Sao Ta Foods JSC

[Vietnam / Fisheries]

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

BUY

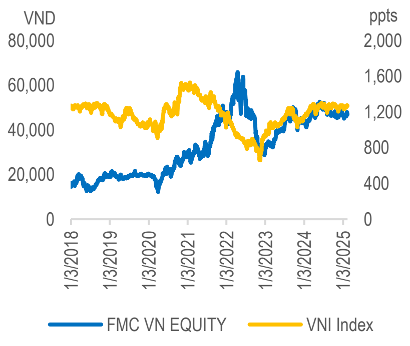
Update Report

Target price (12 months)	**55,700VND**
Current price (02/25/2025)	46,900 VND
Return (%)	18.7%

VNINDEX	1,303
HNXINDEX	238
Market Cap (bn VND)	3,073
Outstanding shares (mn)	65
Free float (1mn)	23
52-week high/low (VND)	55,000/44,550
90-day avg. trading volume (1mn)	0.05
90-day avg.turnover (bn VND)	2

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

Performance	3M	6M	12M
Abs (%)	2.4	-2.3	1.0
Rel to VN-Index (%)	-2.7	-2.8	-4.0



Source: Bloomberg

Thao Nguyen - Analyst

☎ (84-28) 6299-8004
✉ thao.np@shinhan.com

Please click or scan

Standing firm

Update recommendation BUY, target price at VND 55,700

Sao Ta Foods Corporation (HoSE: FMC) is one of the leading shrimp exporters in Vietnam, always maintaining its position in the top 5 largest shrimp exporters in the country. FMC currently owns 30% of raw shrimp and a farming area of 525ha. In 2024, FMC's NPAT reached a record level of VND 423 bn (+38.4% YoY), and FMC's export turnover in 2024 grew by 25% compared to the industry average of 13%. In 2025, despite fluctuations in trade policies when exporting to the US market, we expect FMC to steadily overcome challenges thanks to its market diversification strategy along with deep-processed products, increasing competitiveness compared to other supply sources. Based on FCFF and PE methods, with a weight of 50:50, we update FMC's target price at 55,700 VND.

2024 profits and finished shrimp output both reached the highest levels in history

In Q4/2024, net revenue reached VND 1,365 bn (+9% YoY) and NPAT-Mi reached VND 110 bn (+34% YoY). Profit grew strongly thanks to the contribution from financial profit of VND 52.8 bn (interest on deposits and foreign exchange gains). In 2024, FMC recorded net revenue of VND 6,913 bn (+35.8% YoY) and NPAT of VND 423 bn (+38.4% YoY), thanks to the strategy of raising shrimp in the off-season, aiming for high selling prices when the commercial supply is low and taking advantage of low feed prices. This is a record profit level amidst the shrimp export industry facing numerous difficulties.

Shrimp product: In 2024, the company produced 25,833 tons of shrimp (+22% YoY) and sold 22,164 tons (+28% YoY), the e selling price increased slightly by 5.3%. **Agricultural product:** The company produced 1,040 tons of finished products and sold 1,309 tons (-4% YoY).

Standing firm against the headwinds of 2025

The Japanese market: FMC continues to focus on deep-processed products (requiring processing technology and skill) to maintain a better competitive advantage compared to the cheap shrimp supplies from Ecuador, India, and Indonesia

The US market: We expect shrimp products to maintain their competitiveness compared to competitors, as the US applies a lower countervailing duty (CVD) rate on Vietnamese shrimp than on other supply sources. Specifically, the CVD on Indian shrimp is 5.77%, and the CVD on Ecuadorian shrimp is 3.78%, both higher than Vietnam's CVD of 2.84%

We project FMC's revenue for 2025 to reach VND 8,012 billion (+15.9% YoY) and net profit to reach VND 505 billion (+19.5% YoY) due to: (1) increased capacity from Sao Ta Seafood Factory 2 and Tam An Factory leading to increased production volume, (2) the reversal of VND 38 billion in anti-dumping duty (CBPG) POR19 provisioned in 2023, and (3) an expected slight increase in average export price of 2.5% YoY

