



# PNJ Update- BUY

July 27, 2022

---

## Ms. Chi Luong

(+84 28) 3823 4159 - Ext: 327

[chihtk@acbs.com.vn](mailto:chihtk@acbs.com.vn)

## Company Update

Recommendation

**BUY**
**HSX: PNJ**
**Discretionary**
**Target price (VND)** 133,026

**Current price (VND)** 112,000

**Expected share price return** 18.8%

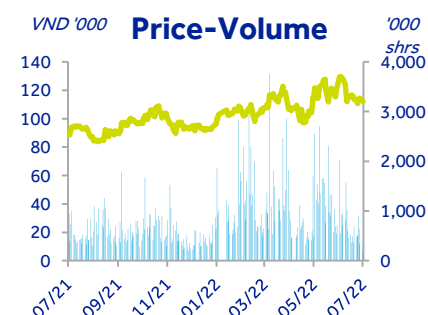
**Expected dividend yield** 1.8%

**Expected total return** 20.6%

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	17.1	-8.2	4.8	25.5
Relative	37.4	-8.6	15.8	31.0

Source: Bloomberg



## Ownership

VietFund Management	10.2%
VinaCapital	4.5%
Dragon Capital	3.5%
Duy Cao	2.8%

## Stock Statistics

26-Jul-22

**Bloomberg code** PNJ VN

52-week range (VND) 84,900-131,100

Shares O/S (m) 242

Mkt cap (VND bn) 27,024

Mkt cap (USD m) 1,154

Foreign room left (%) 0.0

Est. free float (%) 83.4

3m avg daily vol (shrs) 891,594

VND/USD 23,495

Index: VNIIndex / HNX 1183.1/281.5

## PHU NHUAN JEWELRY JSC (PNJ VN)

We revised up our projections for 2022 given the company's vigorous performance in 1H2022 and our positive growth expectations for the rest of the year. Maintain **BUY**. Target price VND133,026/shr.

PNJ generated net revenue of VND18,210bn (+56.5% YoY) and EAT of VND1,088 (+48% YoY) in 1H2022, beating our projections by c.20% on the top line and c.12% on EAT. Besides growth from the low base in June 2021, a jump in gold bar & high-gold-content revenue (+73.6% YoY) and splendid growth in the retail segment (+90.6% YoY), despite low season, together with the company's cost optimization drove the company to better-than-expected results in 2Q. Net revenue and EAT grew by 81.1% and 64.8% YoY, respectively, in 2Q2022.

PNJ's 1H2022 results	YoY growth
<b>Net revenue</b>	<b>18,210</b>
Retail	61.9%
Wholesale	30.1%
Gold bar	65.6%
Others	-9.7%
<b>EAT</b>	<b>1,088</b>
	<b>48.0%</b>

Source: PNJ

The retail segment generated 61.9% YoY revenue growth in 1H2022, driven by strong growth of the existing stores (though the company did not disclosed a specific number) and rising contribution of new stores. By the end of June 2022, PNJ had 351 stores (YE2021: 341) in operation, including 332 gold stores (YE2021: 319). The company witnessed increase in number of new customers, bill value and frequency of repurchasing of the existing customers. Digital transformation has helped PNJ enhance data analysis capabilities to create effective marketing activities and dynamic product portfolio at each point of sale satisfying customers' interest.

	2020	2021	2022F	2023F	2024F
Net sales (VNDbn)	17,511	19,547	33,895	38,022	42,702
Growth	3.0%	11.6%	73.4%	12.2%	12.3%
EBITDA (VNDbn)	1,575	1,486	2,631	3,025	3,469
EBITDA margin	9.0%	7.6%	7.8%	8.0%	8.1%
Net profit (VNDbn)	1,069	1,029	1,936	2,292	2,672
Growth	-10.4%	-3.8%	88.2%	18.3%	16.6%
EPS (bonus-adjusted, VND)	4,418	4,242	7,550	8,689	10,031
Growth	-11.0%	-4.0%	78.0%	15.1%	15.4%
ROE	21.8%	18.3%	25.9%	23.3%	22.5%
ROA	12.5%	10.8%	17.6%	19.3%	20.7%
Net debt/EBITDA (times)	0.9	1.6	0.1	(0.2)	(0.5)
EV/EBITDA (times)	18.6	19.7	11.1	9.7	8.5
EV/Sales (times)	1.7	1.5	0.9	0.8	0.7
PER (times)	25.4	26.4	14.8	12.9	11.2
PBR (times)	4.8	4.2	3.0	2.6	2.2
DPS (VND)	2,000	2,000	2,000	2,000	2,000
Dividend yield	1.8%	1.8%	1.8%	1.8%	1.8%

