

PAN VN

Not Rated
Close 08 August 2024
Price VND 21,900

12M Target N/A

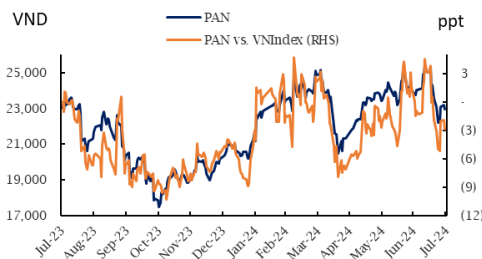
What's new?

- ▶ 1H24 revenue increased by +29% YoY
- ▶ 1H24 PATMI jumped by +61% YoY, with gross margin expanding by +1ppt.
- ▶ The company expects stronger momentum in 2H24.
- ▶ PAN is trading at 9.5x TTM PER, much lower than the peer median of 18.4x.

Key inferences

- ▶ 1H24 sales growth was driven by aquaculture (44% of 1H24 revenue) and agriculture (41%).
- ▶ Sales typically improve in 3Q–4Q, suggesting a seasonal tailwind through yearend.
- ▶ Risks: Customer concentration (Syngenta), rising interest rates & increased balance sheet leverage, and climate change.

Company profile: The Pan Group JSC (PAN VN, Not Rated) is a pioneer in Vietnam's agriculture and food industries. Structured as a holding company, Group members include agriculture & aquaculture firms and suppliers of packaged foods. PAN Group ships this wide array of products to both the domestic market (>450 distributors and 145,000 points of sale in 63 provinces and cities nationwide) and over 35 international markets. A 12.7%-owned associate of SSI Securities ([BUY](#)), PAN's is led by SSI's founder/ chairman Nguyen Duy Hung, who controls a total effective stake of 24.9% in PAN. See PAN's website [here](#).

Share price performance relative to VN


Market cap	US\$186mn
6M avg. Daily turnover	US\$1.9mn
Outstanding shares	209mn
Free float	65%
FINI ownership	18%
Major shareholders	24.1%
TTM P/E	9.5x
Current P/B	1.0x
Trading platform	HOSE
FOL Room	31.0%

Financial outlook (VND bn)

Year to Dec	2020A	2021E	2022E	2023A
Sales	8,329	9,249	13,655	13,205
Op. Profit	405	556	834	952
PATMI	188	296	374	406
EPS (VND)	912	1,418	1,790	1,943
EPS chg (%)		55%	26%	9%
P/E (x)	34.9	11.9	11.7	11.2

Sources: PAN, Fiinpro, Yuanta Vietnam

PAN Group JSC (PAN VN)

Promising Outlook for 2H24

Event

We recently met with PAN Group to discuss the company's 1H24 results.

Details

Aquaculture revenue has surged YoY. Consolidated net revenue in 2Q24 reached VND3.4tn (+22% YoY). For 1H24, PAN's revenue grew by 29% YoY to VND6.8tn, achieving 46% of full-year guidance. The YoY surge in revenue was mostly driven by the +30% YoY increase in aquaculture sales, which accounted for 44% of the group's 1H24 total revenue.

Profit growth was even faster due to increased gross margins. 2Q24 PBT rose to VND256bn (+37% YoY), and PATMI reached VND85bn (+31% YoY). Thus, 1H24 PATMI reached VND102bn (+61% YoY), meeting 39% of the company's annual target. 1H24 GPM expanded by +1ppt YoY to reach 19% due to increased ASPs, but management did not provide more detailed color on the pricing trends.

Tailwinds for 2H24? PAN expressed optimism about its 2H24 outlook and believes that it is well-positioned to exceed its annual revenue targets. In addition to the normal seasonal tailwinds, PAN expects a continued recovery in export markets to boost revenue from aquaculture (timed to the 3Q24 shrimp harvest) and packaged foods. PAN plans to leverage its market position during the 2H harvest season to drive sales of fumigation and agrochemical products.

