

February 3, 2023

Analyst Pham Phuong Linh
linhpp@kbsec.com.vn

PAN Group (PAN)

Positive results for 2022 despite subdued 4Q

PAN Group's (PAN) 4Q22 NPAT of the parent company showed a contraction of 26% YoY on revenue of VND3,907 billion (+9% YoY). Accordingly, full year NPAT and revenue of the parent reached VND363 billion (+22% YoY) and VND13,663 (+48% YoY) respectively. Consolidated revenue growth was mainly supported by the consolidation with Viet Nam Fumigation (VFG).

Agriculture segment grew 2.5x YoY thanks to the consolidation with VFG

- Plant varieties and food: Vinaseed's revenue and profit dropped 6% and 10% YoY respectively in 4Q due to unfavorable weather conditions, making the production process time-consuming and expensive and causing a goods shortage. In the revenue structure, high-quality plant varieties accounted for 80% (gross margin of about 43%), and the remaining 20% was rice and other products (gross margin of 13.15%).
- Fumigation & agro-pharmaceuticals: VFG experienced a strong growth in 4Q because (1) 4Q is the peak season of the year, and (2) VFG is the exclusive distributor to Syngenta, which brought in VND1,000 billion in 2022 revenue.

Fishery exports slowed amid difficulties on the market

- Fishery exports: This segment witnessed a big fall due to weak consumer demand in export markets. Total revenue for 2022 rose 14% YoY to VND6,319 billion mainly thanks to strong performance in the first three quarters.
- Shrimp export: The company would focus on the Japanese and EU markets because (1) the competition in these markets is less intense, and (2) the company has an advantage of deep-processed products with high gross profit. In 2022, PAN invested VND250 billion in a farming area of 205ha, which should start stocking in 1Q23. We expect the increase in farming area will help PAN's subsidiary - Sao Ta Foods (FMC) increase its self-efficiency in input materials, stabilize and improve gross profit margin as the price of shrimp purchased from other sources is 25-28% higher the self-raising shrimp's price.
- Pangasius export: Bentre Aquaproduct Import & Export's (ABT) gross profit fell 21% YoY in 4Q due to a sharp rise in animal feed, making COGS increase faster than the price of exported fish. However, for the whole year of 2022, ABT's NPAT still recorded positive results with VND64 billion (+88% YoY), returning to the 10-year peak. PAN also said that ABT uses 100% pangasius raw materials raised by the company, so even though the scale is not large, ABT will be less affected by fish prices on the market.

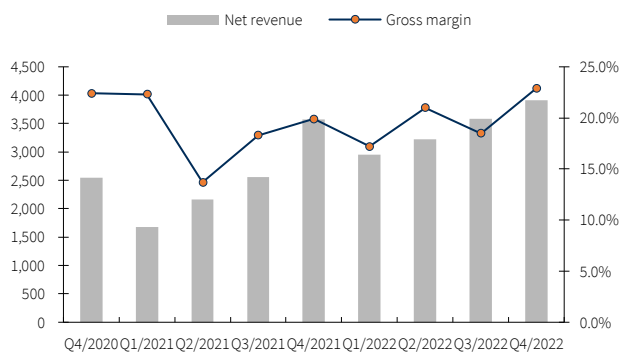
Packaged food achieved an impressive growth

- Sales of packaged foods in 4Q gained 43% YoY, and the parent company's NPAT increased 59% YoY thanks to (1) peak season for packaged foods in 4Q and (2) positive recovery from the low comparative bases of 2021.
- 4Q revenue and NPAT of Nha Trang Fish Sauce 584 grew by 24% and 28% YoY respectively. A new factory with a capacity of 20 million bottles/year officially came into operation in 2022, focusing on high-protein products (>35% protein with the proportion of 90%). Sales of Bibica Confectionery in 2022 reached the highest level in history, and gross profit margin improved to 32.2% despite a sharp increase in input material costs.

Forecasts for 2023 business results

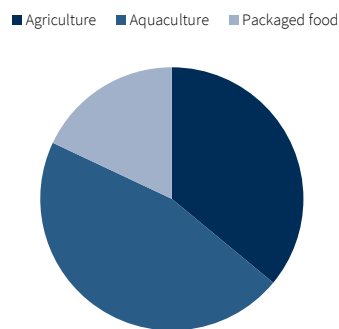
- In the base case, PAN expects the agro-pharmaceutical segment to grow by 15-20% by leveraging the strategic relationship with Syngenta to continue to increase revenue and profit. For the fishery segment, although the industry outlook in the coming year will still be challenging, the Board of Management still expects the group's subsidiaries to maintain their growth rate, based on (1) the strategy of increasing the self-efficiency and (2) new factories that are ready for production, which should be the driving force to boost output when the market recovers at the end of 2023.
- The consumer food segment should grow strongly from positive recovery signs from 4Q22. PAN will also take advantage of the reopening of China to boost sales of nuts and dried fruits since this strategic market accounts for 50% of the revenue structure of the nuts segment.

Fig 1. PAN – Net revenue and GPM (VNDbn, %)



Source: PAN Group, KB Securities Vietnam

Fig 2. PAN – Revenue structure by business segment in 2022



Source: PAN Group, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Nguyen Xuan Binh – Head of Research

binhnx@kbsec.com.vn

Equity

Duong Duc Hieu – Head of Equity Research

hieudd@kbsec.com.vn

Banks, Insurance & Securities

Nguyen Anh Tung – Senior Analyst

tungna@kbsec.com.vn

Nguyen Duc Huy – Analyst

huynd1@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Senior Analyst

ngaphb@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst

anhntn@kbsec.com.vn

Retails & Consumers

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Oil & Gas, Utilities

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Research Division

research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh – Head of Macro & Strategy

anhtd@kbsec.com.vn

Macroeconomics & Banks

Le Hanh Quyen – Analyst

quyenlh@kbsec.com.vn

Strategy, Chemicals

Thai Huu Cong – Analyst

congth@kbsec.com.vn

Strategy, Fishery & Textiles

Tran Thi Phuong Anh – Analyst

anhhttp@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant

thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(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

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.