COMPANY UPDATE

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Industrial Team

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Pan Ocean (028670)

3Q results a little disappointing

- Pan Ocean's 3Q sales and operating profit held steady y-y at KRW1.3t and KRW125.2b, the latter largely in line with consensus but missing our estimate.
- Sales and operating profit diminished across most operations, but the LNG carrier operation maintained earnings improvement on the back of fleet expansion.
- We only fine-tune our earnings estimates for the firm, and thus keep our target price of KRW4,900 (based on a 30% discount to the global peer average of 0.69x 2025 P/B) and maintain BUY rating.

▶ AT A GLANCE

BUY

Target price	KRW4,900	31.4%
Current price	KRW3,730	
Market cap	KRW2.0t/USD1.4b	
Shares (float)	534,569,512 (45.1%)	
52-week high/low	KRW4,295/KRW3,065	
Avg daily trading value (60-day)	KRW5.0b/ USD3.5m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
PanOcean (%)	-1.5	12.5	4.8
Vs Kospi (%pts)	-17.2	-31.8	-36.9

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	4,900	4,900	0.0%
2025E EPS	533	664	-19.7%
2026E EPS	569	746	-23.7%

▶ SAMSUNG vs THE STREET

No of estimates	14
Target price	5,350
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

WHAT'S THE STORY?

3Q review: We find Pan Ocean's 3Q operating results somewhat disappointing, considering that the average BDI in rose 6% y-y (and surged 35% q-q) to 1,978. The firm's bulk-carrier operation saw 3Q sales(All amount of elimination of inter-segment was included to dry bulk segment-same applies below) down 4% y-y to KRW759.6b and operating profit down 25% y-y to KRW55.1b (for a margin of 7.3%, down 2%pts y-y) Meanwhile, sales and operating profit at the containership business declined 2% and 57% y-y, respectively, to KRW106.1b and KRW7.5b, for an operating margin of 7.1% (down 9.1%pts) since the average SCFI tumbled 52% to 1,481. Despite a q-q improvement in market conditions, the tanker operation posted 3Q sales of KRW75.8b (down 7% y-y) and operating profit of KRW20.3b (down 30% y-y) for a margin of 26.8% (down 8.6%pts), as the firm sold two mid-sized tankers. Yet, LNG carrier sales and operating profit shot up 3.4x and 4.8x y-y, respectively, to KRW84.5b and KRW40.6b, for a margin of 48% (up 13.9%pts y-y) on addition of six LNG carriers (to a total of 12 vessels).

(Continued on the next page)

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,269.5	-0.6	-1.9	-11.8	-8.8
Operating profit	125.2	-2.2	1.8	-7.9	-2.0
Pre-tax profit	60.7	-53.7	-51.7	-40.8	-34.7
Net profit	57.9	-55.8	-52.8	-42.4	-34.9
Margins (%)					
Operating profit	9.9				
Pre-tax profit	4.8				
Net profit	4.6				

Source: Company data, FnGuide, Samsung Securities estimates

Valuation summary

	2024	2025E	2026E
Valuations (x)			
P/E	6.6	7.0	6.5
P/B	0.3	0.4	0.4
EV/EBITDA	5.0	5.0	4.5
Div yield (%)	3.6	2.9	2.9
EPS growth (% y-y)	9.4	6.3	6.8
ROE (%)	5.2	5.2	5.5
Per-share data (KRW)			
EPS	502	533	569
BVPS	10,576	10,111	10,571
DPS	120	110	110

Maintaining target price and BUY rating: We only fine-tune our earnings estimate and thus keep our target price of KRW4,900 and reiterate BUY rating. The firm should continue to expand its fleet by 2027, with more deliveries scheduled for 2H25 (one high-margin LNG carrier) and 2026 (four new bulk carriers and four new tankers). We see the shares (currently trading at 0.35x 2025 P/B) excessively undervalued compared to its fundamentals, even considering that: 1) the International Maritime Organization recently decided to postpone the adoption of its mid-term measures for shipping greenhouse gas reduction by one year ; and 2) the firm's shareholder returns fall short of those of its global peers.

