

Pangolin Asia Fund Interim Newsletter January 2023

A Tale of Two Companies

Updated on 19 January 2023

PRODIA WIDYAHUSA

Indonesia, ID

BUY

Rating: 9/10

Recent FX at 15105

Last close on January 18, 2023

IDR 5900

% Return 1mo: 1.7 3 mo: 18.4 1 yr: (25.6)

Fwd PE 13.8

FYE Dec	Sales IDR bln	EBIT IDR bln	Net Profit IDR bln	Free Cashflow IDR bln	Cash & equiv IDR bln	+Cash or -Debt IDR bln	# share outstdg mln	EPS IDR	DPS IDR	N.CPS IDR	1yr profit growth %	P/E Ratio	P/B Ratio	N.Cash to MCap	N.Cash to Equity	Intst Cover	Divd Payout	Divd Yield	FCF Yield	EBIT Margin	Net Margin	ROE	ROIC*
												x	x	x	x	x	x	%	%	%	%	%	%
2017	1,466	150	151	(106)	988	933	937.5	161	64	995	71.1	36.7	4.09	0.17	0.68	17.6	40.0	1.1	(1.9)	10.2	10.3	11.9	76.8
2018	1,600	180	175	57	937	897	937.5	187	64	957	16.3	31.5	3.57	0.16	0.57	30.5	34.2	1.1	1.0	11.2	11.0	12.9	40.7
2019	1,744	216	210	263	1,012	993	937.5	224	112	1,059	19.8	26.3	3.36	0.18	0.60	65.1	50.0	1.9	4.7	12.4	12.1	13.5	31.6
2020	1,873	302	269	304	1,135	1,125	937.5	287	172	1,200	27.8	20.6	3.12	0.20	0.63	58.4	60.0	2.9	5.5	16.1	14.3	16.2	40.3
2021	2,652	757	622	677	1,508	1,502	937.5	663	398	1,602	131.3	8.9	2.48	0.27	0.67	214.3	60.0	6.7	12.2	28.5	23.4	34.8	93.7
2022F	2,201	506	400	381	1,464	1,464	937.5	427	256	1,562	(35.7)	13.8	2.43	0.26	0.64	n.a.	60.0	4.3	6.9	23.0	18.2	17.8	53.3
2023F	2,422	567	448	495	1,696	1,696	937.5	478	286	1,809	12.0	12.4	2.22	0.31	0.68	n.a.	60.0	4.9	8.9	23.4	18.5	19.7	55.0

Updated on 19 January 2023

DR LAL PATHLABS

Natl India, IN

SNA PSHOT

Rating: -/10

USDINR currency 81.365

Recent FX at 81.365

Last close on January 18, 2023

INR 2158.7

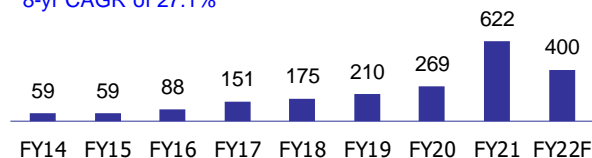
% Return 1mo: (6.2) 3 mo: (13.4) 1 yr: (34.5)

