

## Blue Star Foods Corporation – Growth Trajectory Continues

Blue Star Foods Corp. (NASDAQ: BSFC)

Share Price: \$1.23

Current Valuation: \$7.82



### Key Statistics

52 Week Range	\$1.06 - \$8.00
Avg. Daily Volume	224.47K
Shares Outstanding	25.02M
Market Capitalization	\$30.78M
EV/Revenue	2.7x
Cash Balance*	\$2.98M
Analyst Coverage	1

\*Cash balance as of March 2022

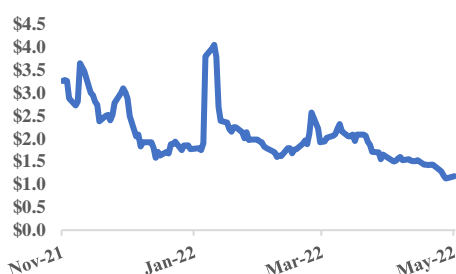
### Revenue (in \$mm)

Dec - FY	2020A	2021A	2022E
1Q	4.57	2.49	5.32
2Q	2.86	2.13	7.08
3Q	3.98	3.73	8.05
4Q	2.69	1.63	12.84
FY	14.11	9.97	33.29

### EPS (in \$)

Dec - FY	2020A	2021A	2022E
1Q	(0.05)	(0.03)	(0.04)
1Q	(0.20)	(0.02)	(0.02)
3Q	(0.00)	(0.01)	(0.03)
4Q	(0.01)	(0.05)	0.00
FY	(0.25)	(0.12)	(0.07)

### Stock Price Chart



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### Investment Highlights

- First Quarter 2022 Financial Results** - Blue Star Foods Corporation reported revenue growth of more than 114% compared to 1Q2021 (\$5.3 million vs. \$2.5 million). The company's gross profit increased by more than 60% compared to the same period the prior year (\$0.49 million vs. \$0.30 million). The company's first-quarter gross margin declined, attributable to the higher cost of revenue on ongoing issues like supply-chain disruptions and increased raw material costs. The company's net loss increased from \$0.48 million to roughly \$1 million; however, one-time non-recurring expenses amounted to \$0.7 million. We believe that both the decrease in the margins and increase in net loss is transitory and will not affect Blue Star's long-term growth trajectory. Blue Star reported a cash balance of \$2.98 million as of March 2022.
- Business Expansion through Synergistic Acquisitions** - In the first quarter of 2022, Blue Star Foods began operations of its soft-shell crab RAS division and acquired the assets of South Carolina-based Gault Seafood LLC, a RAS company with a technology focused on harvesting Atlantic Blue Crab during its offseason. The company is now better positioned to continue executing its targeted expansion strategy, with three successful acquisitions. BSFC seeks to acquire either innovative technologies companies, where it can layer its sustainable resource model, or companies that diversify its marine protein specific offerings. Over the next two years, the management is expected to focus on expanding its RAS model in the South Carolina and British Columbia markets.
- New Appointments in the Senior Leadership Team** - In April 2022, the company appointed former Vice President of Operations, Ms. Miozotis Ponce, as its Chief Operating Officer (COO). Ms. Ponce joined the company in June 2004 as Customer Service Director; assumed the role of Operations Manager in June 2005; and got promoted to Vice President of Operations in May 2012, where she has been leading sales and marketing. She holds an AA in Business from Miami Dale Community College and has over twenty-five years of experience in the food industry. The company also appointed Silvia Alana and Juan Carlos Dalto to its board of directors. Silvia Alana serves as the company's Chief Financial Officer (CFO), and Juan Carlos Dalto is the president of Dole Packaged Foods, LLC. Mr. Dalto's extensive knowledge and experience in the food industry, sustainability, and business development, led to his appointment as an independent director.
- Valuation** - We reiterate our blended approach to value Blue Star Foods Corp. (BSFC), incorporating discounted cash flow (DCF) and comparable company analysis. Rolling over our valuation approach yield's a per-share value of \$7.82 contingent on successful execution by the company. We believe BSFC is a high-risk, high reward opportunity suitable for institutional and high-risk-tolerant retail investors.