We don't cover PAN, but the valuation might appear cheap to some observers. PAN's TTM PER of 9.5x is far lower than the peer median PER of 18.4x. But a more thorough understanding of the valuation would require an SOTP approach. PAN's TTM ROE of 8.8% has been driven by net profit margin of 5% (flat YoY in 1H24), while net debt/equity is 140% at 2Q24. The stock has fallen by -14.3% since mid-July, but it is still up by +8% since our [company visit](#) note of Jan 9.

Risk: Syngenta contract termination, rising interest rates amid increased balance sheet leverage, and climate change would appear to be among the key risks.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Mixed Segment Results in 1H24

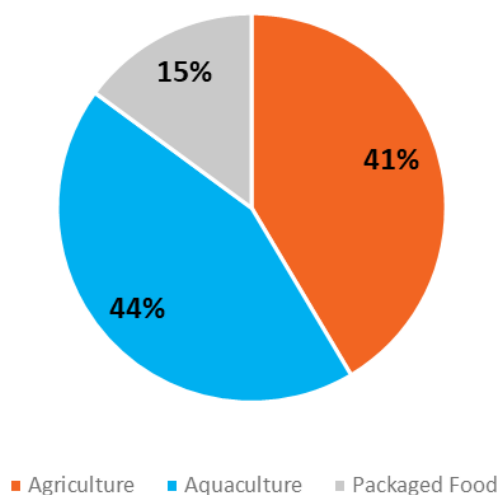
Aquaculture: 1H24 Revenue rose, but profit lagged. 1H24 aquaculture revenue rose by +30% YoY to reach VND 3.0tn, accounting for 44% of 1H24 revenue. This was driven by a rebound in export orders and improved inflation and purchasing power in Europe.

However, despite the increase in orders, selling prices remained stagnant due to intense international competition. Additionally, shrimp farming costs also increased by 1–2% YoY in 1H24.

As a result, while revenue grew strongly, PBT rose only +14% YoY to VND 191bn.

Looking forward, the company plans to invest further in machinery and equipment to scale up production of value-added products, such as ready-to-eat items. Management states that these products have been gradually accepted by export markets, as the company leverages its farming assets and 100% control of the value chain.

Fig.1: 1H24 Revenue structure



Source: PAN, Yuanta Vietnam

Agriculture. Fumigation & Agrochemicals Fueled 1H24 Growth. PAN's agriculture segment encompasses two key sectors: 1) Seeds & Rice and 2) Fumigation & Agrochemicals. This segment experienced a +28% YoY increase in 1H24 revenue, reaching VND 2.8tn to account for 41% of the company's total revenue

Segment PBT reached VND 377bn in 1H24, up +19% YoY.

Agriculture sales were predominantly fuelled by the Fumigation & Agrochemicals business, which saw a +33% YoY revenue increase to reach VND 1.8tn or 65% of the agriculture segment's total revenue.

The substantial growth in Fumigation & Agrochemicals sales is largely attributable to PAN's renewed contract with Syngenta, which contributes approximately 75% of the sector's revenue and 19% of PAN's total revenue for 1H24. This strategic partnership enhances PAN's product offerings and market position through the distribution of Syngenta's agrochemical products.

Furthermore, rising agricultural prices have driven farmers to invest more in inputs, leading to increased sales of fumigation and agrochemical products in 1H24.

Packaged Food Exports Skyrocket. 1H24 packaged foods revenue rose by +29% YoY to reach VND 1.0tn, accounting for 15% of 1H24 revenue, driven by a 50% YoY increase in export sales to Japan and South Korea, but specific figures were not disclosed.

