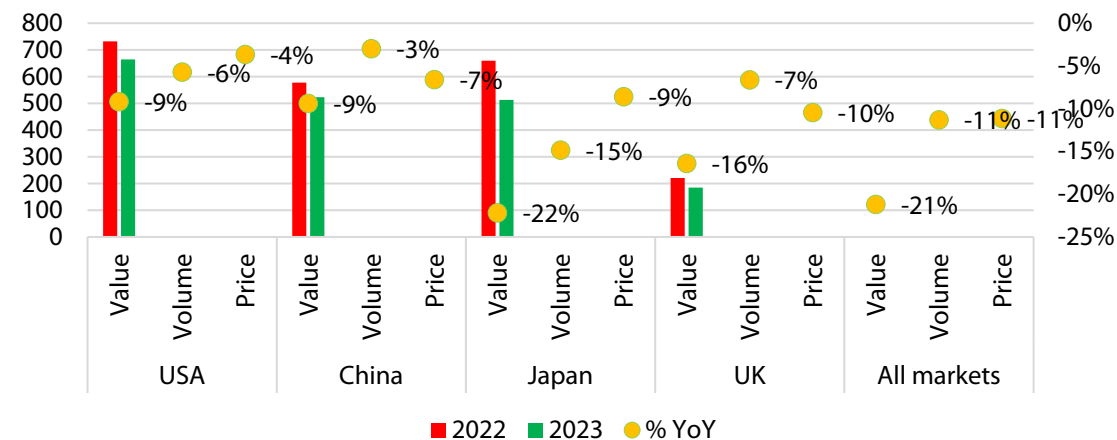
Source: Agromonitor, RongViet Securities

**Figure 1: Export volume (thousand tons, left) and price (USD/kg, right) by year**



Source: Agromonitor, RongViet Securities

**Figure 3: Value (million USD, left) and growth rate (%) by main market of the shrimp industry**

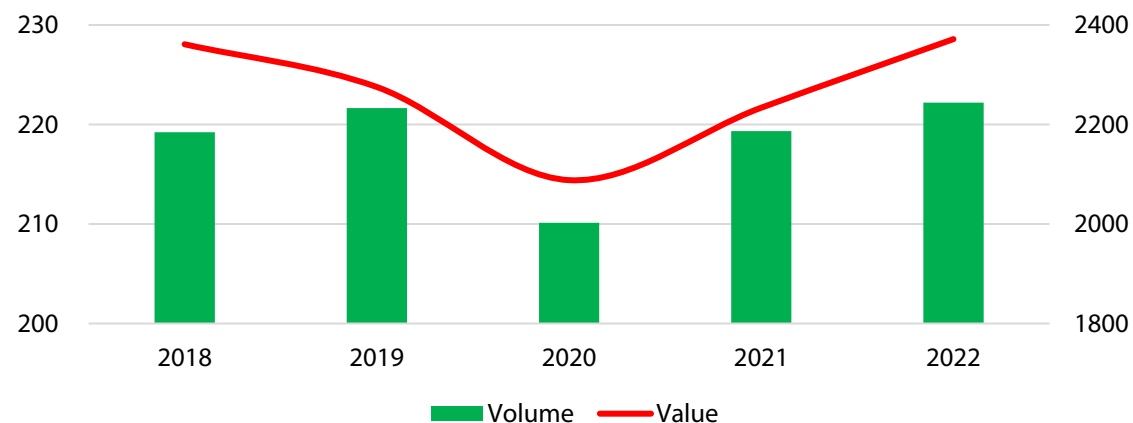


Source: Agromonitor, RongViet Securities

## Export volume and prices are expected to increase in Japan

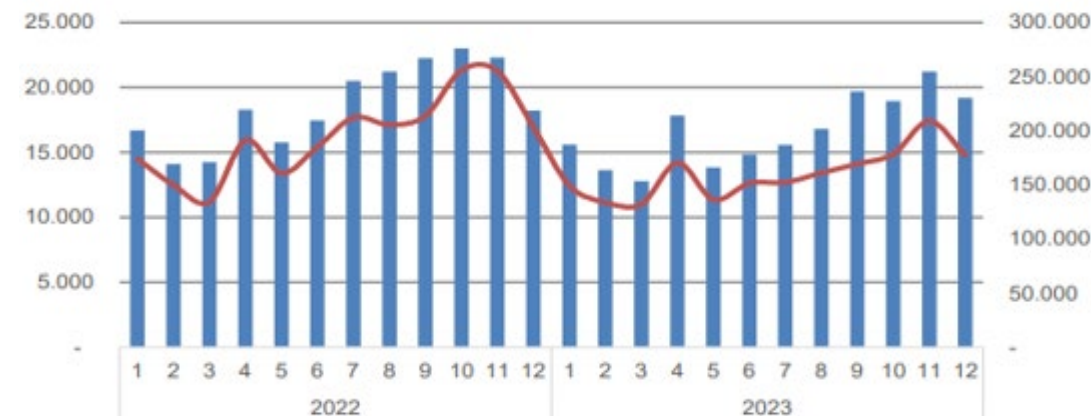
- In 2023, Japan imported 200 thousand tons (-10.76% YoY), worth \$1.92 billion (-17.93% YoY), and Vietnam being the top exporter to Japan (accounting for 22% by volume and 25% by value). Demand for shrimp in Japan has been growing in the latter months of the year; however, prices have still decreased due to the depreciation of the Yen, and consumers remain price-conscious.
- Total volume in the Japanese market in the first two months of this year has increased by 21% YoY, while the average price over the same period has decreased by 14% YoY. In 2024, we expect volume to grow by 10% YoY, while prices are expected to increase slightly as purchasing power improves in the context of rising wages in Japan along with the low base of 2023.

**Figure 4: Shrimp import volume (thousand tons, left) and value (million USD, right) to the Japanese market by year**



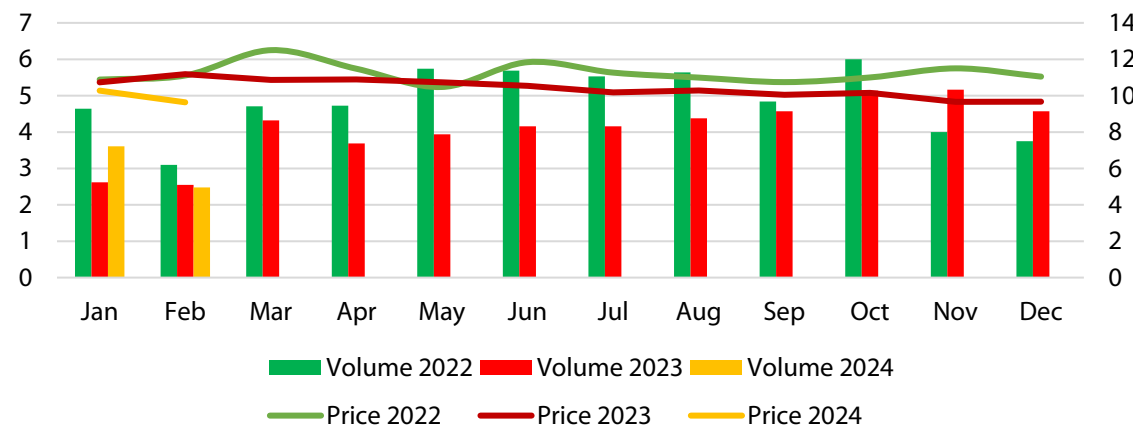
Source: ITC, RongViet Securities

**Figure 5: Import volume (column, tons, left) and value of shrimp imports (line, thousand USD, right) into the Japanese market by month**



Source: Agromonitor, RongViet Securities

**Figure 6: Export volume (thousand tons, left) and price (USD/kg, right) of Vietnamese shrimp into the Japanese market**