Fwd PE 65.3

FYE Mar	Sales INR mln	EBIT INR mln	Net Profit INR mln	Free Cashflow INR mln	Cash & equiv INR mln	+Cash or -Debt INR mln	# share outstdg mln	EPS INR	DPS INR	N.CPS INR	1yr profit growth %	P/E Ratio	P/B Ratio	N.Cash to MCap	N.Cash to Equity	Intst Cover	Divd Payout	Divd Yield	FCF Yield	EBIT Margin	Net Margin	ROE	ROIC*
												x	x	x	x	x	x	%	%	%	%	%	%
2018	10,569	2,309	1,707	1,542	2,138	2,138	83.333	20.5	4.5	25.7	10.4	105.4	22.6	0.01	0.27	275	22.0	0.2	0.9	21.8	16.2	28.7	30.1
2019	12,034	2,554	1,992	2,104	3,156	3,156	83.342	23.9	6.0	37.9	16.7	90.3	18.9	0.02	0.33	304	25.1	0.3	1.2	21.2	16.6	25.3	34.7
2020	13,304	2,708	2,259	2,775	3,626	3,626	83.345	27.1	12.0	43.5	13.4	79.6	17.3	0.02	0.35	18	44.3	0.6	1.5	20.4	17.0	23.9	35.9
2021	15,813	3,591	2,916	3,864	3,049	3,048	83.345	35.0	20.0	36.6	29.1	61.7	14.3	0.02	0.24	22	57.2	0.9	2.1	22.7	18.4	28.2	43.5
2022	20,874	4,526	3,448	3,718	4,450	994	83.345	41.4	6.0	11.9	18.2	52.2	11.8	0.01	0.07	15	14.5	0.3	2.1	21.7	16.5	27.7	36.7
2023F	20,970	3,846	2,754	3,405		4,128	83.354	33.0	15.0	49.5	(20.1)	65.3	10.6	1.88			45.4	0.7	1.9	18.3	13.1	18.3	19.6
2024F	24,020	4,673	3,703	4,171				44.4	20.0	n.a.	34.5	48.6	9.3				45.0	0.9	2.3	19.5	15.4	21.8	n.a.

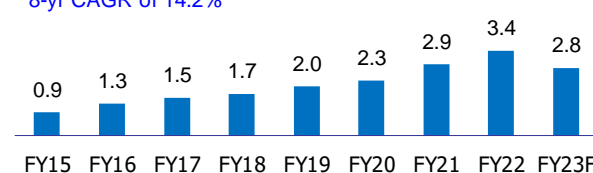
Prodia's Net Profit (IDR bln)

8-yr CAGR of 27.1%



Dr Lal's Net Profit (INR bln)

8-yr CAGR of 14.2%



A comparison of two excellent companies which basically do the same thing – test your blood. Both had a boom during Covid and profits will fall back slightly but the long term growth rates remain intact. Here we have a clear picture of the difference in valuations between a loved and an unloved market.

So often, when I try to interest institutional investors in the fund, I'm told that they're too busy trying to get India and China right to have time to look at ASEAN. Although if ASEAN were a single country, it would be the world's 6th largest economy. And it grows at +/-5% most years. Its 685 million people account for around 8.5% of the planet's population. This is a fast-growing consumer market, with millions moving from padi fields to the cities.

Country	Population (mln) (2021)	Share of Middle Class (2000)		Share of Middle Class (2020)	2021 GDP (in USD bln)	Compounded GDP growth (1970-2021)
Indonesia	276	4%	→	29%	1,066	5.3%
Malaysia	34	23%	→	33%	355	5.9%
Philippines	116	12%	→	27%	379	4.0%
Singapore	5	50%	→	88%	361	6.5%
Thailand	72	24%	→	63%	438	5.1%
Vietnam*	98	1%	→	16%	332	6.3%
Total	600				2,931	5.4%

Source: World Bank, Asian Development Bank

*Vietnam data is available from 1984

Granted there are differences in company size and liquidity. But is it really worth paying 4-5x as much for Dr Lal than Prodia when the latter has higher profit growth, ROIC and superior balance sheet. Prodia's share price is a bargain and Dr Lal's is not.

At the time of writing, the fund is up 7.6% for the month, in part due to stronger currencies. Our forecast dividend yield across the fund is over 5%, which is as high as it's been since 2009. The above comparison is just only one example of regional undervaluation mismatches.

Many of our companies are not so large. When the world turns its investing attention to SE Asia, very quickly they will not be available at these fire-sale prices.

My advice (*and it's an opinion and a biased one*) is to make sure you don't miss this opportunity. It's always better to be too early than too late.

And for full disclosure, the **Pangolin Asia Fund** happily owns lots of Prodia.

Kung Hei Fatt Choy,

James Hay.

20th January 2023.

Eighteen years track record and annualised return of 9.81%

PAF vs. MSCI South East Asia

Lifetime Alpha (vs. MSCI ASEAN): 6.6%

10-yr Alpha (vs. MSCI ASEAN): 7.6%