Table 1. Net revenue by business sector in 1H24 (VND bn)

Period	2Q24	2Q23	% YoY	1H24	1H23	% YoY
Agriculture	1,508	1,196	26%	2,835	2,215	28%
Aquaculture	1,401	1,167	20%	2,984	2,300	30%
Packaged food	469	414	14%	1,020	794	29%
Consolidated net revenue	3,378	2,777	22%	6,839	5,309	29%

Source: PAN, Yuanta Vietnam

Valuation and Risks

Valuation appears cheap. PAN is now trading at TTM PER of 9.5x. We don't cover the stock and have no investment view, but the valuation is around half the regional peer median TTM PER of 18.4x, which could suggest a value opportunity.

PAN offers decent albeit unexciting profitability, with 2023 ROE of 8.8%, driven by net profit margin of 5% (flat YoY). However, it may be worthwhile considering that the company's most recent net debt/equity ratio is not exactly low for this industry at 140%.

Fig.2: Valuations

Name	Tickers	Country	Market cap (USD mn)	TTM P/E (x)	Current P/B (x)	2023 ROA	2023 ROE	Current Net Debt/ Equity
Masan Consumer	MCH	VIETNAM	6,183	20	5.1	19.1%	29.7%	13.4%
KIDO Group	KDC	VIETNAM	674	-31.0	2.4	1.1%	2.1%	16.7%
Vinh Hoan Corp.	VHC	VIETNAM	634	21.2	1.8	7.8%	11.6%	26.0%
Thanh Thanh Cong – Bien Hoa Sugar	SBT	VIETNAM	388	13.2	0.9	1.8%	5.9%	102.0%
Taokaenoi Food & Marketing PCL	TKN	THAILAND	364	14.9	5.1	23.1%	34.4%	-332.2%
Youyou Foods Co Ltd	603697	CHINA	350	22.6	1.3	5.8%	6.3%	-5667.4%
Minh Phu Seafood	MPC	VIETNAM	277	231	1.3	-0.9%	-1.8%	78.1%
Prataap Snacks Ltd	DIAMOND	INDIA	257	40.5	3.0	2.2%	3.1%	264.6%
Olympic Industries Ltd	OLYMPI	BANGLADESH	239	16.8	2.7	10.7%	17.0%	-1777.2%
Hup Seng Industries Bhd	HSI	MALAYSIA	185	16.8	5.2	20.0%	29.7%	-5564.1%
Nam Viet	ANV	VIETNAM	169	117.6	1.4	0.7%	1.4%	58.1%
Median			313.7	18.4	2.1	4.0%	7.5%	21.3%
The PAN Group	PAN	VIETNAM	186	9.5	1.0	2.2%	8.8%	139.5%

Source: FiinPro-X, Bloomberg, Yuanta Vietnam (data as of Aug 08)

Fig.3: The Consensus View? Only one sell-side house covers PAN VN, with a Hold rating, according to Bloomberg

Ticker	PAN VN Equity	As of Date:	07/08/2024
Buys %	0.0%	Total Buys	0
Holds %	100.0%	Total Holds	1
Sells %	0.0%	Total Sells	0
Rating	3.00	Currency	VND
Target Price	25968.00	Last Price	21950.00
Return Potential	18.3%	LTM Return	-4.7%

