

9 Sep 2022

# PAN GROUP (PAN)

Non - rated

## AM Briefing: 3Q22F revenue up 43% yoy

On Sep 9th, PAN hold an analyst meeting to share their 3Q22F business results and long-term growth prospects.

### 3Q22F: Gross margin is under pressure

- PAN estimates 3Q22F business results with a VND3,643bn revenue (+13% qoq and +43% yoy) and a VND140bn NPAT (-39% qoq and +92% yoy). The gross margin could fall from 21% in 2Q22 to 18% in 3Q22F due to expensive input material prices.
- The company estimates in 9M22F, revenue from seafood and crop protection products contribute 51%/35% of total revenue. However, crop protection products earnings could account for 41% of total NPAT, followed by seafood with 35%.
- Overall, PAN could record a VND9,815bn revenue (53.3% yoy) and a VND537bn NPAT (131.7% yoy), fulfilling 69/65% of their annual guidance in 9M22F.

### BBC: Sustained growth persists

- PAN expects the confectionery industry to grow at a CAGR of 8.1% in 2021-2026. In which, its subsidiary, BBC plans to expand 50% bakery capacity and double candy capacity to ride on the buoyant market.

### VGF: Ambition to win the No.1 market share in Vietnam

- At the AM, there was the attendance of VFG's representation. The company shows their ambition to win a 20% market share in 2026F. Currently, VFG holds about 11% market share in the crop protection products field (after LTG with about 20%).
- The company also aims to expand the fumigation business as they estimated this business will have strong growth than crop protection products. VFG holds about 60%/30% market share of fumigation of agriculture export products and insect control products in Vietnam.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	4,075	7,829	7,813	8,329	9,249
chg. (% YoY)	48.0	92.1	(0.2)	6.6	11.0
Operating profit (VND bn)	238	385	476	336	450
Net profit (VND bn)	372	334	257	188	296
EPS (VND)	2,175	1,682	1,204	899	1,417
chg. (% YoY)	0.7	(22.6)	(28.5)	(25.3)	57.7
EBITDA (VND bn)	380	696	795	726	843
PE (x)	10.4	16.2	18.2	37.8	27.2
EV/EBITDA (x)	13.4	11.0	8.7	14.3	12.7
PB (x)	1.5	1.6	1.3	1.9	1.9
ROE (%)	14.8	10.4	6.9	5.0	7.5
Dividend yield (%)	n.a	n.a	n.a	n.a	1.3

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

### Stock Data

VNIndex (Sep 8, pt)	1,235
Stock price (Sep 8, VND)	23,900
Market cap (USD mn)	212
Shares outstanding (mn)	209
52-Week high/low (VND)	41,550/19,400
6M avg. daily turnover (USD mn)	2.05
Free float / Foreign ownership (%)	72.4/10.7
Major shareholders (%)	
SSI	11.96
NDH Investment	10.72

### Performance

	1M	6M	12M
Absolute (%)	(0.6)	(26.9)	(18.0)
Relative to VNIndex (%p)	1.1	(11.6)	(11.5)

### Stock price trend



Source: Bloomberg

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### FMC: The inflation pressure could harm demand

- After 10 years to focus on improving quality and processed volume, the company would expand internal farming to increase self-sufficiency and sustainable development in 2021-25F.
- FMC keeps its focus on Japan market (accounting for 32% of total revenue in 8M22) since the company could export value-added products, which earns a fat gross margin thanks to a higher average selling price than lower value-added products (shrimp).
- In FMC's view, the demand of EU and US markets (accounting for more than 20% of total revenue in each market) has been seriously hit by inflation pressure, dragging the export volume and average selling price down in 4Q22F.

**Table 1. PAN's Earnings by quarters**

	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22F
Revenue (VND bn)	2,167	2,555	3,571	2,949	3,223	3,643
GP (VND bn)	297	467	709	506	676	642
Gross margin (%)	13.7	18.3	19.9	17.2	21.0	18
OP (VND bn)	116	72	214	107	266	659
NP (VND bn)	109	73	278	168	229	140

Source: Company data, KIS

### ■ Company overview

PAN Group (PAN: HXS) was established in 1998 with a utility service segment, including industrial cleaning services, comprehensive management support services, and providing cleaning equipment and chemicals. In 2013, PAN announced an investment strategy in the field of Agriculture and Food with a vision to become a leading corporation in the region. Currently, PAN owns leading companies in the field of agriculture and food through two platforms PAN Farm (including NSC, PAN-HULIC, VFC) and PAN Food (including BBC, Lafooco, Aquatex Ben Tre, 584 Nha Trang, Golden Beans).

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