

# Seafood

## Keep sliding in 1Q23

### The gradual declines of the 1Q23 topline

The seafood industry exported USD1.8bn (-24.5% yoy and -28.1% qoq) in 1Q23 due to the decrease of pangasius and shrimp export by -22.9% yoy / -5.4% qoq and -37.2% yoy / -36.7% qoq, respectively. As a result, the aggregate revenue growth rate of listed pangasius and shrimp exporters declined by 19.9% yoy and 25.4% yoy. Besides, the listed pangasius and shrimp exporters' revenue recorded -5.4% qoq and -25.4% qoq export declines.

### ASP slump narrowed seafood exporters' margin in 1Q23

In 1Q23, most GPM of listed shrimp exporters dropped by 1%p yoy to 9%p yoy since selling price fell in US and EU markets by 11% yoy and 24% yoy, respectively. Also, most listed pangasius exporters recorded a thinner gross margin yoy from -1%p yoy to -15%p yoy due to hefty material input cost while -16% yoy reduction of average selling price. Consequently, the thinner of gross margin dragged lower net margin at -0.5% and 5.5% by shrimp and pangasius exporters.

### 2Q23 seafood export could keep sliding

We considered that 2Q23 seafood export continues to slow down yoy due to lower demand in most markets, including key markets such as US and EU. Yet, the high demand for seafood export to China markets would partly offset the deceleration yoy of the seafood industry in 2Q23. Export to China seems brighter since this government has been canceling the testing process of import products to reduce the hefty cost and clearance time. The re-open after 2 years of COVID-19 restrictions and the less testing process of import products could boost the seafood demand recovery of the largest market in 2023. We project that the selling price would drop sharply by 13% - 20% yoy of pangasius products and -6% yoy of shrimp products. Since seafood exporter activities could be soft landing in 2Q23, we rated **Neutral** as we considered that slowing down of business condition in 1H23.

## Neutral

Company	Rating	TP (VND)
Vinh Hoan	HOLD	
Sao Ta Foods	BUY	49,100

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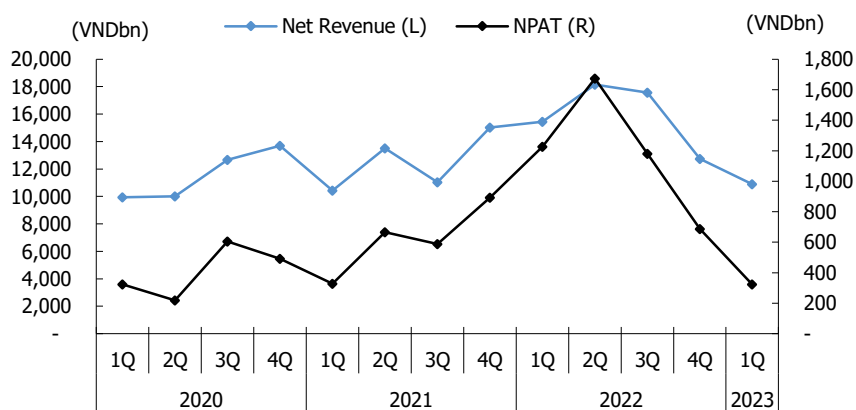
18 listed seafood exporters recorded a VND10,893bn revenue (-29.5% yoy) and VND323bn NPAT (-73.7% yoy) in 1Q23, GPM and net margin posted 11% (-5.5%p yoy) and 2.9% (-5%p yoy). Also, the business results growth rate continued to cool down qoq, decreasing revenue and NPAT by -14.5% qoq and -53% qoq, respectively, due to both shrimp and pangasius exporters' results downwards.

