

Seafood

Climb to new peaks

High average selling price boosted stellar revenue in 2Q22

The seafood industry exported USD3.2bn (+35.5% yoy) in 2Q22, mainly driven by strongly exporting in all categories, with a USD1,350mn shrimp export sale (+26.1% yoy) and a USD777mn pangasius export value (+78.1% yoy). Beneficiary, 24 listed seafood exporters recorded a VND18,728bn revenue (+33.3% yoy). Listed pangasius and shrimp exporters revenue growth of 41.4% yoy and 32.5% yoy respectively, advanced by the substantial increase yoy of average selling price.

Impressive net margin but no surprise in 2Q22

The seafood exporters could expand their gross margin thanks to an outpaced growth of ASP vs input prices. The 24 listed exporters' GM expanded to 19.6%, +6.3%p yoy in 2Q22, mainly contributed by 17.3% GM of shrimp exporters (+3.1%p yoy) and 23.6% GM of pangasius exporters (+10.9%p yoy) in 2Q22. GM supported the brisk net margin growth to 10.6%, (+6.4%p yoy). Overall, 2Q22 NPAT witnessed a robust growth by +138.3% yoy to VND1,770bn, assisted by the remarkable rise of 308% yoy of listed pangasius exporters. Yet, shrimp exporters' NPAT decreased 9% yoy to VND334.3bn, dragged by the 28% yoy drop of MPC's NPAT.

Pangasius exporters would maintain their class in 3Q22

In our view, 3Q22 seafood export growth rate would be flawless yoy but slow down qoq since most markets maintain the high demand. Especially, pangasius exporters' revenue could keep the strong spike yoy since 1) China might ease the import process soon, expecting that volume exporters bounce up, and 2) the Russia-Ukraine conflict continues to be an opportunity for Vietnam pangasius exporters to gain more shares on large markets as a substitute whitefish in 3Q22, and 3) the inflation pressure could boost pangasius demand (as essential but low range price products) in many markets. We expect that most exporters keep high 3Q22 net margin compared to 3Q21 since the supply shortage of input material and high demand could keep the average selling price at high level. We also consider that the shrimp export revenue would be slower growth rate in 3Q22 as 1) US market would occur glut inventory, driving the volume export retreat lower in 3Q22, 2) short material supply as unfavorable weather for shrimp farming currently, and 3) inflation increase could negatively impact on shrimp demand. We estimate that the aggregate GPM would stay lofty since the ASP continues high level in 3Q22, outpacing the raw material price.

We maintain **OUTWEIGHT** rating even though the seafood stocks were up sharply in 1H22. We believe the rally persists through 3Q22F given clear earnings momentum backed by strong business conditions.

Overweight (Maintain)

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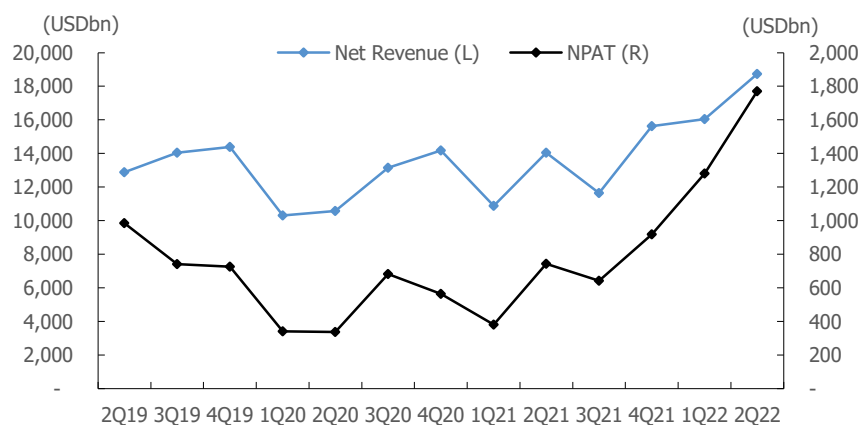
In 2Q22, 24 listed seafood exporters recorded a VND18,728bn revenue (+33.3% yoy) and VND1,770bn NPAT (+138.3% yoy). 2Q22 GPM expanded to 19.6%, +6.8%p yoy and net margin widened to 9.5%, +4.2%p yoy, while SG&A/revenue ratio edged up 2.0%p yoy to 8.3%. Both pangasius and shrimp exporters recorded solid results in 2Q22. Chiefly, large pangasius exporters reached new peaks or revenue and NPAT this quarter.

