

25 Feb 2022

# Seafood

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## Solid demand in 1Q22F

### The tepid 4Q21 revenue growth of listed seafood

As the Western holiday seasonal orders and the make up for order suspension as 4<sup>th</sup> wave of pandemic, the high demand accelerate seafood export price of mostly products in main markets, thereby seafood export jump to +15% yoy of value in 4Q21. Yet, the aggregate revenue of 24 listed seafood exporters reaches VND13,862bn (-2.2% yoy) in 4Q21 and VND50,428bn (+4.6% yoy) in 2021, the net profit +2.9% yoy, accelerated by pangasius exporters. Among the top ten biggest revenue-generating seafood exporters, VHC is the most remarkable player

### Net margin improved in 4Q21 driven by pangasius

The 4Q21 average net margin result was mixed for exporters. However, net margin increased by +1.32%p yoy to 6.84%, assisted by average gross margin improvement of 3.55%p yoy in 4Q21. The magnitude of impact on gross margin improvement backed by the increase of pangasius exporters gross margin while top listed shrimp exporters was less contributed to the gross margin.

### 1Q22F keep the growth path

In 1Q22F, we expect pangasius export value to be continuously robust in 1Q22F since the strong consumption from China, US and Americas could raise pangasius ASP while it is forecasted a high demand on shrimp import of EU, US, Japan and Korea market which keeps favoring Vietnam shrimp export in 1Q22. As the expected ASP increase, pangasius exporters would narrow the gross margin in 1Q22. Yet, with top listed and giant companies, who have high self-sufficient supply raw material could well control capacity for orders and the gross margin from risen raw material and benefit from the rise of ASP. For shrimp exporters, the price of raw material is expected to raise in 1Q22F and SG&A could remain at high level due to upward trend of the freight rate and hardly to transferred for ASP since ASP shrimp is higher than competitors.

**Non-rated**

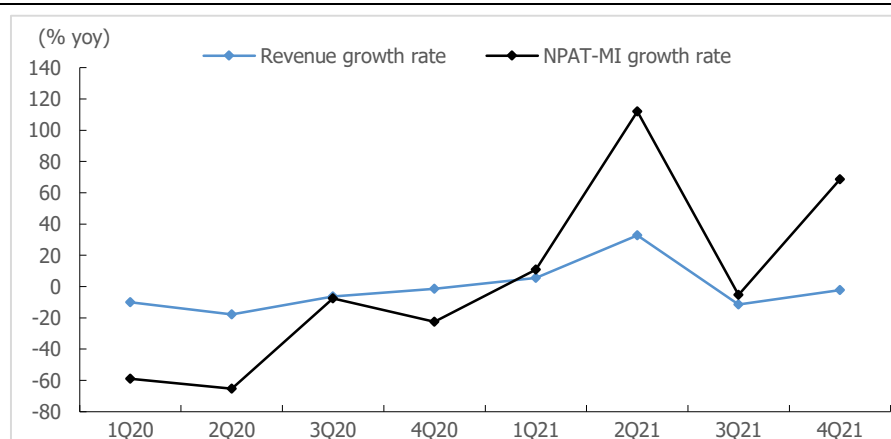
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### The tepid 4Q21 revenue growth of listed seafood

With the Western holiday seasonal orders and the rush compensation for order suspension due to 4<sup>th</sup> wave of the pandemic, the high demand pushed the seafood export price of most products in main markets, thereby seafood export jumped to +13% yoy of value in 4Q21 at VND2.7tn. Especially, pangasius export swelled in 4Q21 to USD541mn (+20% yoy) while shrimp export reach USD1.12bn (+7% yoy).

In detail, shrimp export benefited from as average selling price (ASP) +4% yoy in US market and +13% yoy in EU market of shrimp product. However, volume decreased compared to 4Q20 in the main market since the high base in 4Q20 including -1%/-8%/-38% yoy of volume export in US/EU/China markets. Whilst, 4Q21 pangasius ASP increased in all markets, especially the strong demand in US market benefit for ASP and volume export by +44% yoy and +20% yoy respectively.