**Table 1. 1Q23 business result of 22 listed seafood exporters**

	2021				2023		1Q23	
	1Q	2Q	3Q	4Q	1Q	QoQ	YoY	
Revenue	15,448	18,143	17,575	12,739	10,893	(14.5)	(29.5)	
Gross profit	2,543	3,605	2,577	1,896	1,197	(36.9)	(52.9)	
SG&A expenses	(1,116)	(1,519)	(1,116)	(968)	(649)	(32.9)	(41.8)	
NPAT	1,227	1,674	1,181	687	323	(53.0)	(73.7)	

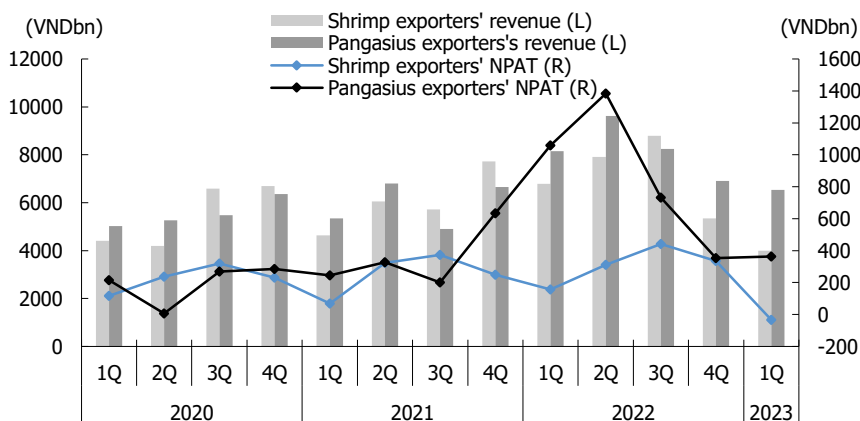
Source: Company data, Fiinpro

**Figure 1. 1Q23 spectacular performance of 18 listed seafood exporters**



Source: Company data, Fiinpro

**Figure 2. Both 1Q23 shrimp and pangasius exporters' earnings were tumbled**



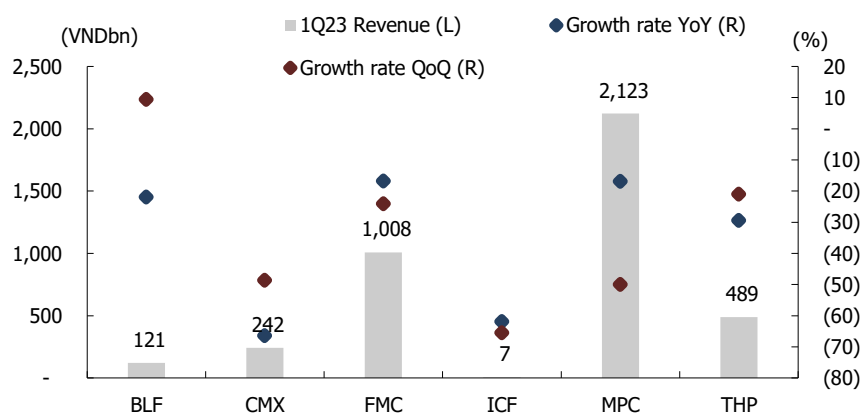
Source: Company data, Fiinpro

## 1. Gloomy shrimp market shrunk exporters' topline in 1Q23

Aggregate shrimp exporters' topline decreased by 41.2% yoy to VND3,990bn since the export reduction in most markets. In particular, shrimp export value to US, the largest market, significantly dropped by 45.6% yoy. The lower power of purchases was affected by high inflation, while high stockpiles remained that dragged the shrimp import volume from Vietnam in 1Q23 down to 44.6% yoy. Also, shrimp export value to Japan, EU and China declined by 32.7% yoy/26.6% yoy/59.5% yoy in 1Q23.

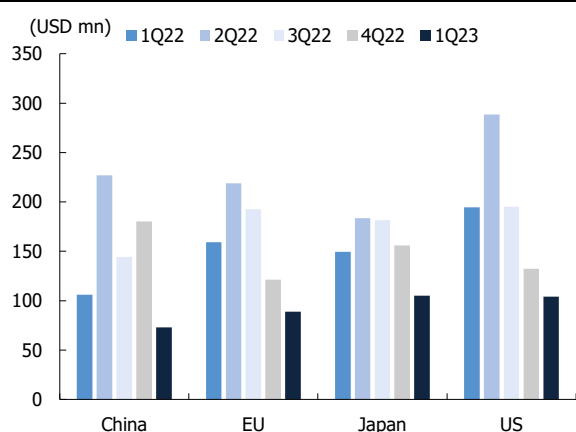
As a result, all listed shrimp exporters' topline recorded negative growth rates yoy. MPC's revenue, contributed by 40.8% of Japan and US exports, shrunk by 17% yoy to VND2,123bn. Meanwhile, FMC focuses on Japan and EU markets, posting VND1,211bn revenue (-17% yoy).

