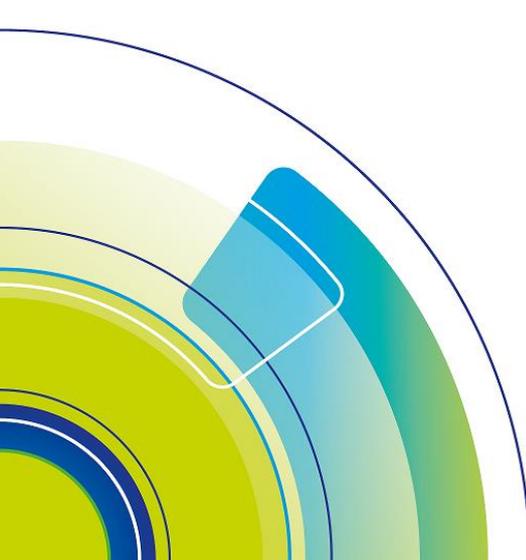




PNJ Update- HOLD

January 26, 2022



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Company Update

Recommendation

HOLD

HSX: PNJ

Discretionary

Target price (VND) **107,454**

Current price (VND) **97,000**

Expected share price return 10.7%

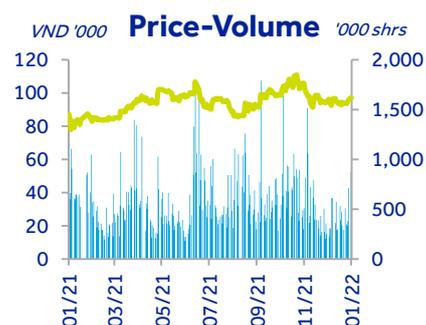
Expected dividend yield 2.1%

Expected total return **12.8%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	4.3	2.4	-1.5	13.2
Relative	5.0	2.2	-8.7	-15.2

Source: Bloomberg



Ownership

VietFund Management	7.6%
VinaCapital	4.8%
Dragon Capital	3.2%
Cao Ngoc Duy	2.9%

Stock Statistics

25-Jan-22

Bloomberg code	PNJ VN
52-week range (VND)	75,000-112,000
Shares O/S (m)	227
Mkt cap (VND bn)	22,805
Mkt cap (USD m)	996
Foreign room left (%)	1.6
Est. free float (%)	83.5
3m avg daily vol (shrs)	559,085
VND/USD	22,770
Index: VNIIndex / HNX	1486.45/413.74

PHU NHUAN JEWELRY JSC (PNJ VN)

The company released 2021 (unaudited) results in line with our expectations. We almost maintain our latest earnings projection with expectation that 2022 should be a better year. Maintain **HOLD**. Target price VND107,454/shr.

Closing a harsh 2021, weighed by the resurgence of the COVID-19 pandemic, PNJ reported 12% YoY growth in net revenue and 3.4% contraction in EAT, in line with our projection, including negative VND160bn in EAT in 3Q2021 as a result of restricted operations of stores and online sales during the social distancing phase in HCMC and some provinces.

Revenue and EAT grew by 21.5% and 7% YoY in 4Q. The major segments comprising of retail, gold bar trading and wholesale almost returned to YoY growth in 4Q, when social distancing measures were removed and the company's store network was able to reopen entirely. On a cumulative basis, while the wholesale revenue fell slightly by 5.5% YoY, the retail and gold bar segments posted 10.5% and 25% YoY growth in 2021, respectively. At the end of 2021, PNJ had 341 stores (YE2020: 339), including 319 gold stores (YE2020: 302), 13 silver stores (YE2020: 33) and others.

PNJ's 2021 results	2021	Growth
Net revenue	19,613	12.0%
Wholesale	2,608*	-5.5%
Retail	11,525*	10.5%
Gold bar	4,827*	25.0%
Others	652*	41.8%
EAT	1,033	-3.4%

Source: PNJ; (*): ACBS calculations

Gross margin was 18.2% in 2021, lower than 19.6% in 2020, given higher revenue contribution of low-margin gold bar/high-gold-content products, while the SG&A to net revenue ratio was unchanged at 11.0%.

