Shinhan Securities



Sao Ta Foods JSC

[Vietnam / Fisheries]

Bloomberg Code (FMC VN) | Reuters Code (FMC.HM)

HOLD

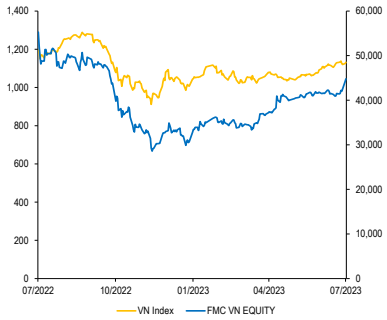
Initiation Coverage

Target price (12 months)	**VND 49,900**
Current price (12/07/2023)	VND 46,400
Return (%)	8%

VNINDEX	1,152
P/E market	11.6
Market Cap (bn VND)	3,034
Outstanding shares (1mn)	65
Free float (1mn)	23
52-week high/low (VND)	55,100/28,600
90-day avg. trading volume (1mn)	0.05
90-day avg. turnover (bn VND)	2
Foreign ownership (%)	27.67

Major shareholders (%)	The PAN Group	37.75
	C.P. Vietnam Livestock Co., Ltd	24.90

Performance	3M	6M	12M
Absolute (%)	15.4	25.6	-13.9
Relative to VN-Index (%)	7.7	16.6	-11.9



Source: Bloomberg

Diem Ngo – Analyst

☎ (84-28) 6299-7759
✉ diem.ndn@shinhan.com

Ly Bui – Head of Research

☎ (84-28) 6299-8029
✉ ly.btt@shinhan.com





Click or scan to follow

Sustainable growth

Initiate coverage with HOLD call and Target price of VND 49,900

Sao Ta Foods Joint Stock Company (HoSE: FMC) is one of the leading shrimp exporters in Vietnam while always maintaining its position in the top 5 largest shrimp exporters in Vietnam. FMC is now self-sufficient in 30% of raw materials in a farming area of 505ha. We value FMC for the first time at VND49,900, equivalent to a profit margin of 8%.

Shifting the revenue structure to the Japanese market and maintaining the US market

From 2022, the company has advocated increasing exports to Japan and South Korea because of its location advantage. The geographical proximity to Vietnam helps reduce selling costs, along with the company's product lines that are also suitable for the Japanese market. The two sides have a long-term cooperation relationship. We think this is the right step for the company in the situation that the shrimp industry is facing difficulties when exporting to the US because the price is higher than other exporting countries. In the first half of 2023, sales in the following markets are: Japan (40%), US (18%), Western Europe (24%), Korea (6%), Australia (6%).

Healthy financial structure

The company has a healthy financial structure with the lowest debt ratio in the industry (debt/equity ratio: 0.24, debt/total assets: 0.17). We consider this to be a bright spot for the company in the context that the shrimp industry has a rather precarious business model.

Good cost management helps the company to have the highest net profit margin in the industry

Although the company has the lowest gross profit margin in the industry, it is quite stable thanks to good management of expenses such as good inventory management with the lowest inventory days in the industry, along with the restructuring of revenue through the Asian market to help reduce selling costs, and improving gross margin thanks to food support from C.P Group.

Outlook for 2023F

2023 will not be a positive year for the shrimp industry when the weather is unfavorable, with the selling price of Vietnam's shrimp, especially FMC, which is still high compared to other countries. Along with that, inflation is still anchored at a high level on a global scale which may affect FMC's business results in 2023. However, we expect the company's growth to return in the coming years as the company expands its farming area (~255ha) and increases its factory capacity to prepare for the coming years.

Risk (1) Risk of unfavorable weather and macroeconomic conditions

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**5,702**	**5,037**	**5,409**	**5,797**	**6,226**
OP (bn VND)	307	294	341	373	416
NP (bn VND)	**321**	**298**	**348**	**379**	**422**
EPS (VND)	4,605	4,387	5,117	5,586	6,214
BPS (VND)	32,361	34,686	37,770	41,341	45,564
OPM (%)	5%	6%	6%	6%	7%
NPM (%)	6%	6%	6%	7%	7%
ROE (%)	15.7	13.6	14.7	14.7	14.9
PER (x)	7.0	11.4	9.8	8.9	8.0
PBR (x)	1.0	1.4	1.3	1.2	1.1
EV/EBITDA (x)	9.2	8.8	7.9	7.5	7.7

Source: Company data, Shinhan Securities Vietnam

Shinhan Securities Vietnam Co., Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Analysts employed by Shinhan Securities Vietnam Co., Ltd. , or a non-US affiliate thereof, are not registered/qualified as research analysts with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. For analyst certification and important disclosures, refer to the Compliance & Disclosure Notice at the end of this report.

TABLE OF CONTENTS

3 **Company background**

4 **Value chain**

5 **Investment Catalysts & Theses**

8 **Earnings estimates**

9 **Valuation and Recommendation**

13 **Risk**

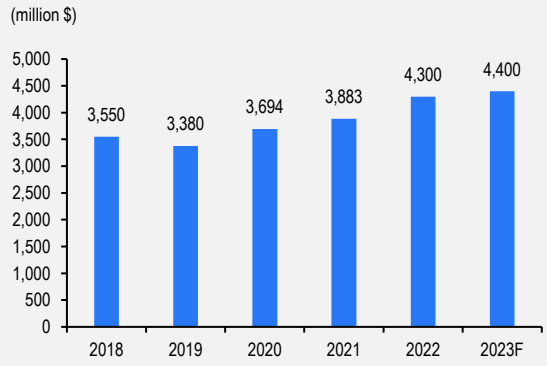
Company background

Overview of the shrimp industry

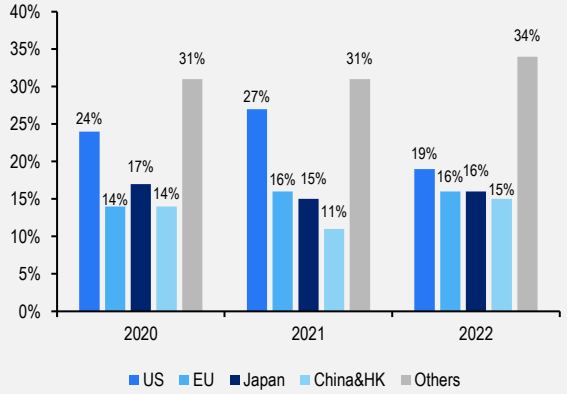
Shrimp is Vietnam's main export product, accounting for 39% of Vietnam's total fisheries export revenue in 2022. The main exported shrimps are vannamei and black tiger shrimp. In 2022, the whole country exported 745 thousand tons with a total value of USD 4.3 billion. Vietnam ranks third in shrimp exports worldwide, because our country has a higher production cost of 4.8-5.0 USD/ton, 100% higher than Ecuador and 30% higher than India, but we have higher processing skills than the top two countries.