Source: Bloomberg, Yuanta Vietnam

Risks

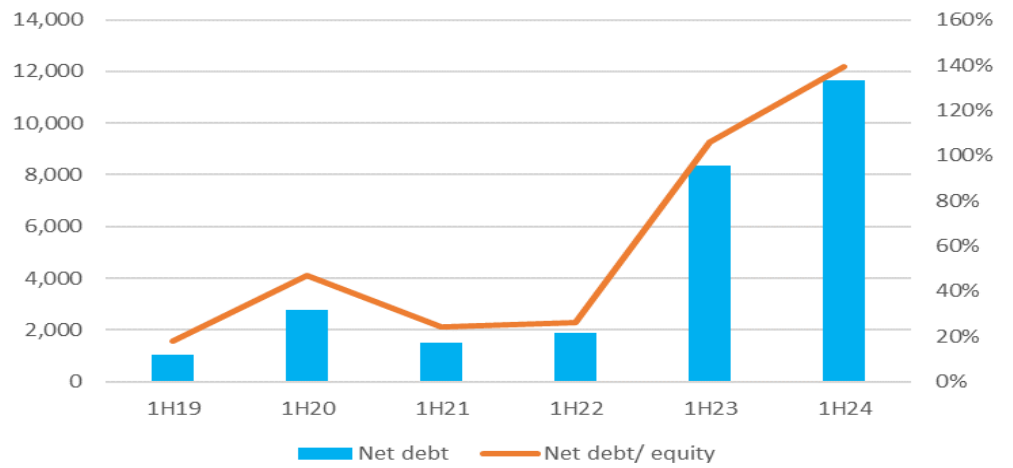
Climate change, agriculture & aquaculture diseases are probably PAN's biggest risks, according to the board of directors.

Concentration risk from the Syngenta contract. Syngenta represents approximately 19% of PAN's revenue for 1H24 and about 18% of total revenue in 2023. Termination of this partnership could significantly impact the company's revenue.

Net debt is on the rise. Net debt to equity was up +49ppt YTD and +33ppt YoY to 140% as at end-2Q24, as short-term debt rose by +48% YTD to VND 12.4tn, which mostly appears to be financing CDs.

The increase in total debt could lead to higher interest expenses and challenges in refinancing/repaying, although the asset-liability duration and liquidity gap appears to be low.

