

PAN Group (PAN)

Expects to complete 2022E guidance soon

3Q22 results are positive

- PAN Group recorded VND142 billion (+94% YoY) in 3Q NPAT on revenue of VND3,586 billion (+40% YoY). 9M22 NPAT and revenue reached VND9,756 billion (+52% YoY) and VND539 billion (+133% YoY), respectively fulfilling 71% and 68% of the 2022E targets.
- Impressive performance was mainly supported by subsidiaries Vietnam Fumigation – VFG (which continued to maintain high growth since signing the cooperation agreement with Syngenta) and Bibica – BBC (whose confectionery business recovered strongly with revenue tripling 3Q21 figure). In addition, profit from shrimp export rose 40% YoY thanks to high contract prices.
- The revenue structure changed as the agricultural segment (with high profit margin) accounted for the largest proportion. Therefore, 3Q gross profit margin improved to 18.9%, up sharply from 15.9% in the same period and almost reached the pre-Covid-19 level.

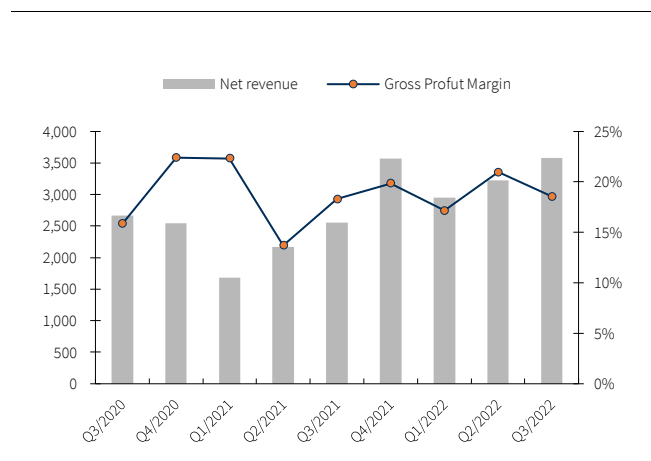
Agriculture industry overcomes difficulties to welcome the peak crop, fisheries still face many challenges in 4Q

- The sales of seed and rice fell 24.2% in 3Q because (1) climate change made Vinaseed's business season be delayed from September to October; (2) Vinarice factory incident disrupted 3Q operations. The factory resumed operating after the incident was solved in September. Although revenue decreased significantly, gross profit margin saw a modest decline of 9% thanks to large proportion of the plant varieties segment (with high profit margin) in Vinaseed's revenue (70%). The Management expected the difficulties in 3Q are temporary, and Vinaseed will soon fulfill the 2022 plan as it is about to enter the peak season in 4Q.
- VFG's disinfectant & pesticide recorded 84% YoY revenue growth in 3Q, mainly driven by Syngenta's distribution system. Also in this quarter, VFG completed the payment for the purchase of Syngenta's inventories, thereby helping the company avoid exchange rate fluctuations and enjoying a payment discount (more than 6%) from the partner.
- The revenue from shrimp export in the first nine months of 2022 grew by 19.6% YoY (up only 7.8% YoY in 3Q alone), reflecting the market's difficulties when consumer demand in the US and Europe plummeted amid high inflation. However, 3Q NPAT surged 25.4% YoY as (1) PAN's subsidiary, Sao Ta Foods (FMC), still took advantage of high prices in contracts signed since the beginning of this year; and (2) FMC uses raw materials from its own farming area (15% of input shrimp) with lower farming costs and higher efficiency than using materials purchased from other sources. The pangasius business doubled the growth, benefiting from the limited supply of alternative products like pollock and tilapia.

KBSV forecasts for PAN's business performance are as follows:

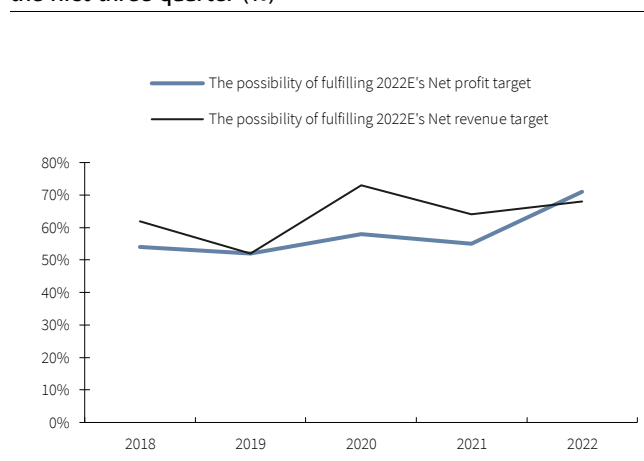
- As PAN has higher rate of completing the business plan after three quarters compared to previous years, we believe that the group may soon complete the business guidance for 2022 despite some potential challenges in 4Q.
- The agriculture and confectionery segments are expected to complete the plan in the peak season of 4Q. The disinfectant & pesticide segment may beat the plan by 20%. Products such as coffee and fish sauce do not contribute much to revenue but may still maintain stable sales.
- The festive season at the end of the year is expected to boost fishery exports, offsetting low turnover when consumer demand in markets declines due to inflation. The nutritional grain segment may face more obstacles if the China and Hong Kong markets maintain the Zero-Covid policy.

Fig 1. PAN – Net revenue & gross profit margin (VNDbn, %)



Source: The PAN group, KB Securities Vietnam

Fig 2. PAN – The possibility of fulfilling 2022E guidance after the first three quarter (%)



Source: The PAN group, KB Securities Vietnam

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(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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