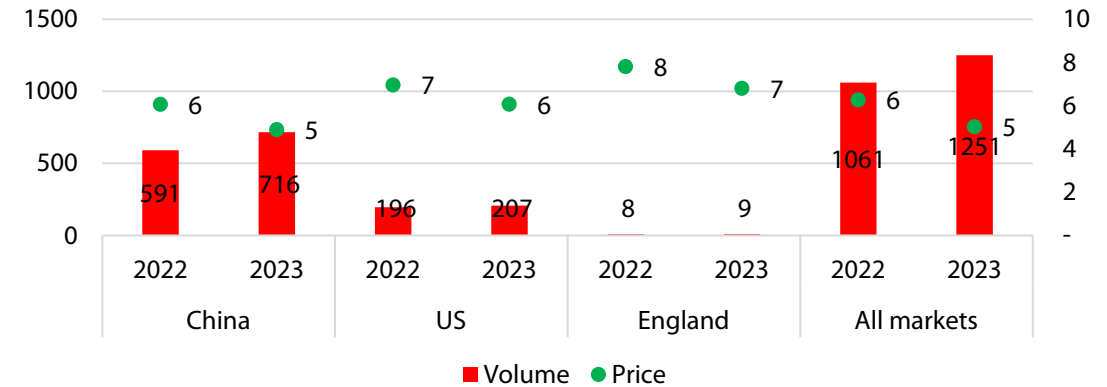


Source: Agromonitor, RongViet Securities

## Chinese market (China) still face strong competition in 2024

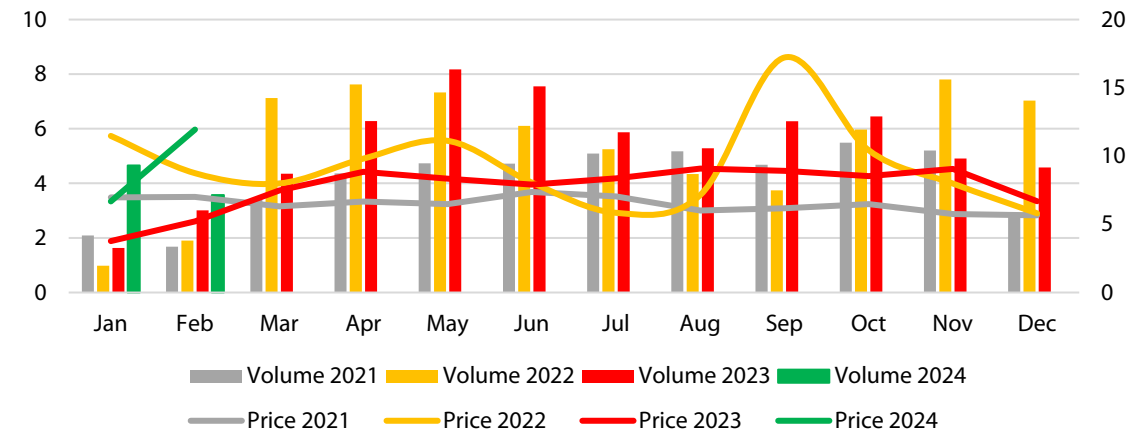
- In China, Vietnam continues to face strong competition with Ecuador as China is a key market for Ecuador (accounting for 57% of the export volume in 2023). Ecuador's export volume in 2023 increased by 18% YoY due to the growth in exports to China by 21%.
- The data for the first two months of 2024 show that Vietnam's export volume to China has increased by 77% YoY, and the average selling price has increased by 91% YoY due to the reduced supply from Ecuador caused by sulfite residue and higher freight rates. However, we believe this is only a short-term factor as the supply from Ecuador will soon rebound as sulfite residue is controlled and freight rates gradually decrease.
- In 2024, we expect the export volume to grow as China's economic recovery, while the selling price is expected to remain similar to the previous year as the competitive pressure from Ecuador remains high.

**Figure 7: Export volume (thousand tons, left) and price (USD/kg, right) of shrimp exported by Ecuador to various countries**



Source: Agromonitor, RongViet Securities

**Figure 8: Export volume (thousand tons, left) and price (USD/kg, right) of Vietnamese shrimp exported to China**



Source: Agromonitor, RongViet Securities

## The US market is expected to increase in volume, but prices remain fiercely competitive

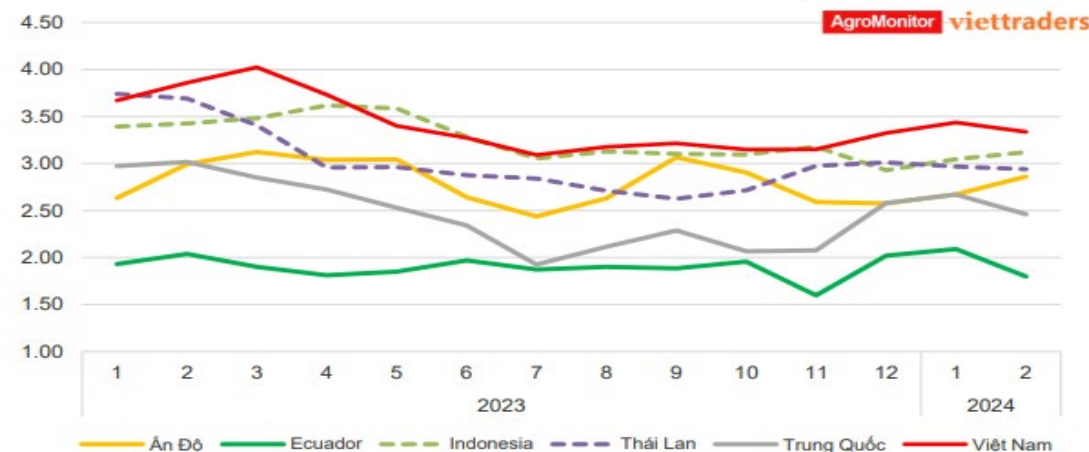
- In 2023, Ecuador's shrimp volume increased while other countries experienced declines due to US consumers' sensitivity to prices, with Ecuador's shrimp prices being lower than those of its competitors.
- In 2024, we expect growth opportunities for Vietnam's shrimp volume as the US economy's recovery, while prices may be challenging to increase due to the predicted increase in global supply (see Table 1).
- In addition, the rate of production growth in this market will also depend on the outcome of the anti-dumping investigations on India and Ecuador in April 2024. Furthermore, we expect export volume to increase as lower anti-subsidy tax rate, which help Vietnamese shrimp prices remain competitive. Based on preliminary results of the anti-subsidy investigations as of April 1, 2024, Vietnam is currently subjected to a anti-subsidy tax rate of 2.84%. This rate is lower than that of competitive countries such as Ecuador (7.55%) and India (4.36%)

**Table 1: Forecasted growth of shrimp supply of major players in 2024**

Countries	CAGR 2010-2021	2022	2023E	2024F
India	18.5%	0.3%	-12.4%	2.0%
Ecuador	14.7%	19.7%	6.3%	6.5%
Vietnam	8.4%	-2.4%	-15.1%	5.6%
China	0.7%	13.0%	8.8%	1.9%
Indonesia	10.5%	4.8%	-5.1%	3.6%
Thailand	-3.4%	5.3%	-2.2%	1.3%
<b>Total</b>	<b>5.8%</b>	<b>7.4%</b>	<b>-0.4%</b>	<b>4.8%</b>

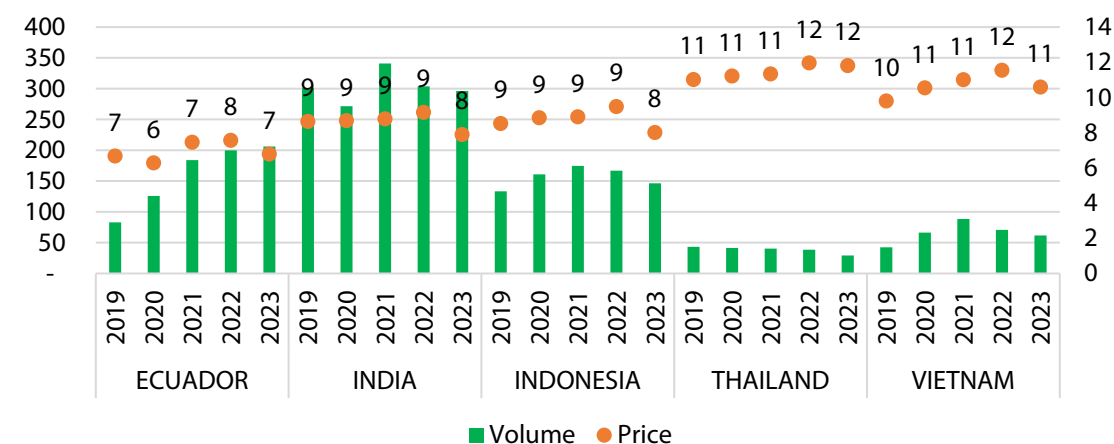
Source: Rabobank, RongViet Securities

**Figure 9: Shrimp Raw Material Prices (USD/kg) of Ecuador, the Lowest Among Shrimp Exporting Nations**



Source: Agromonitor, RongViet Securities | Yellow/purple/gray line is India/Thailand/China

**Figure 10: Shrimp Export Volume (thousand tons, left) and Price (USD/kg, right) of the Top 5 Shrimp-Exporting Countries to the US Market from 2019-2023**



