

OVERWEIGHT

Target price	176,000	VND
Closing price	147,600	VND
	07/02/2018	

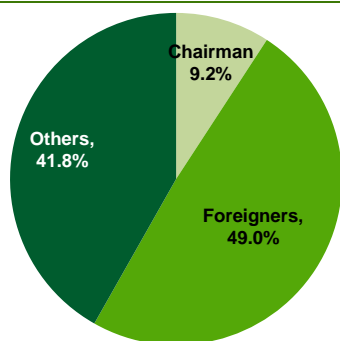
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Co. profile

Ticker	PNJ
Charter Capital (VND bln)	1,083
Outstanding shares (mln)	108
Market Capital (VND bln)	16,092
52W range (VND)	67,337-150,500
Ave. trading volume 3M	330,016
Beta	0.75
Foreign Ownership	49%
First listing date	23/03/2009

Major shareholders

Chairman	9.2%
Foreign	49%
Others	41.8%



Price movement

	3M	6M	12M
Absolute ('000 VND)	41.4	45.1	80
(%)	38%	43%	116%

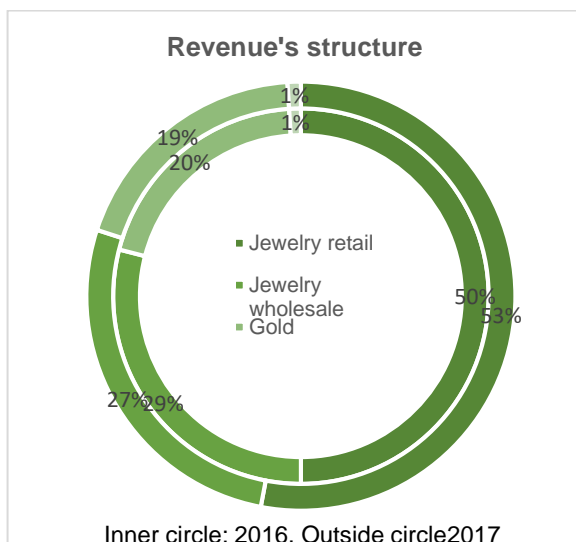


The gaining trend is still up ahead

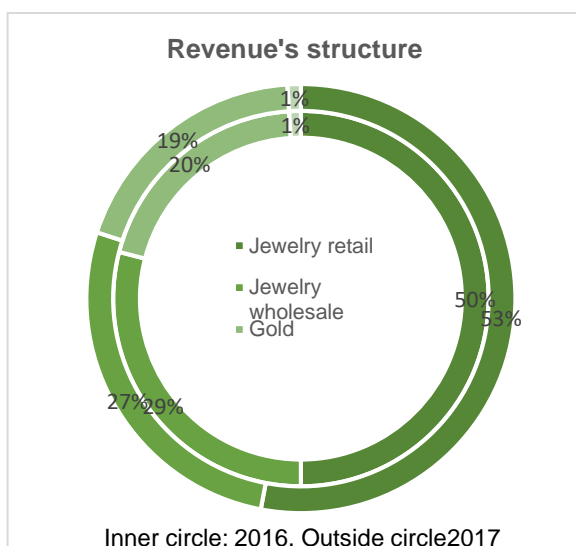
2017 business results

2017 is a remarkable year for PNJ, at least on 4 aspects:

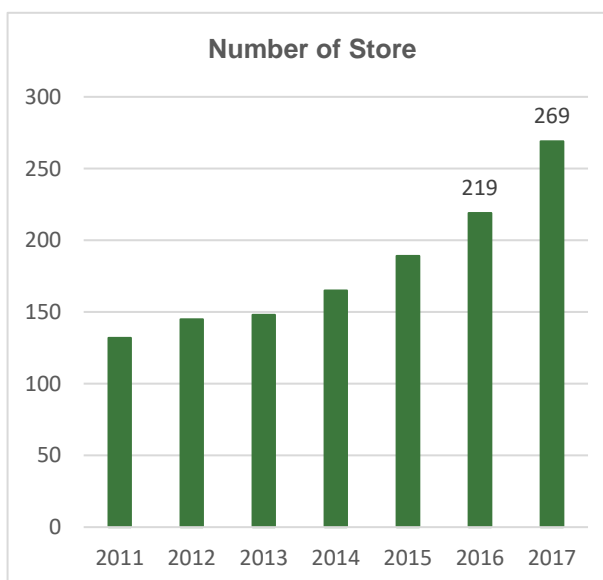
- Revenue and profit both increased strongly. According to Q4 business result report (pre-audit), PNJ ended 2017 with revenue and profit both increasing strongly. Year revenue is 10,977 billion, up by 28% YoY, revenue growth came mainly from the strong growth in jewelry retail (Up by nearly 39% YoY) with the gain from current stores and the revenue from 54 new stores opened in the year. EAT is 726 billion, up strongly by 61% YoY with lower cost after finishing the provision for the investment in Dong A Bank in 2016 and lower loan expense with lower loan because of equity growth.
- Better operational effectivity: profit margin increased further with the focus on retail which has higher margin (raising jewelry retail weight from 50% in 2016 to 53% in 2017). Retail in 2017 accounted over a half of revenue but brought nearly 90% gross profit for PNJ, so gross profit increased by 17.4% from 16% last year. Core business profit margin and EAT margin also got much better.
- Stronger financial health: during the year, PNJ has successfully mobilized nearly 1 trillion dong from the private issuance of nearly 10 million shares for 21 domestic and foreign investors, lower the loan/total asset ratio by over a half comparing to previous year (42% in 2016 comparing to 19.9% in 2017). Thanks to that, loan interest pressure also dropped strongly by 25% YoY, helping improving the profit (mentioned above).
- Expanding the market further: number of stores opened in the year is 50, higher than the target, and seeing a total number of stor at 269, mainly of which are PNJ Gold (75%, up strongly by 31% YoY).



Source: PNJ



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2018 forecast

PNJ sets target to open 67 new stores in 2018, 34% higher than 2017. 2018 is also the year for 30 year anniversary, so expectedly the enterprise will introduce many attractive programs for customers in this occasion, along with the target of reaching 300 stores in April. So we forecast year revenue at 14,160 billion (+29YoY), EAT is 906 billion (+25%YoY). Meanwhile, main revenue from jewelry retail (accounting over 50%) increased strongly by 42%, while wholesale didn't increase sremarkably since PNJ focuses on developing retail section.

Investment point of view

We still evaluate ONJ as attractive and the enterprise growth will still be positive in the next few years thanks to at least 3 elements:

- No worthy competitor:

Currently PNJ is at the top for jewelry retail and we think that there is not any enterprise that can compete with PNJ at the moment, for production ability, market weight, distributing network, and brand recognition. In the future, the competition might gest stronger but within at lesat 3 years, PNJ will still be number 1.

- Growing space is still strong:

Jewelry retail market's density is low (about 80% market belongs to small stores), and the enterprise position is mainly holding the massive market sare that hasn't been determined, and PNJ, with many advantages, is a bright candidate for this product line which has positive prospect because of the population and increasing income.

- New competing advantage using big data technology in digital era

We highly evaluate the plan for using big data, this technology helps enterprises digitalizing and discovering customer and market trend at the quickest time, therefore supplying individualizing expeniences for each costomer – one of the main elements seeing influence on purchase decision. Currently, data analysis in Vietnam enterprises is still at beginning stage, so the enterprises that strike first and exploit the technology will quickly control the market.

Evaluation

We evaluate PNJ with better prospect using FCFF method, we expect that PNJ target price is 176,000 dong/share. Comparing to current price of 147,600 on the market, we suggest OVERWEIGHT rank for this code in middle and long-term.