2023 is forecasted to be a difficult year for the shrimp industry when the weather is unfavorable while facing competition from the two largest exporting countries, India and Ecuador, due to price competition. However, the whole industry is still optimistic when setting an export turnover target of USD 4.4 billion (+2% YoY). Indian shrimp production in 2023 is forecasted to decrease by 13% compared to 2022 due to unstable demand from consumer markets and inundated weather affecting shrimp survival rates. Due to low demand, Indonesia is also expected to reduce shrimp production by 4% in 2023. Currently, Indonesia is heavily dependent on the US market and is targeting the Chinese market. For Vietnam market, raising the feeding rate is one of the urgent issues for the development of the whole industry. The survival rate in our country is much lower than that of the two leading countries when it is only 35%, while this rate in Ecuador is 90% and India is 60-70%.

Vietnam's shrimp export turnover



Major export country of shrimp product of Vietnam



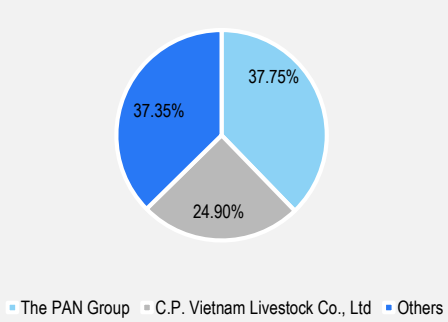
Source: VASEP, Shinhan Securities Vietnam

History of development

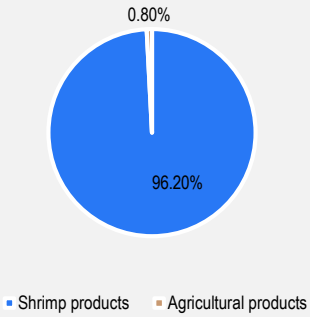
Sao Ta Foods Joint Stock Company was established in 1996 with the main business of processing frozen shrimp for export. Since its establishment until now, FMC has always maintained its position in top 5 shrimp exporters of Vietnam. The company's main export markets are the US, Japan, and Western Europe...

In 2006, Sao Ta was officially listed on the Ho Chi Minh City Stock Exchange under the ticker "FMC".

Shareholder's structure



Revenue structure by products



Source: Company data, Shinhan Securities Vietnam

Value chain



Sao Ta Foods Joint Stock Company is one of the leading shrimp exporters in Vietnam and has always been among the top 5 leading exporters since 1996. FMC currently owns a farming area of 250ha. In 2022, the company acquired an additional 52ha from Khang An subsidiary along with 203ha from Vinh Thuan subsidiary, thereby bringing the total area to 505ha. The company focuses on expanding the farming area and increasing the efficiency of shrimp farming to help reduce costs and increase overall operational efficiency of Sao Ta. Currently, all the company's farming areas meet ASC and BAP international standards.

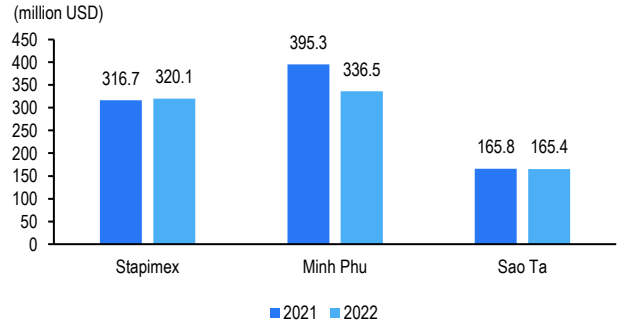
The company owns 3 factories and 2 manufacturing facilities. Sao Ta factory has a designed capacity of 15,000 tons/year with a total investment of about VND 300 billion. It was put into operation in January 2023, and its current capacity is at 37% or 1,000 tons/day due to unfavorable weather conditions.

FMC's processing factories

Factories	Designed capacity	% Current capacity used
Nam An factory	20,000 tons/year	100%
Tin An factory	3,000 tons/year	70-80%
Sao Ta factory	15,000 tons/year	37%

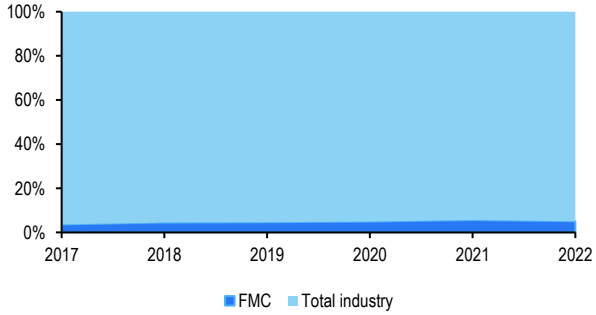
Source: FMC, Shinhan Securities Vietnam

Export value of major companies in Vietnam from 2021-2022



Source: Fiinpro, Shinhan Securities Company

FMC's export value compared to the whole industry from 2017-2022



Soure: FMC, VASEP, Shinhan Securities Company

Investment Catalysts & Theses

Shifting the revenue structure to the Japanese market and maintaining the US market

FMC's revenue structure mainly comes from shrimp exports which contribute more than 96% of its annual revenue. Sao Ta has established a solid foundation in major export markets such as Japan, the US and EU. In 2022, the total production of processed shrimp was 20,578 tons. The company has set a target of increasing processing output to 22,000 tons (+7% YoY) in 2023 by receiving the farming area of 203ha in Vinh Thuan and an additional 52ha from its subsidiary Khang An.

