

Fishery

Strongly rebounding

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Neutral change

Recommendations	
VHC	NEUTRAL
Price target	VND78,300

Vietnam fishery industry achieved the target of USD10 billion in export turnover in 2024 and expect to maintain growth in 2025

According to Vietnam Association of Seafood Exporters and Producers (VASEP), Vietnam's fishery export value will exceed USD10 billion in 2024, increasing 12.3% from USD8.9 billion in 2023. Although the result is lower than USD11 billion recorded in 2022, fishery exports showed a stable recovery in output while the average product price remained flat. Shrimp and pangasius exports are expected to respectively reach USD4 billion and USD2 billion (+18%/+11% YoY). VASEP also set a target of USD11 billion for 2025 export turnover, a 10% increase compared to 2024. We maintain a positive view on the pangasius industry as the average price in 2025 is projected to be higher than in 2024.

Profit margins of fishery enterprises in 2025 should positively recover

Recovery in exports has helped improve the average farm-gate prices. Meanwhile, raw materials used for fish feed, including bran, fishmeal and soybean meal, are on a downtrend, dropping 16-18% YTD. This helped enterprises with a closed ecosystem from feed to fish farms such as Vinh Hoan Corporation (VHC) and Nam Viet Corporation (ANV) to benefit the most.

The risks related to tariffs in the new US presidential term are low

We believe that the impact of import tariffs in the US new presidential term will be more concentrated on China, Mexico, Canada and BRICS. Meanwhile, this will have a more positive impacts on pangasius compared to whitefish imports from China and Russia.

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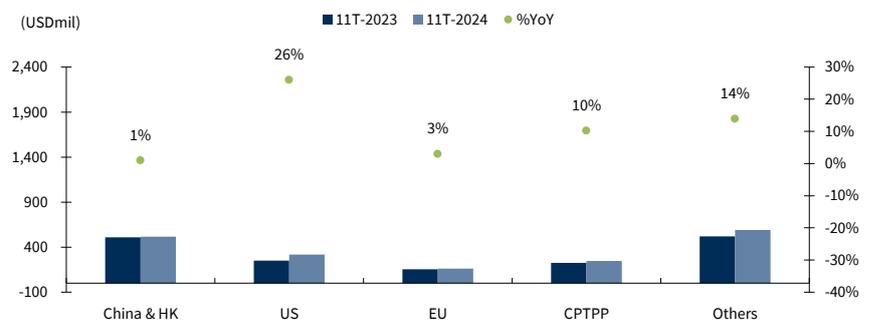
I. Business performance in 9M24

Pangasius export value should return to USD2 billion, mainly contributed by the US and new markets

Pangasius exports in 11M24 reached USD1.8 billion, gaining 10% YoY. Export value is forecast to continue to recover at a rate of 10% in the last month of the year thanks to import demand for year-end festivals and high tax risks in 2025, which caused importers to ramp up stockpiling.

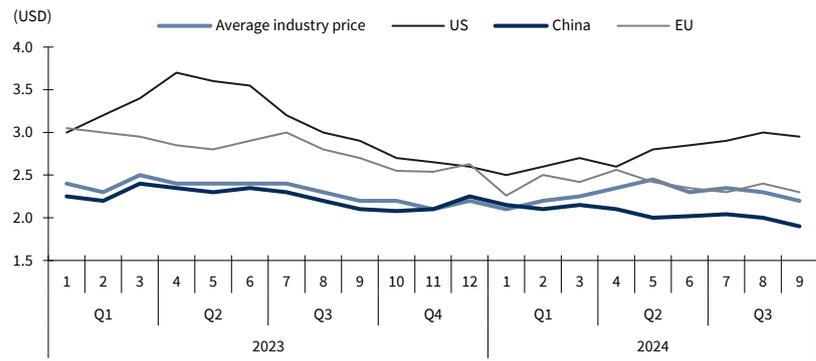
The growth in 2024 is attributable to the US market and other countries as exporters try to diversify markets to minimize concentration risks. The pangasius prices on the US market remained high in the last quarter of the year (about USD3.1/kg) while still maintaining a price advantage over other whitefish imported into the US. Meanwhile, Russia raised fishery exports to China to offset the decline from tensions with the EU and the US, causing Vietnam's pangasius export prices to this market to remain low. Prices in the EU stayed low due to consumer preferences for other types of seafood, while low economic growth (~0.9% in 2024) boded ill for consumption per capita.