**Figure 3. Shrimp exporters' topline decreased qoq and yoy in 1Q23**



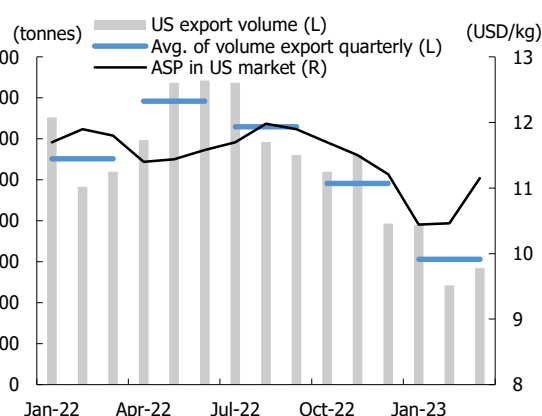
Source: Company data, KISVN

**Figure 4. Export to the US stagnant in 4Q22**



Source: VASEP, KISVN

**Figure 5. Shrimp imported volume and ASP slumped to US market**



Source: NOAA, KISVN

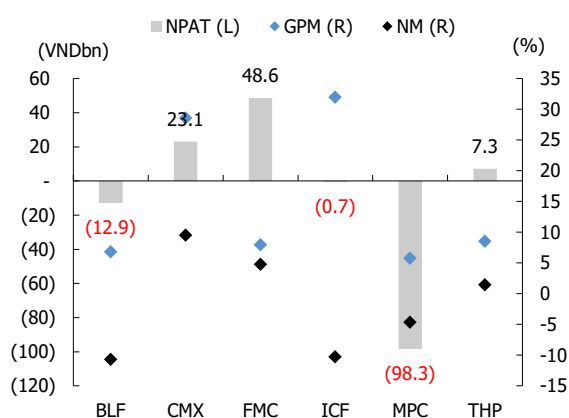
## 2. Significantly low margin of shrimp exporters in 1Q23

In 1Q23, the shrimp input cost dropped by 3% yoy while selling price fell in US and EU market by 11% yoy and 24% yoy, respectively. Thus, most GPM of listed shrimp exporters dropped by 1%p to 9%p.

As a result, MPC's gross margin only posted 6% (-5.8%p yoy), leading to VND123bn of gross profit (-75% yoy). Notably, MPC recorded VND90.9bn the loss of joint venture due to the earnings slump from Minh Phu Loc An, Minh Phu Loc Giang (Shrimp farm) and Minh Phu Ninh Thuan (Seed farm) subsidiaries, dragging NPAT to the loss of 98bn in 1Q23 (compared to NPAT VND91bn in 1Q22).

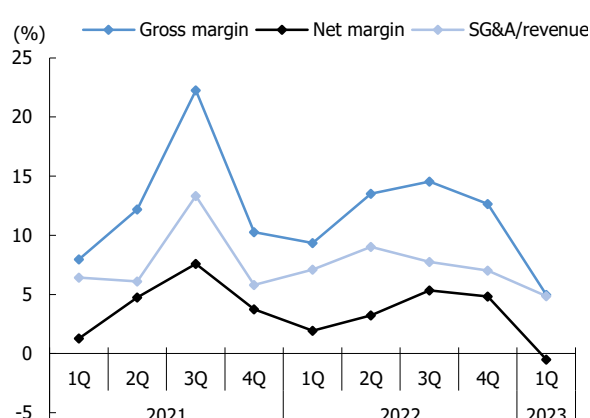
Meanwhile, FMC's gross margin posted 8% (-1%p yoy) since we estimated that even though FMC' ASP +2% yoy of shrimp products, their average input price increased by 6.5% yoy to approximately VND130,000/kg. Yet, FMC's SG&A/revenue was 3.9% (+2.4%p yoy), uplifting the net margin to 4.8% (+1.6%p yoy) to translate NPAT to VND225.7bn (+15.1% yoy).