### Company Description

Blue Star Foods Corp is an integrated ESG seafood company that processes, packages, and sells refrigerated pasteurized Blue Crab meat, and other high-value seafood products. It has also entered and is targeting expansion in the RAS salmon farming industry, with its recent acquisition of Taste of BC Aquafarms. The company was founded in 1995 and is headquartered in Miami, Florida

## Investment Thesis

Blue Star Foods is targeting the growing demand for seafood worldwide while focusing on responsible and environmentally sustainable practices. Sustainability is a core part of Blue Star's business model and a key point of differentiation from other seafood companies. The majority of BSFC's crab meat is sourced from local fisherman in Phillipines and Indonesia, who are paid a premium to ensure sustainable practices are followed during harvesting. Additionally, all suppliers are certified by the British Retail Consortium (BRC) and are audited annually to ensure safety and quality of the product. BSFC is led by CEO, John Keeler who is recognized as a leader in the sustainable seafood industry. Blue Star released its First GRI Standard Sustainability Report in January 2021, showing the company's performance during past 2 years against globally recognized, quantifiable and standardized ESG key performance indicators. Another point of differentiation of the company is its environmentally friendly packaging, which since its introduction in 2003, *has resulted in savings in excess of one million metric tons of carbon dioxide emissions versus metal can packaging material.* With ESG investing gaining traction, we believe BSFC is likely to benefit from greater investor attention. The Nasdaq stock exchange we believe has further improved visibility among investors, while potentially providing greater liquidity. Blue Star Foods has made several acquisitions as part of a strategy to incorporate different parts of the seafood value chain. BSFC acquired Coastal Pride, a profitable business with over \$10 million in sales focused on importing pasteurized crabmeat. *This acquisition was attractive in our view given the back office synergies and ability to remove duplicate overhead costs.* The most recent acquisition of Taste of BC Aquafarms gives BSFC entry into the attractive Recirculating Aquaculture System (RAS) industry. *Taste of BC are pioneers in the RAS industry, with longest running full grow-out salmon farm in North America.* The company's Little Cedar Falls brand steelhead salmon has been in the market since 2013, and impressively generates revenue and is expected to be profitable in 2021, something quite notable in the RAS industry. We are impressed by its unique modular system that can dramatically scale operations. Taste of BC is expected to scale its operations to produce 21,000 MT of product by 2028, versus just 100 MT of current production. Consequently, we model revenue for RAS operations to increase dramatically to more than \$170 million by 2028. Recirculatory Aquaculture Systems (RAS) are a highly disruptive technology that harvests fish in indoor tanks in a controlled environment. It is sustainable and environmentally friendly, versus conventional open-net aquaculture which is detrimental to the environment. *We believe land-based RAS salmon farming can meet the gap between the growing global demand for seafood and a supply that is limited by its environmental impact.* The addressable market opportunity is large and growing. The market size for Salmon is estimated to be \$17 billion globally and the volume for all Salmon worldwide is estimated to be 3.7 million tons in 2021 and projected to reach 4.0 millions tons by 2023<sup>1</sup>. *While other companies are pursuing a similar RAS strategy, we believe that the opportunity is massive leaving space for multiple winners and that Blue Star holds key competitive advantages with its acquisition of an already revenue generating and profitable business.*

*BSFC's recent entry into the RAS market has significantly increased its addressable market opportunity. RAS technology has the potential to disrupt seafood production worldwide*

*Blue Star Foods offers investors a unique way to invest in an environmentally friendly seafood manufacturer. Being an early entrant in the RAS market and working with an established operator positions the company to gain market share in this high growth space. BSFC's combination of a successful existing ESG integrated model, as well as a high growth RAS business is a key differentiator*

<sup>1</sup> Statista. Global salmon market size forecast 2018-2023, <https://www.statista.com/statistics/934232/global-salmon-market-size/>

Blue Star Foods Corporation



## A Notable Valuation Gap Between BSFC & The Following:



A Wholly-Owned Subsidiary of BSFC (in production)

AquaBounty (in production)