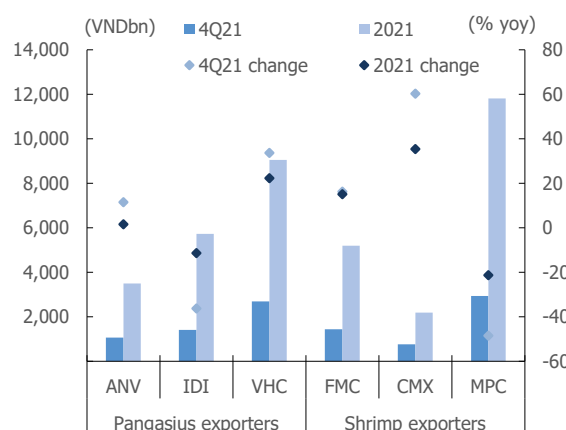
**Figure 1. Net profit growth of listed seafood producers and processors**



Source: Company data, Fiinpro

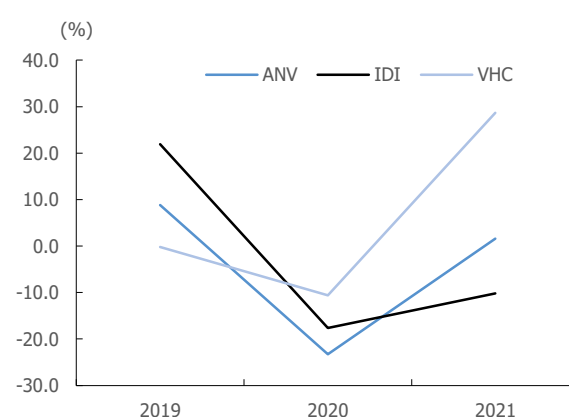
In contrast, the revenue of aggregate 24 listed seafood exporters reached VND13,862bn (-2.2% yoy) in 4Q21. Of which, revenue of listed pangasius exporters surged by +7.6% yoy in 4Q21 and revenue of listed shrimp exporter decreased by -12.4% yoy, mainly by the deceleration of MPC 4Q21 performance, accounting for largest revenue contribution in listed exporters with 21%, by VND2,931bn (-32.7% yoy).

**Figure 2. VHC and CMX performed the best in 2021 revenue**



Source: Company data, Fiinpro

**Figure 3. Top pangasius exporters bouncing back revenue in 2021**

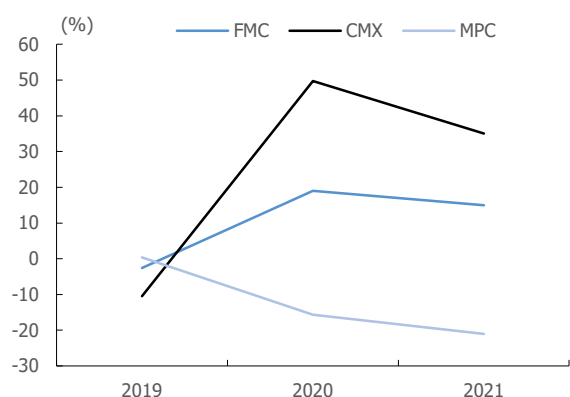


Source: Company data, Fiinpro

VHC top among pangasius exporters with the brisk revenue growth of +33.6% yoy in 4Q21 and +22.3% yoy in 2021. ANV's revenue also prospered in 4Q21 after bleak result in previous quarter, surging +11.5% yoy in 4Q21 and +1.5% yoy in 2021S. Whilst, IDI kept slower recovery from 4th wave of pandemic in 4Q21, making the revenue decrease by -36.3% yoy in 4Q21 and -11.3% yoy in 2021. They fulfilled 105%/78%/83% of 2021 VHC/ANV/IDI revenue guidance, respectively.