**Figure 6. MPC, the largest listed shrimp exporter, recorded VND98bn loss in 1Q23**



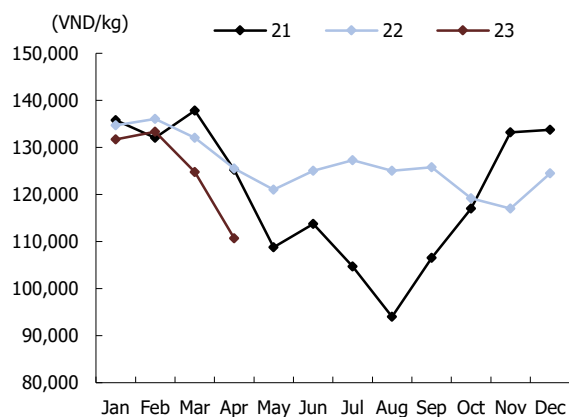
Source: Company data, Fiinpro

**Figure 7. MPC's loss shrunk the aggregate net margin negative**



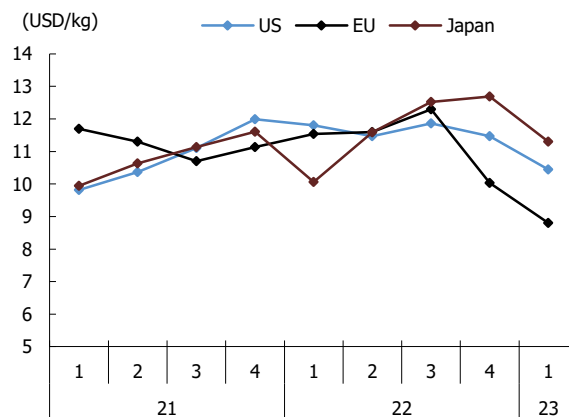
Source: Company data, Fiinpro, KISVN

**Figure 8. 1Q23 shrimp input cost decreased by 3% yoy**



Source: Undercurrent Data, KISVN

**Figure 9. ASP to US and EU markets declined in 1Q23 by 11% yoy and 24% yoy**



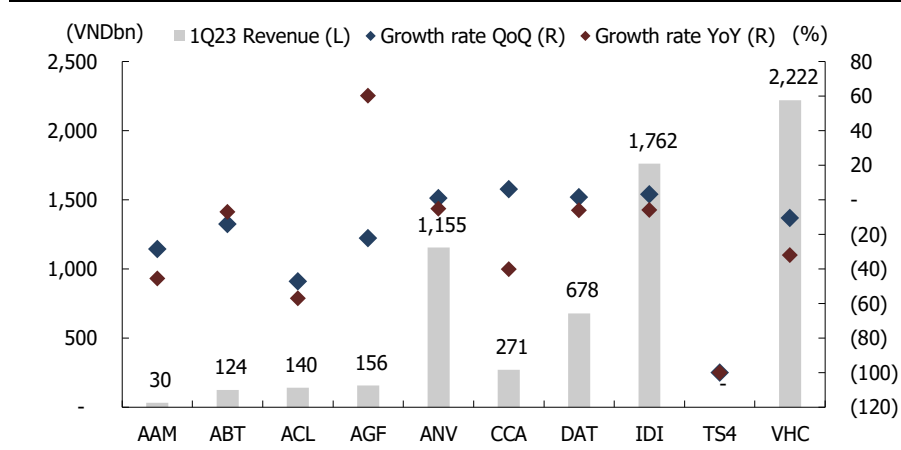
Source: Undercurrent Data, NOAA, KISVN

### 3. Pangasius exports to US market decelerated steeply

Pangasius industry decreased by 35.1% yoy export value in 1Q23 since (1) compared to 1Q22 high base and (2) the lower demand in most markets reduced 22.9% yoy export volume and 16% yoy average selling price. Thus, aggregated revenue of listed pangasius exporters posted VND6,537bn (-19.8% yoy).