Source: NOAA, RongViet Securities



## The EU market continues to face challenges

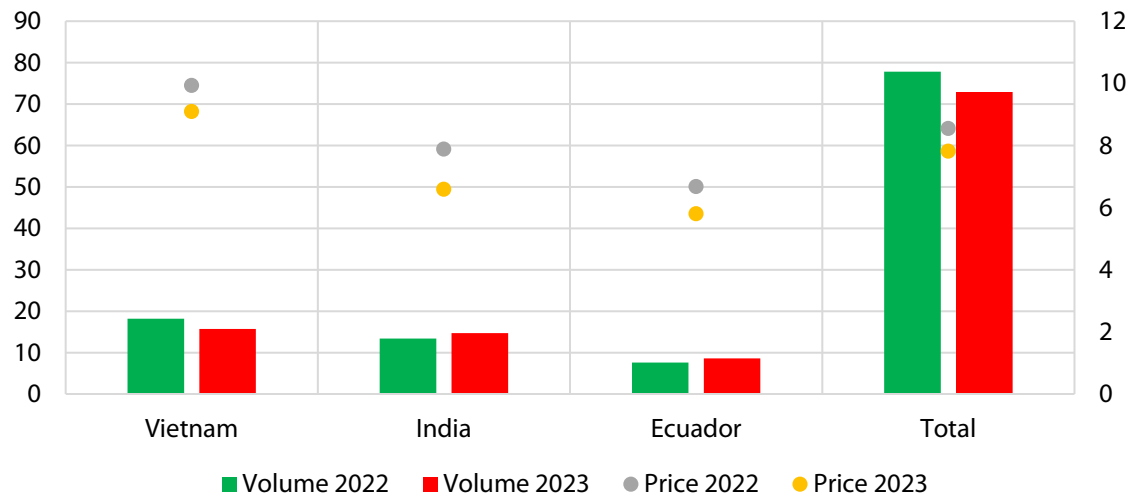
- In 2023, Vietnam ranked fourth in the EU 27 market and first in the UK market for shrimp exports. The EU 28 market still presents difficulties due to (1) stringent requirements such as ASC certification, source traceability, emission reduction solutions, and animal welfare standards, and (2) high competition with Ecuador and India.
- The EVFTA trade agreement, which gradually reduces import tariffs, has not yet brought significant benefits as competition in the EU 27 market remains fierce. In 2023, Vietnam's market share in terms of export volume in the EU 27 decreased from 11% to 8%, while Ecuador's increased from 28% to 31%.
- In 2024, we expect shrimp export volume to grow while prices remain similar to the previous year due to high competition with Ecuador and India, and the EU economy will continue to face challenges.

**Figure 11: Import volume (thousand tons, left) and shrimp import prices (EUR/kg, right) of countries into the EU 27 in 2022 and 2023.**



Source: Agromonitor, RongViet Securities

**Figure 12: Import volume (thousand tons, left) and shrimp import prices (GBP/kg, right) of countries into the UK in 2022 and 2023**

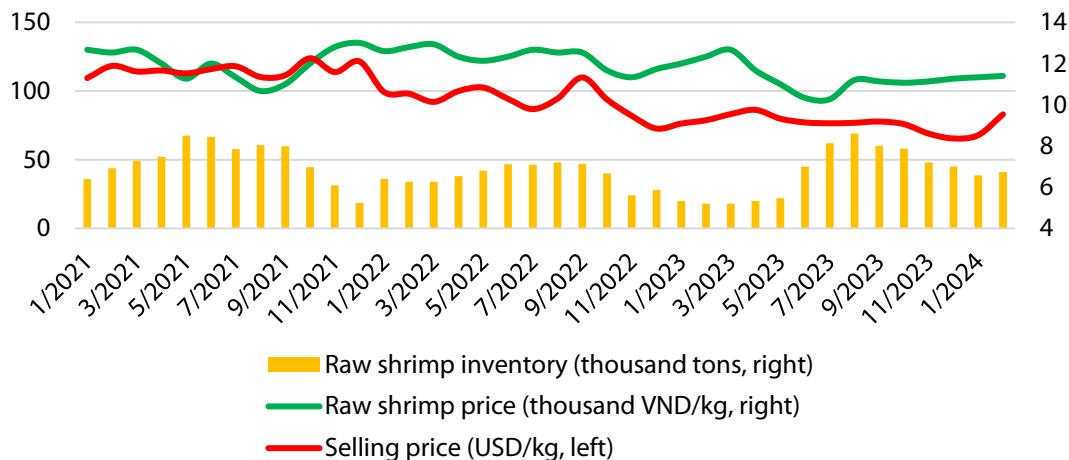


Source: Agromonitor, RongViet Securities

## Shrimp prices and sales are on the rise again

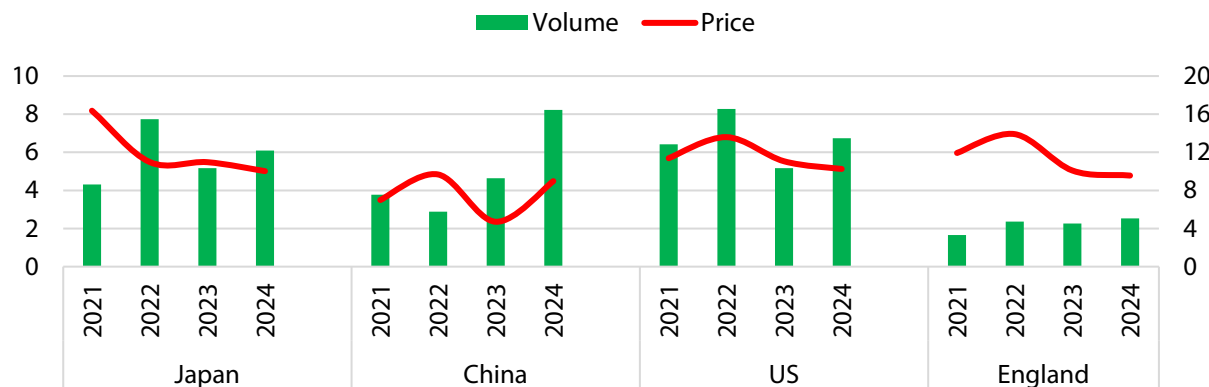
- The average selling price is increasing faster than the price of shrimp raw materials, which helps to improve the gross profit margin of businesses. As of February 2024, the selling price is increasing by 3% YoY, while the price of shrimp raw materials is decreasing by 11% YoY.
- The price of shrimp raw materials is expected to increase along with the selling price, but the rate of increase will be lower because of higher shrimp inventory levels in February compared to the same period last year and the expectation of decreased agricultural prices, which will help curb the upward trend of shrimp raw material prices.
- There are signs of recovery in selling prices in February. However, only the Chinese market is experiencing growth, while the markets in the US, Japan, and the UK are still lower.
- The export volumes in major markets such as the US, Japan, China, and the UK have been increasing since November 2023, and the export volume in the first two months of 2024 is now higher than that of the same period in 2023.

**Figure 13: Shrimp raw material prices and shrimp raw material inventory**



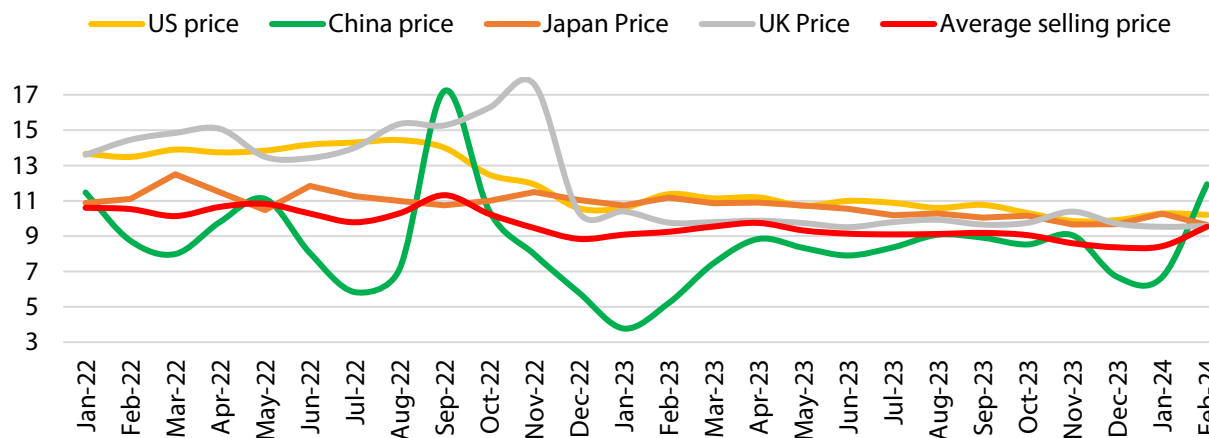
Source: Agromonitor, RongViet Securities