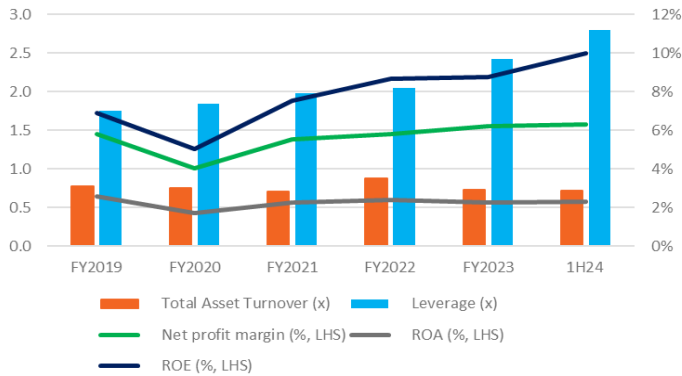
Fig.4: Soaring net debt/ equity



Source: PAN, Yuanta Vietnam

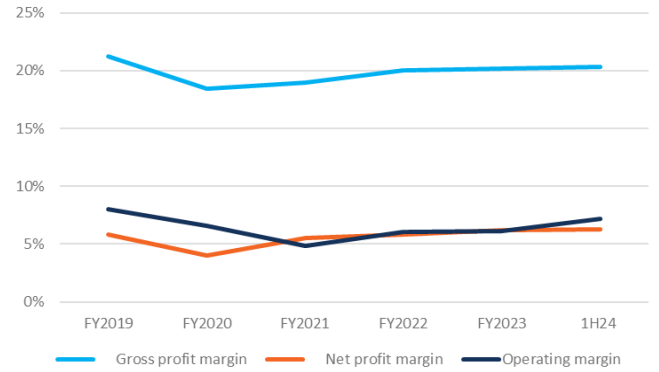
Financial snapshot

Fig.5: Historical net revenue and PBT



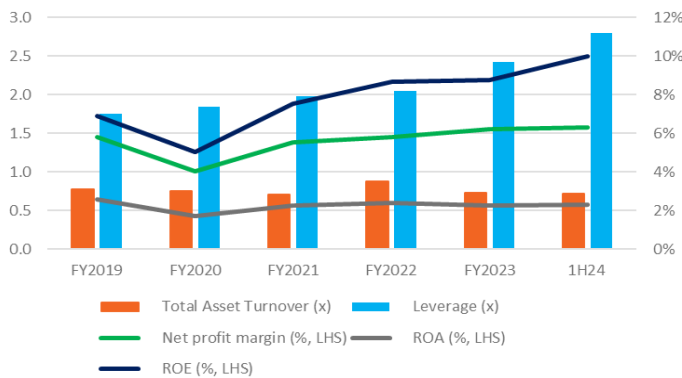
Source: PAN, Fiiipro-X, Yuanta Vietnam

Fig. 6: Historical profit margin



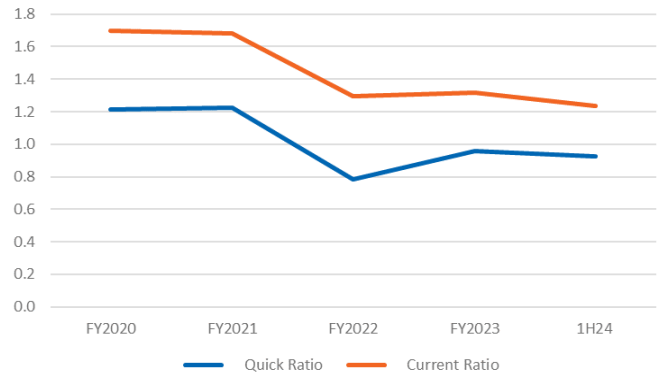
Source: PAN, Fiiipro-X, Yuanta Vietnam

Fig.7: Dupont Analysis



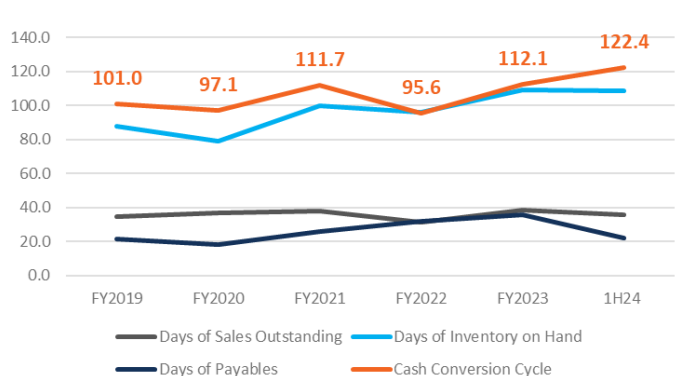
Source: PAN, Fiiipro-X, Yuanta Vietnam

Fig. 8: Liquidity ratios



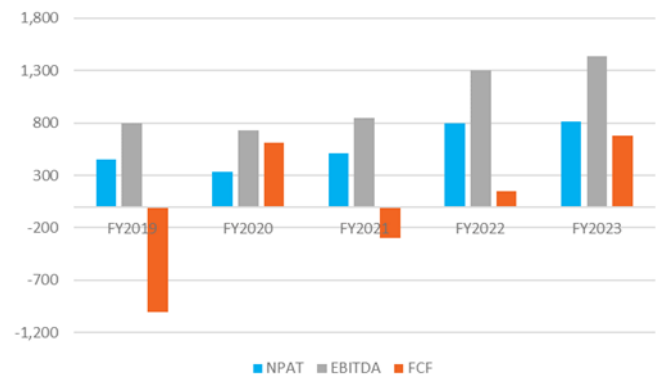
Source: PAN, Fiiipro-X, Yuanta Vietnam

Fig.9: Cash conversion cycle



Source: PAN, Fiiipro-X, Yuanta Vietnam

Fig. 10: Free cash flow



Source: PAN, Fiiipro-X, Yuanta Vietnam

Fig.11: GMD valuation multiples

Valuation Multiples based on Current Capitalization	Actual	LTM	Estimates	
	31/12/2023	30/06/2024	31/12/2024	31/12/2025
TEV/Total Revenue	0.6x	0.6x	1.0x	0.8x
TEV/EBITDA	5.7x	5.5x	6.0x	5.3x
TEV/EBIT	8.7x	8.4x	10.1x	7.1x
P/Diluted EPS Before Extra	11.5x	9.9x	--	--
P/BV	1.0x	1.0x	0.9x	0.8x

