



PNJ Update- HOLD

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Company Update

Recommendation

HOLD

HSX: PNJ

Discretionary

Target price (VND) **81,496**

Current price (VND) **77,300**

Expected share price return 5.4%

Expected dividend yield 2.6%

Expected total return **8.0%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-13.3	-3.5	-13.3	-10.7
Relative	-20.9	-8.9	-16.7	17.4

Source: Bloomberg



Ownership

Dragon Capital	9.9%
Ms. Phuong Truong	9.2%

Stock Statistics 04/05/23

Bloomberg code	PNJ VN
52-week range (VND)	67,500-98,325
Shares O/S (m)	328
Mkt cap (VND bn)	25,387
Mkt cap (USD m)	1,063
Foreign room left (%)	0.0
Est. free float (%)	82.3
3m avg daily vol (shrs)	370,063
VND/USD	23,875
Index: VNIndex / HNX	1080.4/212.5

PHU NHUAN JEWELRY JSC (PNJ VN)

PNJ closed 2022 with glorious results. However, we project conservative growth rates for 2023 considering the cloudy economic outlook, although the company's customer segments are not the most impacted ones. Recommend **HOLD** with a target price of VND81k/shr.

PNJ announced net revenue growth of 73.3% YoY, to VND33,876bn, and EAT growth of 76.0% YoY, to VND1,811 in 2022, meeting 99.9% and 93.5% of our projections, respectively. Stunning performance in 1H22 combined with base effect in 3Q enabled the company to deliver fruitful results, though the economic picture has turned tougher since the last months of 2022.

PNJ's 2022 results	YoY growth
Net revenue	33,876 73.3%
Retail	20,756 79.7%
Wholesale	4,070 56.1%
Gold bar	8,432 74.6%
Others	618 5.5%
EAT	1,811 76.0%

Source: PNJ; ACBS's calculation

The retail segment generated 79.7% YoY revenue growth in 2022 thanks to a recovery in consumer demand post COVID-19, network expansion, effective marketing campaigns and digital transformation. By the end of 2022, PNJ had 364 stores (YE2021: 341) in operation, including 343 gold stores (YE2021: 319). We assume the company may keep expanding its store network with 20 net new stores in 2023. Sales of gold bars and high-gold-content products soared by 74.6% YoY in 2022, explained by higher demand for these products as either safe-haven assets or investments/speculation amid inflation and global geopolitical uncertainty. Wholesale revenue also rose by 56.1% YoY in 2022.

	2021	2022	2023F	2024F	2025F
Net sales (VNDbn)	19,547	33,876	35,724	40,033	44,725
Growth	11.6%	73.3%	5.5%	12.1%	11.7%
EBITDA (VNDbn)	1,486	2,491	2,678	3,056	3,468
EBITDA margin	7.6%	7.4%	7.5%	7.6%	7.8%
Net profit (VNDbn)	1,029	1,811	1,994	2,322	2,661
Growth	-3.8%	76.0%	10.1%	16.5%	14.6%
EPS (bonus-adjusted, VND)	3,182	5,284	5,700	6,573	7,458
Growth	-4.0%	66.0%	7.9%	15.3%	13.5%
ROE	18.3%	25.1%	21.8%	21.7%	21.1%
ROA	10.8%	15.1%	14.6%	15.9%	16.9%
Net debt/EBITDA (times)	1.6	0.6	0.2	0.1	(0.2)
EV/EBITDA (times)	18.1	10.8	10.0	8.8	7.7
EV/Sales (times)	1.4	0.8	0.8	0.7	0.6
PER (times)	24.3	14.6	13.6	11.8	10.4
PBR (times)	2.9	2.2	2.6	2.2	1.9
DPS (VND)	2,000	2,000	2,000	2,000	2,000
Dividend yield	2.6%	2.6%	2.6%	2.6%	2.6%

The company's overall gross margin was 17.5% compared to 18.4% in 2021, due to an 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 (59.1% in 2022 vs 60.8% in 2021) supported its bottom line. PNJ did not face pressure from increases in interest rates given that interest expense contracted by 9.6% YoY in 2022. This was thanks to lower net debt (VND1,464bn at the end of 2022 versus VND2,366bn at the end of 2021) primarily on the back of private placement (VND1,411bn) in 1Q22. Additionally, PNJ has been able to report a relatively low net interest expenses to average net debt in the past years (e.g. 3.9% in 2022, 5.5% in 2021, 5.3%-5.9% in 2016-2019).

Outlook

In 2M23, PNJ reported a 1.3% YoY decline in net revenue despite 6.4% YoY growth in EAT. Although this performance can be partially explained by the high base last year, we think weakening spending might be a reason. The company's revenue growth showed signs of slowdown in the last two months of 2022 (+17% YoY in November and -0.9% YoY in December 2022, compared with a growth rate of 40%+ in the remaining months). The wholesales segment fell by 12.8% YoY while the retail segment's growth was 25.5% YoY in November, 12.7% YoY in December 2022 and almost flat in 2M23. PNJ's customer segments, which are the mid to high-end consumers, are not the primary ones that are affected (substantially) by the economic turbulence; however, they may hardly enjoy an absolute safety.