For 2022, we expect the company to generate decent growth based on assumptions that there are no long social distancing measures applied on a large scale like 2021, given the government's strategies to adapt with the presence of the virus and hasten vaccinations. Gross margin may strengthen mostly fostered by the retail segment's growth. However, our projections also consider the probability that certain impacts on consumption of discretionary products may remain this year after such a long social distancing phase in 2021 and given that the pandemic still shadows, although this pressure may be different in consumer segments. Net revenue and EAT growth are projected at VND22,013bn (+12.2% YoY) and VND1,300bn (+25.9% YoY) in 2022. Combining DCF and PER methods, we value the stock at VND107k/share, equivalent to a total return of 12.8% at YE2022.

	2019	2020	2021U	2022F	2023F
Net sales (VNDbn)	17,001	17,511	19,613	22,013	24,904
Growth	16.7%	3.0%	12.0%	12.2%	13.1%
Net profit (VNDbn)	1,194	1,069	1,033	1,300	1,580
Growth	24.4%	-10.4%	-3.4%	25.9%	21.5%
EPS (bonus-adjusted, VND)	4,962	4,418	4,224	5,264	6,333
Growth	22.7%	-11.0%	-4.4%	24.6%	20.3%
ROE	28.7%	21.8%	18.4%	20.1%	21.1%
Net debt/EBITDA (times)	1.5	0.9	1.6	1.3	1.0
EV/EBITDA (times)	14.5	15.5	16.6	13.2	11.1
EV/Sales (times)	1.4	1.4	1.2	1.1	1.0
PER (times)	19.5	22.0	23.0	18.4	15.3
DPS (VND)	1,800	2,000	2,000	2,000	2,000
Dividend yield	1.9%	2.1%	2.1%	2.1%	2.1%

PNJ FINANCIALS MODEL	Price (VND):	97,000	Target (VND):	107,454	Mkt cap (VND bn):	22,805
(VND bn except where stated)	2019	2020	2021U	2022F	2023F	2024F
Total Net Sales	17,001	17,511	19,613	22,013	24,904	28,098
<i>Sales growth</i>	<i>16.7%</i>	<i>3.0%</i>	<i>12.0%</i>	<i>12.2%</i>	<i>13.1%</i>	<i>12.8%</i>
CoGS ex-dep'n	13,479	14,004	15,965	17,745	19,986	22,460
Selling expenses	1,362	1,421	1,694	1,786	1,996	2,252
G&A expenses	476	506	472	626	708	799
Financial revenues	17	2	4	4	4	5
Financial expenses	18	7	14	15	16	17
EBITDA	1,682	1,575	1,472	1,844	2,202	2,575
<i>EBITDA margin</i>	<i>9.9%</i>	<i>9.0%</i>	<i>7.5%</i>	<i>8.4%</i>	<i>8.8%</i>	<i>9.2%</i>
Depreciation	61	72	75	74	79	83
Operating profit	1,621	1,503	1,397	1,770	2,123	2,492
<i>Operating profit margin</i>	<i>9.5%</i>	<i>8.6%</i>	<i>7.1%</i>	<i>8.0%</i>	<i>8.5%</i>	<i>8.9%</i>
Other profits/losses	0	(3)	(18)	1	1	1
Profits/Losses from associates	-	-	-	-	-	-
Net interest expense	115	154	92	136	137	130
<i>as % of avg net debt</i>	<i>5.9%</i>	<i>7.8%</i>	<i>4.9%</i>	<i>5.8%</i>	<i>6.0%</i>	<i>6.4%</i>
<i>Interest cover (x)</i>	<i>14.1</i>	<i>9.8</i>	<i>15.2</i>	<i>13.0</i>	<i>15.5</i>	<i>19.2</i>
Tax	313	277	254	335	407	484
<i>Effective tax rate</i>	<i>20.8%</i>	<i>20.5%</i>	<i>19.5%</i>	<i>20.5%</i>	<i>20.5%</i>	<i>20.5%</i>
Minority interest	-	-	-	-	-	-
Attributable net profit	1,194	1,069	1,033	1,300	1,580	1,878
Cash earnings	1,255	1,142	1,108	1,374	1,659	1,962
Total number of shares	225,293,585	227,612,362	227,612,362	229,888,486	232,187,370	234,509,244
EPS (VND) (after treasury shares)	4,962	4,418	4,224	5,264	6,333	7,455
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	1.00
Adjusted EPS (VND)	4,962	4,418	4,224	5,264	6,333	7,455
<i>EPS growth</i>	<i>22.7%</i>	<i>-11.0%</i>	<i>-4.4%</i>	<i>24.6%</i>	<i>20.3%</i>	<i>17.7%</i>