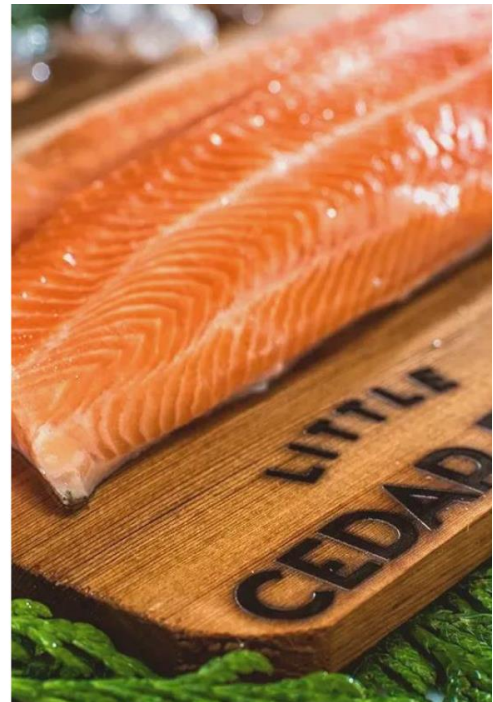
ATLANTIC SAPPHIRE (in production)

NORDIC AQUAFARMS (project phase)

West Coast SALMON (project)

AquaCon (project)

PURE salmon (project)

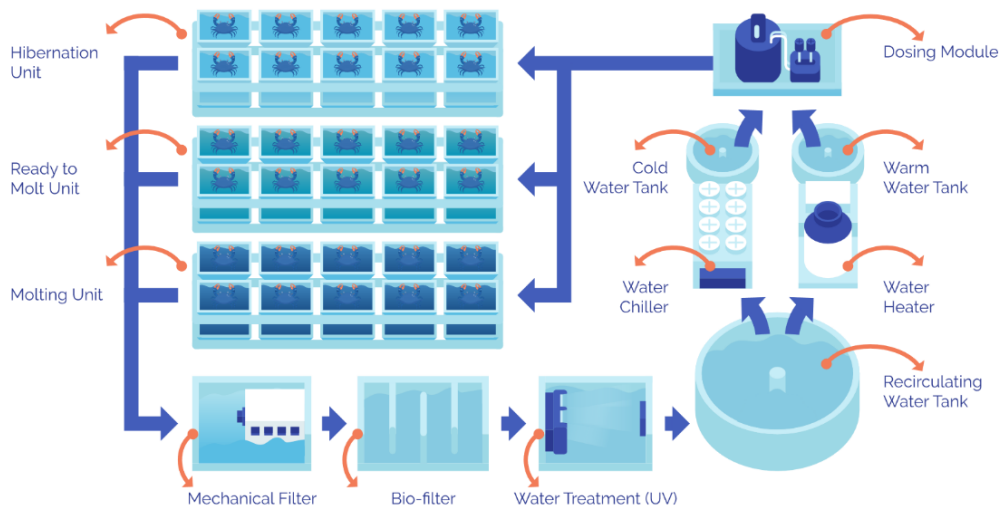


Source: Blue Star Food Corp. Presentation

Blue Star Foods Corporation



## RAS Farm Layout



Source: Blue Star Food Corp. Presentation

## Risk Factors

- The company's business is dependent on the sale of commodity (crab meat in particular) which is subject to fluctuation. The revenue and profitability could vary significantly due to volatility in the price of crab meat.
- Acquisition is a key part of company's growth strategy. These acquisitions expose the company to potential risks including hidden liabilities, the diversion of resources and management's attention from existing businesses. Failure to integrate acquisitions could adversely impact the future growth prospects.
- The company has aggressive expansion plans for its new business segment. Such expansion would require significant capital. BSFC currently does not have the capital and would need to raise funding to meet its requirements. If the company is not able to raise capital, the growth prospects will get hampered. Even if it can raise capital, it may not be at attractive terms and could also lead to significant dilution.
- The company is highly dependent on its Founder, Chairman and CEO, John Keeler. He has been instrumental in the success of the company so far. The loss or incapacity of Mr. Keeler could negatively impact operations.
- Company's products such as premium grade crab meat, are discretionary purchases for consumers. Any reduction in consumer discretionary spending or disposable income may affect the crab meat industry significantly.
- BSFC faces risks related to the current economic environment including supply chain risks such as worker shortages, transportation delays, and various other covid related disruptions.
- BSFC competes in a highly fragmented industry. Many of its competitors are large and have access to greater resources compared to BSFC, particularly within RAS.
- The company is dependent on suppliers from Southeast Asia for sourcing its products. Any disruption in the supply from these vendors could result in temporary or permanent loss of revenue.