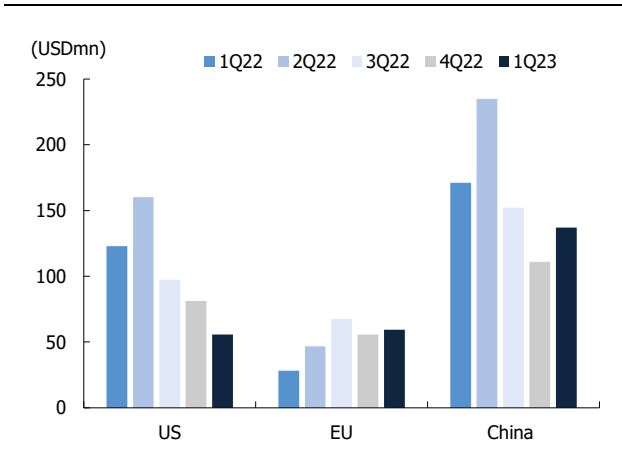
Especially, the demand of US market slowed down swiftly due to the lower consumption but high stockpile, dragging the export volume and ASP to this market down by 53% yoy and 27.5% yoy, respectively. Thus, the topline of VHC (as US market contributed the largest revenue, 31%) dropped 32% yoy to VND2,222bn. Meanwhile, ANV and IDI revenue only decreased slightly by 5.2% yoy and 5.9% yoy to VND1,155bn and VND1,762bn since they could offset the lower demand from most markets by taking advantage of demand increases in China market in 1Q23.