**Sales of gold bars and high-gold-content products** soared by 65.6% YoY in 1H2022, explained by higher demand for these products as either safe-haven assets or investments/speculation amid concerns about inflation and global geopolitical uncertainty.

In addition to the retail and gold bar segments, **wholesale revenue** also rose by 30.1% YoY in 1H2022, including 191% growth in June 2022 compared to the low base in June 2021.

The company's overall gross margin was 17.6% compared to 18.6% in the same period last year, due to increased proportion of gold bar revenue and changes in the retail product mix when expanding to tier 2&3 cities. However, a lower SG&A expenses to gross profit ratio (54.6% in 1H2022 vs 55.6% in 1H2021) supported its bottom line. We assume the gross margin may improve in the following quarters on the back of the retail segment's expansion, while the gold bar contribution is expected to taper off in the rest of the year.

### Outlook

Despite concerns about inflation on consumer spending, PNJ's sales have yet been affected severely so far, according to the company's management. We think the impacts could be less worrying in PNJ thanks to its focus on the mid to high-end customer segments, unless inflation rates surge seriously.

The company is working on researching a new and modern factory in order to expand production capacity for a long-term outlook. A portion of the recent private placement will finance this factory. We will update more when details are available. Considering the company's vibrant performance in 1H2022 and good growth expectations on the low base in 3Q2021, we revised up our net revenue and EAT projections for the company to VND33,895bn (+73.4% YoY) and VND1,936bn (+88.2% YoY) in 2022, up by 19% and 10% versus the earlier projections, respectively. Combining DCF and PER methods, we value the stock at VND133k/share, equivalent to a total return of 20.6% at YE2022.

<b>PNJ FINANCIALS MODEL</b>	Price (VND):	112,000	Target (VND):	133,026	Mkt cap (VND bn):	27,024
(VND bn except where stated)	2019	2020	2021	2022F	2023F	2024F
<b>Total Net Sales</b>	<b>17,001</b>	<b>17,511</b>	<b>19,547</b>	<b>33,895</b>	<b>38,022</b>	<b>42,702</b>
<i>Sales growth</i>	<i>16.7%</i>	<i>3.0%</i>	<i>11.6%</i>	<i>73.4%</i>	<i>12.2%</i>	<i>12.3%</i>
CoGS ex-dep'n	13,479	14,004	15,874	27,716	30,961	34,680
Selling expenses	1,362	1,421	1,688	2,588	2,941	3,324
G&A expenses	476	506	502	955	1,090	1,224
Financial revenues	17	2	16	-	-	-
Financial expenses	18	7	14	5	5	5
<b>EBITDA</b>	<b>1,682</b>	<b>1,575</b>	<b>1,486</b>	<b>2,631</b>	<b>3,025</b>	<b>3,469</b>
<i>EBITDA margin</i>	<i>9.9%</i>	<i>9.0%</i>	<i>7.6%</i>	<i>7.8%</i>	<i>8.0%</i>	<i>8.1%</i>
Depreciation	61	72	75	72	76	81
<b>Operating profit</b>	<b>1,621</b>	<b>1,503</b>	<b>1,411</b>	<b>2,559</b>	<b>2,949</b>	<b>3,388</b>
<i>Operating profit margin</i>	<i>9.5%</i>	<i>8.6%</i>	<i>7.2%</i>	<i>7.5%</i>	<i>7.8%</i>	<i>7.9%</i>
Other profits/losses	0	(3)	(28)	(21)	1	1
Profits/Losses from associates	-	-	-	-	-	-
Net interest expense	115	154	104	108	75	36
<i>as % of avg net debt</i>	<i>5.9%</i>	<i>7.8%</i>	<i>5.5%</i>	<i>8.3%</i>	<i>-34.3%</i>	<i>-2.9%</i>
<i>Interest cover (x)</i>	<i>14.1</i>	<i>9.8</i>	<i>13.5</i>	<i>23.7</i>	<i>39.5</i>	<i>94.9</i>
Tax	313	277	250	493	584	681
<i>Effective tax rate</i>	<i>20.8%</i>	<i>20.5%</i>	<i>19.1%</i>	<i>20.1%</i>	<i>20.3%</i>	<i>20.3%</i>
Minority interest	-	-	-	-	-	-
<b>Attributable net profit</b>	<b>1,194</b>	<b>1,069</b>	<b>1,029</b>	<b>1,936</b>	<b>2,292</b>	<b>2,672</b>
Cash earnings	1,255	1,142	1,104	2,009	2,368	2,753
Total number of shares	225,293,585	227,612,362	227,612,362	245,038,486	247,488,870	249,963,759
<b>EPS (VND) (after treasury shares)</b>	<b>4,962</b>	<b>4,418</b>	<b>4,242</b>	<b>7,550</b>	<b>8,689</b>	<b>10,031</b>
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	1.00
<b>Adjusted EPS (VND)</b>	<b>4,962</b>	<b>4,418</b>	<b>4,242</b>	<b>7,550</b>	<b>8,689</b>	<b>10,031</b>
<i>EPS growth</i>	<i>22.7%</i>	<i>-11.0%</i>	<i>-4.0%</i>	<i>78.0%</i>	<i>15.1%</i>	<i>15.4%</i>