Fig 1. Vietnam – Pangasius export turnover in 11M24 (USDmn)



Source: VASEP, KB Securities Vietnam

Fig 2. Vietnam – Pangasius export price by market (USD/kg)



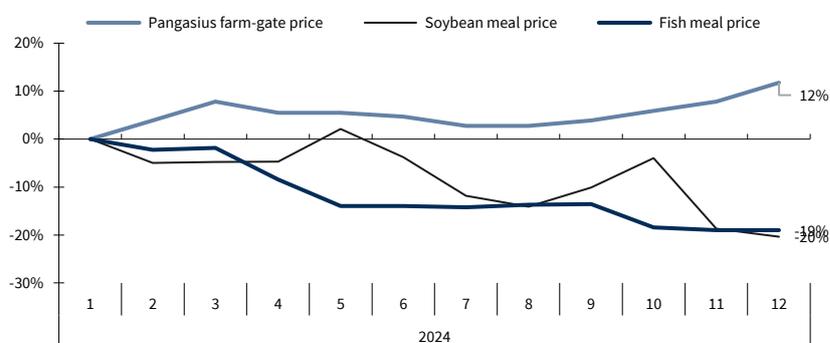
Source: VASEP, KB Securities Vietnam

Input materials for animal feed (accounting for 70% of fish farming costs) are at a low level

The raw materials for fish feed production, such as bran, soybean meal and fish meal, have all plummeted by 10%/20%/19% respectively. At the same time, the price of purchased raw fish remains high at around VND28,500/kg (+12% YTD), helping to improve profit margins for both households and businesses in the second half of 2024.

Both VHC and ANV gained enormous benefits from owning animal feed factories and high self-sufficiency rates of raw fish sources at farms (70% and 100% respectively). This not only minimizes the risk of raw material shortages and production costs but also allows both to take advantage of raw material price adjustments to optimize the overall profit margin.

Fig 3. Vietnam – Feed price changes (% YTD)



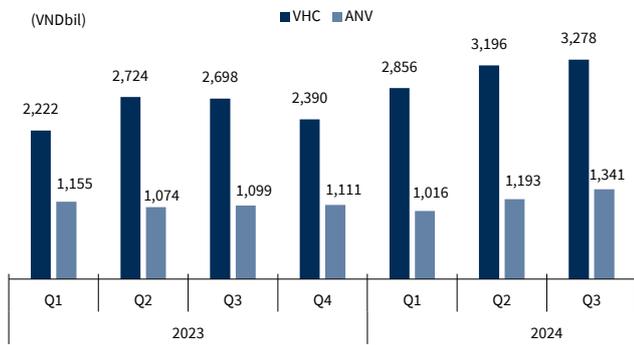
Source: Bloomberg, Wicart

Business results were mixed among fishery companies

In 9M24, VHC and ANV's revenue respectively grew 22% and 7% YoY thanks to higher export prices to the US market. With an estimated export proportion to China of 40%, ANV faced fierce competition from white fish products from Russia and China, causing its prices to remain low compared to 2023 despite a double-digit recovery in output. In addition, KBSV believes that China's increased import of whole fish with a proportion increasing from 15% in 2018 to 25% this year for processing has somewhat reduced added value. This caused ANV's EBIT margin to remain flat in 9M24.