**Figure 14: Export volume (thousand tons) and average selling price (USD/kg) for the first 2 months of the year by major markets**



Source: Agromonitor, RongViet Securities

**Figure 15: Selling prices (USD/kg) in many major markets have rebounded, while prices in China are still declining**



Source: Agromonitor, RongViet Securities

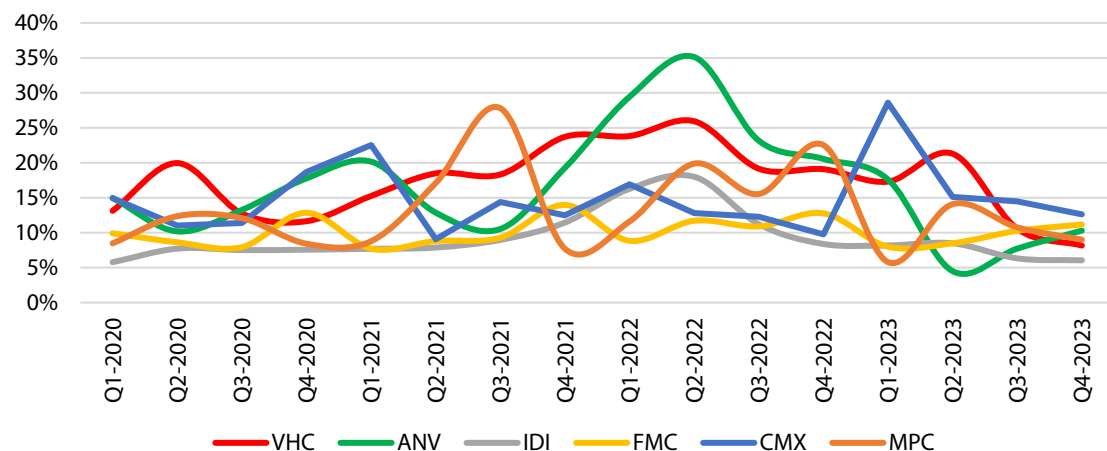
**Profit margins of enterprises are expected to recover from the bottom in Q3 and Q4/2023.**

- Most companies have almost bottomed out their financial performance in Q3/2023. The gross margins of these companies have declined sharply due to significant decreases in selling prices. However, the increase in exchange rates and the decrease in feed prices in 2024 are expected to support the recovery of gross margins.
- Increased transportation costs due to conflicts in the Red Sea will put pressure on the net margins of export-oriented companies under CFR conditions or hinder price increases due to the need to share costs with buyers for enterprises under FOB conditions.

**Waiting for the opportunity to accumulate shares of companies with strong fundamental backgrounds for long-term goals.**

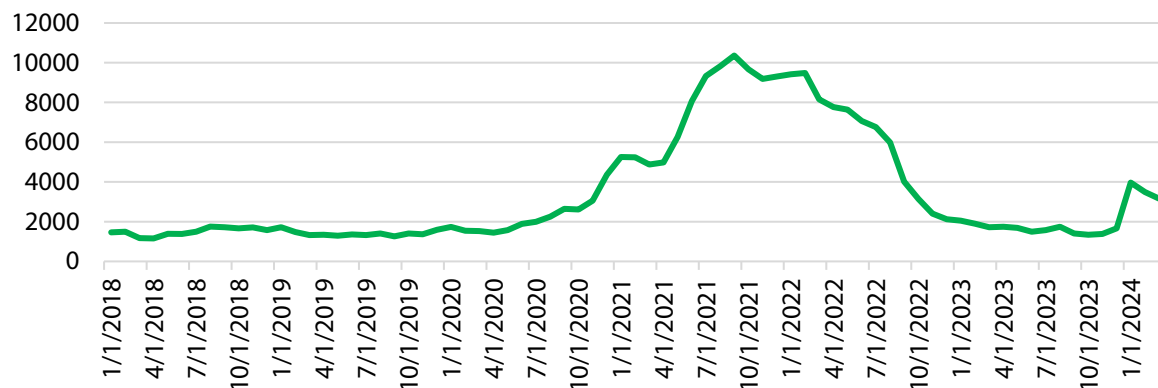
- For pangasius industry stocks, we expect an increase in net profit for this year. However, stock prices seem to have reflected positive recovery expectations. Currently, investors may wait for more attractive pricing or monitor clear signals of pangasius demand in the coming months to determine the appropriate timing for stock purchases.
- For the shrimp industry, we believe that the valuation is still attractive compared to the current level.
- We prefer stocks in the industry that will benefit greatly from the US market, such as VHC stocks, and those with high competitiveness, such as FMC stocks, for medium and long-term investments.

**Figure 16: Gross margins of seafood enterprises by quarter (%)**



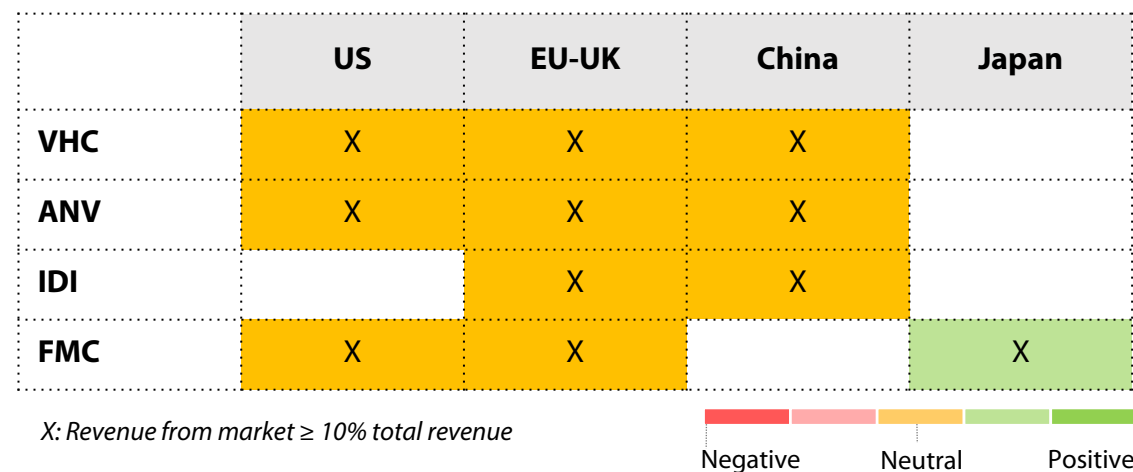
Source: Finpro, RongViet Securities

**Figure 18: Drewry World Container Index (WCI) (USD/40ft container)**



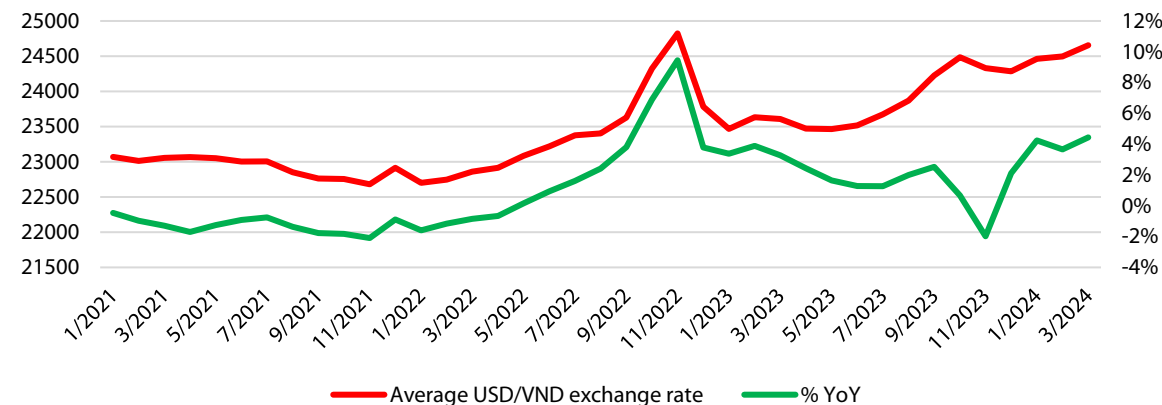
Source: Bloomberg, RongViet Securities

**Figure 17: Export prospects of seafood enterprises by market in 2024**



Source: RongViet Securities

**Figure 19: Average monthly USD/VND exchange rate (thousand VND per USD, left) has increased significantly compared to the same period (% change, right)**