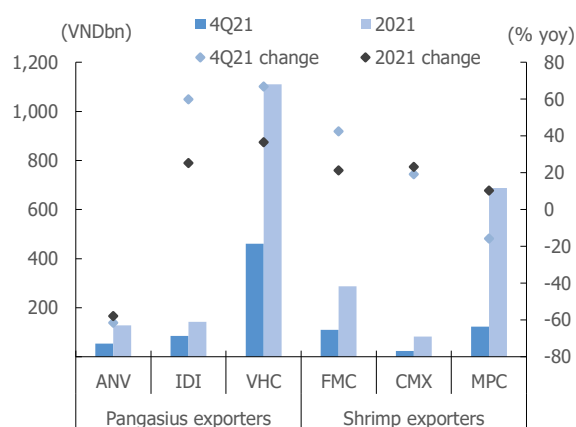
MPC (UpCom listed), the top shrimp exporters, strongly decelerating revenue at -48.5% yoy in 4Q21 and -21.3% yoy in 2021. In constraint, FMC and CMX was respectively recorded the increases of revenue growth rate by +16.3% and 60.2% yoy since the high demand in market, especially in US and Japan. They fulfill 75%/112%/134% of 2021 MPC/FMC/CMX revenue guidance, respectively.

**Figure 4. Top shrimp exporter slowdown 2021 revenue growth rate after heating 2020 competition**



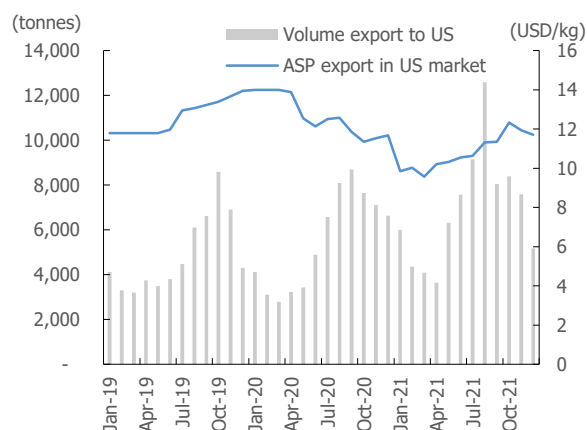
Source: Company data, Fiinpro

**Figure 5. The net profit growth is positive for most top exporters except ANV in 2021**



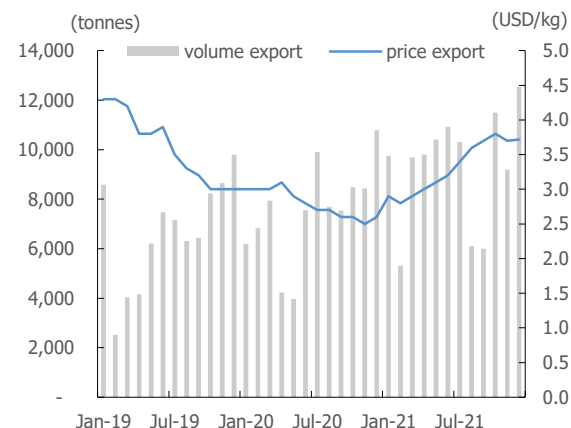
Source: Undercurrent Data

**Figure 6. The volume shrimp export slightly decrease in largest market, US in 4Q21**

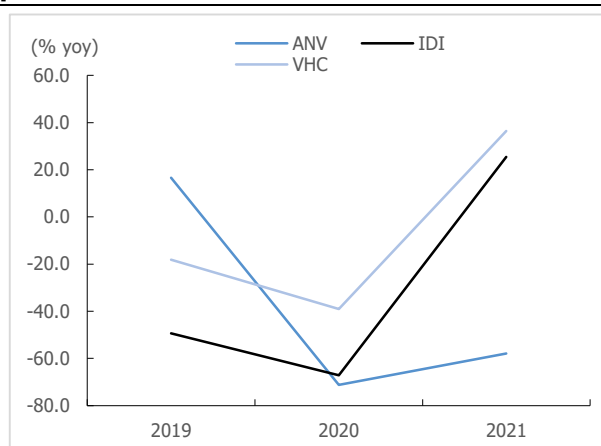


Source: Undercurrent Data, VASEP, Fiinpro

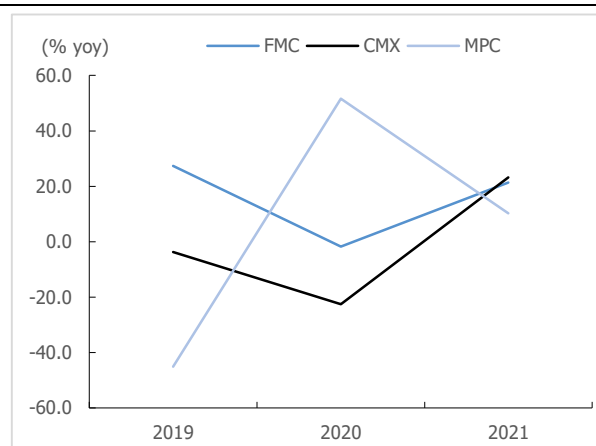
**Figure 7. 4Q21 Pangasius export surged by the high ASP and volume export**



Source: Undercurrent Data, VASEP, Fiinpro

**Figure 6. 2021 ANV's NPAT recovery slowly while peers benefit in race**

Source: Undercurrent Data, VASEP, Fiinpro

