

Long-term prospects thanks to improved processing productivity and expansion of farming areas

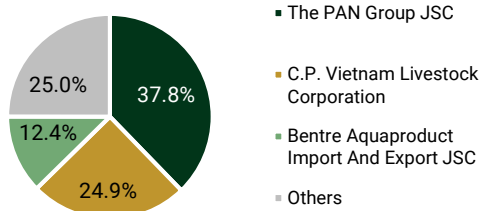
BUY [+22%]

Fair price 50,300 VND
Current price 41,400 VND

STOCK INFORMATION

Outstanding shares (mil) 65.4
Free float (mil) 13
Market cap. (VND billion) 2680.94
3m avg. volume (shares) 42,761
Foreign ownership (%) 31.27%
First listing date 12/07/2006

MAJOR SHAREHOLDERS



Updated: 18/05/2023

Business results 1Q2023:

As of 1Q2023, FMC's Net Revenue decreased 24% YoY to VND 1,008 billion; mainly due to a 30% YoY decrease in shrimp consumption to 3.4 thousand tons. However, Selling Expenses in 1Q2023 dropped sharply by 65.8% YoY, contributing to a slight increase in NPAT in 1Q2023 of 15.1% YoY to VND 48 billion.

Investment highlights:

Boosting processing productivity creates long-term growth engine: In 2022, FMC has expanded two more processing plants, Tam An factory and Sao Ta factory with capacity of 5,000 tons/year and 15,000 tons/year, respectively. After the new factories operate at full capacity, the capacity of FMC plants would increase from about 25,000 tons/year to 45,000 tons/year. At the time of full operation in 2027F, we expect shrimp and vegetable production to increase by about 40% compared to 2022.

Expanding the farming area improves the self-sufficiency of raw materials: In 07/2022, FMC expanded 200ha of new farming area, raising the total farming area to 520ha. The expansion of farming area would help the company maintain the self-sufficiency rate up to 30% and stabilize the gross profit margin. Currently, FMC is in the process of building a new pond and is expected to start stocking here by the end of 05/2023.

Processed shrimp products are FMC's strengths: FMC focuses and promotes its strengths in processed shrimp products such as breaded shrimp, Nobashi shrimp, fried shrimp. This segment currently account for 60% of the total products and has a profit margin nearly double that of fresh and frozen shrimp products. In addition, FMC has a long-standing customer base in the Japan favoring processed shrimp products, which matches the company's strengths.

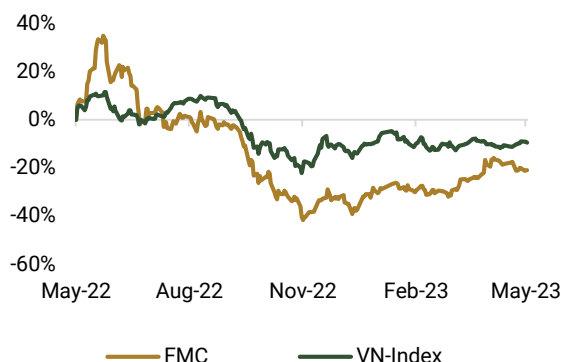
Benefiting from the EVFTA and CPTPP: The preferential tax rates from the EVFTA and CPTPP would bring many advantages to FMC with the strength of processed shrimp products to expand exports to the EU and Japan. Accordingly, Japan and EU are the two main export markets of FMC with the proportion always accounting for about 50% - 60% in the structure of export revenue.

Valuation and recommendation:

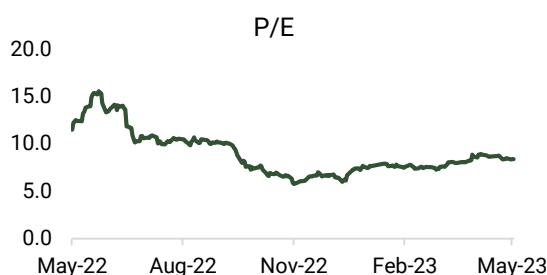
Due to pressure from weakening demand in consumption markets and fierce competition from Ecuador and India, we conservatively forecast FMC's 2023F Net Revenue of VND 5,305 billion (-7% YoY), while NPAT would decrease slightly -2.1% YoY to VND 314 billion. However, we still believe in FMC's long-term growth potential, using Discounted Cash Flow (DCF) and EV/EBITDA valuation methods, we come up with the fair price for FMC stock at VND 50,300/share. Hence we make recommendation: **Buy** for FMC with potential upside of 22% from the current price.

Investment risks: (1) Competitive risk; (2) Raw material risk; (3) FX risk; (4) Revenue concentration risk; (5) Disease risk; (6) Inflation risk.

PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net Revenue (billion VND)	3,807	3,710	4,415	5,199	5,702	5,305
Net Profit (billion VND)	180	230	226	289	321	314
EPS (VND)	3,888	5,468	4,607	5,025	4,605	4,804
EPS Growth (%)	38%	41%	-16%	9%	-8%	4%
Book Value (VND)	17,138	19,141	22,044	30,228	32,361	35,165
P/E	6.4	7.0	5.7	10.0	10.9	10.5
P/B	1.5	2.0	1.2	1.7	1.6	1.4
Cash Dividend (VND)	20%	25%	25%	20%	20%	N/A