In terms of cost structure, feed accounts for 66% of the cost while seed only accounts for about 6%. However, FMC is a subsidiary of PAN Group so food will be provided by PAN's strategic partner - C.P Group. This will reduce fluctuations in price and quality compared to buying food from outside.

1. The Asian market is the key market of the company when the share of sales from Japan accounts for more than 40%

Vietnam is the largest shrimp supplier to Japan, accounting for 16% of the country's shrimp export revenue structure. For Sao Ta, Japan is the company's largest export market, accounting for 34% of its export revenue structure in 2022. The company has suitable products for the needs of the Japanese market such as tempura and kakiage. It also has a long-term relationship with customers for nearly 25 years. According to the FMC's data, by 1H2023 this number has increased to 40%. The Japanese market has the advantage of being close to Vietnam helping the company reduce transportation and selling costs. Along with that, the company's agricultural products are also mainly sold to Japan. Each year revenue from this segment contributes about 4% to the overall.

Vietnam has the highest market share of shrimp exports to Korea, accounting for more than 50% of the market share. The Korean market only accounts for 5% of Sao Ta's total export revenue, so the potential of this market for the company is still great and has the advantage of geographical location. However, shrimp exports to this country are entangled with quota regulations. Enterprises exporting to Korea will be subject to a quota fee equivalent to a tax rate of 20% if exports exceed the quota.

As for the Chinese market, although Vietnam's shrimp exports to China account for 15% of the total value, China also has more than 1,000 processing factories. China buys raw shrimp for domestic processing and buys mainly black tiger shrimp (the advantage of Ca Mau and Bac Lieu areas), so it is not suitable for FMC's strategy.

2. US market - trying to maintain while facing fierce compete with cheap shrimp from Ecuador and India

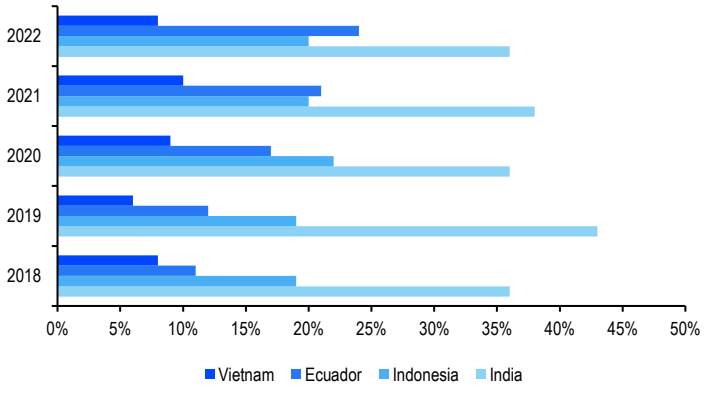
Vietnam is the 4th largest shrimp exporter to the US with a market share of about 8% in 2022. The US market contributes the second most to FMC's revenue, accounting for 27% of total revenue in 2022. In this market, Sao Ta is trying to maintain its market share of deep-processed shrimp - a premium type that gets a higher selling price than other shrimp lines. In the US, Sao Ta's market share of deep-processed shrimp is 25%. The reason FMC focuses on this product line is because it is difficult for our country to compete with cheap shrimp from India and Ecuador to export to the US due to the geographical distance that makes transportation costs high and makes it difficult to be profitable.

Although the US market also produces deep-processed shrimp, the domestic price is higher than the import price, so FMC will still have a lot of room in this market. Therefore, every year, the US market will re-examine

the anti-dumping tax rate imposed on imported goods from Vietnam. Sao Ta is one of the mandatory defendants in the US anti-dumping duty inspection, and thanks to its good production quality and qualified factories, the company has enjoyed the anti-dumping tax rate of 0% for many consecutive years, thereby also helping businesses subject to "voluntary respondent" to enjoy this tax rate.

** Under US law, there are three types of anti-dumping duties, which are the tax rates calculated by selected companies (required respondent rates); the weighted average tax rate for all businesses that demonstrate no government control (the voluntary respondent tax rate); the final type of tax is the national tax rate for businesses that are not involved in the lawsuit or cannot prove they are not under government control.*

Market share of shrimp exporters to the US 2018-2022

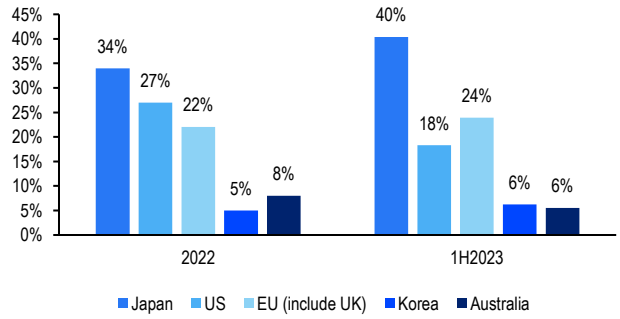


Source: Shinhan Securities Vietnam, Bloomberg

3. Western Europe market (including UK) – stable growth

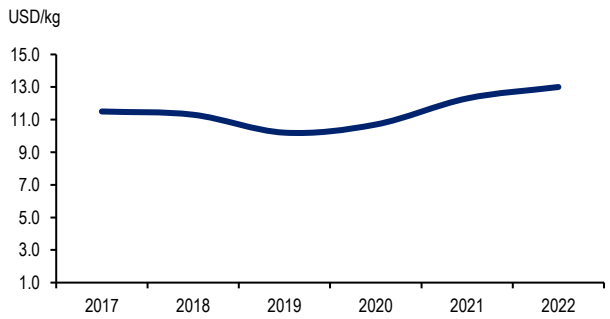
In 2022, Europe accounted for 16% of the total export revenue of the whole industry. This is a potential market for Vietnam because we have the advantage of the EVFTA Agreement, whereby tax of shrimp products will be immediately reduced to 0% and other products will be reduced to 0% according to the route 5-7 years. For Sao Ta, the European market accounted for 2.6%, and the UK market accounted for 21.3% of total revenue according to 1H2023 figures and recorded a slight increase compared to 2022.