Risk (1) Risk of unfavorable weather and macroeconomic conditions, (2) Risk of weak demand

Year to Dec	2023	2024	2025F	2026F	2027F
Revenue (bn VND)	**5,087**	**6,913**	**8,012**	**9,317**	**10,502**
OP (bn VND)	292	363	418	525	604
NP (bn VND)	**302**	**423**	**505**	**575**	**626**
EPS (VND)	4,222	4,675	5,587	6,361	6,927
BPS (VND)	31,026	33,151	40,874	49,668	58,691
OPM	5.7%	5.3%	5.2%	5.6%	5.8%
NPM	5.9%	6.1%	6.3%	6.2%	6.0%
ROE	13.5%	17.1%	16.2%	15.0%	13.6%
PER (x)	13.2	11.9	9.9	8.7	8.2
PBR (x)	1.8	1.7	1.4	1.1	1.0
EV/EBITDA (x)	7.0	5.3	4.5	4.0	3.6

Source: Company data, Shinhan Securities Vietnam

Valuation and Recommendation

We use Discounted Cash Flow (DCF) and PE valuation methods to value FMC with 50%-50% weighted. We maintain our BUY recommendation with a target price of VND 55,700, upside 18.7%.

Weighted Average Cost of Capital (WACC)	
WACC (%)	**9.2**
Risk-free rate (%)	3.10
Equity risk premium (%)	8.35
Beta	0.93
Cost of debt (%)	4.50
Cost of equity (%)	10.9
Debt-to-equity ratio	0.20
Total debt (bn VND)	902

Source: Company data, Shinhan Securities Vietnam

DCF valuation					
Unit: billion VND	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**
NPAT-Mi	**365**	**416**	**473**	**556**	**631**
Plus: After-tax interest expense	26	30	35	41	47
Plus: Depreciation & Amortization	140	162	185	211	240
Minus: Change in working capital	186	189	218	258	302
Minus: CapEx	196	210	241	275	312
Free Cash Flow to Firm (FCFF)	**150**	**209**	**234**	**275**	**304**
PV of FCF	893				
Growth rate (%)	1%				
Present value of long-term value	2,423				
Enterprise value	3,316				
Minus: Debt	(902)				
Plus: Cash and cash equivalents	1,218				
Owner's equity value	**3,632**				
Number of shares oustanding (million)	65.3				
Target price (VND/share)	**55,548**				

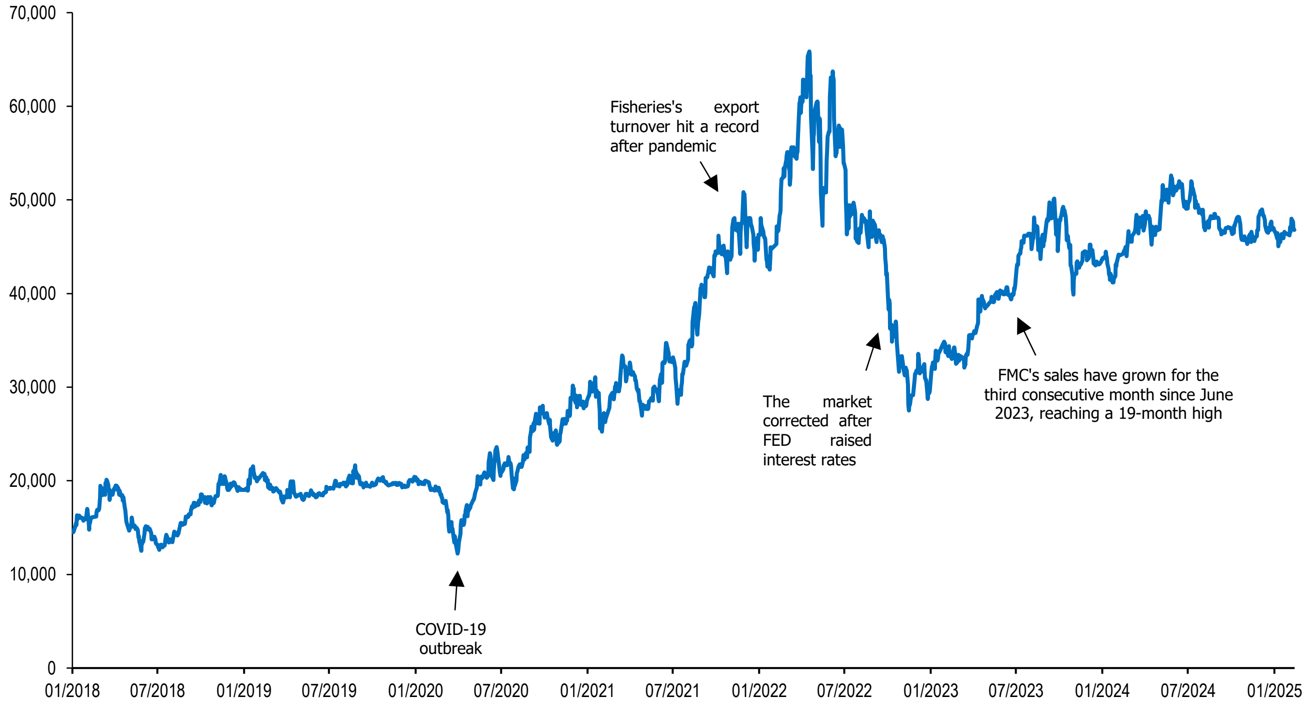
Source: Company Data, Shinhan Securities Vietnam