KEY CASHFLOW AND BS ITEMS	2019	2020	2021	2022F	2023F	2024F
Increase in working capital	1,749	-501	1,773	722	882	1,012
Capex	222	85	48	30	50	100
Change in investment in affiliates	-	-	-	-	-	-
Other cashflow items	-167	-146	-53	-99	-76	-88
<b>Free cash flow</b>	<b>-883</b>	<b>1,412</b>	<b>-771</b>	<b>1,157</b>	<b>1,359</b>	<b>1,554</b>
Share issues	67	45	(2)	1,460	49	49
Dividends paid	344	355	177	490	495	500
Increase in net debt	1,160	-1,102	949	-2,127	-914	-1,104
<b>Net debt, end of year</b>	<b>2,519</b>	<b>1,417</b>	<b>2,366</b>	<b>240</b>	<b>-674</b>	<b>-1,778</b>
<b>Shareholders' equity</b>	<b>4,577</b>	<b>5,242</b>	<b>6,013</b>	<b>8,919</b>	<b>10,765</b>	<b>12,986</b>
BVPS (VND)	20,566	23,284	26,425	37,068	43,508	51,969
Net debt / equity	55.0%	27.0%	39.4%	2.7%	-6.3%	-13.7%
Net debt / EBITDA (x)	1.5	0.9	1.6	0.1	-0.2	-0.5
<b>Total assets</b>	<b>8,603</b>	<b>8,483</b>	<b>10,619</b>	<b>11,398</b>	<b>12,330</b>	<b>13,448</b>

KEY RETURN AND VALUATION RATIOS	2019	2020	2021	2022F	2023F	2024F
ROE	28.7%	21.8%	18.3%	25.9%	23.3%	22.5%
ROA	15.9%	12.5%	10.8%	17.6%	19.3%	20.7%
ROIC	21.1%	17.3%	14.8%	23.1%	24.4%	25.4%
WACC	9.2%	10.5%	9.6%	11.5%	11.7%	11.7%
EVA	11.9%	6.8%	5.2%	11.5%	12.8%	13.7%
PER (x)	22.6	25.4	26.4	14.8	12.9	11.2
EV/EBITDA (x)	17.4	18.6	19.7	11.1	9.7	8.5
EV/FCF (x)	-33.2	20.8	-38.0	25.3	21.6	18.9
PBR (x)	5.4	4.8	4.2	3.0	2.6	2.2
PSR (x)	1.6	1.5	1.4	0.8	0.7	0.6
EV/sales (x)	1.7	1.7	1.5	0.9	0.8	0.7
PEG (x, 3 yr prospective)	8.7	1.2	0.9	0.4	1.0	0.9
Dividend yield	1.6%	1.8%	1.8%	1.8%	1.8%	1.8%