**Figure 10. Most listed pangasius exporters' topline slowed down yoy in 1Q23**



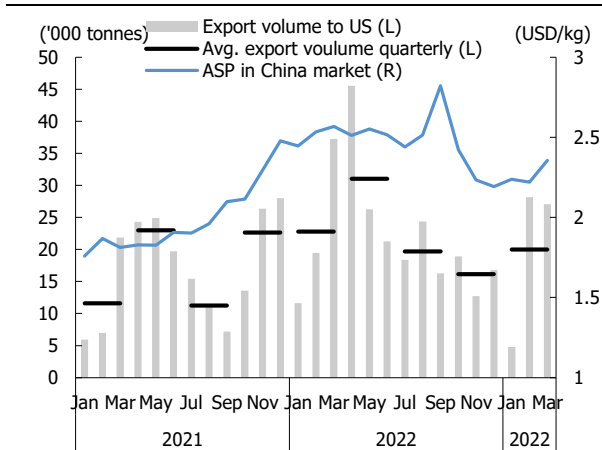
Source: Company data, KISVN

**Figure 11. Export to US market cooled down**



Source: Agromonitor, KISVN

**Figure 12. 1Q23 export volume to China was stable**

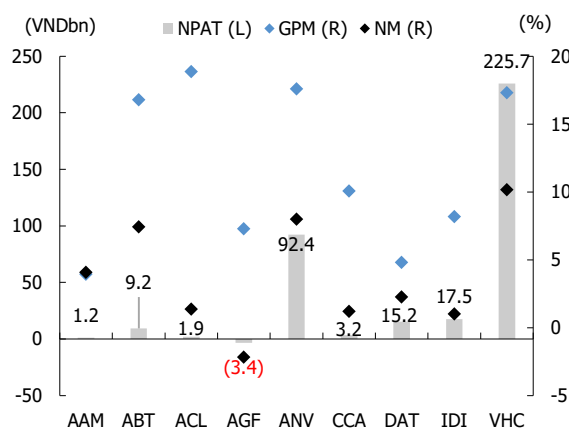


Source: Agromonitor, KISVN

#### 4. Pangasius exporters' margins were thinner in 1Q23

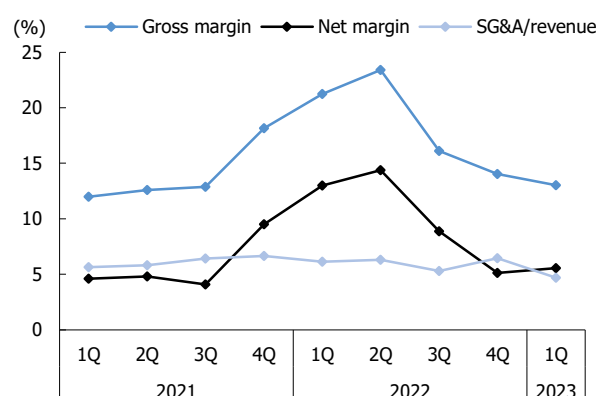
1Q23 material input cost maintains hefty about VND29,000/kg, +10% yoy while the average selling price fell 16% yoy. Thus, most listed pangasius exporters recorded a thinner gross margin yoy from -1%p yoy to -15%p yoy, dragging the lower net margin yoy consequently. VHC's 1Q23 gross margin reached 17% (-7% yoy) mainly due to the selling price downward strongly to US market. As such, VHC recorded VND226bn NPAT (-59% yoy). Also, ANV and IDI recorded VND92bn and VND18bn, declining by 55% yoy and 91% yoy, respectively.

**Figure 13. 4Q22 GM dragged net margin down**



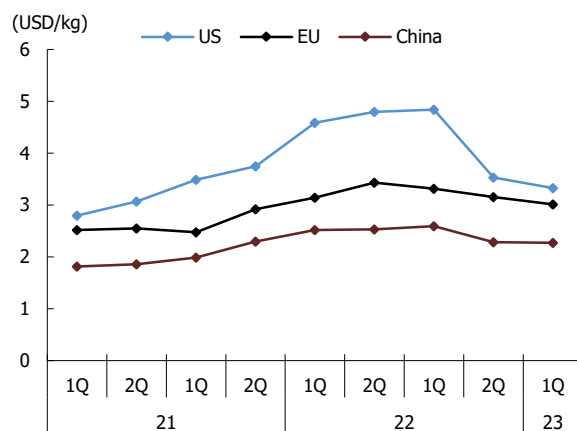
Source: Company data, Fiinpro

**Figure 14. ASP to US market decelerated strongly**



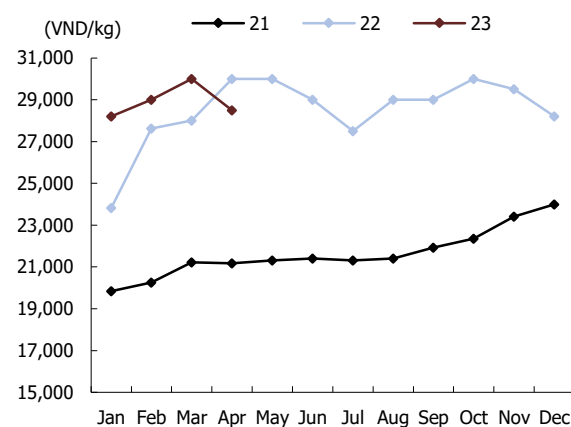
Source: Company data, Fiinpro, KISVN

**Figure 15. ASP to US market was sluggish in 1Q23**



Source: Agromonitor, KISVN

**Figure 16. Pangasius input cost stayed lofty in 1Q23**



Source: Agromonitor, KISVN

#### 5. 2Q23 seafood export could keep sliding

We considered that 2Q23 seafood export continues to slow down yoy due to lower demand in most markets, especially key market US. Yet, the high demand for seafood export to China would partly offset the deceleration yoy of the seafood export in 2Q23. Export to China seems brighter since this government has been canceling the testing process of import products to reduce the hefty cost and clearance time. The re-open after 2 years of COVID-19 restrictions and the less testing process of import products could boost the seafood demand recovery of the largest market in 2023. We project that the selling price would drop sharply by 13% - 20% yoy of pangasius products and -6% yoy of shrimp products.

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