



# PNJ Update- NEUTRAL

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## Company Update

**Recommendation** **NEUTRAL**
**HSX: PNJ**
**Discretionary**
**Target price (VND)** **83,489**
**Current price (VND)** **79,000**
**Expected share price return** 5.7%

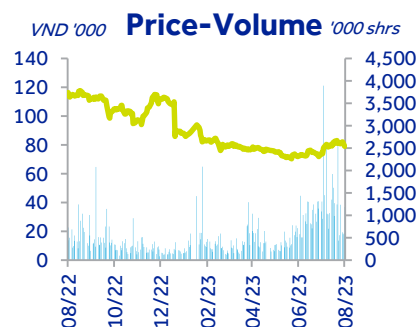
**Expected dividend yield** 2.5%

**Expected total return** **8.2%**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-9.4	7.2	5.9	-7.5
Relative	-32.2	0.8	-10.1	-6.1

Source: Bloomberg



## Ownership

VietFund Management	9.2%
Sprucegrove Inv.	5.1%
VinaCapital	4.5%

## Stock Statistics 10-Aug-23

**Bloomberg code** **PNJ VN**

52-week range (VND) 67,500-95,100

Shares O/S (m) 328

Mkt cap (VND bn) 26,306

Mkt cap (USD m) 1,110

Foreign room left (%) 0.0

Est. free float (%) 82.7

3m avg daily vol (shrs) 905,139

VND/USD 23,910

Index: VNIndex / HNX 1224.8/244.2

## PHU NHUAN JEWELRY JSC (PNJ VN)

The company reported shaky growth in light of weak consumer spending as projected in 1H23, though the results are expected to improve in 2H. Maintain **NEUTRAL** recommendation at a target price of VND83k/shr.

PNJ announced net revenue and EAT at VND6,663bn (-17.4% YoY) and VND338bn (-8.0% YoY) in 2Q23. On a cumulative basis, the company's net revenue and EAT fell by 9.6% and 0.2%YoY, to VND16,459bn and VND1,086bn, respectively, in 1H23.

PNJ's 1H23 results		YoY growth
<b>Net revenue</b>	<b>16,459</b>	<b>-9.6%</b>
Retail	9,546	-10.3%
Wholesale	1,498	-30.2%
Gold bar	5,053	-1.1%
Others	362	+41.5%
<b>EAT</b>	<b>1,086</b>	<b>-0.2%</b>

Source: PNJ; ACBS's calculation

The retail segment's revenue dropped by 10.3% YoY in 1H23, explained by the high base last year and weakening spending, which has been seen since late 2022. By the end of 1H23, PNJ had 381 stores (YE2022: 364) in operation, including 360 gold stores (YE2022: 343). Sales of gold bars and high-gold-content products contracted by 1.1% YoY while the wholesale segment slumped by 30.2% YoY in 1H23. PNJ's overall gross margin was 18.9%, compared to 17.6% in 1H22, explained by cost optimization, while the SG&A expenses to gross profit ratio climbed slightly to 54.9% vs 54.6% in 1H22.

Despite difficulties in 1H23, we expect consumer spending may see improvements toward the end of the year, fostered by softer interest rates and the government's support measures, albeit probably with a moderate pace. We assume the retail segment, the company's key earner, may narrow its decline to 8% on a whole-year basis. PNJ's 2023 net revenue is projected at VND31,568bn (-6.8% YoY), 10% lower than our previous projections but EAT may climb by 1.9% YoY, to VND1,846bn, 7% lower than our previous projections. Combining DCF and PER methods, we value the stock at VND83,489/share, equivalent to a total return of 8.2% at YE2023.

	2021	2022	2023F	2024F	2025F
Net sales (VNDbn)	19,547	33,876	31,568	35,609	39,221
Growth	11.6%	73.3%	-6.8%	12.8%	10.1%
EBITDA (VNDbn)	1,486	2,491	2,481	2,959	3,371
EBITDA margin	7.6%	7.4%	7.9%	8.3%	8.6%
Net profit (VNDbn)	1,029	1,811	1,846	2,237	2,574
Growth	-3.8%	76.0%	1.9%	21.2%	15.1%
EPS (bonus-adjusted, VND)	3,182	5,285	5,279	6,398	7,289
Growth	-4.0%	66.1%	-0.1%	21.2%	13.9%
ROE	18.3%	25.1%	20.4%	21.4%	21.0%
ROA	10.8%	15.1%	13.6%	15.5%	16.7%
Net debt/EBITDA (times)	1.6	0.6	0.3	0.1	(0.3)
EV/EBITDA (times)	18.4	11.0	11.0	9.3	8.1
EV/Sales (times)	1.4	0.8	0.9	0.8	0.7
PER (times)	24.8	14.9	15.0	12.3	10.8
PBR (times)	3.0	2.3	2.7	2.3	2.0
DPS (VND)	2,000	2,000	2,000	2,000	2,000
Dividend yield	2.5%	2.5%	2.5%	2.5%	2.5%