We project the company may extend its growth momentum though the numbers are assumed to be moderate in 2023, considering the gloomy economic outlook (at least in 1H23) and the high base last year. The retail segment remains the key driver. PNJ's net revenue is projected to climb by 5.5% YoY, to VND35,724bn, and EAT is projected to climb by 10.1% YoY, to VND1,994bn. Combining DCF and PER methods, we value the stock at VND81,496/share, equivalent to a total return of 8.0% at YE2023.

PNJ FINANCIALS MODEL	Price (VND):	77,300	Target (VND):	81,496	Mkt cap (VND bn):	25,387
(VND bn except where stated)	2021	2022	2023F	2024F	2025F	
Total Net Sales	19,547	33,876	35,724	40,033	44,725	
<i>Sales growth</i>	<i>11.6%</i>	<i>73.3%</i>	<i>5.5%</i>	<i>12.1%</i>	<i>11.7%</i>	
CoGS ex-dep'n	15,874	27,870	29,373	32,882	36,705	
Selling expenses	1,688	2,828	2,965	3,302	3,667	
G&A expenses	502	674	711	796	890	
Financial revenues	16	34	17	19	21	
Financial expenses	14	47	14	15	17	
EBITDA	1,486	2,491	2,678	3,056	3,468	
<i>EBITDA margin</i>	<i>7.6%</i>	<i>7.4%</i>	<i>7.5%</i>	<i>7.6%</i>	<i>7.8%</i>	
Depreciation	75	80	81	85	89	
Operating profit	1,411	2,411	2,598	2,971	3,379	
<i>Operating profit margin</i>	<i>7.2%</i>	<i>7.1%</i>	<i>7.3%</i>	<i>7.4%</i>	<i>7.6%</i>	
Other profits/losses	(28)	(25)	1	1	1	
Profits/Losses from associates	-	-	-	-	-	
Net interest expense	104	74	61	17	(6)	
<i>as % of avg net debt</i>	<i>5.5%</i>	<i>3.9%</i>	<i>5.8%</i>	<i>3.9%</i>	<i>2.2%</i>	
<i>Interest cover (x)</i>	<i>13.5</i>	<i>32.6</i>	<i>42.3</i>	<i>173.5</i>	<i>-537.3</i>	
Tax	250	502	543	633	725	
<i>Effective tax rate</i>	<i>19.1%</i>	<i>21.5%</i>	<i>21.4%</i>	<i>21.4%</i>	<i>21.4%</i>	
Minority interest	-	-	-	-	-	
Attributable net profit	1,029	1,811	1,994	2,322	2,661	
Cash earnings	1,104	1,890	2,074	2,407	2,750	
Total number of shares	227,612,362	246,171,620	331,502,827	334,817,855	338,166,034	
EPS (VND) (after treasury shares)	4,242	7,044	5,700	6,573	7,458	
Bonus factor (x)	0.75	0.75	1.00	1.00	1.00	
Adjusted EPS (VND)	3,182	5,284	5,700	6,573	7,458	
<i>EPS growth</i>	<i>-4.0%</i>	<i>66.0%</i>	<i>7.9%</i>	<i>15.3%</i>	<i>13.5%</i>	

KEY CASHFLOW AND BS ITEMS	2021	2022	2023F	2024F	2025F
Increase in working capital	1,773	1,441	429	1,045	859
Capex	48	51	50	63	63
Change in investment in affiliates	-	-	-	-	-
Other cashflow items	-53	-326	-189	-258	-223
Free cash flow	-771	72	1,406	1,042	1,605
Share issues	(2)	1,447	66	66	67
Dividends paid	177	617	663	669	676
Increase in net debt	949	-903	-809	-439	-996
Net debt, end of year	2,366	1,464	654	215	-781
Shareholders' equity	6,013	8,444	9,841	11,560	13,611
BVPS (VND)	26,425	35,015	29,995	34,885	40,670
Net debt / equity	39.4%	17.3%	6.7%	1.9%	-5.7%
Net debt / EBITDA (x)	1.6	0.6	0.2	0.1	-0.2
Total assets	10,619	13,337	13,925	15,204	16,260

KEY RETURN AND VALUATION RATIOS	2021	2022	2023F	2024F	2025F
ROE	18.3%	25.1%	21.8%	21.7%	21.1%
ROA	10.8%	15.1%	14.6%	15.9%	16.9%
ROIC	14.8%	20.5%	20.0%	21.0%	21.6%
WACC	10.9%	11.9%	12.9%	13.2%	13.4%
EVA	3.9%	8.6%	7.2%	7.7%	8.2%
PER (x)	24.3	14.6	13.6	11.8	10.4
EV/EBITDA (x)	18.1	10.8	10.0	8.8	7.7
EV/FCF (x)	-34.8	370.8	19.1	25.7	16.7
PBR (x)	2.9	2.2	2.6	2.2	1.9
PSR (x)	1.3	0.7	0.7	0.6	0.6
EV/sales (x)	1.4	0.8	0.8	0.7	0.6
PEG (x, 3 yr prospective)	1.0	0.5	1.1	0.8	0.8
Dividend yield	2.6%	2.6%	2.6%	2.6%	2.6%

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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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