Export market structure of FMC 2022 and 1H/2023



Source: FMC, Shinhan Securities Company

Average shrimp export price of FMC from 2017-2022



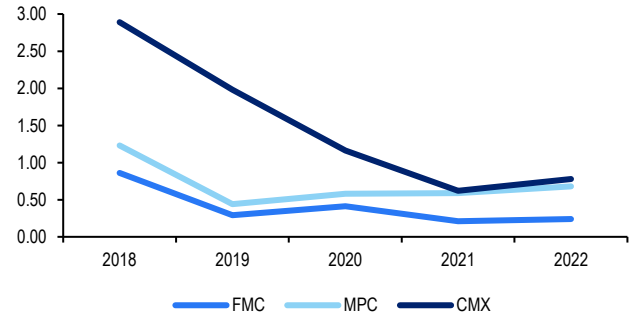
Source: FMC, Shinhan Securities Company

Healthy financial structure

The shrimp industry is an industry that requires a lot of capital to invest in production and business activities. Compared to other companies in the same industry, FMC has the lowest debt/equity ratio and debt/total

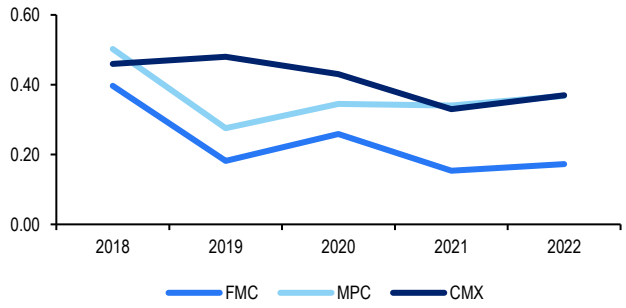
asset ratio when it has not had long-term debt for many years. Along with that, the company mainly issued more equity to finance investment in construction projects and limited the use of debt, thereby reducing the interest burden.

Debt to Equity ratio



Source: Fiinpro, Shinhan Securities Vietnam

Debt to Total Assets ratio



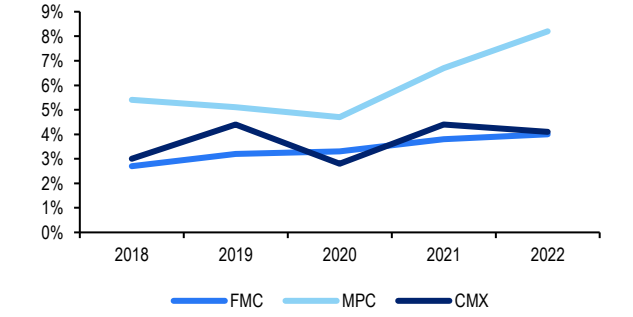
Source: Fiinpro, Shinhan Securities Vietnam

Good cost management helps the company to have the highest net profit margin in the industry

In terms of cost structure, feed cost accounted for 66% while fingerlings cost only accounted for about 6%. However, FMC is a subsidiary of PAN Group, so the food will be provided by PAN's strategic partner, C.P Group, which will reduce fluctuations in price and quality compared to buying food from outside. This will help the company maintain a stable gross margin around 10-11%.

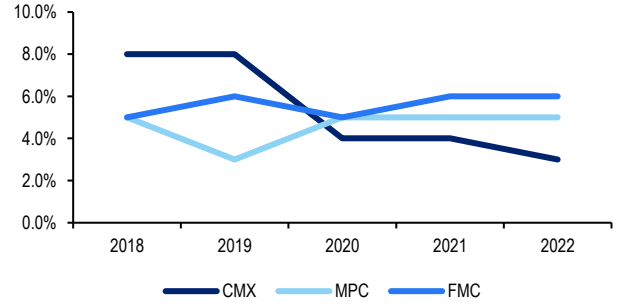
FMC has a low gross profit margin because the company focuses on deep-processed shrimp, which leads to higher production costs than other companies. However, thanks to good control of selling costs (specifically, shifting to the Japanese market to reduce shipping costs), the company has the best net profit margin in the industry.

Selling expense/Revenue



Source: Fiinpro, Shinhan Securities Vietnam

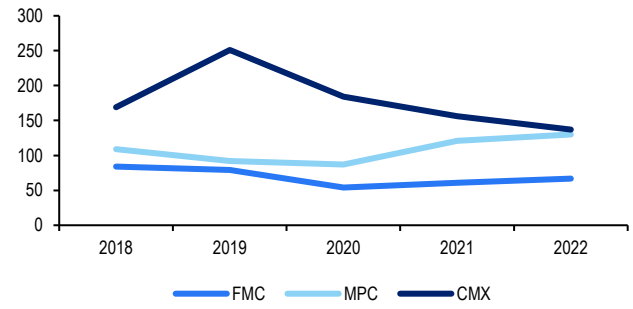
Net profit margin 2017-2022



Source Fiinpro, Shinhan Securities Vietnam

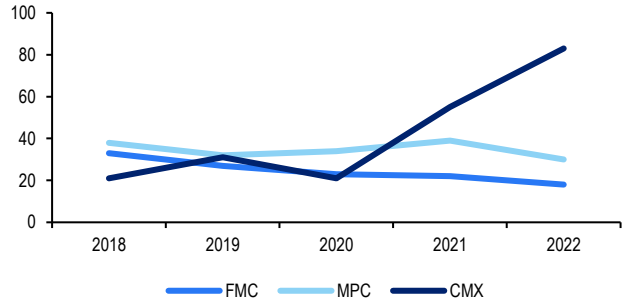
In addition, the company also manages its inventory quite well with the lowest days in inventory compared to peers in the industry. Along with that, the days sales outstanding of the company are also decreasing year by year, showing that the company's cash collection is done quickly thanks to the good relationship with long-term customers that helps in revenue recognition be transparent.