Based on the P/E method, we collected data from companies in 3 year average. We estimate FMC's target P/E at 10x, thanks to thanks to positive signals from the boom in Vietnam's shrimp exports from the last months of 2024. With the 2025 forward EPS at VND 5,587, VHC's target price is VND 55,870.

Peer valuation	
3 yrs average of FMC	9.0
Target P/E	10
EPS forward	5,587
Target price (VND/share)	**55,870**

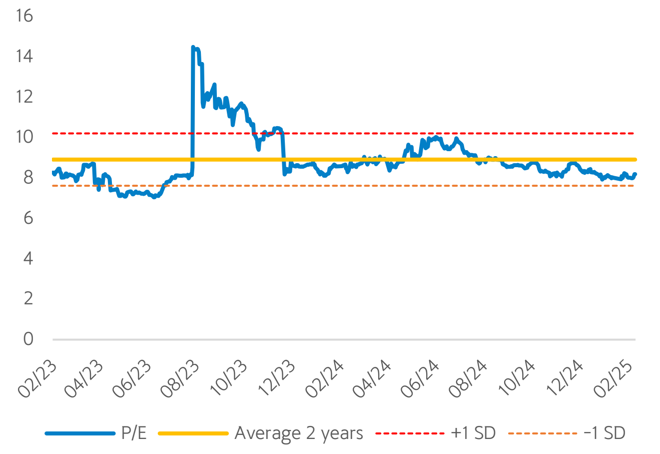
Source: Company Data, Shinhan Securities Vietnam

Key important events of FMC



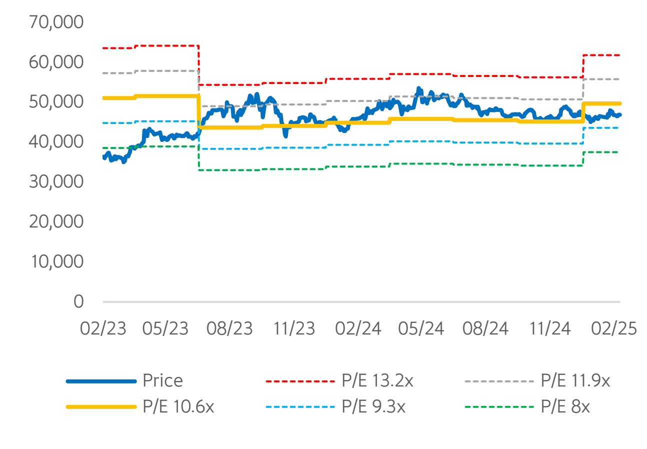
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER of FMC