Source: Bloomberg, RongViet Securities

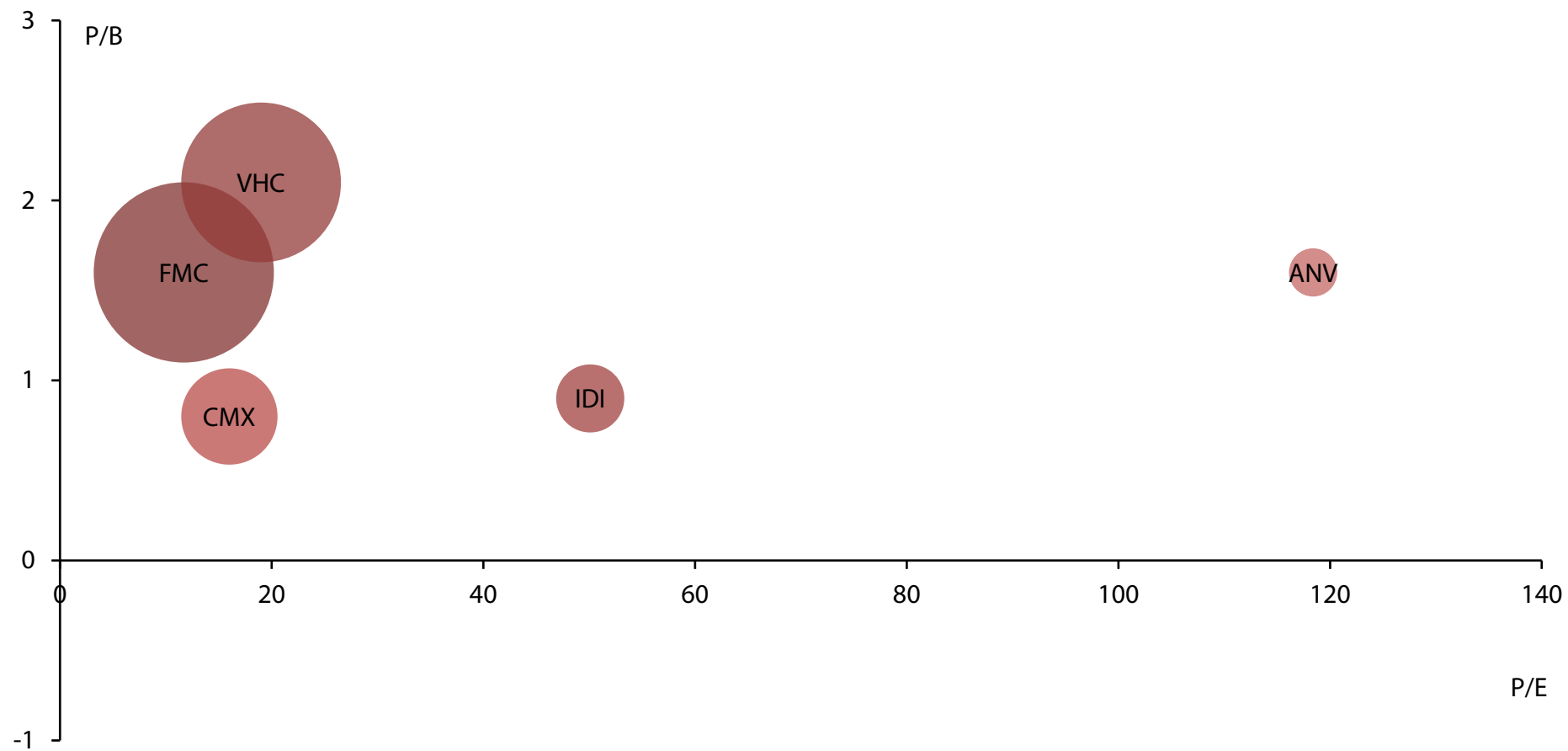
Ticker	Market Cap. (VND bn)	3M.daily turnover AVG. (VND mn)	Current P/E (x)	Current P/B (x)	Trailling 12 M ROE (%)	Target price	Market price as of 03/22/24	Expected return	2023A			2024F			Revenue Growth		NPAT Growth	
									Revenue	NPAT	EPS	Revenue	NPAT	EPS	2023	2024F	2023	2024F
<b>FMC</b>	3,237	4,030	11.73	1.60	14.0%	52,600	49,500	6.3%	5,087	276	4,221	5,598	343	5,189	-10.8%	10.0%	-10.7%	24.2%
<b>VHC</b>	17,350	60,014	19.01	2.08	11.3%	71,500	77,300	-7.5%	10,039	897	4,067	11,828	1,218	5,427	-24.1%	14.4%	-54.6%	36%
<b>MPC</b>	7,198	2,302	N.A	1.35	-2.3%	N.R	18,000	N.A	10,767	(98)	(310)	N.A	N.A	N.A	-34.4%	N.A	N.A	N.A
<b>ANV</b>	4,666	58,247	118.35	1.64	1.5%	N.R	35,050	N.A	4,439	42	317	N.A	N.A	N.A	-9.3%	N.A	-93.8%	N.A
<b>IDI</b>	2,868	32,768	50.14	0.88	2.2%	N.R	12,600	N.A	7,221	72	318	N.A	N.A	N.A	-8.9%	N.A	-86.8%	N.A
<b>CMX</b>	918	4,819	16.04	0.76	4.3%	N.R	9,010	N.A	2,043	51	502	N.A	N.A	N.A	-29.5%	N.A	-22.3%	N.A

Source: Bloomberg, RongViet Securities. Data was updated as of March 22, 2024.

\*N.R: Non rate

N.A: Not available

NPAT-MI: Net profit after tax and minority interest

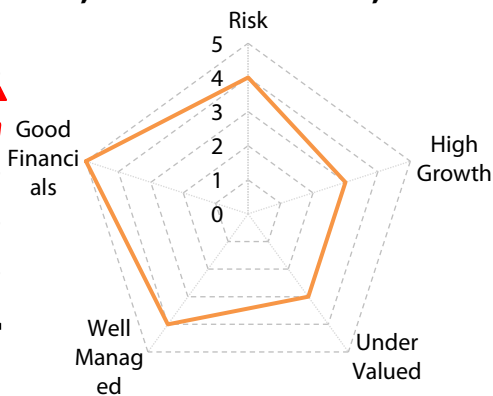
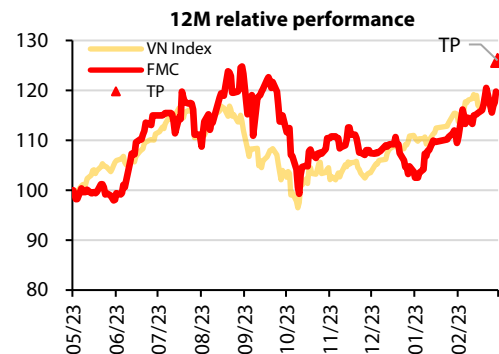


Source: Fiinpro, RongViet Securities. Bubble size equals respective ROE. Share price as of 22 Mar 2024.

**NEUTRAL: +6.3%**

**MP: 49,500**

**TP: 52,600**



## STOCK INFO

Sector	Food & Beverage
Market Cap (USD Mn)	131
Current Shares O/S (Mn shares)	65
3M Avg. Volume (K)	86
3M Avg. Trading Value (VND bn)	4
Remaining foreign room (%)	19
52-week range ('000 VND)	37.7 - 53.5

## FINANCIALS

	2023A	2024E	2025F
Revenue (VND bn)	5,087	5,680	6,276
NPATMI (VND bn)	276	343	405
ROA (%)	8.3	10.2	11.4
ROE (%)	13.6	16.2	17.8
EPS (VND)	4,221	5,189	6,129
Book Value (VND)	31,024	32,397	34,711
Cash dividend (VND)	2	2	2
P/E (x)	10.7	8.8	7.4
P/B (x)	1.3	1.4	1.3

## INVESTMENT RATIONALES

### The Japanese market will compensate for weak demand in other markets

- In 2023, the Japanese market accounted for 34% of total consolidated revenue and 40% of FMC's revenue. We expect Japan to continue driving FMC's shrimp volume growth in 2024 as (1) rising wages in Japan and (2) the low base in 2023. In the long term, this market will ensure FMC's revenue growth based on a loyal and long-standing customer base and stable demand for refined shrimp.
- We project FMC's shrimp export volume to increase by 10% YoY and 8% YoY, and the average selling price to increase by 0.6% YoY and 2% YoY in 2024/2025. The revenue and NPAT-MI in 2024 are expected to be 5,680 bn VND (+11.65% YoY) and 343 bn VND (+24.18% YoY), respectively. Revenue already includes the assumption of a 3% YoY increase in the USD/VND exchange rate.