Table 1. 2Q22 business result of 24 listed seafood exporters

	(VNDbn, %)							
	2021				2022		2Q22	
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
Revenue	10,875	14,044	11,647	15,620	16,046	18,728	17	33
Gross profit	1,158	1,803	1,816	2,003	2,591	3,669	42	103
SG&A exp.	(706)	(881)	(1,025)	(1,026)	(885)	(1,126)	27	28
NPAT	381	743	642	919	1,281	1,770	38	138

Source: Companies, Fiinpro

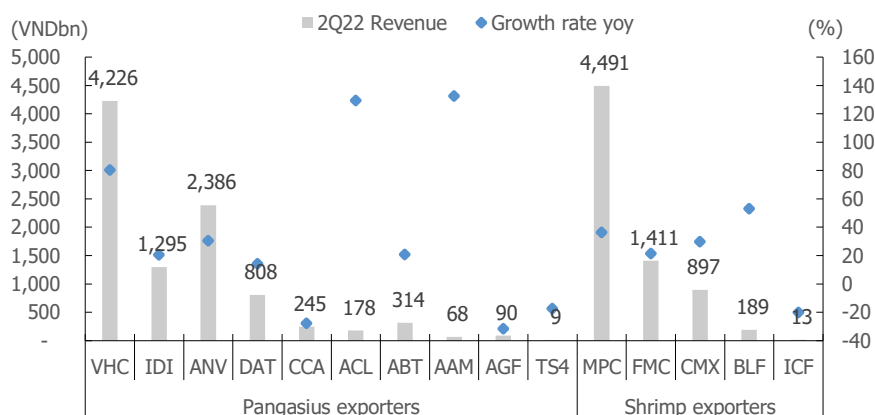
Figure 1. 1Q21 spectacular performance of 24 listed seafood exporters



Source: Company data, Fiinpro

1. 2Q22 revenue surged for most seafood exporters

The seafood industry exported USD3.2bn (+35.5% yoy) in 2Q22, mainly driven by strongly exporting in all categories, with a USD1,350mn shrimp export sale (+26.1% yoy) and a USD777mn pangasius export value (+78.1% yoy). As a result, the revenue of listed shrimp exporters grew to VND7,001bn (+32.5% yoy) while listed pangasius swelled to VND9,619bn (+41.4% yoy).

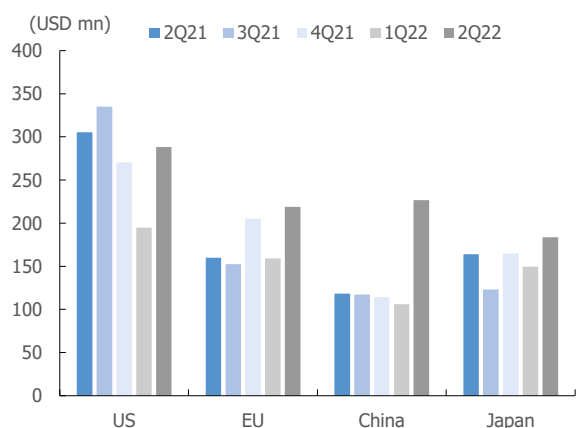
Figure 2. Brisk 1Q21 revenue of big listed exporters

Source: Company data, KISVN

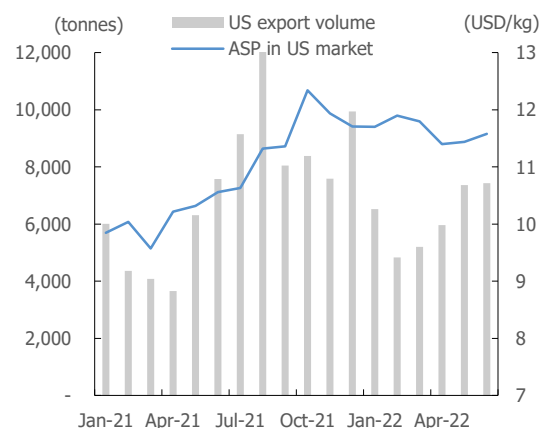
1.1 High shrimp demand in all markets surged 2Q22 revenue