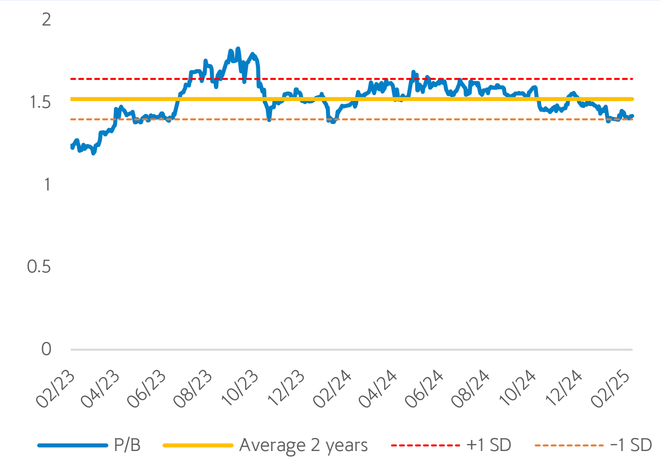
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PER band chart of FMC



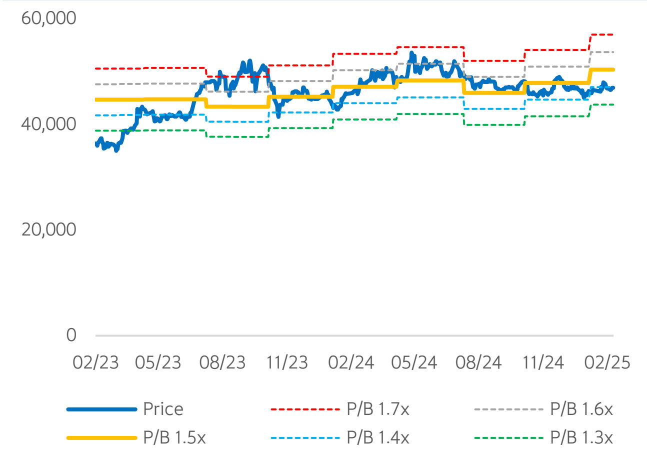
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PBR of FMC



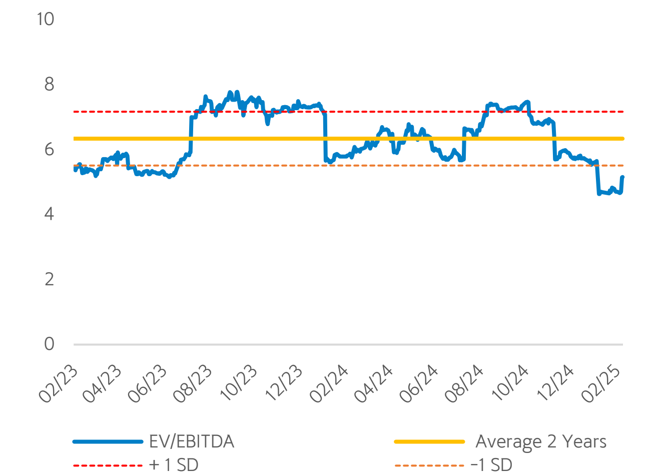
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PBR band chart of FMC



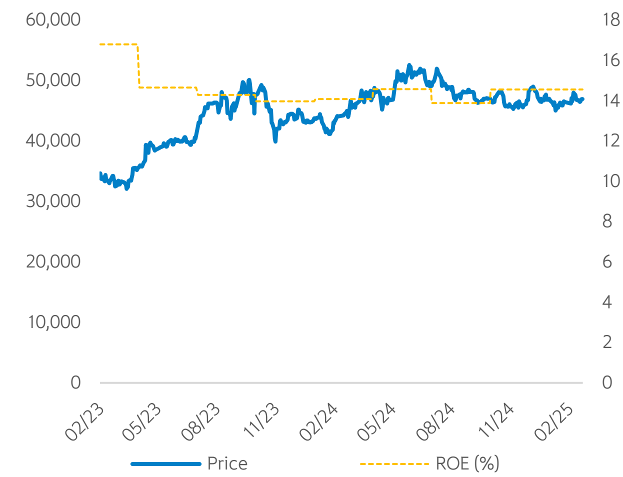
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