Pan Ocean: Results and forecasts

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25P	3Q25E	4Q25E	2024	2025E	2026E	2027E
Assumptions												
Average BDI	1,824	1,848	1,871	1,465	1,118	1,467	1,978	1,877	1,755	1,610	1,588	1,667
Chg (% y-y)	80.4	40.8	56.7	-28.0	-38.7	-20.6	5.7	28.2	26.5	-8.2	-1.4	5.0
Chg (% q-q)	-10.3	1.3	1.2	-21.7	-23.7	31.2	34.8	-5.1				
Average KRW/USD rate	1,329	1,371	1,358	1,400	1,453	1,401	1,387	1,390	1,365	1,408	1,340	1,268
Chg (% y-y)	4.1	4.3	3.5	6.0	9.3	2.2	2.1	-0.7	4.5	3.1	-4.8	-5.4
Bunker C (USD/tonne)	467	525	491	477	498	442	433	430	490	451	428	450
Chg (% y-y)	9.5	13.2	-9.0	0.4	6.8	-15.9	-11.9	-9.9	2.9	-8.0	-5.0	5.1
Fleet	279	258	276	290	275	266	258	263	290	263	276	273
Bulk	240	222	236	247	230	220	213	218	247	218	222	214
Non-bulk	39	36	40	43	45	46	45	45	43	45	54	59
(KRWb)												
Sales	976	1,233	1,277	1,675	1,393	1,294	1,270	1,223	5,161	5,179	4,707	4,709
Chg (% y-y)	-2.1	0.7	14.9	63.0	42.8	4.9	-0.6	-27.0	18.3	0.4	-9.1	0.0
Bulk carrier	686	870	827	947	795	803	760	662	3,330	3,019	2,467	2,451
Chg (% y-y)	-9.8	1.6	8.0	29.6	15.8	-7.8	-8.1	-30.1	6.9	-9.3	-18.3	-0.6
Containership	80	94	108	118	113	110	106	91	401	421	478	508
Chg (% y-y)	-18.1	-2.3	28.6	35.5	40.6	16.9	-2.1	-22.4	9.6	4.9	13.6	6.2
Tanker	98	92	82	76	78	70	76	74	348	298	307	313
Chg (% y-y)	19.1	5.3	-4.8	-12.8	-20.4	-23.7	-7.1	-3.1	1.5	-14.3	3.1	1.9
Other	111	177	260	535	408	311	244	312	1,082	1,274	1,102	1,102
Chg (% y-y)	102.0	-3.9	47.6	335.0	268.1	75.7	-6.4	-41.6	101.1	17.7	-13.5	0.0
Operating profit	98	135	128	110	113	123	125	118	471	480	459	442
Chg (% y-y)	-12.8	8.1	61.2	59.8	15.4	-9.0	-2.2	7.7	22.1	1.8	-4.3	-3.7
Operating margin (%)	10.1	11.0	10.0	6.6	8.1	9.5	9.9	9.7	9.1	9.3	9.8	9.4

Source: Company data, Samsung Securities estimates

Forecast revisions

(KRWb)	2024	New		Old		Chg (%)	
		2025E	2026E	2025E	2026E	2025E	2026E
Sales	5,161	5,179	4,707	5,514	4,937	-5.2	-4.2
Operating profit	471	480	459	506	479	-16.2	-9.3
Pre-tax profit	282	295	315	352	347	-16.9	-10.2
Net profit	93	285	304	343	339	-2.7	-2.1
EBITDA	940	958	907	984	927	-16.8	-10.2
EPS (KRW)*	502	533	569	641	634	-8.6	-8.9

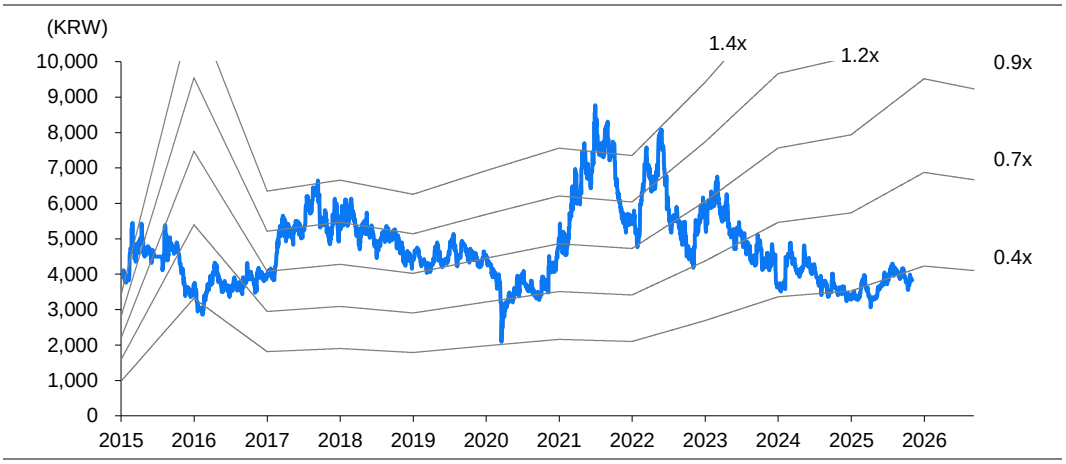
Note: *Fully diluted, excluding one-off items
Source: Company data, Samsung Securities estimates