### High growth in self-farming shrimp will improve gross profit margin

- The gross margin of the shrimp segment is expected to improve by 130 basis points to 10.4%, with the total gross margin reaching 11% in 2024 due to the projected 29% increase in self-farming shrimp volume (equivalent to an increase in self-sufficiency ratio from 31% to 36%) thanks to (1) maintaining a successful farming rate above 80% and (2) new farming areas of 200 hectares for two crops instead of one as in 2023, and (3) harvesting self-farming shrimp during the reverse season in January 2024 (there was no self-farming shrimp in the reverse season in 2023).
- Additionally, we expect the sales expense-to-revenue ratio of FMC to increase from 2.4% in 2023 to 3.2% (equivalent to the Q4/2023 ratio) due to significantly increased logistics costs due to tensions in the Red Sea.

## RISKS TO OUR CALL

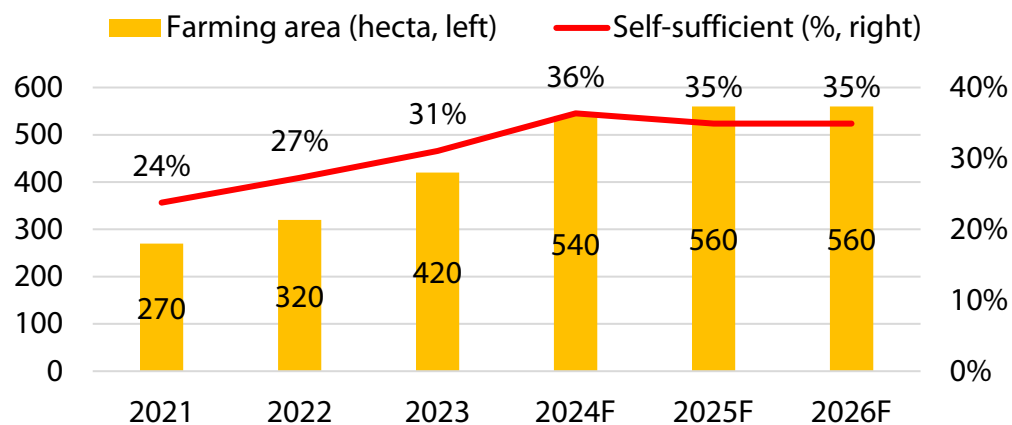
- Shrimp demand and prices may not perform as expected. Shrimp farming efficiency may be lower than expected in 2024.



**Business result in Q1/2024 positive with volume growth**

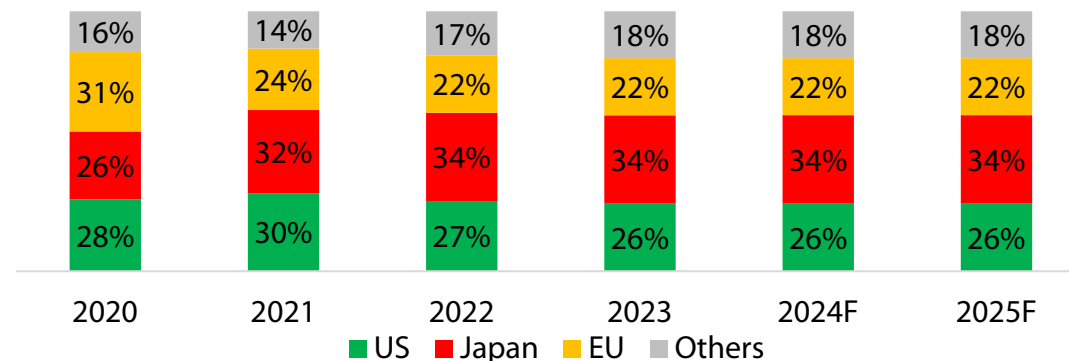
- The first quarter revenue of FMC in 2024 is estimated to reach 50 million USD (+15% YoY) with exported shrimp volume reaching 4,289 tons (+27% YoY), while the average selling price is estimated to decrease by 9% YoY.
- The results of shrimp farming during the 11/2023 to 2/2024 faced initial challenges, but overall, the outcome is promising with a successful farming rate reaching 80%.

**Figure 2: Continuous Expansion of Farming Areas to Maintain Stable Gross Margin**



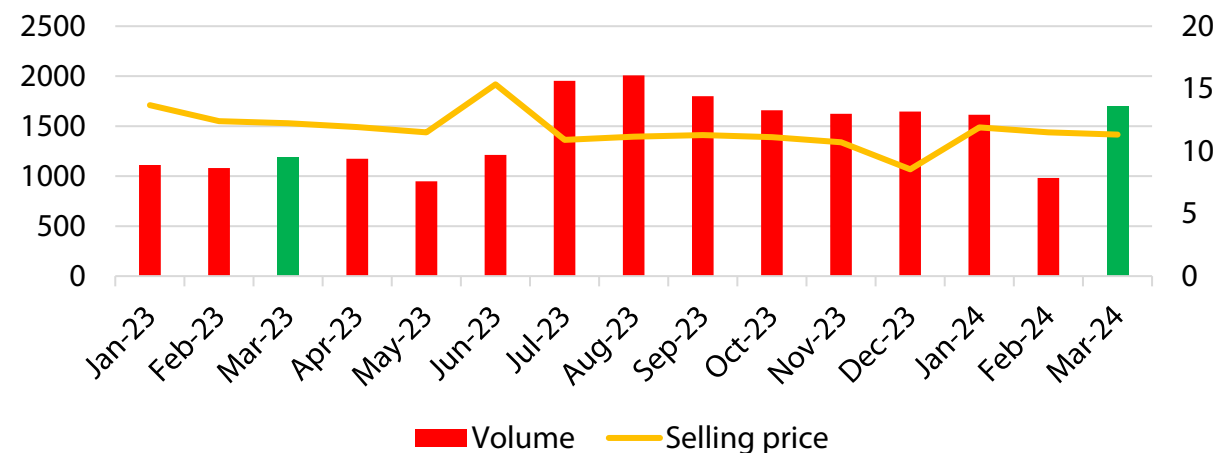
Source: FMC, RongViet Securities

**Figure 1: Japan Market Continues to Maintain High Proportion (%)**



Source: FMC, RongViet Securities

**Figure 3: FMC's Export Prices (USD/Kg, left) and Export Volume (tons, right) by Month**



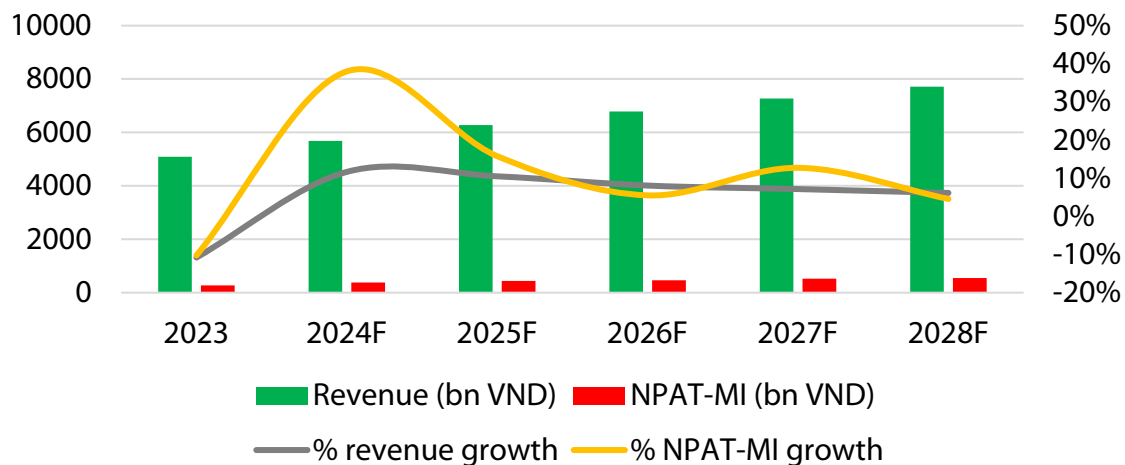
Source: FMC, RongViet Securities

**Table 1: Projected Revenue for the Shrimp Segment (account for 97% of revenue 2023)**

List	2023	2024F	2025F	2026F	2027F	2028F
Volume (tons)	17,342	19,037	20,560	22,204	23,784	25,481
% growth rate	-4%	10%	8%	8%	7%	7%
ASP (USD/kg)	11.9	12.0	12.3	12.3	12.2	12.1
% growth rate	-7%	1%	2%	0%	0%	-1%
Revenue (bn VND)	4,928	5,496	6,063	6,548	7,010	7,430
Shrimp gross profit (%)	9.12%	10.44%	10.58%	9.96%	10.21%	9.87%