EV/EBITDA of FMC



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Correlation between FMC's price and ROE



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

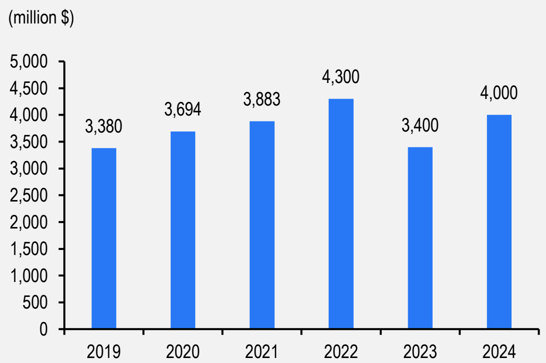
Company background

Overview of the shrimp industry

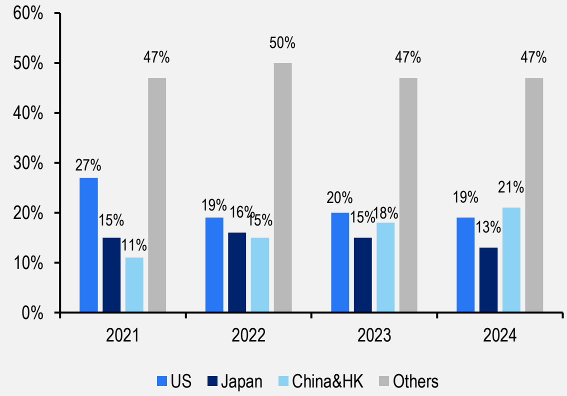
Shrimp is a key export commodity for Vietnam, accounting for 39% of Vietnam's total seafood export revenue in 2024. Shrimp exports in 2024 reached USD 3.9 billion, a 14% increase compared to 2023. The structure of exported shrimp products in 2024 is as follows: Whiteleg shrimp increased by 8% and accounted for 70.2% of the turnover. Black tiger shrimp decreased by 3% and accounted for 11.5% of the turnover, other shrimp varieties increased by 71% and accounted for 18.3% of the turnover. Other shrimp exports increased by 71% thanks to the surge in live/fresh/frozen shrimp products (mainly lobsters) by 127%

In 2025, the shrimp industry aims for an export turnover of 4 to 4.3 billion USD. According to VASEP, shrimp exports are expected to grow in 2025 thanks to adjustments in production strategies and the expansion of export markets. However, competition from leading shrimp-producing countries such as Ecuador, India, and Thailand remains a significant challenge. Additionally, strict regulations from the US and EU markets regarding traceability and quality standards are making it necessary for Vietnamese export businesses to enhance their competitiveness in order to maintain market share. Shrimp exports are expected to perform well in potential markets like Australia, the Middle East, the UK, and South Korea. With supportive measures and the resolution of internal issues in production, processing, and the entire value chain, shrimp exports in 2025 could reach the target of over 4 billion USD.

Vietnam's shrimp export turnover



Vietnam's shrimp export turnover



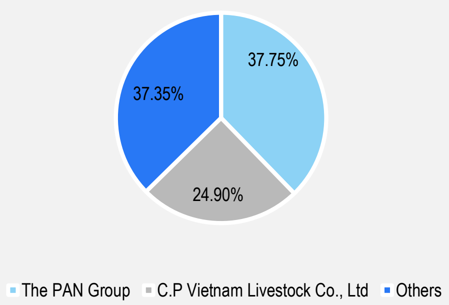
Source: VASEP, Shinhan Securities Vietnam