Valuation summary

Year-end	Sales	Operating	Pre-tax	Net	EPS*	EPS growth	P/E	P/B	EV/EBITDA	ROE	Net debt
(KRWb)		profit	profit	profit	(KRW)	(%)	(x)	(x)	(x)	(%)	
2023	4,361	386	248	245	458	(63.8)	876	8.1	0.4	4.0	5.3
2024	5,161	471	282	268	502	9.4	940	6.6	0.3	5.0	5.2
2025E	5,179	480	295	285	533	6.3	958	7.0	0.4	5.0	5.2
2026E	4,707	459	315	304	569	6.8	907	6.5	0.4	4.5	5.5
2027E	4,709	442	326	316	591	3.7	862	6.3	0.3	3.9	5.5

Note: *Fully diluted, excluding one-off items
Source: Company data, Samsung Securities estimates

Forward P/B band



Source: QuantiWise, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	4,361	5,161	5,179	4,707	4,709
Cost of goods sold	3,861	4,578	4,586	4,143	4,162
Gross profit	500	583	594	564	547
Gross margin (%)	11.5	11.3	11.5	12.0	11.6
SG&A expenses	114	112	114	105	104
Operating profit	386	471	480	459	442
Operating margin (%)	8.8	9.1	9.3	9.8	9.4
Non-operating gains (losses)	-137	-189	-185	-144	-116
Financial profit	83	90	67	71	99
Financial costs	157	252	190	163	167
Equity-method gains (losses)	-3	24	29	16	23
Other	-60	-51	-90	-69	-71
Pre-tax profit	248	282	295	315	326
Taxes	3	14	10	10	10
Effective tax rate (%)	1.4	4.9	3.3	3.2	3.2
Profit from continuing operations	245	268	285	304	316
Profit from discontinued operations	0	0	0	0	0
Net profit	245	268	285	304	316
Net margin (%)	5.6	5.2	5.5	6.5	6.7
Net profit (controlling interests)	245	268	285	304	316
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	876	940	958	907	862
EBITDA margin (%)	20.1	18.2	18.5	19.3	18.3
EPS (parent-based) (KRW)	458	502	533	569	591
EPS (consolidated) (KRW)	458	502	533	569	591
Adjusted EPS (KRW)*	458	502	533	569	591

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	1,757	2,022	1,866	2,569	3,238
Cash & equivalents	953	866	844	1,534	2,215
Accounts receivable	225	288	210	214	211
Inventories	119	122	89	91	89
Other current assets	461	746	722	729	723
Fixed assets	6,097	8,250	7,890	7,445	7,022
Investment assets	204	283	221	225	222
Tangible assets	5,841	7,862	7,557	7,108	6,688
Intangible assets	11	11	10	10	10
Other long-term assets	42	93	102	102	102
Total assets	7,854	10,272	9,756	10,014	10,260
Current liabilities	1,294	1,277	835	847	837
Accounts payable	216	243	177	181	178
Short-term debt	64	0	0	0	0
Other current liabilities	1,013	1,034	657	666	659
Long-term liabilities	1,847	3,341	3,516	3,516	3,516
Bonds & long-term debt	118	286	308	308	308
Other long-term liabilities	1,728	3,056	3,208	3,208	3,208
Total liabilities	3,141	4,618	4,350	4,363	4,353
Owners of parent equity	4,713	5,653	5,405	5,651	5,908
Capital stock	535	535	535	535	535
Capital surplus	1,942	1,942	1,942	1,942	1,942
Retained earnings	1,638	1,860	2,080	2,326	2,583
Other	598	1,317	848	848	848
Non-controlling interests' equity	0	0	0	0	0
Total equity	4,713	5,653	5,405	5,651	5,908
Net debt	1,480	2,982	2,779	2,091	1,409