In 2Q22, the biggest importers such as US, EU, China, Korea, and Japan kept increasing their shrimp purchases. China market strongly imported Vietnamese shrimp by +92% yoy to USD227mn due to revival demand after easing import policies. Vietnam's shrimp pegged 37% yoy (USD219mn) and 12% yoy (USD184mn) export to EU and Japan. While US, the largest single market, maintained its robust consumption through channels like hotel, restaurant, and catering (HORECA) driven by a +18% yoy volume and +11% ASP growth.

As such, listed shrimp companies reaped a robust 32.5% yoy revenue growth (VND7,001bn) in 2Q22. Notably, MPC revenue (contributed by 34% export to US) increased 36.4% yoy. CMX, whose EU exposure makes up 51% export, increased 29.8% yoy revenue. FMC (mainly export to US and Japan) also performed splendidly with +21.6% yoy revenue.

Figure 3. Shrimp export increased yoy in all markets

Source: VASEP, KISVN

Figure 4. Volume and ASP surged yoy slightly

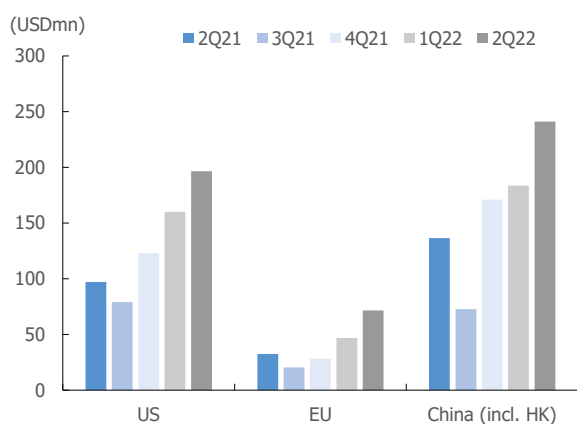
Source: VASEP, KISVN

1.2 Pangasius exporters' revenue reached new peaks in 2Q22

Pangasius industry recorded robust growth in 2Q22 with a USD777mn export value (+78.1% yoy) and 257,510 tonnes of volume (+24.2% yoy). The stellar demand amid the tight Vietnam supply shored the ASP relentlessly up by 32.2% yoy. Thereby, listed pangasius exporters posted revenue growth of 41.4% yoy to VND9,619bn in 2Q22.

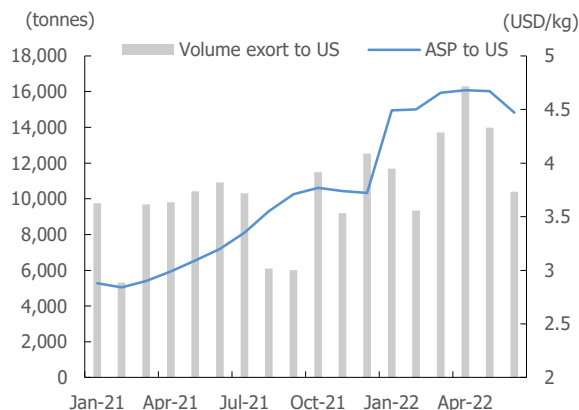
Incredibly, US spiked 102% yoy revenue to VND196mn in 2Q22 and became the most lucrative market in 2Q22 with the least players (VHC contributing about 45% of export volume). US importers accepted the higher selling price of pangasius at about USD4.8/kg (+54% yoy) while the high demand drove volume export to increase by 30.6% yoy. Beneficiary, the topline of VHC climbed to new peak by +80.4% yoy to VND4,226bn in 2Q21. Also, ANV and IDI that assisted by the high demand of ASEAN and China market, increased to VND1,294bn (+20.5% yoy) and VND2,386bn (+30.4% yoy),