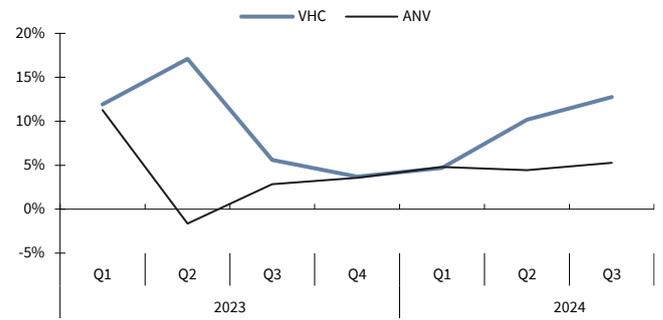
On the contrary, VHC took advantage of the recovery in the US market (accounting for 42% of export value) when inventory was tight. VHC's EBIT margin clearly improved from 4.7% in 1Q24 to 12.7% in 3Q24 thanks to higher prices while fish farming costs witnessed a sharp fall.

Fig 4. VHC, ANV – Quarterly revenue (VNDbn)



Source: Company reports, KB Securities Vietnam

Fig 5. VHC, ANV – EBIT margin (%)



Source: Company reports, KB Securities Vietnam

II. Business outlook for 2025

Export outlook remains bright in 2025

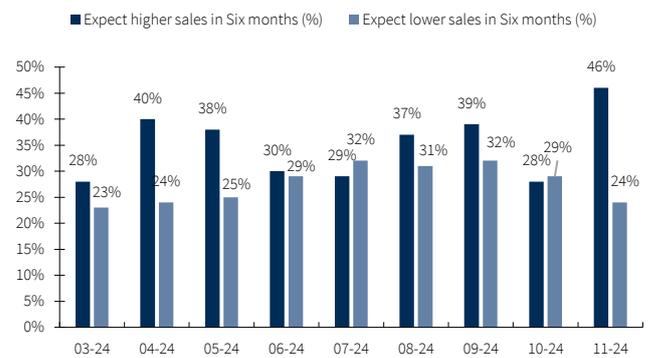
We maintained our positive view on pangasius exports to the US thanks to competitive prices while the two closest substitutes to pangasius, pollock and tilapia from Russia and China, continue to face unfavorable factors in 2025. The Fed's preferred inflation indicator, PCE, fell to 2.4% while 3Q24 GDP reached 3.1% (highest in the quarters of 2024), showing that the US economy is still performing well. In addition, the US National Restaurant Association's (NRA) Restaurant Performance Index exceeded 100 points, showing positive expectations for revenue growth in the next six months, which will boost fishery imports in the short term. We expect export volume to the US to grow by 5-10% in 2025.

Fig 6. US – Restaurant performance index (point)



Source: NRA, Bloomberg

Fig 7. US – Survey on restaurant owners' sentiment



Source: NRA, Bloomberg

Import tariffs to the US need more monitoring

We expect that the tariffs imposed on China will be higher than those on other countries, including Vietnam, which will help improve import volumes from Vietnam as a substitute product provider. Two alternative products with competitive prices to pangasius, tilapia and pollock, will be subject to higher tariffs and trade barriers in the US. This will have a positive impact on the farm-gate prices of Vietnamese enterprises.

Fish feed prices should remain low, helping to improve profit margins

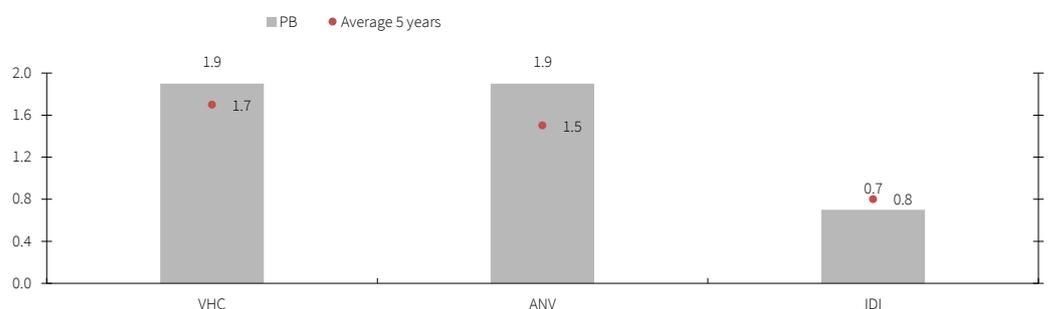
According to the USDA, crop prices (mainly wheat, cereals, corn, and soybeans) should remain at current lows as harvests in the US and Brazil may grow by over 10% thanks to milder weather, while weak economic growth in China will limit price increases. KBSV forecasts average feed costs to be on par with 2024 but 15%-20% lower than 2023, helping to increase farms' profit margin.