Source: FMC, RongViet Securities

**Figure 4: Projected Revenue and Profit (left) and Percentage Growth (right)**



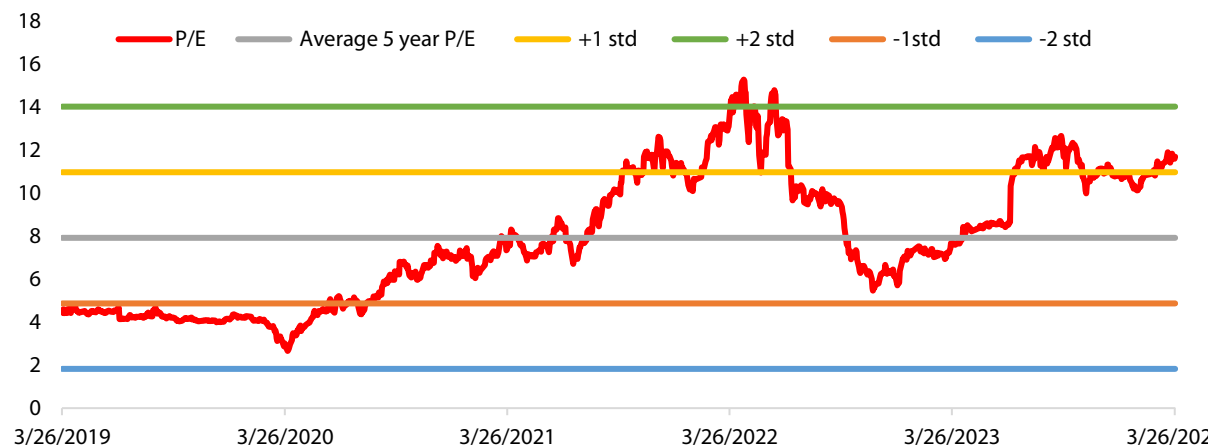
Source: FMC, RongViet Securities

**Table 2: Summary of FMC Valuation**

Method	Weight	Valuation (VND/stock)
FCFF (WACC: 10,6%; g: 0,3%; EV/EBITDA: 5,8x)	50%	58,100
P/E (Target 2024, 9,8x)	50%	47,100
<b>Target price</b>	<b>100%</b>	<b>52,600</b>
Cash dividend		2,000
<b>Market price (22/03/2024)</b>		<b>49,500</b>
<b>12- Month return</b>		<b>10,3%</b>

Source: RongViet Securities

**Figure 5: FMC's 5-Year Historical P/E Ratio Data**



Source: Bloomberg, RongViet Securities

**NEUTRAL: -7.5%**

**MP: 77,300**

**TP: 71,500**

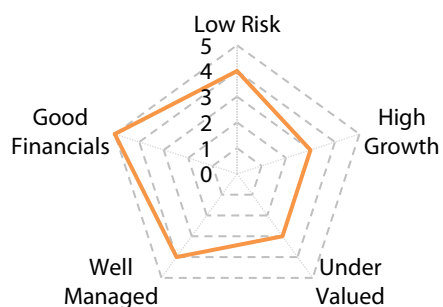
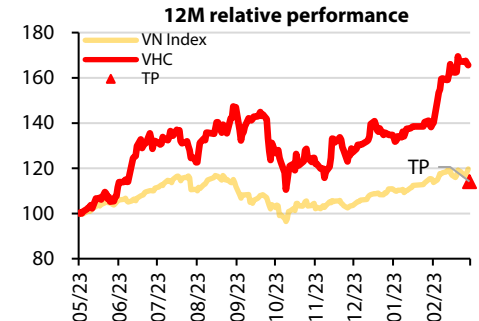
**STOCK INFO**

**FINANCIALS**

**2023A**

**2024E**

**2025F**



Sector	Food & Beverage
Market Cap (USD Mn)	700
Current Shares O/S (Mn shares)	224
3M Avg. Volume (K)	871
3M Avg. Trading Value (VND bn)	60
Remaining foreign room (%)	68
52-week range ('000 VND)	44.42 - 79.9

Revenue (VND bn)	10,039	11,828	12,712
NPATMI (VND bn)	897	1,218	1,640
ROA (%)	7.6	9.6	12.0
ROE (%)	10.5	13.4	16.0
EPS (VND)	4,880	5,427	7,305
Book Value (VND)	45,801	40,616	45,686
Cash dividend (VND)	2,000	2,000	2,000
P/E (x)	15	13	10
P/B (x)	2	2	2

## INVESTMENT RATIONALES

### Revenue increased by 18% YoY thanks to the recovery in demand in the US

- The price of pangasius has rebounded in January and February 2024. However, the average selling price for the whole year in USD may decrease by 1% YoY as high competition in the EU and weak consumer confidence in China, while prices in the US are expected to gradually improve from mid-year. Export volume is forecasted to increase by 25.6% YoY, mainly driven by the US market based on the low base in 2023 and the economic recover in 2H-2024. Therefore, revenue from pangasius in 2024 in VND is expected to increase by 21% YoY, including the assumption of a 3% YoY increase in the USD/VND exchange rate.
- Additionally, the expansion of C&G capacity during the 2024-2025 period is expected to boost C&G revenue by 32% YoY, and the operation of the Thanh Ngoc factory will help drive VHC's revenue growth. In total, revenue in 2024 is estimated to reach 11,828 bn VND (+18% YoY).

### Slight increase in gross margin as higher exchange rate and lower feeding costs

- The gross margin improved from 14.3% in 2023 to 16.4% in 2024 due to the decrease in feed prices and the conversion of selling prices to VND which benefiting from the higher USD/VND exchange rate.
- Selling expenses of VHC will also increase due to significantly higher logistics costs caused by tensions in the Red River. In 2024, we expect the ratio of selling expenses to revenue of VHC to increase from 2.2% in 2023 to 3% (equivalent to the Q4/2023 ratio). From there, the parent company's net profit is expected to reach 1,218 billion VND (+36% YoY).

### Stock prices have risen sharply on expectations of a strong recovery in 2024

- The P/E valuation of the stock is currently at its highest historical level and already reflects our expectations for growth prospects in 2024. With the recent price increase, we recommend a **NEUTRAL** rating on this stock.

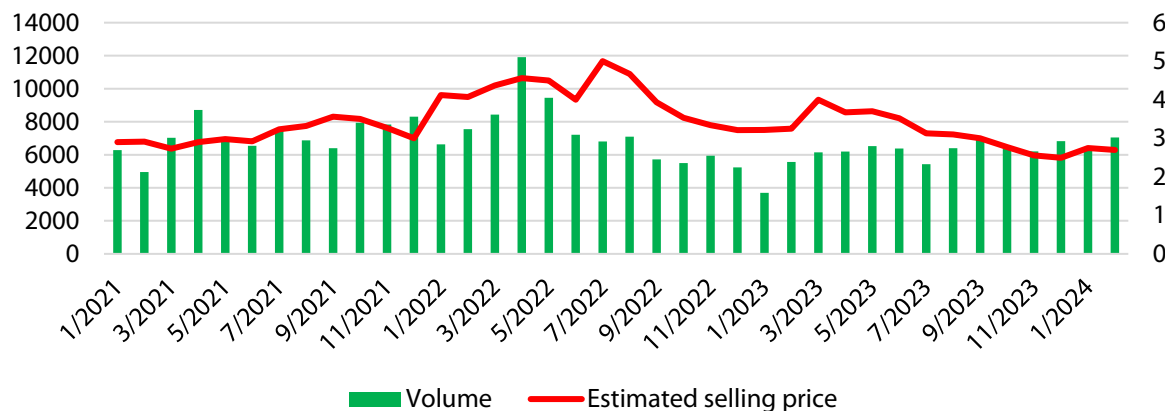
## RISKS TO OUR CALL

- Lower-than-expected consumption demand in the US due to slow economic recovery.