Days in inventory of peers 2018-2022



Source: Fiinpro, Shinhan Securities Vietnam

Days sales outstanding of peers 2018-2022

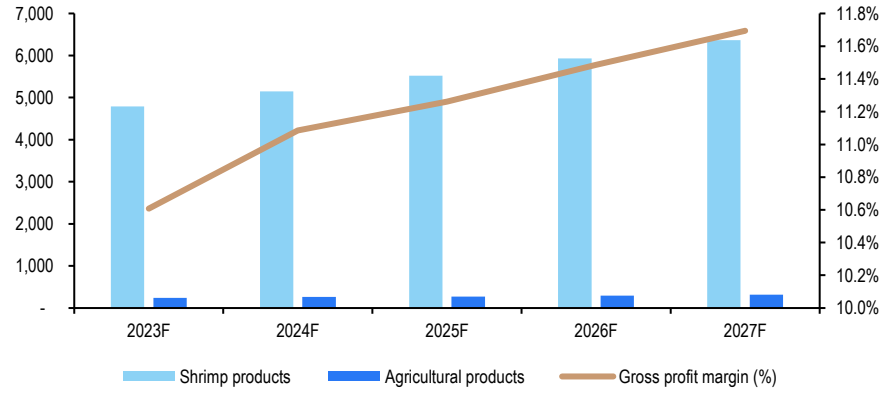


Source: Fiinpro, Shinhan Securities Vietnam

Earning Estimates

We assess that Sao Ta's 2023 revenue will decrease due to concerns about the not-so-positive outlook of the whole industry in 2023 when facing risks of weather, inflation as well as competition from other countries. We forecast total revenue in 2023 to reach VND 5,037 billion (-12% YoY) and profit after tax of VND 298 billion (-7% YoY). We expect the company's gross margin to reach 11%.

Earnings forecast of Sao Ta (2023F –2027F)



Source: Shinhan Securities Vietnam

FMC's annual earnings trend and outlook (2022-2027F)

(Unit: Bn VND)	2022	2023F	2024F	2025F	2026F	2027F
Net Sales	5,702	5,037	5,409	5,797	6,226	6,681
Shrimp products	5,488	4,793	5,145	5,524	5,930	6,366
Agricultural products	214	244	264	273	296	316
Operating profit	626	534	600	653	715	781
Gross Profit	307	294	341	373	416	460
Net profit	321	298	348	379	422	465
Margin (%)						
OPM	11%	11%	11%	11%	11%	12%
GPM	5%	6%	6%	6%	7%	7%
NPM	6%	6%	6%	7%	7%	7%
Growth (%YoY)						
Net Sales	10%	-12%	7%	7%	7%	7%
OPM	-15%	-15%	12%	9%	10%	9%
GPM	-4%	-4%	16%	9%	12%	11%
NPM	-7%	-7%	17%	9%	11%	10%

Source: Company Data, Shinhan Securities Vietnam

Valuation and Recommendation

Initiate coverage with HOLD call and TP of VND 49,900

We initiate coverage Sao Ta Foods JSC with a HOLD recommendation and a target price of VND 49,900, corresponding to an increase of 8% from the current price. For a long-term view, FMC is an investment that can be considered with the following advantages:

1) Shifting the revenue structure to the Japanese market and maintaining the US market
2) Healthy financial structure
3) Good cost management helps the company to have the highest net profit margin in the industry

Valuation

We apply a combination of P/E and Discounted Cash Flow (DCF) valuation methods with 50% and 50% weights to value FMC.

FCFF valuation

(Unit: VND bn)	2022	2023F	2024F	2025F	2026F	2027F
Net Income	321	298	348	379	422	465
Plus: Interest after tax	17	19	21	23	25	27
Plus: D&A	121	144	143	135	82	79
Less: Net working capital	25	(94)	20	157	35	128
Less: Capex	(570)	(48)	0	0	0	0
FCFF	**(136)**	**507**	**491**	**381**	**495**	**443**
Discount factor		0.9	0.8	0.7	0.6	0.6
PV of FCF		453	391	271	314	250
Terminal growth (%)		1%				
PV of Terminal value		2,268				
Enterprise value		**3,948**				
Net borrowing		434				
Cash and equivalent		585				
Total outstanding share		65,388,889				
Target price		**62,507**				

WACC (%)	**11.9%**
Risk-free rate (%)	3%
Equity risk premium (%)	11.13%
Beta	0.95
Cost of debt (%)	4.5%
Cost of equity (%)	13.5%
Debt to capital ratio (%)	17%
Value of debt (bn VND)	434

Source: Company Data, Shinhan Securities Vietnam

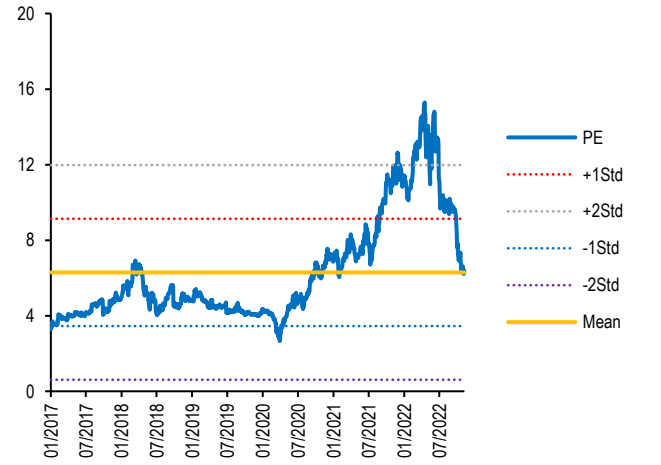
For the Weighted Average Cost of Capital (WACC), we use the 10-year Vietnamese government bond yield at 3.0% as the risk-free rate. Beta is calculated based on the last 5 years' historical data of FMC and VNINDEX. Based on those assumptions, FMC's FCFF target price is valued at VND 62,507.

Based on the P/E method, we collect data from companies in the same industry similar to FMC plus FMC's 5-year average P/E, with a weight of 50%. We estimate FMC's target P/E at 8.5x. With the 2023 forward EPS at VND 4,387, FMC's target price is VND 37,270.