Figure 5. Pangasius was consumed strongly in main markets in 2Q22



Source: VASEP, KISVN

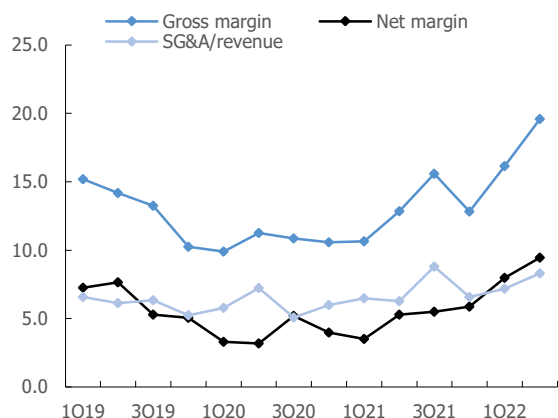
Figure 6. ASP of pangasius remained high to US export



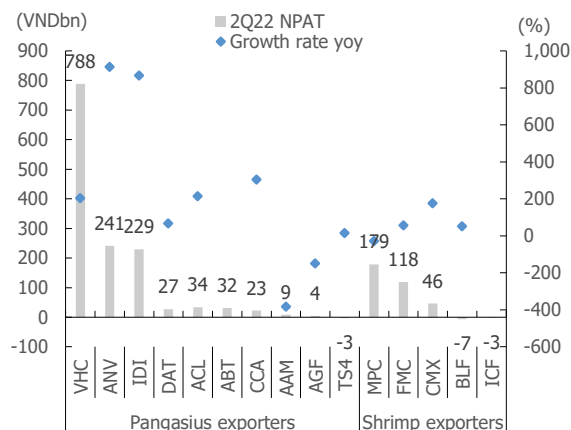
Source: Agromonitor, KISVN

2. Flourished NP of pangasius exporters lifted industry NP

In 2Q22, the raw material prices increased significantly, hit by high aquafeed prices and wages. However, the seafood exporters could expand their gross margin thanks to an outpaced growth of ASP vs input prices. The 24 listed exporters' GM expanded to 19.6%, +6.8%p yoy in 2Q22, mainly contributed by 17.3% GM of shrimp exporters (+3.1%p yoy) and 23.4% GM of pangasius exporters (+10.9%p yoy) in 2Q22. GM supported the net margin growth to 10.6% (+6.4%p yoy). Overall, 2Q22 NPAT witnessed a robust growth by +138.3% yoy to VND1,770bn, assisted by the remarkable rise of 308% yoy of listed pangasius exporters. Yet, shrimp exporters' NPAT decrease 9% yoy to VND334.3bn.

Figure 7. GM expansion boosted net margin

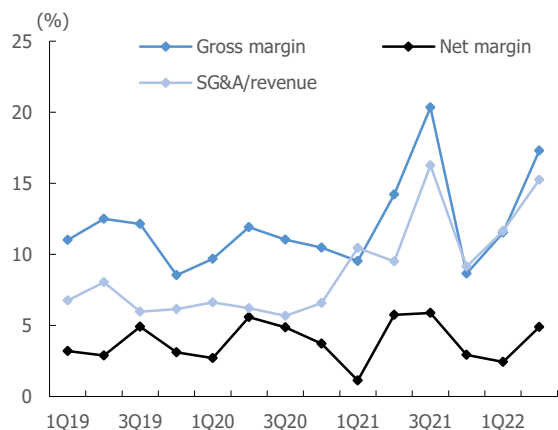
Source: VASEP, KISVN

Figure 8. Pangasius exporters pushed 2Q22 brisk NPAT growth.