Valuations have partly reflected the recovery prospects

We believe that VHC and ANV will benefit the most from the closed ecosystem that directly increases the GPM of fish farms. VHC's GPM should increase by an average of 17%-17.5% (+200-250bps YoY), helping to achieve 19-20% net profit growth in 2025.

Both leading fishery exporters are trading above their five-year average P/B. Therefore, we reiterated our NEUTRAL recommendation as the stock prices have partly reflected positive recovery prospects. Investors can consider investing when stock prices adjust to a more reasonable range.

Fig 8. Vietnam – P/B of fishery companies (x)



Source: Bloomberg



Companies

Vinh Hoan Corporation
(VHC)

Vinh Hoan Corp (VHC)

Bright outlook for fishery exports

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December 17, 2024

The recovery in demand from key markets helps 3Q24 business results recover strongly

In 3Q24, Vinh Hoan Corporation (VHC) posted VND808 billion (-4.8% YoY) in earnings on revenue of VND9,329 billion (+22% YoY) with output recording a double-digit growth in most markets. It should continue the recovery in 4Q, helping revenue and profit reach VND12,555 billion (+25% YoY) and VND1,102 billion (+20% YoY), respectively, equal to 109% and 110% of the company's positive guidance.

Feed costs have been falling since late-2023

With a self-sufficiency rate of about 70% of raw fish and feed (which accounts for about 70% of fish farming costs), the prices of main raw materials such as fishmeal and soybean meal decreased by 18%/22% respectively YTD, which combined with improved farm-gate prices in most markets, will help the fisheries exporter improve its GPM to 18% (vs an average of 14% in 9M24).

Fish prices in the US market should rebound in line with better sentiment

A report by the US National Restaurant Association (NRA) shows that consumer sentiment has become much better after the 2024 presidential election, which bodes well for pangasius imports from Vietnam.

Valuation: NEUTRAL rating – Target price VND78,600

We gave a NEUTRAL rating to VHC shares with a target price of VND78,600, equal to an upside potential of 9% and a projected PER for 2025 of 13.4x, higher than the five-year average of 8x. VHC shares have increased 23% YTD in price, reflecting expectations of a significant recovery from the low base in 2023.

Neutral change

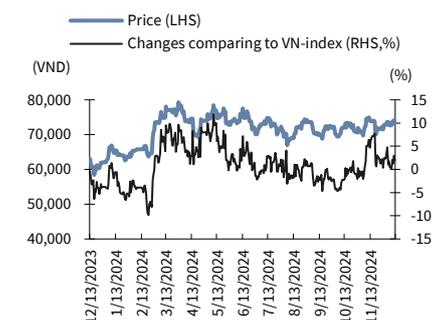
Target price	VND78,600
Upside	9%
Current price (Dec 17, 2024)	VND72,700
Consensus target price	VND84,100
Market cap (VNDtn/USDbn)	16.3/0.65

Trading data	
Free float	35.2%
3M avg trading value (VNDbn/USDmn)	192.9/7.7
Foreign ownership	28.5%
Major shareholder	Chairwoman Truong Thi Le Khanh (42.3%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-3.7	-12.2	-2.7	-5.7
Relative	-2.2	-9.2	-0.3	-18.3

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	13,231	10,033	12,555	13,127
Operating income/loss (VNDbn)	2,319	1,118	1,348	1,614
NPAT-MI (VNDbn)	1,975	919	1,102	1,315
EPS (VND)	10,771	4,914	4,908	5,858
EPS growth (%)	80	-54	0	19
P/E (x)	8.2	17.6	14.7	12.3
P/B (x)	2.2	1.9	1.9	1.8
ROE (%)	26	11	14	15
Dividend yield (%)	3.0	0.0	5.5	2.7



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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