Ticker	Company name	Market Cap (billion VND)	2018-2022 PER
MPC VN Equity	Minh Phu Seafood Corp.	7,238	6.8
SEA VN Equity	Vietnam Seaproducts JSC	2,950	12.17
ASM VN Equity	Sao Mai Group	3,888	3.57
ANV VN Equity	Nam Viet Corp.	4,986	6.42
IDI VN Equity	I.D.I International Development & Investment	3,016	5.71
VHC VN Equity	Vinh Hoan Corp.	12,745	8.64
Average of industry	**7.42**		
5 yrs average of FMC	9.57		
Target P/E	**8.5**		
EPS 2023F	4,387		
Target price	**37,270**		

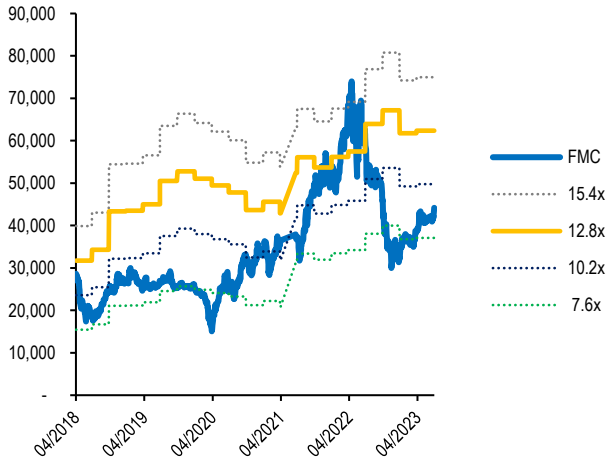
Source: Fiinpro, Shinhan Securities Vietnam, Data as of 03/07/2023

PER of FMC



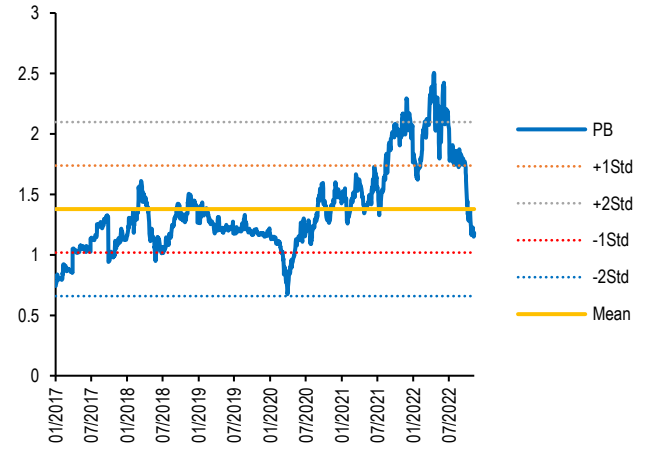
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of FMC



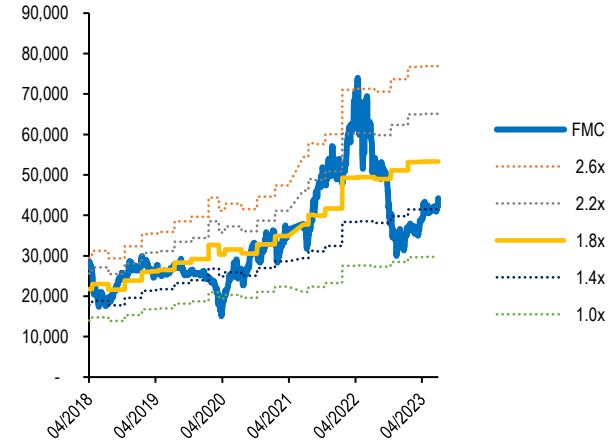
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of FMC



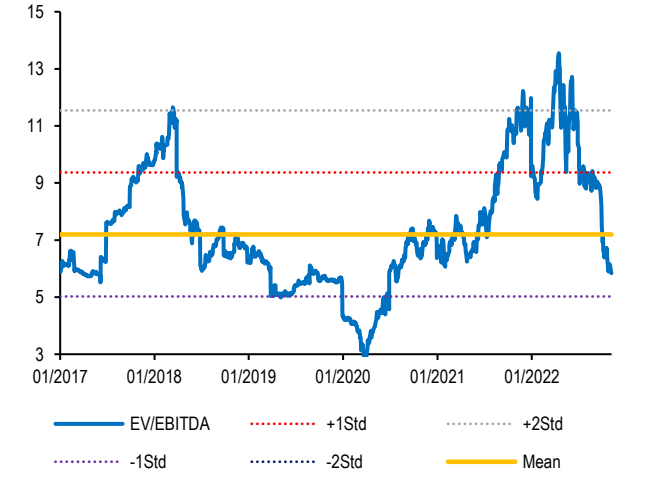
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band of FMC



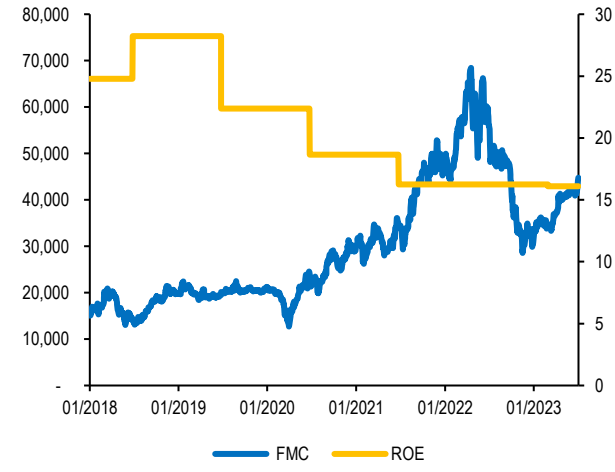
Source: Bloomberg, Company data, Shinhan Securities Vietnam