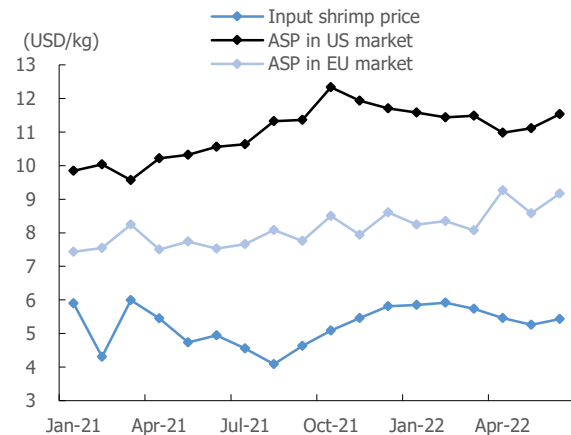
Source: VASEP, KISVN

2.1 MPC dragged industry NPAT growth rate in 2Q22

Listed shrimp exporters' GM enhanced to 17.31% in 2Q22 (+3.1%p yoy) as the higher ASP (+8% yoy to +19% yoy) offset the input price growth (+7% yoy). However, the SG&A expenses kept surging due to their constraints in passing heavier freight rates to US and EU importers compared to 2Q21, upped to 15.1% (+5.7%p yoy). 2Q22 net margin decreased 0.9%p yoy to 4.9%. The aggregated NPAT at VND334bn (-9% yoy), mainly dragged by MPC' NPAT deeply dropped 28% yoy since the bad debt provision, financial expenses, and SG&A expenses increased strongly.

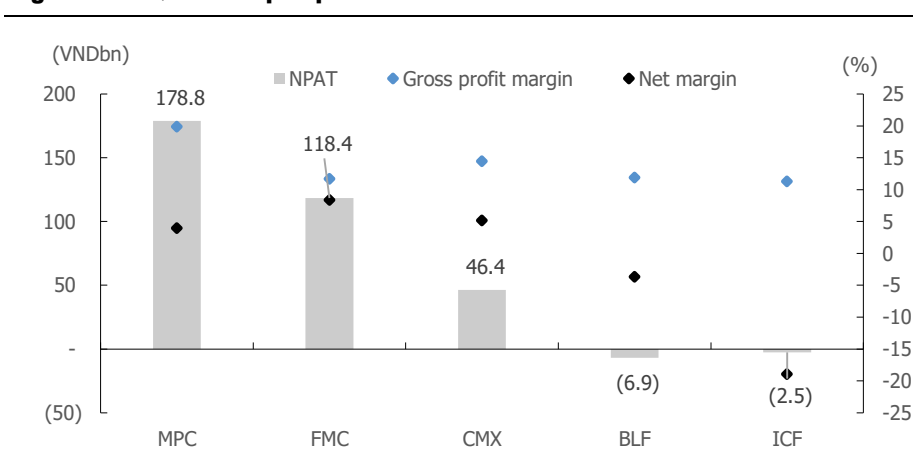
Figure 9. The spike in SG&A expenses offset net margin

Source: Company data, Fiinpro

Figure 10. 2Q22 input price and ASP of shrimp products

Source: UndercurrentData, NOAA

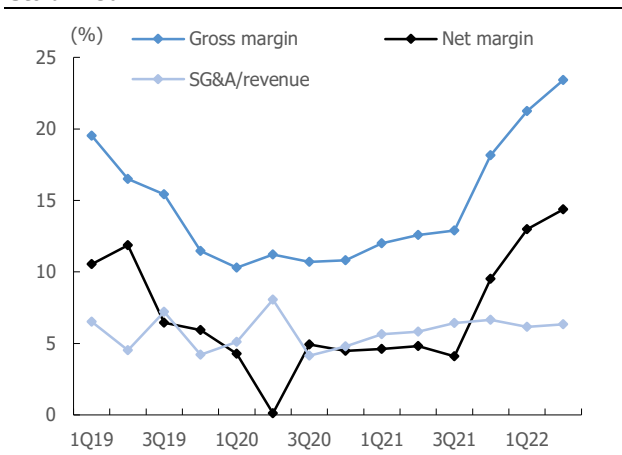
In contrast, FMC's net margin topped the shrimp industry with 8.4% in 2Q22 (+1.9%p yoy), driven by increasing shrimp volume and gross margin improvement. CMX net margin edged to 5.2% (+2.7%p yoy), translating to a VND46bn NPAT (+175.9% yoy).