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

Appendix : Financial statements

Statement of financial position

Year to Dec. (bn VND)	2023	2024	2025F	2026F	2027F
Total assets	3,356	3,775	4,621	5,591	6,697
Current assets	2,127	2,641	3,561	4,642	5,701
Cash & equivalents	452	1,077	1,751	2,573	3,334
Short-term financial asset	97	140	140	140	140
Accounts receivable	492	370	429	499	580
Inventories	1,000	1,002	1,190	1,378	1,597
Non-current assets	1,229	1,134	1,280	1,419	1,566
Net fixed assets	848	768	915	1,054	1,200
Investment assets	96	91	91	91	91
Other long-term assets	285	275	275	275	275
Total liabilities	1,122	1,309	1,510	1,746	2,018
Current liabilities	1,112	1,297	1,499	1,734	2,006
Accounts payable	106	118	137	159	184
Short-term borrowings	824	902	1,042	1,208	1,399
Others	199	265	319	367	423
Non-current liabilities	10	12	12	12	12
Long-term borrowings	0	0	0	0	0
Other financial liabilities	10	12	12	12	12
Total shareholders' equity	2,234	2,466	3,111	3,845	4,679
Capital stock	654	654	654	654	654
Capital surplus	594	594	594	594	594
Other capital	0	0	0	0	0
Retained earnings	781	920	1,425	2,000	2,654
Non-controlling interest equity	205	298	438	597	778
*Total debt	824	902	1,042	1,208	1,399
*Net debt (cash)	275	(316)	(848)	(1,505)	(2,075)

Statement of comprehensive income

Year to Dec. (bn VND)	2023	2024	2025F	2026F	2027F
Revenue	5,087	6,913	8,012	9,317	10,817
Growth (%)	-10.8%	35.9%	15.9%	16.3%	16.1%
COGS	4,594	6,161	7,138	8,271	9,581
Gross profit	493	752	874	1,047	1,236
GPM (%)	9.7%	10.9%	10.9%	11.2%	11.4%
SG&A	201	388	457	522	606
Operating profit	292	363	418	525	631
Growth (%)	-4.8%	24.3%	15.0%	25.7%	20.2%
OPM (%)	5.7%	5.3%	5.2%	5.6%	5.8%
Non-operating profit	11	59	91	55	28
Financial income	73	112	148	115	93
Financial expense	61	53	56	60	65
In which: interest expenses	28	23	26	30	35
Net other non-operating profit	1	0	0	0	0
Pre-tax profit	305	422	509	579	658
Income tax	2	-1	4	4	5
Net profit	302	423	505	575	653
Growth (%)	-5.8%	39.8%	19.5%	13.9%	13.6%
NPM (%)	5.9%	6.1%	6.3%	6.2%	6.0%
Controlling interest	276	306	365	416	473
Non-controlling interest	26	117	140	159	181
EBIT	333	445	535	609	693
Growth (%)	-3.7%	33.7%	20.2%	14.0%	13.7%
EBIT Margin (%)	6.5%	6.4%	6.7%	6.5%	6.4%
EBITDA	439	573	675	771	878
Growth (%)	0.8%	30.6%	17.8%	14.3%	13.9%
EBITDA margin (%)	8.6%	8.3%	8.4%	8.3%	8.1%

Statement of cash flow

Year to Dec. (bn VND)	2023	2024	2025F	2026F	2027F
Cash flow from operations	207	580	719	839	760
Net profit	302	423	505	575	653
Depreciation expense	106	128	140	162	185
(Gain) from investing activities					
Change in working capital	48	-211	-186	-189	-218
Others	-222	358	400	450	320
Cash flow from investments	-505	111	-196	-210	-241
Change in fixed assets	-438	-217	-196	-210	-241
Change in investment assets	-288	180	0	0	0
Others	221	148	0	0	0
Cash flow from financing	163	-74	149	194	241
Change in equity	0	0	140	159	181
Net borrowing	306	77	141	165	191
Dividends	-143	-151	-131	-131	-131
Change in total cash	-135	617	673	822	761
Beginning cash	585	452	1,077	1,751	2,573
Change in FX rates					
Ending cash	452	1,077	1,751	2,573	3,334