KEY CASHFLOW AND BS ITEMS	2019	2020	2021U	2022F	2023F	2024F
Increase in working capital	1,749	-501	1,745	759	962	1,058
Capex	222	85	51	50	50	50
Change in investment in affiliates	-	-	-	-	-	-
Other cashflow items	-167	-146	-81	-113	-97	-105
Free cash flow	-883	1,412	-768	452	550	749
Share issues	67	45	(2)	46	46	46
Dividends paid	344	355	177	459	464	469
Increase in net debt	1,160	-1,102	947	-38	-132	-327
Net debt, end of year	2,519	1,417	2,364	2,326	2,194	1,867
Shareholders' equity	4,577	5,242	6,017	6,903	8,065	9,521
BVPS (VND)	20,566	23,284	26,453	30,049	34,758	40,628
<i>Net debt / equity</i>	<i>55.0%</i>	<i>27.0%</i>	<i>39.3%</i>	<i>33.7%</i>	<i>27.2%</i>	<i>19.6%</i>
<i>Net debt / EBITDA (x)</i>	<i>1.5</i>	<i>0.9</i>	<i>1.6</i>	<i>1.3</i>	<i>1.0</i>	<i>0.7</i>
Total assets	8,603	8,483	10,547	11,394	12,424	13,554

KEY RETURN AND VALUATION RATIOS	2019	2020	2021U	2022F	2023F	2024F
<i>ROE</i>	<i>28.7%</i>	<i>21.8%</i>	<i>18.4%</i>	<i>20.1%</i>	<i>21.1%</i>	<i>21.4%</i>
<i>ROA</i>	<i>15.9%</i>	<i>12.5%</i>	<i>10.9%</i>	<i>11.9%</i>	<i>13.3%</i>	<i>14.5%</i>
<i>ROIC</i>	<i>21.1%</i>	<i>17.3%</i>	<i>14.7%</i>	<i>16.0%</i>	<i>17.3%</i>	<i>18.3%</i>
<i>WACC</i>	<i>8.3%</i>	<i>9.4%</i>	<i>8.4%</i>	<i>8.8%</i>	<i>9.0%</i>	<i>9.4%</i>
<i>EVA</i>	<i>12.8%</i>	<i>8.0%</i>	<i>6.3%</i>	<i>7.2%</i>	<i>8.3%</i>	<i>9.0%</i>
<i>PER (x)</i>	<i>19.5</i>	<i>22.0</i>	<i>23.0</i>	<i>18.4</i>	<i>15.3</i>	<i>13.0</i>
<i>EV/EBITDA (x)</i>	<i>14.5</i>	<i>15.5</i>	<i>16.6</i>	<i>13.2</i>	<i>11.1</i>	<i>9.5</i>
<i>EV/FCF (x)</i>	<i>-27.7</i>	<i>17.3</i>	<i>-31.8</i>	<i>54.0</i>	<i>44.4</i>	<i>32.6</i>
<i>PBR (x)</i>	<i>4.7</i>	<i>4.2</i>	<i>3.7</i>	<i>3.2</i>	<i>2.8</i>	<i>2.4</i>
<i>PSR (x)</i>	<i>1.3</i>	<i>1.3</i>	<i>1.1</i>	<i>1.0</i>	<i>0.9</i>	<i>0.8</i>
<i>EV/sales (x)</i>	<i>1.4</i>	<i>1.4</i>	<i>1.2</i>	<i>1.1</i>	<i>1.0</i>	<i>0.9</i>
<i>PEG (x, 3 yr prospective)</i>	<i>8.0</i>	<i>7.1</i>	<i>1.7</i>	<i>0.9</i>	<i>1.0</i>	<i>1.0</i>
<i>Dividend yield</i>	<i>1.9%</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>

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DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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