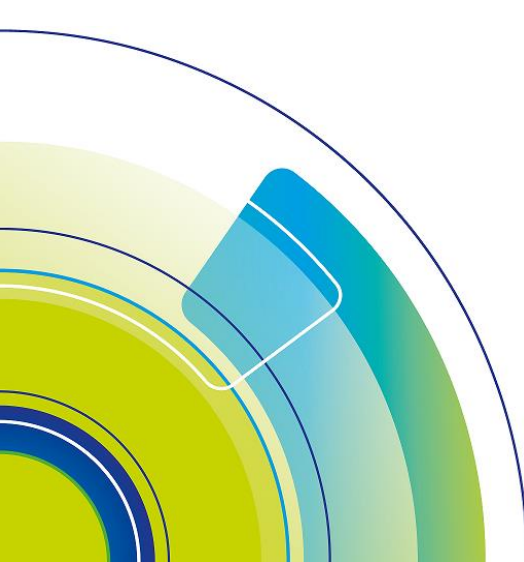




PNJ Update- HOLD

January 26, 2022



Ms. Chi Luong

(+84 28) 3823 4159 - Ext: 327

chiitk@acbs.com.vn

Company Update

Recommendation

HOLD
HSX: PNJ
Discretionary
Target price (VND) 107,454

Current price (VND) 97,000

Expected share price return 10.7%

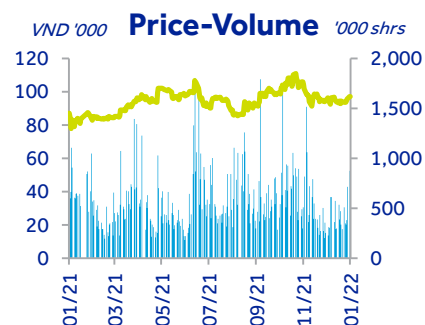
Expected dividend yield 2.1%

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
Net debt / equity	55.0%	27.0%	39.3%	33.7%	27.2%	19.6%
Net debt / EBITDA (x)	1.5	0.9	1.6	1.3	1.0	0.7
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
ROE	28.7%	21.8%	18.4%	20.1%	21.1%	21.4%
ROA	15.9%	12.5%	10.9%	11.9%	13.3%	14.5%
ROIC	21.1%	17.3%	14.7%	16.0%	17.3%	18.3%
WACC	8.3%	9.4%	8.4%	8.8%	9.0%	9.4%
EVA	12.8%	8.0%	6.3%	7.2%	8.3%	9.0%
PER (x)	19.5	22.0	23.0	18.4	15.3	13.0
EV/EBITDA (x)	14.5	15.5	16.6	13.2	11.1	9.5
EV/FCF (x)	-27.7	17.3	-31.8	54.0	44.4	32.6
PBR (x)	4.7	4.2	3.7	3.2	2.8	2.4
PSR (x)	1.3	1.3	1.1	1.0	0.9	0.8
EV/sales (x)	1.4	1.4	1.2	1.1	1.0	0.9
PEG (x, 3 yr prospective)	8.0	7.1	1.7	0.9	1.0	1.0
Dividend yield	1.9%	2.1%	2.1%	2.1%	2.1%	2.1%

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

Associate Director

Giao Nguyen

(+84 28) 3823 4159 (x250)
giaonbt@acbs.com.vn

Associate – Consumer-related,
Technology

Chi Luong

(+84 28) 3823 4159 (x327)
chiltk@acbs.com.vn

Analyst – Industrials
Phuc Tran

(+84 28) 3823 4159 (x325)
phuctta@acbs.com.vn

Associate – Consumer-related,
Technology

Trung Tran

(+84 28) 3823 4159 (x351)
trungtn@acbs.com.vn

Analyst – Derivatives
Minh Trinh Viet

(+84 28) 3823 4159 (x352)
minhtvh@acbs.com.vn

Manager – Properties

Truc Pham

(+84 28) 3823 4159
(x303)

trucptt@acbs.com.vn

Associate – Oil & Gas

Hung Phan

(+84 28) 3823 4159 (x354)
hungpv@acbs.com.vn

Analyst – Technical
Phuoc Luong

(+84 28) 3823 4159 (x250)
phuocld@acbs.com.vn

Manager – Financials

Hung Cao

(+84 28) 3823 4159
(x326)

hungcv@acbs.com.vn

Associate – Industrials

Huy Huynh

(+84 28) 3823 4159
(x325)

huyha@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Director - Head of Institutional Client

Tyler Cheung

(+84 28) 38 234 876
tyler@acbs.com.vn

Trading Manager

Huong Chu

(+84 28) 3824 6679
huongctk@acbs.com.vn

Customer Support
Institutional Client

Thanh Le

(+84 28) 3823 4798
thanhln@acbs.com.vn

Trader

Thanh Tran

(+84 28) 3824 7677
thanhtt@acbs.com.vn

Trader

Phuong Chu

(+84 28) 3823 4159 (x357)
phuongctm@acbs.com.vn

Trader

Dung Ly

(+84 28) 3823 4159 (x313)
dungln.hso@acbs.com.vn

Trader

Nhi Nguyen

(+84 28) 3823 4159 (x315)
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.