Discounted Cash Flow	2018	2019	2020	2021	2022
Operational profit	1,161	1,475	1,749	2,064	2,353
+ Depreciation	45	52	59	68	78
- Tax	227	295	349	412	470
- Basic construction investment	128	140	140	119	84
- Change of flowing capital	544	489	372	423	341
Free cash flow	307	603	947	1,177	1,536
Current value	278	492	699	785	926

Capital expense			
Beta	0.75	Total Current value FC	3,180
Risk compensation	11.5%	Final value (4%g)	16,441
Non-risk profit	3.8%	Total	19,620
Equity expense (rE)	12.4%	Cash & short-term investment	335
Debt expense (rD)	6.0%	Short and long-term debt	893
Debt/Total capital and debt	23.2%	Minority benefit	0
Capital/Total capital and debt	76.8%	Equity capital (billion dong)	19,062
Enterprise income tax rate	20.0%	Number of share (million)	108
WACC	10.7%	Stock price (VND)	176,346

Financial ratio (VND bln)

Income statement	2015	2016	2017	2018F
Net Revenue	7,711	8,565	10,977	14,160
Cost of goods sold	6,538	7,153	9,065	11,682
Gross profit	1,168	1,411	1,912	2,478
Selling Expenses	424	554	775	1,076
Managing Expenses	118	133	188	241
Operating profit	199	547	950	1,161
Finance profit	-429	-176	-48	-28
Interest expense	81	73	55	35
Total profit before tax	187	590	908	1,133
Profit after Tax	76	450	726	906
Profit after Tax of parent company	76	450	726	906
Balance sheet	2015	2016	2017	2018F
Current Assets	2,265	3,103	3,896	5,012
Cash and Cash Equivalents	38	155	335	436
Short term Financial Investment	0	0	0	0
Short term Account Receivables	47	63	85	110
Inventory	2,135	2,839	3,402	4,384
Other Current Assets	45	46	74	82
Non-current Assets	710	485	596	722
Long term Account Receivables	21	26	43	51
Fixed assets	486	416	487	585
Real estate investments	0	0	0	0
Capital Construction in Process	6	8	10	18
Long term Financial Investments	167	0	0	0
Other long term assets	30	36	57	68
Good Will	0	0	0	0
Total Assets	2,975	3,588	4,493	5,733
Liabilities	1,581	2,088	1,542	1,647
Short term Liabilities	1,502	2,022	1,523	1,630
Long term Liabilities	79	66	19	17
Owners equity	1,394	1,500	2,950	4,086
Common stocks	983	983	1,081	1,081
Minority Interest	0	0	0	0
Total Resource	2,975	3,588	4,493	5,733

Cash flow	2015	2016	2017	2018F
Net operating	-160	-28	107	129
Net Investing	-44	146	-102	-97
Net Financing	-30	-1	175	69
Net during the period	-234	117	180	101
Cash at beginning	272	38	155	335
Cash at end of year	38	155	335	436
Valuation				
EPS (VND)	773	4,578	6,712	8,384
BVPS (VND)	14,181	15,259	24,688	33,322
P/E	43.4	13.3	14.5	19.4
P/B	2.4	4.0	3.9	4.9
Financial ratios	2015	2016	2017	2018F
Capital Structure				
Current assets/ Total assets	76%	86%	87%	87%
Non-Current assets/Total assets	24%	14%	13%	13%
Debt/Equity	113%	139%	52%	40%
Debt/Total assets	53%	58%	34%	29%
Interest coverage ratio	3.3	9.1	17.5	33.4
Liquidity				
Current ratio	1.5	1.5	2.6	3.1
Quick ratio	0.1	0.1	0.3	0.4
Efficiency				
Inventory Days	99.7	126.9	137.0	137.0
Receivables Days	2.8	2.3	2.8	2.8
Payables Days	10.7	16.6	11.9	11.1
Current assets turnover	3.8	3.2	2.8	2.8
Fixed assets turnover	16.4	19	22.5	24.2
Total assets turnover	2.7	2.6	2.4	2.5
Profitability				
Gross margin	15.0%	16.0%	17.4%	17.5%
Operating margin	3.0%	6.0%	8.7%	8.2%
Net profit margin	5.0%	5.0%	6.6%	6.4%
ROE	30.0%	34.0%	24.6%	22.2%
ROA	14.0%	14.0%	16.2%	15.8%

Source: PNJ and PHS estimation

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