EV/EBITDA of FMC



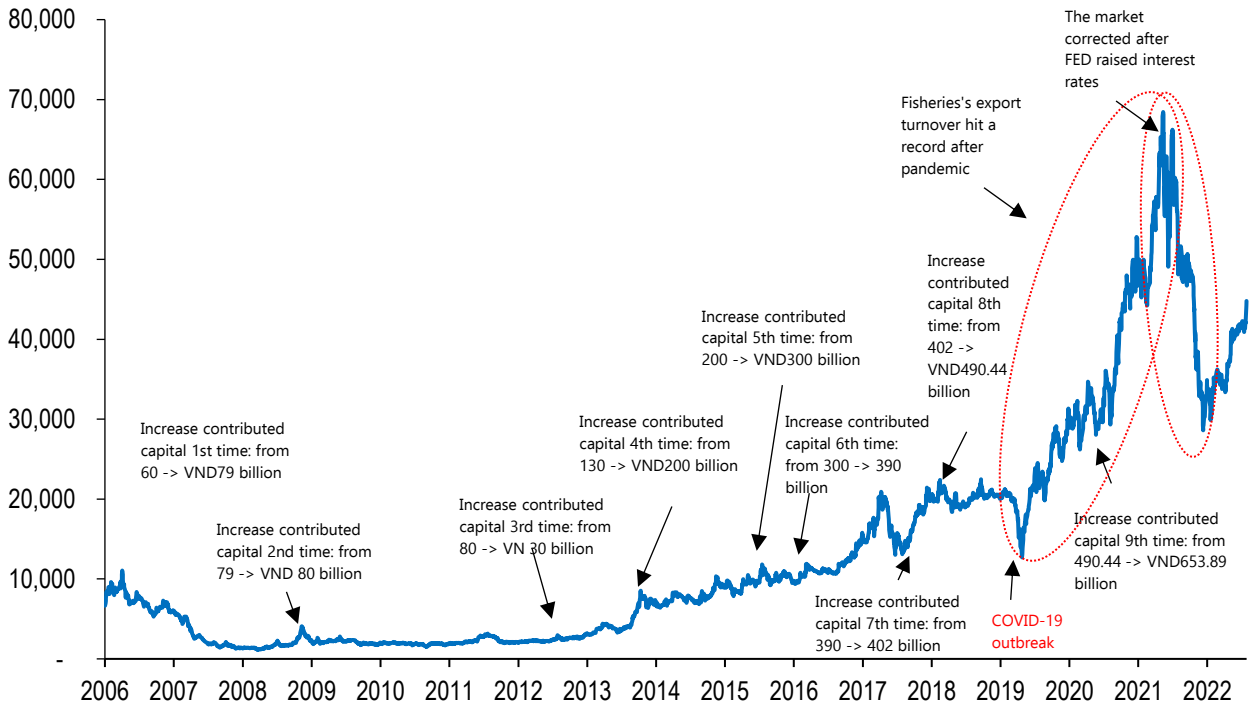
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation between price and ROE of FMC



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key important events of FMC



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risk

Risk of unfavorable weather and macroeconomic conditions

2023 is forecasted to be a difficult year for the shrimp industry due to adverse events such as saline intrusion affecting shrimp survival rates. Along with that, inflation is still happening worldwide, so people move to other cheap products or choose from cheaper suppliers, while Vietnamese shrimp have a higher selling price compared to other countries. Another difficulty shrimp businesses are facing is that the loan interest rate is still high in 2023. Although FMC is not a large debtor, if the interest rate increases sharply, it will also affect the cost of the company.

Appendix : Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Total assets	**2,700**	**2,989**	**2,994**	**3,294**	**3,547**
Current assets	2,150	1,877	2,069	2,467	2,859
Cash & equivalents	770	585	828	1,172	1,419
Short-term financial asset	25	11	30	38	46
Accounts receivable	377	280	301	322	349
Inventories	941	929	866	884	984
Non-current assets	550	1,112	925	827	688
Net fixed assets	263	419	699	557	421
Investment assets	105	7	188	446	68
Other long-term assets	50	175	99	248	157
Total liabilities	**723**	**873**	**726**	**824**	**843**
Current liabilities	713	863	716	814	832
Accounts payable	98	83	52	104	64
Short-term borrowings	415	515	434	462	507
Others	200	264	229	247	261
Non-current liabilities	10	10	10	10	11
Long-term borrowings	0	0	0	0	0
Other financial liabilities	10	10	10	10	11
Total shareholders' equity	**1,977**	**2,116**	**2,268**	**2,470**	**2,703**
Capital stock	654	654	654	654	654
Capital surplus	594	594	594	594	594
Other capital	0	0	0	0	0
Retained earnings	534	676	817	1,006	1,225
Non-controlling interest equity	195	192	203	216	230
*Total debt	415	515	434	462	507
*Net debt (cash)	(380)	(81)	(423)	(747)	(959)

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	**5,199**	**5,702**	**5,037**	**5,409**	**5,797**
Growth (%)	17.8	9.7	(11.7)	7.4	7.2
COGS	**(4,670)**	**(5,076)**	**(4,503)**	**(4,809)**	**(5,144)**
Gross profit	**529**	**626**	**534**	**600**	**653**
GPM (%)	10.2	11.0	10.6	11.1	11.3
SG&A	**(264)**	**(319)**	**(241)**	**(258)**	**(280)**
Operating profit	**265**	**307**	**294**	**341**	**373**
Growth (%)	17.5	15.8	(4.3)	16.2	9.2
OPM (%)	5.1	5.4	5.8	6.3	6.4
Non-operating profit	**24**	**22**	**11**	**14**	**15**
Financial income	54	71	45	53	60
Financial expense	(33)	(54)	(36)	(42)	(49)
In which: interest expenses	(14)	(17)	(20)	(21)	(24)
Net other non-operating profit	3	5	2	3	3
Pre-tax profit	**289**	**328**	**304**	**355**	**388**
Income tax	(2)	(7)	(6)	(7)	(8)
Net profit	**287**	**321**	**298**	**348**	**379**
Growth (%)	27.1	11.8	(7.2)	16.6	9.2
NPM (%)	5.5	5.6	5.9	6.4	6.5
Controlling interest	267	309	287	335	365
Non-controlling interest	20	12	11	13	14
EBIT	**289**	**328**	**304**	**355**	**388**
Growth (%)	22.2	13.7	(7.3)	16.7	9.2
EBIT Margin (%)	5.6	5.8	6.0	6.6	6.7
EBITDA	**372**	**449**	**449**	**498**	**523**
Growth (%)	18.7	20.8	(0.2)	10.9	5.1
EBITDA margin (%)	7.2	7.9	8.9	9.2	9.0