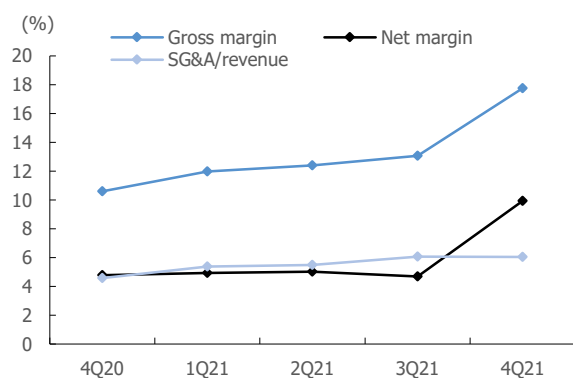
**Figure 7. CMX and FMC's NPAT improve significantly in 2021**

Source: Undercurrent Data, VASEP, Fiinpro

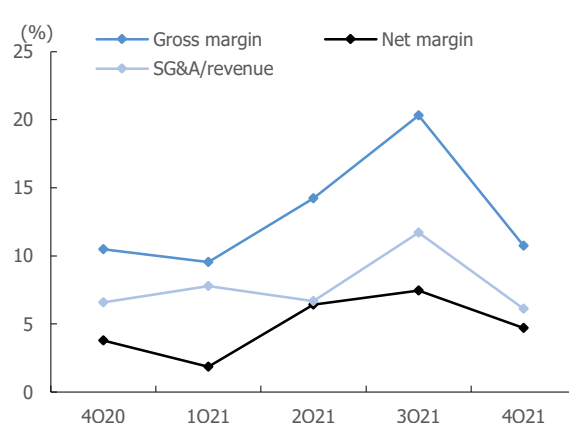
In 4Q21, the net profit of 24 listed exporters recovered from the negative impact by 4th wave of a pandemic by +68.6% yoy, accelerated by pangasius exporters NPAT at +1.2x yoy in 4Q21 and the increase of shrimp exporters' NPAT at +10% yoy. Among the top ten biggest revenue-generating seafood exporters, VHC is the most remarkable player by surging +2.01x yoy in 4Q21 and +57.5% yoy in 2021, beating 2021 guidance with 57% larger of net profit. IDI also surge with +1.8x yoy in 4Q21 and +0.4% yoy in 2021. Yet, ANV continue to soften net profit by 3-quarter negative of growth rate -38% yoy and DAT decreased by -72.6% yoy of net profit in 4Q21, cumulating for -0.4% yoy/-0.3% yoy of 2021 net profit. In constraint, shrimp exporters recorded increase of 4Q21 net profit with FMC by +64.7% yoy and CMX with +23.7% yoy and +18.1% yoy/+31.7% yoy. While, MPC decrease -12.4% yoy in 4Q21 and +8% yoy in 2021.