Figure 11. 2Q22 shrimp exporters' NPAT

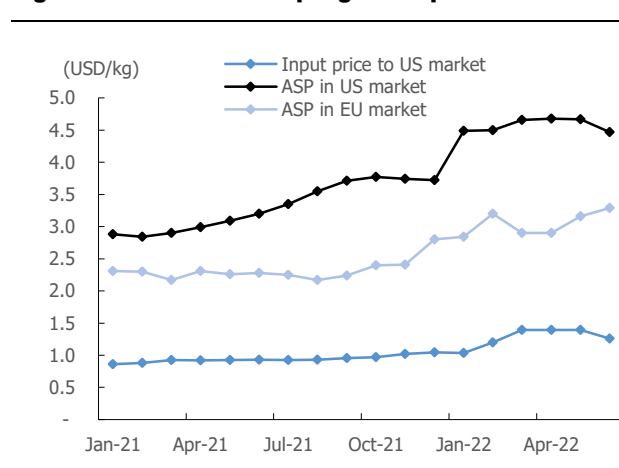
Source: Company data, Fiinpro

2.2 Pangasius exporters' NPAT was booming in 2Q22

2Q22 listed pangasius exporters' GM swelled to 23.4%, higher than 2Q21 GM of 12.6%. The raw material price growth of about 45.5% yoy was dragged by the supply crunch while the ASP hike (from +82% yoy to +94% yoy).

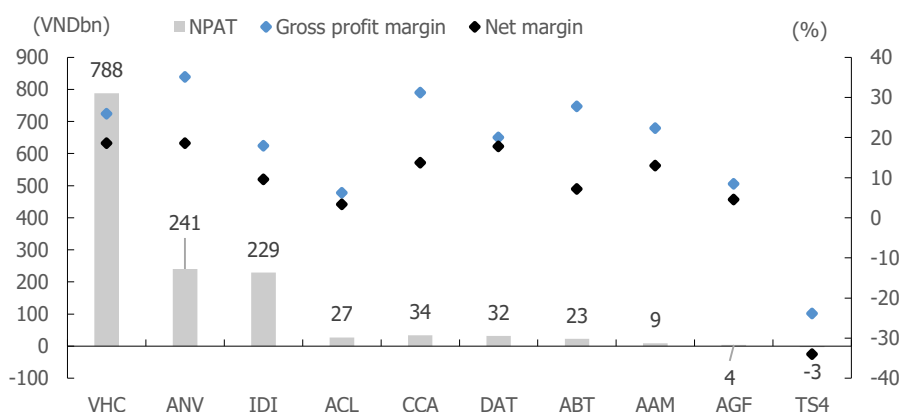
Figure 12. GM climbed significantly while SG&A stabilized

Source: Company data, Fiinpro

Figure 13. ASP trend keep high to export to US and EU

Source: Company data, Fiinpro

2Q22 SG&A/sales slightly increased 0.5%p yoy to 6.32%. The net margin boomed to 14.4% from 4.8% in 1Q21 and aggregated NPAT leaped to VND1,382bn (+308.8% yoy). The top listed exporters such as VHC, ANV, and IDI have the upper hand to lower SG&A expense/sale yoy while aggressively improving GPM, buoying net margin up. VHC, ANV, and IDI set a new high recorded 2Q22 NPAT, climbing by 203% /913.8% /866.9% yoy, respectively. Also, smaller listed exporters such as ACL, ABT, CCA, and AAM weighed down NPAT by rising high SG&A expenses but still recorded an impressive 2Q22 NPAT.

Figure 14. 2Q22 pangasius exporters' NPAT

Source: Company data, KISVN

3. Pangasius exporters would maintain their class in 3Q22

In our view, 3Q22 seafood export growth rate would be quite good yoy since most markets maintain the high demand. Especially, pangasius exporters' revenue could keep the strong spike yoy since 1) China might ease the import process soon, expecting that volume exporters bounce up, and 2) the Russia-Ukraine conflict continues to be an opportunity for Vietnam pangasius exporters to gain more shares on large markets as a substitute whitefish in 3Q22, and 3) the inflation pressure could boost pangasius demand (as essential but low range price products) in many markets. We expect that most exporters maintain high 3Q22 net margin vs 3Q21 since the supply shortage of input material and increased demand could keep the average selling price at high level. Yet, 3Q22 revenue could be slowdown qoq compared to 2Q22 peak results.

We considered that the shrimp export revenue would be slower growth rate in 3Q22 as 1) US market would occur glut inventory, driving the volume export retreat lower in 3Q22, 2) unfavorable weather for shrimp farming dragging could make the material supply shorten, and 3) inflation increase could negatively impact on shrimp demand. Overall, we estimate that the aggregate GPM would stay lofty since the ASP keeps high level in 3Q22, outpacing the raw material price.

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