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	751	676	1,268	838	800
Net profit	245	268	285	304	316
Non-cash profit and expenses	633	627	882	546	493
Depreciation	490	468	478	448	420
Amortization	1	1	0	0	0
Other	143	158	404	98	73
Changes in A/L from operating activities	23	-15	235	-2	2
Cash flow from investments	-84	-660	-273	59	87
Change in tangible assets	-311	-385	-179	0	0
Change in financial assets	16	-50	24	-1	1
Other	211	-226	-117	61	85
Cash flow from financing	-470	-207	-1,016	-205	-208
Change in debt	100	1,423	-229	2	-1
Change in equity	0	0	0	0	0
Dividends	-80	-45	-64	-59	-59
Other	-490	-1,584	-723	-148	-148
Change in cash	208	-87	-21	690	681
Cash at beginning of year	745	953	866	844	1,534
Cash at end of year	953	866	844	1,534	2,215
Gross cash flow	878	895	1,167	850	809
Free cash flow	437	291	1,083	838	800

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-32.1	18.3	0.4	-9.1	0.0
Operating profit	-51.1	22.1	1.8	-4.3	-3.7
Net profit	-63.8	9.4	6.3	6.8	3.7
Adjusted EPS**	-63.8	9.4	6.3	6.8	3.7
Per-share data (KRW)					
EPS (parent-based)	458	502	533	569	591
EPS (consolidated)	458	502	533	569	591
Adjusted EPS**	458	502	533	569	591
BVPS	8,817	10,576	10,111	10,571	11,051
DPS (common)	85	120	110	110	120
Valuations (x)					
P/E***	8.1	6.6	7.0	6.5	6.3
P/B***	0.4	0.3	0.4	0.4	0.3
EV/EBITDA	4.0	5.0	5.0	4.5	3.9
Ratios (%)					
ROE	5.3	5.2	5.2	5.5	5.5
ROA	3.2	3.0	2.8	3.1	3.1
ROIC	6.6	6.4	5.8	5.9	6.0
Payout ratio	18.5	23.9	20.6	19.3	20.3
Dividend yield (common)	2.3	3.6	2.9	2.9	3.2
Net debt to equity	31.4	52.8	51.4	37.0	23.8
Interest coverage (x)	3.1	3.5	3.2	3.1	3.0

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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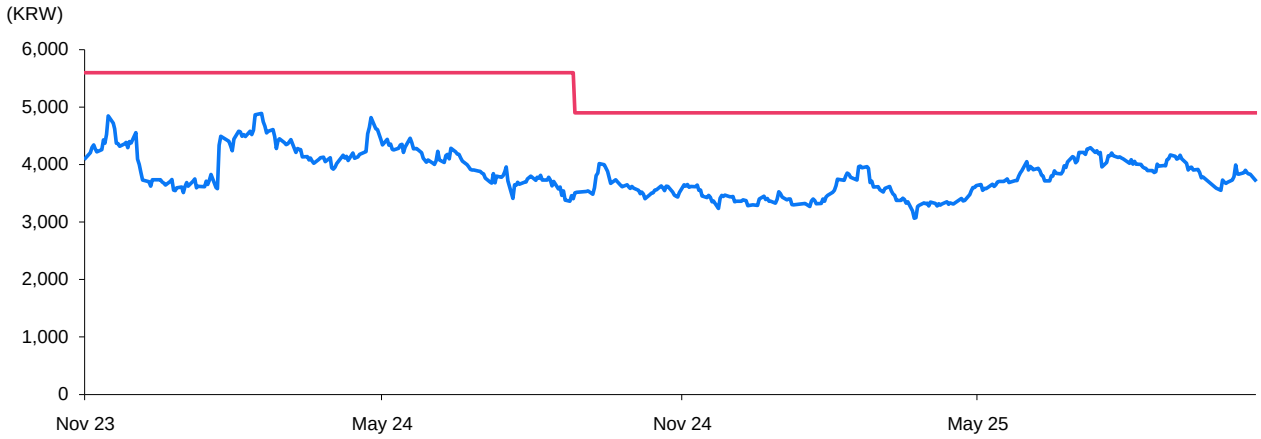

Rating changes over past two years (adjusted share prices)

Date	2023/10/23	2024/9/12	2025/9/12
Recommendation	BUY	BUY	BUY
Target price (KRW)	5600	4900	4900
Gap* (average)	-26.86	-25.49	
(max or min)**	-12.68	-12.35	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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Percentage of ratings in 12 months prior to 2025.09.30

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