Represented by 24 top listed companies, pangasius exporter has a bright year with revenue and NPAT increasing by +8% yoy and +63% yoy in 2021, which was ramping up the export activities after shadow year of pangasius products in 2020. Instead, listed shrimp exporters revenue and NPAT slowdown by -5% yoy and +14% yoy since the biggest shrimp exporters MPC revenue has a deceleration revenue of -17.6% yoy in 2021.

### Net margin improved in 4Q21 as well perform of pangasius

**Figure 8. Top listed pangasius exporter improved net margin in 4Q21**

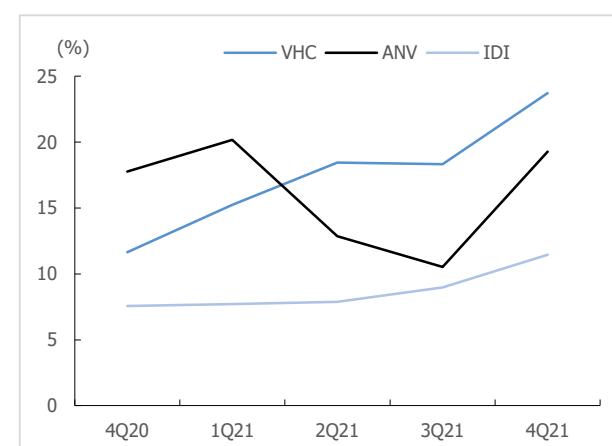
Source: Company data, Fiinpro

**Figure 9. Top listed shrimp exporter net margin decelerate in 4Q21**

Source: Company data, Fiinpro

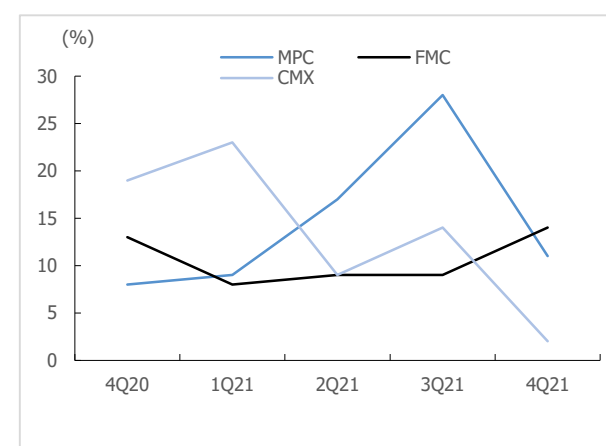
The 4Q21 average net margin result is mixed in for exporter but increase positive result to +1.32%p yoy at 6.84% net margin. Breaking down the details, net margin increased to yoy assisted by average gross margin improvement by 3.55% yoy. The magnitude of impact on gross margin improvement backed by (1) the increase of pangasius exporters gross margin as the constant rise of 4Q21 ASP increase of 44% yoy while the 4Q21 average material price has slower rising by +10% yoy and (2) reduce the risk of operation expense increasing to prevent pandemic spread thanks to increasing vaccination rates in southern provinces, where pangasius factories are located and business supportive policies. While top listed shrimp exporters were less contributed to the gross margin since the 4Q21 shrimp ASP witnessed a slight increase by +4% to 13% but the 4Q21 average raw material increased by +64% yoy.