Source: Bloomberg, Yuanta Vietnam

Income Statement	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Revenue	7,810,471	8,328,079	9,247,118	13,640,606	13,188,600
Other Revenue	2,284	1,172	1,455	14,497	15,997
Total Revenue	7,812,755	8,329,251	9,248,572	13,655,103	13,204,597
Cost Of Goods Sold	6,155,146	6,792,152	7,498,229	10,918,623	10,544,753
Gross Profit	1,657,609	1,537,099	1,750,343	2,736,480	2,659,843
Selling General & Admin Exp.	1,065,653	1,068,301	1,131,091	1,659,145	1,512,872
R & D Exp.	-	-	-	-	-
Depreciation & Amort.	212,117	389,485	-	282,404	341,614
Other Operating Expense/(Income)	(96,258)	(256,898)	168,350	(74,862)	(134,138)
Operating Expense., Total	1,181,512	1,200,888	1,299,441	1,866,323	1,720,347
Operating Income	476,097	336,211	450,903	870,157	939,496
Interest Expense	171,193	268,052	219,053	242,407	456,474
Interest Income	101,218	234,227	163,885	205,860	466,973
Net Interest Exp.	69,975	33,825	55,168	36,548	(10,499)
Currency Exchange (Gains) Loss	(8,064)	(16,037)	(19,905)	(9,186)	(15,616)
Other Non-Operating Exp. (Inc)	(202,654)	(311,277)	(310,150)	(295,423)	(457,373)
EBT Excl. Unusual Items	616,840	629,701	725,790	1,138,217	1,422,984
Impairment of Goodwill	-	-	-	-	-
Gain (Loss) On Sale Of Assets	-	7,412	(604)	(93,781)	(14,645)
Asset Writedown	-	-	-	-	-
Legal Settlements	-	-	-	-	-
Other Unusual Items	101,218	226,815	164,489	299,640	481,618
EBT Incl. Unusual Items	515,622	395,473	561,905	932,358	956,011
Income Tax Expense	63,643	62,250	49,885	138,056	138,894
Earnings from Cont. Ops.	451,979	333,223	512,019	794,302	817,117
Extraord. Item & Account. Change	-	-	-	-	-
Minority Int. in Earnings	194,615	144,922	214,597	420,334	411,196
Net Income	257,363	188,301	297,422	373,969	405,921

Cash Flow	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Net Income	257,363	188,301	297,422	373,969	405,921
Depreciation & Amort., Total	318,675	389,485	392,750	426,296	497,405
Other Non-Cash Adj	167,577	38,331	79,687	344,559	391,394
Changes in Non-Cash Capital	(550,139)	(587,664)	(1,974,767)	144,998	(5,068,064)
Cash from Ops.	193,476	28,453	(1,204,908)	1,289,821	(3,773,343)
Capital Expenditure	(829,458)	(245,514)	(591,552)	(672,270)	(341,088)
Sale of Property, Plant, and Equipment	1,021	118,255	10,317	236,195	23,629
Cash Acquisitions	-	-	-	-	-
Proceeds from Investment	-	-	-	-	-
Divestitures	-	-	-	-	-
Invest. in Marketable & Equity Secur.	-	-	-	-	-
Other Investing Activities	-	-	-	-	-
Cash from Investing	(828,437)	(127,259)	(581,235)	(436,075)	(317,459)
Net Short Term Debt Issued/Repaid	-	-	-	-	-
Long-Term Debt Issued	7,692,450	12,445,774	11,700,610	13,496,470	20,217,601
Long-Term Debt Repaid	(6,850,845)	(11,717,535)	(10,551,125)	(13,453,133)	(16,381,288)
Total Debt Issued/Repaid	841,605	728,239	1,149,485	43,337	3,836,313
Prof. Dividends Paid	(49,560)	(57,992)	(185,468)	(150,284)	(174,457)
Total Dividends Paid	(49,560)	(57,992)	(185,468)	(150,284)	(174,457)
Increase in Capital Stocks	31,020	-	471,923	-	-
Decrease in Capital Stocks	(690)	(167,139)	-	-	-
Special Dividend Paid	-	-	-	-	-
Incr/(Decr) in Deposits	-	-	-	-	-
Incr/(Decr) Insurance Reserves	-	-	-	-	-
Other Financing Activities	435	(512)	250	(4,852)	2,711
Cash from Financing	822,810	502,596	1,436,190	(111,799)	3,664,567
Net Change in Cash	187,850	403,789	(349,952)	741,948	(426,236)