## Export volume have rebounded in the first 2 months of 2024

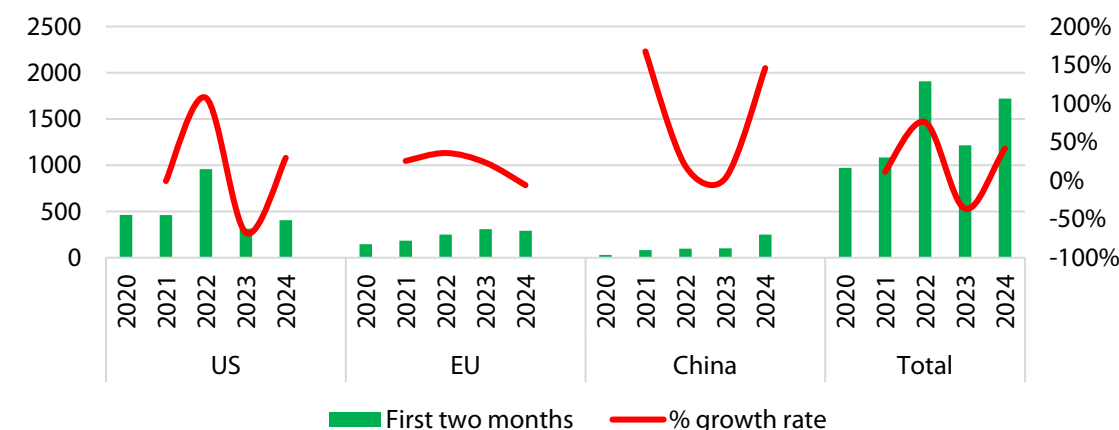
- In the first 2 months of 2024, the export value of the industry increased by 8% YoY, while that of VHC is estimated to increase by 22% YoY thanks to a 45% YoY increase in volume, despite a 16% YoY decrease in selling prices. The average selling price (ASP) of VHC in February still decreased by 17% YoY or 14% YoY if converted according to the monthly average USD/VND exchange rate.
- Pangasius revenue for the first 2 months in VND increased by 25% YoY. Revenue for the first 2 months increased by 42% YoY, with the Chinese market increasing by 146% YoY and the US market increasing by 30% YoY, mainly due to the low base in the same period in 2023.

**Figure 1: Export Volume (thousand tons, left) and Estimated selling price (USD/kg, right)**



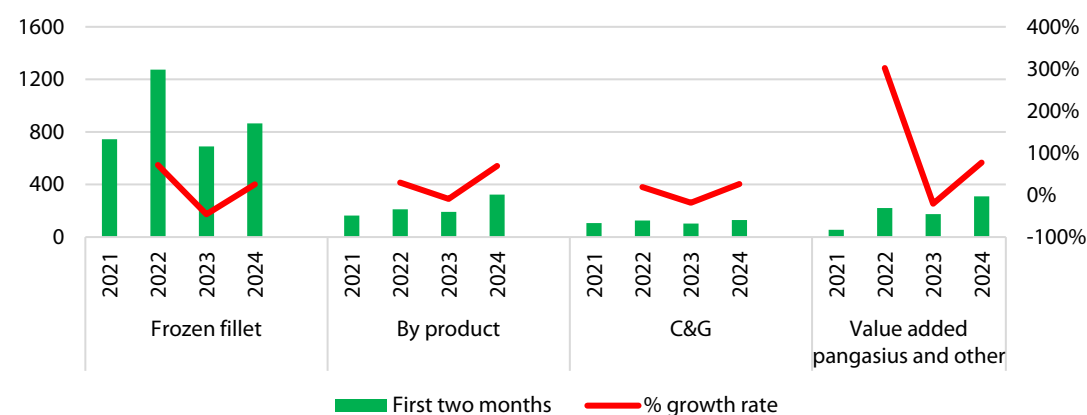
Source: VHC, RongViet Securities

**Figure 2: Monthly Revenue by Market (billion VND) and Growth Rate (%) for the First Two Months of the Year**



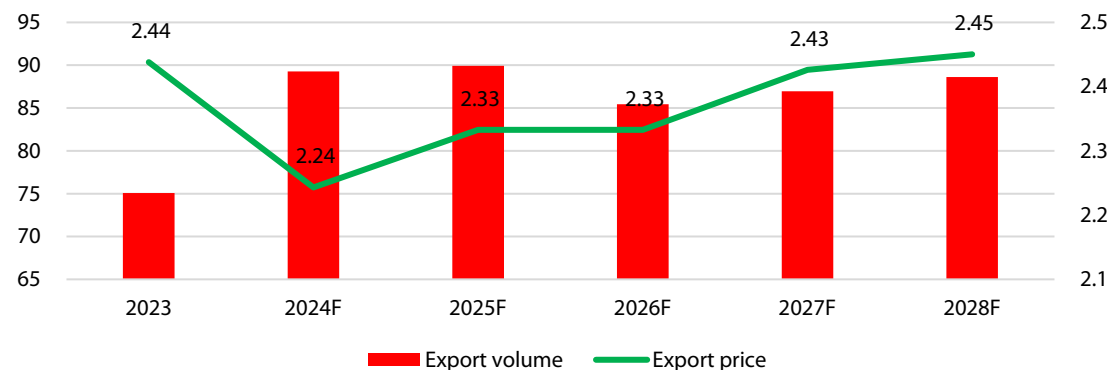
Source: VHC, RongViet Securities

**Figure 3: Revenue for the First Two Months by Market (billion VND)**



Source: VHC, RongViet Securities

**Figure 4: Export Volume (thousand tons, left) and Export Price (USD/kg, right) of VHC**



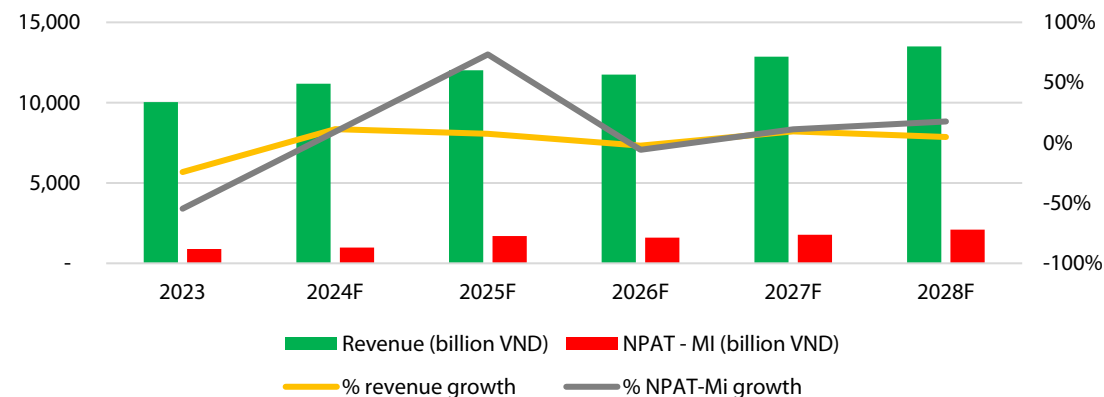
Source: VHC, RongViet Securities

**Table 1: Summary of Valuation**

Method	Weight	Valuation (VND/stock)
5Y FCFF (WACC: 10,8%; g: 0,8%; EV/EBITDA: 8x)	50%	74,800
SoTP		
- Cá tra PE @ 12,1x; 2024F EPS @ 3.551 đồng	50%	68,200
- C&G PE @ 13,9x; 2024F EPS @ 1.616 đồng		
- SCG PE @ 10x; 2024F EPS @ 260 đồng		
<b>Target price (VND)</b>	<b>100%</b>	<b>71,500</b>

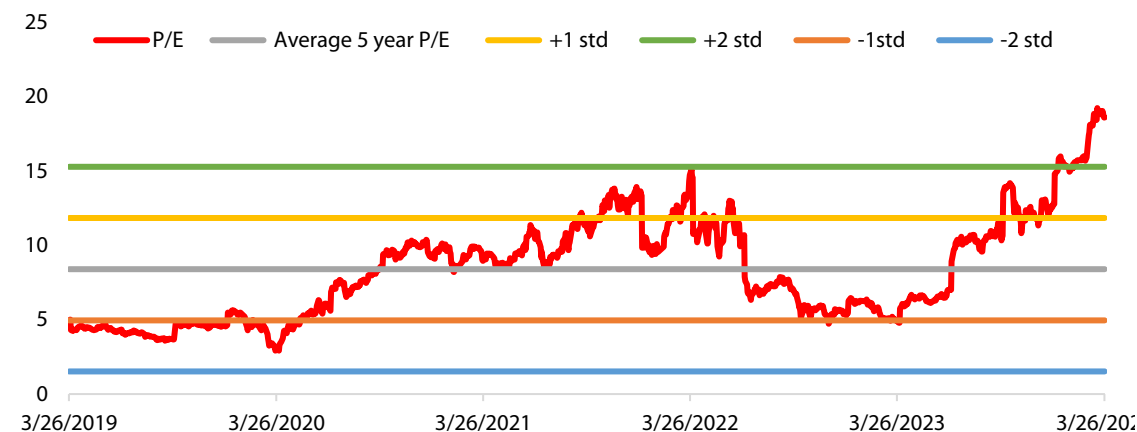
Source: RongViet Securities

**Figure 5: Projected Revenue and NPAT-MI (left) and % Growth (right)**



Source: RongViet Securities

**Figure 6: Historical 5-year P/E Data of VHC**



Source: Bloomberg, RongViet Securities



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