

# The PAN Group (PAN)

## Opportunities ahead

In Apr 2023, PAN Group (PAN) held AGM for 2022. Here are some noticeable updates.

### Impressive sale growth in 2022

- PAN reached the net revenue of VND13.7tn in 2022, sharply rose by 48% yoy, met 95% of 2022 guidance. The revenue surge was attributed to full-year consideration of VFG's business results, while PAN only merged VFG revenue of 1 month in 2021.
- Revenue in 2022 comprised seafood revenue of VND6.3tn (46%), agriculture VND4.9tn (36%) and food VND2.4tn (18%).
- GPM in 2022 was 20%, upped 1.1%p yoy, thanks to higher proportion of agriculture sector in revenue, which had high GPM of 25-30%.
- NPAT in 2022 increased by 55.3% yoy to VND794bn, completed 105% of 2022 guidance. NPAT was mainly from agriculture (53%), seafood (42%) and food (18%) NPM in 2022 improved by 0.3%p yoy to 5.8%.
- PAN expected revenue and profit to grow by 8-9% yoy in 2023. In which, the growth rate from core business to be 27% yoy, excluding profits from VFG's M&A transaction.
- In 2023, PAN will (1) focus on utilizing assets, restrict expansion (2) Support subsidiaries in management, strategy, etc. (3) Look for financial sources in short, medium and long-term (4) Upgrade products with high value-added
- PAN won't pay dividend for 2022. Profit will be distributed to R&D fund of VND2bn, BOD remuneration of VND2bn, PAN's bonus and welfare fund of VND1bn. Cash dividend for 2023 will be 5% if PAN met the business targets.
- PAN will repurchase 64,000 ESOP stocks from retiring employees. Issuance date was in 31/12/2020-11/1/2021 period. Adjusted capital: VND2,163bn.

### Agriculture will keep growing in 2023

#### VIETNAM NATIONAL SEED GROUP JSC (VINASEED)

- VINASEED's revenue decreased by 1.9% yoy to VND1.895bn due to the impact of extreme weather conditions, fulfilling 102% of guidance.
- NPAT remained at VND219bn, correspondingly fulfilling 100% of guidance.
- GPM improved by 1%p yoy to 31% in 2022 thanks to increased proportion of copyrighted products with high profit margins.

|                           | 2018A | 2019A  | 2020A  | 2021A | 2022A  |
|---------------------------|-------|--------|--------|-------|--------|
| Sales (VND bn)            | 7,829 | 7,813  | 8,329  | 9,249 | 13,655 |
| chg. (% YoY)              | 92.1  | (0.2)  | 6.6    | 11.0  | 47.6   |
| Operating profit (VND bn) | 385   | 476    | 336    | 450   | 870    |
| Net profit (VND bn)       | 334   | 257    | 188    | 296   | 374    |
| EPS (VND)                 | 1,751 | 1,122  | 612    | 1,008 | 1,394  |
| chg. (% YoY)              | 0.9   | (35.9) | (45.5) | 64.8  | 38.3   |
| EBITDA (VND bn)           | 696   | 795    | 726    | 844   | 1,299  |
| PE (x)                    | 10.6  | 16.5   | 30.3   | 18.4  | 13.3   |
| EV/EBITDA (x)             | 6.0   | 6.0    | 8.6    | 7.7   | 5.5    |
| PB (x)                    | 0.4   | 0.5    | 0.7    | 0.5   | 0.5    |
| ROE (%)                   | 11.2  | 7.5    | 5.4    | 7.4   | 10.3   |
| Dividend yield (%)        | 2.1   | 1.5    | 1.4    | 4.6   | 3.7    |

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

12M rating **Non-rated**

12M TP **N.A**

Up/Downside N.a

#### Stock Data

|                                    |               |
|------------------------------------|---------------|
| NIndex (27 Apr, pt)                | 1,040         |
| Stock price (27 Apr, VND)          | 18,550        |
| Market cap (USD mn)                | 165           |
| Shares outstanding (mn)            | 209           |
| 52-Week high/low (VND)             | 26,600/12,900 |
| 6M avg. daily turnover (USD mn)    | 1.28          |
| Free float / Foreign ownership (%) | 72.4/17.5     |
| Major shareholders (%)             |               |
| SSI Securities JSC                 | 12.29         |
| NDH Invest Co. Ltd.                | 11.01         |
| PAN Farm JSC                       | 7.11          |

#### Performance

|                          | 1M   | 6M    | 12M    |
|--------------------------|------|-------|--------|
| Absolute (%)             | 11.7 | (2.1) | (26.7) |
| Relative to VNIndex (%p) | 12.9 | (3.9) | (4.8)  |

#### Stock price trend



Source: Bloomberg

## Research Department

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**VIETNAM FUMIGATION JSC (VFG)**

- Revenue grew by 43% yoy to VND3tn in 2022, completed 103% target, was mostly driven by the cooperation between VFG and Syngenta (33% total revenue). Syngenta is the long-standing and largest agrochemical supplier in Vietnam.
  - NPAT went up by 38% yoy to VND229bn, completed 109% target. Despite the fast growth of revenue, NPAT margin remained at 8% due to increasing production costs and distribution expenses.
- In 2023, VINASEED and VFG expected to have a good growth rate of around 10-15% due to the increasing demand for staple food.