Indicator	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	2Q24 (TTM)
	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	30/06/2024
6. Growth						
Net revenue Growth YoY	-0.2%	6.6%	11.0%	47.6%	-3.3%	15.2%
Gross profit Growth YoY	19.5%	-7.3%	13.9%	56.3%	-2.8%	18.3%
EBITDA Growth YoY	14.2%	-8.7%	16.3%	54.0%	10.8%	-3.8%
EBIT Growth YoY	23.7%	-29.4%	33.8%	93.4%	8.0%	31.6%
EBT Growth YoY	-19.0%	-23.3%	41.8%	66.2%	2.5%	43.1%
Receivable Growth YoY	0.3%	26.9%	4.7%	37.2%	7.8%	26.6%
Net inventory Growth YoY	-5.7%	3.5%	75.5%	20.1%	0.5%	0.1%
Short term borrowing Growth YoY	115.3%	41.2%	49.9%	33.4%	63.6%	35.0%
Long term borrowing Growth YoY	-22.8%	-1.3%	-8.4%	-99.6%	14,199.7%	101.1%
SGA Expense Growth YoY	17.9%	1.6%	8.3%	43.5%	-7.8%	12.3%
Asset Growth YoY	14.0%	5.3%	32.5%	7.0%	25.5%	17.6%
Owner equity Growth YoY	27.2%	25.0%	0.0%	0.0%	0.0%	0.0%
CFO Growth YoY	-100.5%	-5,446.0%	-536.8%	173.3%	-508.3%	21.4%
7. Valuation Ratios						
Market cap (Billion VND)	6,188	6,491	3,494	4,370	4,769	4,606
EV (Billion VND)	7,083	8,284	9,096	11,044	15,905	19,877
Book value per Share	21,881	17,292	19,073	20,762	22,134	22,833
Sales per Share	45,134	38,497	42,747	63,113	61,049	70,558
Basic EPS	1,485	860	1,360	1,728	1,872	2,270
Diluted EPS	1,487	870	1,360	1,728	1,872	2,270
FREE CASHFLOW per Share	-3,479	412	-1,388	700	3,142	8,471
P/B	1.6	1.7	0.8	1.0	1.0	1.0
P/E	24.1	34.9	11.9	11.7	11.8	9.7
P/E Diluted	24.0	34.5	11.9	11.7	11.8	9.7
P/S	0.8	0.8	0.4	0.3	0.4	0.3
EV / Revenue	0.9	1.0	1.0	0.8	1.2	1.3
EV / EBITDA	8.9	11.4	10.8	8.5	11.0	12.6
EV / EBIT	14.9	24.6	20.2	12.7	16.9	19.0
Dividend Yield	0.0%	1.7%	-	-	2.3%	0.0%