Source: Company data, Shinhan Securities Vietnam

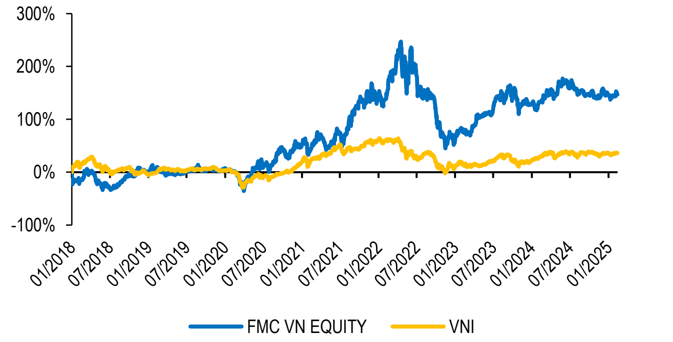
Key ratios

Năm	2023	2024	2025F	2026F	2027F
EPS (VND)	4,222	4,675	5,587	6,361	7,228
BPS (VND)	31,026	33,151	40,874	49,668	59,661
DPS (VND)	2,000	2,000	2,000	2,000	2,000
PER (x)	13.4	12.1	9.9	8.7	7.7
PBR (x)	1.8	1.7	1.4	1.1	0.9
EV/EBITDA (x)	7.0	5.3	4.5	4.0	3.5
Dividend payout ratio (%)	47%	43%	36%	31%	28%
Dividend yield (%)	4.4%	4.4%	4.4%	4.4%	4.4%
Profitability					
EBITDA margin (%)	8.6%	8.3%	8.4%	8.3%	8.1%
OPM (%)	5.7%	5.3%	5.2%	5.6%	5.8%
NPM (%)	5.9%	6.1%	6.3%	6.2%	6.0%
ROA (%)	9.0%	11.2%	10.9%	10.3%	9.8%
ROE (%)	13.5%	17.1%	16.2%	15.0%	14.0%
Stability					
Debt to equity ratio (%)	24.4%	36.9%	36.6%	33.5%	31.4%
Cash ratio (%)	67.9%	40.6%	83.1%	116.8%	148.4%
Interest coverage ratio (x)	17.8	10.4	15.7	15.9	17.3
Activity (%)					
Working capital turnover (days)	106	72	73	73	73
Inventory turnover (days)	79	59	61	61	61
Receivable turnover (days)	35	20	20	20	20

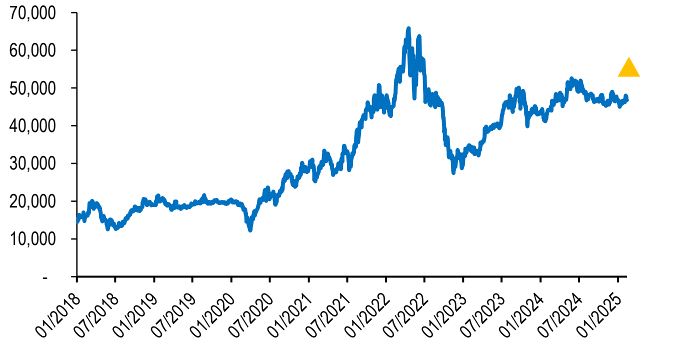
Source: Company data, Shinhan Securities Vietnam

Sao Ta Foods JSC (FMC VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%) Average	Target price gap (%) Max/Min
07/12/2023 (Initation)	HOLD	49,900	21.4	-15.1/66.3
11/03/2023 (Update)	BUY	65,800	-10.7	-36.5/21.6
02/01/2024 (Update)	BUY	52,500	20.5	0.8/50.0
02/26/2025 (Update)	BUY	55,700	9.0	-0.1/21.8

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: Thao Nguyen

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: FMC VN
- 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 Securities Co., Ltd
Shinhan Investment Tower
70, 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.
18th Floor, The Mett Tower, 15 Tran Bach Dang, Thu Thiem Ward,
Thu Duc City, 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