Statement of cash flow

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	**155**	**417**	**536**	**470**	**358**
Net profit	287	321	298	348	379
D&A expense	83	121	144	143	135
(Gain) from investing activities		-	-	-	-
Change in working capital	(215)	(25)	94	(20)	(157)
Others	-	-	-	-	-
Cash flow from investments	**(211)**	**(557)**	**(67)**	**(8)**	**(9)**
Change in fixed assets	(15)	(313)	(425)	-	-
Change in investment assets	(15)	14	(19)	(8)	(9)
Others	(181)	(257)	377	-	-
Free cash flow	**(56)**	**(140)**	**469**	**462**	**350**
Cash flow from financing	**557**	**(41)**	**(227)**	**(118)**	**(102)**
Change in equity	682	(0)	-	-	-
Net borrowing	(28)	101	(81)	28	44
Dividends	(98)	(142)	(146)	(146)	(146)
Change in total cash	**501**	**(181)**	**242**	**344**	**248**
Beginning cash	268	770	585	828	1,172
Change in FX rates	0	(3)	-	-	-
Ending cash	770	585	828	1,172	1,419

Source: Company data, Shinhan Securities Vietnam

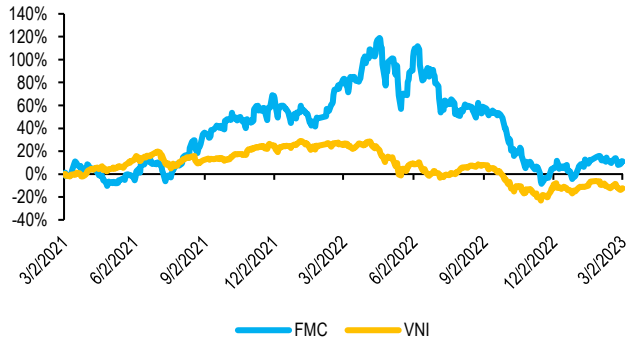
Key ratios

Year to Dec.	2021	2022	2023F	2024F	2025F
EPS (VND)	4,677	4,605	4,387	5,117	5,586
BPS (VND)	30,231	32,361	34,686	37,770	41,341
DPS (VND)	1,500	2,170	2,232	2,232	2,232
PER (x)	10.8	7.0	11.4	9.8	8.9
PBR (x)	1.7	1.0	1.4	1.3	1.2
EV/EBITDA (x)	7.2	9.2	8.8	7.9	7.5
Dividend payout ratio (%)	34.2	44.2	49.0	42.0	38.5
Dividend yield (%)	3.0	6.7	4.5	4.5	4.5
Profitability					
EBITDA margin (%)	7.2	7.9	8.9	9.2	9.0
OPM (%)	5.1	5.4	5.8	6.3	6.4
NPM (%)	5.5	5.6	5.9	6.4	6.5
ROA (%)	13.0	11.3	10.0	11.1	11.1
ROE (%)	18.8	15.7	13.6	14.7	14.7
Stability					
Debt to equity ratio (%)	21.0	24.4	19.2	18.7	18.7
Net debt ratio (%)	(102.0)	(18.0)	(94.4)	(150.2)	(183.4)
Cash ratio (%)	111.4	69.1	119.9	148.7	176.1
Interest coverage ratio (x)	20.0	19.0	15.6	16.7	16.3
Activity (%)					
Working capital turnover (days)	53	85	102	111	126
Inventory turnover (days)	61	67	73	66	66
Receivable turnover (days)	24	21	21	21	21

Source: Company data, Shinhan Securities Vietnam

Sao Ta Foods JSC (FMC VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/Min
12/07/2023 (Initiation)	HOLD	49,900	21.35	-15.14/66.33

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

Compliance & Disclosure Notice

Analyst Certification

- The following analysts hereby certify that their views about the companies and securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Diem Ngo

Important Disclosures & Disclaimers

- As of the date of publication, Shinhan Securities Vietnam Co., Ltd. does not beneficially own 1% or more of any class of common equity securities of the following companies mentioned in this report: Sao Ta Foods JSC
- Shinhan Securities Vietnam Co., Ltd. or one of its affiliates, and/or their respective officers, directors, or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities of the companies mentioned in this report.
- As of the date of publication, research analysts responsible for this report and members of their households do not have any financial interest in the debt or equity securities of the companies mentioned in this report.
- Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of Shinhan Securities Vietnam Co., Ltd. including profits derived from investment banking. The analysts responsible for this report may also receive compensation based upon, among other factors, the overall profitability of sales and trading businesses relating to the class of securities or financial instruments for which such analysts are responsible.
- All opinions and estimates regarding the companies and their securities are accurate representations of the research analysts' judgments and may differ from actual results.
- This report is intended to provide information to assist investment decisions only, and should not be used or construed as an offer or a solicitation of an offer to buy or sell any securities. The information herein has been obtained from sources deemed reliable, but such information has not been independently verified and no guarantee, representation, or warranty, expressed or implied, is made as to its accuracy, completeness, or correctness. Shinhan Securities Vietnam Co., Ltd. makes the best effort but does not guarantee the accuracy, completeness, or correctness of information and opinions translated into English from original Vietnamese language materials. Shinhan Securities Vietnam Co., Ltd. accepts no liability whatsoever for any direct, indirect, and/or consequential loss arising from any use of this material or its contents. Stock selection and final investment decisions should be made at the investor's own and sole discretion.
- This report is distributed to our customers only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.
- Investing in any Vietnamese securities or related financial instruments discussed in this research report may present certain risks. The securities of Vietnamese issuers may not be registered with, or be subject to the regulations of, the US Securities and Exchange Commission. Information on Vietnamese securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the US. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in currencies other than the Vietnamese won is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Distribution

- United States: This report is distributed in the US by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major US institutional investors as defined in Rule 15a-6(a)(2) of the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and warrant that they are major US institutional investors and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Securities Vietnam Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any US recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the US. The securities described herein may not have been registered under the US Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the US or to US persons unless they have been registered or are in compliance with an exemption from registration requirements.
- All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan Securities Vietnam Co., Ltd. or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan Securities Vietnam Co., Ltd. and its affiliates to any registration or licensing requirement within such jurisdiction.



Shinhan Investment Network

SEOUL
Shinhan Investment Corp.
Shinhan Investment Tower
23-2, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

Hong Kong
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

Indonesia
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

Shanghai
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

Ho Chi Minh
Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

Ha Noi
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000