***For Full List of Risk Factors Please Read Blue Star Food Corp's Latest Prospectus and/or Annual Filings***

## Appendix

### Income Statement

FY Ends on December 31	FY20A	FY21A	1Q22E	2Q22E	3Q22E	4Q22E	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E
<b>REVENUE</b>													
Revenue from Cont Ops: Product Revenues	14.11	9.97	5.32	7.08	8.05	12.84	33.29	50.16	55.51	68.61	91.74	143.14	222.26
Cost of revenue	12.62	7.98	4.84	5.79	6.57	9.59	25.97	30.72	32.45	37.54	46.33	65.88	91.53
Gross Profit	1.49	1.99	0.48	1.29	1.48	3.25	7.32	19.44	23.06	31.06	45.40	77.26	130.72
<b>Costs &amp; Expenses</b>													
Commissions	0.10	0.04	0.00	0.01	0.02	0.02	0.06	0.06	0.06	0.07	0.07	0.07	0.07
Salaries & Wages	1.29	1.83	0.57	0.83	0.95	1.41	3.98	4.20	4.30	4.75	4.87	4.99	5.12
D&A	0.27	0.38	0.16	0.14	0.16	0.22	0.65	1.83	1.97	3.17	5.36	10.40	18.23
Other Operating Expenses	1.64	2.15	0.60	0.83	0.95	1.41	3.78	3.88	3.97	4.07	4.17	4.28	4.39
Operating expenses (RAS)				0.04	0.04	0.04	0.52	2.74	3.72	4.59	6.15	9.72	11.77
<b>Total Operating Costs &amp; Expenses</b>	<b>3.29</b>	<b>4.78</b>	<b>1.33</b>	<b>1.86</b>	<b>2.11</b>	<b>3.10</b>	<b>8.99</b>	<b>12.71</b>	<b>14.03</b>	<b>16.65</b>	<b>20.63</b>	<b>29.46</b>	<b>39.57</b>
Adj.EBIT	(1.80)	(2.78)	(0.85)	(0.57)	(0.63)	0.15	(1.67)	6.73	9.03	14.41	24.78	47.79	91.16
D&A	0.27	0.38	0.16	0.14	0.16	0.22	0.63	1.70	1.76	2.95	5.12	10.16	17.98
Adj.EBITDA	(1.54)	(2.40)	(0.69)	(0.43)	(0.47)	0.37	(1.04)	8.43	10.79	17.36	29.90	57.95	109.14
Interest Expense, net	0.87	0.32	0.23	0.03	0.03	0.03	0.14	0.14	0.14	0.14	0.14	0.15	0.15
Other Income / (other Expenses)	-1.76	0.50	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adj. PBT	(4.44)	(2.61)	(1.05)	(0.60)	(0.66)	0.11	(1.80)	6.59	8.89	14.26	24.64	47.65	91.01
Income Tax Expenses (Benefits)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.31	1.36	2.73	5.25	11.10	21.84
Non-controlling interest	0.01		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Adj. Net Profit(Loss) from Continuing operations</b>	<b>(4.45)</b>	<b>(2.61)</b>	<b>(1.05)</b>	<b>(0.60)</b>	<b>(0.66)</b>	<b>0.11</b>	<b>(1.80)</b>	<b>5.28</b>	<b>7.52</b>	<b>11.53</b>	<b>19.38</b>	<b>36.54</b>	<b>69.17</b>
Deemed Dividend	0.11	0.03	-	-	-	-	-	-	-	-	-	-	-
<b>Adj. Net Income Attributable To Common Shareholders</b>	<b>(4.56)</b>	<b>(2.63)</b>	<b>(1.05)</b>	<b>(0.60)</b>	<b>(0.66)</b>	<b>0.11</b>	<b>(1.80)</b>	<b>5.28</b>	<b>7.52</b>	<b>11.53</b>	<b>19.38</b>	<b>36.54</b>	<b>69.17</b>
<b>Earnings per Share (Reported) from Cont Ops (in \$)</b>													
Basic	(0.25)	(0.12)	(0.04)	(0.02)	(0.03)	0.00	(0.07)	0.20	0.28	0.39	0.56	0.82	1.40
Diluted	(0.25)	(0.12)	(0.04)	(0.02)	(0.03)	0.00	(0.07)	0.20	0.28	0.39	0.56	0.82	1.40



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