**PAN-HULIC JSC (PHJ)**

- PHJ completed its production process and fully controlled the quality of its flower products.
- The output is stable and nearly approach its maximum capacity
- The proportion of Japanese customers increased sharply.
- In 2022, PHJ earned net profit for the first time since establishment.

**Seafood export has cooled off****SAO TA FOODS JSC (FMC)**

- Revenue in 2022 upped by 10% yoy to VND5.7tn, fulfilling 108% of guidance.
- The gross margin improved by 0.8%p yoy to 11% in 2022 to since the average selling price of shrimp products could outpace the rising raw material cost of +1%p yoy.
- In 2022, FMC added 5,000 tonnes of capacity per year with Tam An factory of the Khang An Food subsidiary.
- From 2021-2022, FMC focused on exporting to Japan gradually to offset the negative export growth in EU markets and take advantage of their favor of value-add shrimp products with higher selling prices, and lower logistic costs compared to norms.

**KHANG AN FOODS JSC (KAF)**

- In 2022, under the impact of high inflation, KAF's main markets, UK, US, Japan, Canada, etc. were relatively affected.
- The strong USD indirectly increased the price of KAF's key products in the Japanese market in 2022. KAF recorded a slight profit with sales increasing by about 10% yoy in 2022.
- In 2023, PAN expect revenue from shrimps to remain unchanged and NPAT to grow 20% yoy.

**AQUATEX BEN TRE JSC (ABT)**

- Revenue grew 80% yoy to VND617bn, completed 119% guidance. NPAT also surged by 88% yoy to VND64bn, fulfilled 142% guidance.
- The shortage of white fish supply in the market due to Russia Ukraine War enables ABT to grow sales and improve operational efficiency.
- In 2023, ABT revenue is expected to decrease slightly by 3-5% yoy and PBT to decrease by 15%-20% yoy due to weak global demand and strict domestic business conditions.

**Packaged food is rebranding**

**BIBICA JSC (BBC)**

- In 2022, revenue surged by 48% yoy to VND1.6tn, and NPAT shoot up by +759% yoy to VND189bn, correspondingly fulfilling 85% and 189% of guidance.
- GPM inched by 1%p to 30% in 2023. NPAT margin strongly improved from 2% in 2021 to 12% in 2022.
- PAN increased ownership in BBC to 98% charter capital by year-end 2022, equal total investment value of VND1,226bn.
- 4Q22 business coincided with the peak season for Tet, while organizing streamlined production and specialization at each factory.
- In 2022, BBC will push marketing activities and focus more on value-added products lines to improve GPM.
- In 2023, BBC is expected to have a good revenue growth of 15% yoy in core operations due to (1) the gradual recovery of domestic demand; (2) new product lines. The PBT is expected to double in 2023 thanks to (1) lower input costs and (2) improved selling prices.

**LONG AN FOOD PROCESSING EXPORT JSC (LAF)**

- LAF's revenue upped 22.7% yoy to VND510bn in 2022, thanks to the relaxation of social distancing measures in Hong Kong and China at year-end. LAF completed 94% of 2022 revenue guidance.
- Inversely, NPAT fell 35% yoy to VND25.7bn, only filled 48% target.
- In 2023, LAF expects the resume seed sales volume to key markets such as Hong Kong, China after reopening. However, LAF might face declining demand from new developing markets such as the US, Canada, and Europe.
- Overall, LAF expects to have the slight revenue growth and the profit growth of 10% yoy in 2023.

**584 NHA TRANG SEAPRODUCT JSC**

- 584 Nha Trang's revenue increased by 24% yoy.
- The new factory project that launched in Apr 2022 helped maintaining continuous production operation, increased GPM by 1%p yoy.
- The corporation completed rebranding 584 Nha Trang fish sauce brand. The brand is currently distributing in domestic market and expanding to US and South Korea via the first export orders.

**GOLDEN BEANS COFFEE JSC (SHIN COFFEE)**

- After the COVID pandemic for 2 years, the signs of SHIN's recovery was not as strong as expected in the HORECA segment.
- SHIN coffee is expanding sales activities in premium food store chains, high-end supermarkets, and online sales channels in the domestic market.
- SHIN also expands the export of processed coffee products to European, Chinese, and Hong Kong markets, which are premium and demanding markets for coffee products.
- The company has developed additional premium, diverse and convenient products such as drip coffee bags, cascara tea, while still maintaining good coffee flavor.

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