**Figure 10. Gross margin improved in 4Q21 of top list of pangasius exporters**



Source: Company data, Fiinpro

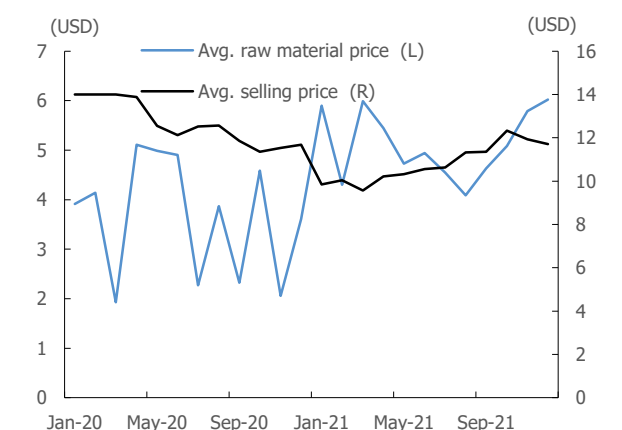
**Figure 11. Gross margin narrowed in 4Q21 of top listed shrimp except FMC**



Source: Company data, Fiinpro

In 4Q21, the average SG&A to sale grew slightly +0.62% yoy as less expenses to deliver amid suspension of the supply chain in 4th wave of a pandemic in 3Q21. Yet SG&A expenses maintained at a high level for producers exporting to America and the EU. Especially, smaller exporters with less power bargain could hardly transfer the logistic expense risks to customers, causing a long-term risk of high SG&A and decelerating net margin.

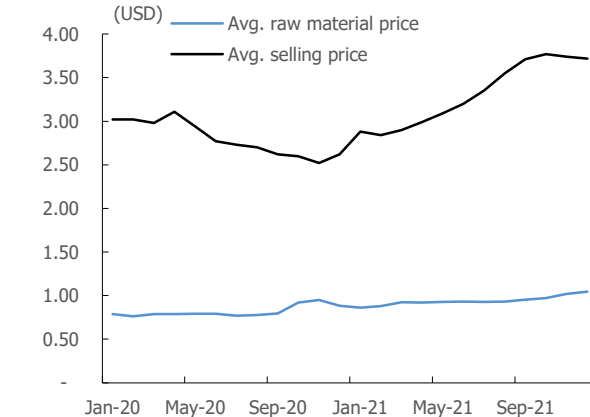
**Figure 12. Shrimp ASP increase in 4Q21 while raw material price increase**



Source: Undercurrent Data

Note: Raw material expenses account for more than 60% COGS

**Figure 13. Pangasius ASP maintain at high level while raw material price slowing increase**



Source: Undercurrent Data

Note: Raw material expenses account for about 70% COGS

### 1Q22F keep the growth path.

In 1Q22F, we expect pangasius export value to be continuously robust in 1Q22F since the strong consumption from China, US and Americas could raise pangasius ASP. According Rabobank and VASEP, they forecast a high demand on shrimp import of EU, US, Japan and Korea market which keeps favoring Vietnam shrimp export in 1Q22,

The pangasius raw material is warned to be shortages in-demand size for 1Q22F since the lockdown of 3Q21 suspending farm activities for new pangasius 6-month harvest. Notably, it was suddenly -25% lower of biomass in ponds in Dec 2021 and the fingerling currently is reported to down 20-30% of production in Jan, 2022. The shortage of input sources will raise average price of raw material in 1Q22F. In Feb, the raw material climb +VND7,000/kg in Dong Thap, An Giang and Can Tho provinces in range of VND29,000-VND30,000 per kg. As the raw material price is increasing, pangasius exporters would narrow the gross margin in 1Q22F. Yet, with top listed companies as VHC, IDI and ANV who have high self-sufficient supply raw material could well control capacity for orders and the gross margin from risen raw material and benefit from the rise of ASP.

For shrimp exporters, the price of raw material is expected to raise in 1Q22F as the tight supply until the main crop, according Undercurrent News. The SG&A could remain at high level due to upward trend of the freight rate. The exporters could hardly transfer to ASP since shrimp ASP is higher than competitors like Ecuador, Indian and Indonesia. Therefore, even top listed shrimp exporters as FMC (30% export in EU market), MPC (11%) and CMX (70%) could face the pressure of thin net margin in 1Q22F. The seafood export activities slowdown after the 4Q21 peak export. Jan prelim seafood export recorded +0.8% yoy and -30.3% mom, based on GSO.

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