Indicator	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	2Q24 (TTM)
	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	30/06/2024
1. Activity Ratio						
Total Asset Turnover	0.8	0.8	0.7	0.9	0.7	0.7
Equity Turnover	1.3	1.4	1.3	1.8	1.6	1.8
Receivables Turnover	10.6	10.0	9.7	11.7	9.5	10.2
Days of Sales Outstanding (DSO)	34.4	36.7	37.8	31.1	38.6	35.9
Inventory Turnover	4.2	4.6	3.7	3.8	3.3	3.4
Days of Inventory on Hand (DOH)	87.9	78.7	99.9	96.2	109.0	108.5
Payables Turnover	17.1	19.9	14.0	11.5	10.3	16.6
Number of Days of Payables	21.4	18.3	26.0	31.6	35.5	22.0
Cash Conversion Cycle	101.0	97.1	111.7	95.6	112.1	122.4
2. Liquidity Ratio						
Cash Ratio	1.0	0.8	1.0	0.5	0.7	0.8
Quick Ratio	1.3	1.2	1.2	0.8	1.0	0.9
Current Ratio	1.9	1.7	1.7	1.3	1.3	1.2
3. Solvency Ratio						
ST Debt-to-Assets Ratio	0.2	0.2	0.3	0.3	0.4	0.5
ST Debt-to-Equity Ratio	0.3	0.4	0.5	0.6	1.0	1.5
LT Debt-to-Assets Ratio	0.1	0.1	0.1	0.0	0.0	0.0
LT Debt-to-Equity Ratio	0.2	0.2	0.2	0.0	0.1	0.0
Debt-to-Assets Ratio	0.3	0.3	0.3	0.3	0.4	0.5
Debt-to-Equity Ratio	0.5	0.6	0.7	0.7	1.1	1.5
Liabilities-to-Assets Ratio	0.4	0.5	0.5	0.5	0.6	0.6
Liabilities-to-Equity Ratio	0.8	0.8	1.0	1.0	1.4	1.8
Financial Leverage Ratio	1.8	1.8	2.0	2.0	2.4	2.8
EBIT Interest Coverage	2.8	1.3	2.1	3.6	2.1	2.5
EBITDA Interest Coverage	4.6	2.7	3.9	5.4	3.2	3.8
4. Profitability ratio						
Gross profit margin	21.2%	18.5%	18.9%	20.0%	20.1%	20.3%
EBITDA margin	10.2%	8.7%	9.1%	9.5%	10.9%	10.7%
EBIT margin	6.1%	4.0%	4.9%	6.4%	7.1%	7.1%
Pretax margin	6.6%	4.7%	6.1%	6.8%	7.2%	7.5%
Net profit margin	5.8%	4.0%	5.5%	5.8%	6.2%	6.3%
Gross Profit ROA	16.4%	13.9%	13.3%	17.6%	14.7%	14.5%
EBITDA ROA	7.9%	6.6%	6.4%	8.4%	7.9%	7.6%
EBIT ROA	4.7%	3.0%	3.4%	5.6%	5.2%	5.1%
EBT ROA	6.8%	6.0%	5.9%	7.6%	7.8%	7.3%
ROA	2.5%	1.7%	2.2%	2.4%	2.2%	2.3%
ROE	6.9%	5.0%	7.5%	8.7%	8.7%	10.0%
ROIC	0.9%	0.7%	0.5%	1.2%	1.0%	1.0%
Effective tax rate	12.3%	15.7%	8.9%	14.8%	14.5%	15.7%
5. Cash flow ratio						
CFO to Liabilities	0.0	0.0	-0.2	0.1	-0.4	-0.3
Free cash flow/ revenue	-0.1	0.1	0.0	0.0	0.1	0.1
Free cash flow/operating income	-2.1	1.8	-0.7	0.2	0.7	1.7
Free Cash flow on assets	-0.1	0.1	0.0	0.0	0.0	0.1
Free Cash flow on equity	-0.2	0.1	0.0	0.0	0.1	0.2
Reinvestment-FCF	-1.2	4.8	-0.5	0.3	2.1	7.0

Source: Bloomberg, FiiPro-X, Yuanta Vietnam

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