## CONTACTS

### Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City

Tel: (+84 28) 3823 4159

Fax: (+84 28) 3823 5060

### Hanoi Office

10 Phan Chu Trinh, Hoan Kiem Dist., Ha Noi

Tel: (+84 4) 3942 9395

Fax: (+84 4) 3942 9407

## RESEARCH DEPARTMENT

### Director

**Tyler Cheung**

(+84 28) 38 234 876

[tyler@acbs.com.vn](mailto:tyler@acbs.com.vn)

#### Manager – Properties

**Truc Pham**

(+84 28) 3823 4159 (x303)

[trucptt@acbs.com.vn](mailto:trucptt@acbs.com.vn)

#### Manager – Financials

**Hung Cao**

(+84 28) 3823 4159 (x326)

[hungcv@acbs.com.vn](mailto:hungcv@acbs.com.vn)

### Associate Director

**Giao Nguyen**

(+84 28) 3823 4159 (x250)

[giaonbt@acbs.com.vn](mailto:giaonbt@acbs.com.vn)

#### Associate – Consumer-related, Technology

**Trung Tran**

(+84 28) 3823 4159 (x351)

[trungtn@acbs.com.vn](mailto:trungtn@acbs.com.vn)

#### Associate – Oil & Gas

**Hung Phan**

(+84 28) 3823 4159 (x354)

[hungpv@acbs.com.vn](mailto:hungpv@acbs.com.vn)

#### Associate – Consumer-related, Technology

**Chi Luong**

(+84 28) 3823 4159 (x327)

[chiltk@acbs.com.vn](mailto:chiltk@acbs.com.vn)

#### Associate – Industrials

**Huy Huynh**

(+84 28) 3823 4159 (x325)

[huyha@acbs.com.vn](mailto:huyha@acbs.com.vn)

#### Associate – Energy

**Toan Pham**

(+84 28) 3823 4159 (x325)

[toanpd@acbs.com.vn](mailto:toanpd@acbs.com.vn)

#### Associate – Macro

**Hoa Nguyen**

(+84 28) 3823 4159 (x352)

[hoant@acbs.com.vn](mailto:hoant@acbs.com.vn)

#### Associate – Derivatives, Macro

**Minh Trinh Viet**

(+84 28) 3823 4159 (x352)

[minhtvh@acbs.com.vn](mailto:minhtvh@acbs.com.vn)

#### Analyst – Technical

**Phuoc Luong**

(+84 28) 3823 4159 (x250)

[phuocld@acbs.com.vn](mailto:phuocld@acbs.com.vn)

#### Analyst – Technical

**Huu Vo**

(+84 28) 3823 4159 (x354)

[huuvp@acbs.com.vn](mailto:huuvp@acbs.com.vn)

## INSTITUTIONAL CLIENT DIVISION

### Associate Director

**Huong Chu**

(+84 28) 3824 6679

[huongctk@acbs.com.vn](mailto:huongctk@acbs.com.vn)

#### Customer Support

**Institutional Client**

**Thanh Le**

(+84 28) 3823 4798

[thanhlint@acbs.com.vn](mailto:thanhlint@acbs.com.vn)

#### Trader

**Thanh Tran**

(+84 28) 3824 7677

[thanhtt@acbs.com.vn](mailto:thanhtt@acbs.com.vn)

#### Trader

**Dung Ly**

(+84 28) 3823 4159 (x313)

[dungln.hso@acbs.com.vn](mailto:dungln.hso@acbs.com.vn)

#### Trader

**Nhi Nguyen**

(+84 28) 3823 4159 (x315)

[nhinp@acbs.com.vn](mailto:nhinp@acbs.com.vn)



## 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%.

### Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

### Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

### Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

**Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.**

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

**This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).**

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2022). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.