<b>PNJ FINANCIALS MODEL</b>	<b>Price (VND):</b>	<b>79,000</b>	<b>Target (VND):</b>	<b>83,489</b>	<b>Mkt cap (VND bn):</b>	<b>26,306</b>
(VND bn except where stated)	<b>2021</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	
<b>Total Net Sales</b>	<b>19,547</b>	<b>33,876</b>	<b>31,568</b>	<b>35,609</b>	<b>39,221</b>	
<i>Sales growth</i>	<i>11.6%</i>	<i>73.3%</i>	<i>-6.8%</i>	<i>12.8%</i>	<i>10.1%</i>	
CoGS ex-dep'n	15,921	27,921	25,643	28,766	31,573	
Selling expenses ex-dep'n	1,669	2,808	2,837	3,200	3,525	
G&A expenses ex-dep'n	473	644	600	677	745	
Financial revenues	16	34	17	19	21	
Financial expenses	14	47	24	26	28	
<b>EBITDA</b>	<b>1,486</b>	<b>2,491</b>	<b>2,481</b>	<b>2,959</b>	<b>3,371</b>	
<i>EBITDA margin</i>	<i>7.6%</i>	<i>7.4%</i>	<i>7.9%</i>	<i>8.3%</i>	<i>8.6%</i>	
Depreciation	75	80	82	88	92	
<b>Operating profit</b>	<b>1,411</b>	<b>2,411</b>	<b>2,399</b>	<b>2,871</b>	<b>3,278</b>	
<i>Operating profit margin</i>	<i>7.2%</i>	<i>7.1%</i>	<i>7.6%</i>	<i>8.1%</i>	<i>8.4%</i>	
Other profits/losses	(28)	(25)	1	1	1	
Profits/Losses from associates	-	-	-	-	-	
Net interest expense	104	74	51	26	4	
<i>as % of avg net debt</i>	<i>5.5%</i>	<i>3.9%</i>	<i>4.8%</i>	<i>5.1%</i>	<i>-1.2%</i>	
<i>Interest cover (x)</i>	<i>13.5</i>	<i>32.6</i>	<i>46.7</i>	<i>112.0</i>	<i>911.3</i>	
Tax	250	502	503	610	702	
<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	-	-	-	-	-	
<b>Attributable net profit</b>	<b>1,029</b>	<b>1,811</b>	<b>1,846</b>	<b>2,237</b>	<b>2,574</b>	
Cash earnings	1,104	1,890	1,928	2,325	2,666	
Total number of shares	227,612,362	246,171,620	328,220,621	331,502,827	334,817,855	
<b>EPS (VND) (after treasury shares)</b>	<b>4,242</b>	<b>7,044</b>	<b>5,279</b>	<b>6,398</b>	<b>7,289</b>	
Bonus factor (x)	0.75	0.75	1.00	1.00	1.00	
<b>Adjusted EPS (VND)</b>	<b>3,182</b>	<b>5,285</b>	<b>5,279</b>	<b>6,398</b>	<b>7,289</b>	
<i>EPS growth</i>	<i>-4.0%</i>	<i>66.1%</i>	<i>-0.1%</i>	<i>21.2%</i>	<i>13.9%</i>	

KEY CASHFLOW AND BS ITEMS	2021	2022	2023F	2024F	2025F
Increase in working capital	1,773	1,441	222	1,040	533
Capex	48	51	88	63	63
Change in investment in affiliates	-	-	-	-	-
Other cashflow items	-53	-326	-189	-258	-223
<b>Free cash flow</b>	<b>-771</b>	<b>72</b>	<b>1,429</b>	<b>965</b>	<b>1,848</b>
Share issues	(2)	1,447	-	66	66
Dividends paid	177	617	656	663	669
Increase in net debt	949	-903	-773	-367	-1,245
<b>Net debt, end of year</b>	<b>2,366</b>	<b>1,464</b>	<b>690</b>	<b>323</b>	<b>-922</b>
<b>Shareholders' equity</b>	<b>6,013</b>	<b>8,444</b>	<b>9,634</b>	<b>11,274</b>	<b>13,245</b>
BVPS (VND)	26,425	35,019	29,371	34,371	39,980
Net debt / equity	39.4%	17.3%	7.2%	2.9%	-7.0%
Net debt / EBITDA (x)	1.6	0.6	0.3	0.1	(0.3)
<b>Total assets</b>	<b>10,619</b>	<b>13,337</b>	<b>13,754</b>	<b>15,026</b>	<b>15,752</b>

KEY RETURN AND VALUATION RATIOS	2021	2022	2023F	2024F	2025F
ROE	18.3%	25.1%	20.4%	21.4%	21.0%
ROA	10.8%	15.1%	13.6%	15.5%	16.7%
ROIC	14.8%	20.5%	18.7%	20.6%	21.5%
WACC	11.3%	12.4%	13.4%	13.8%	14.0%
EVA	3.5%	8.0%	5.3%	6.8%	7.5%
PER (x)	24.8	14.9	15.0	12.3	10.8
EV/EBITDA (x)	18.4	11.0	11.0	9.3	8.1
EV/FCF (x)	-35.5	378.4	19.2	28.4	14.8
PBR (x)	3.0	2.3	2.7	2.3	2.0
PSR (x)	1.3	0.8	0.8	0.7	0.7
EV/sales (x)	1.4	0.8	0.9	0.8	0.7
PEG (x, 3 yr prospective)	1.2	0.5	1.3	0.8	0.8
Dividend yield	2.5%	2.5%	2.5%	2.5%	2.5%

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

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

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

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