

Overcoming challenges.

HOLD [+7.2%]

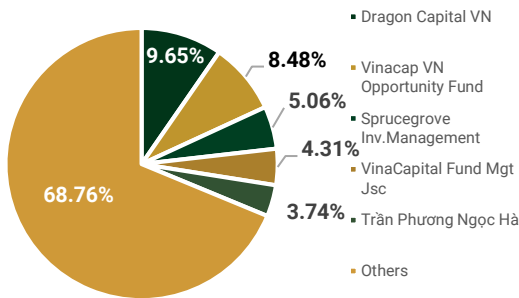
Updated: 31/07/23

Fair price 89,000 VND
Current price 83,000 VND

STOCK INFORMATION

Outstanding shares (mil) 327.9
Free float (mil) 278.8
Market cap. (billion VND) 26,830
3m avg. volume (shares) 1,040,496
Foreign ownership (%) 48.2%
First listing date 03/08/2015

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



VALUATION HISTORY



Business result: At the end of Q2, PNJ's accumulated revenue and net profit after tax reached VND 16,459 billion (-9.6% YoY) and VND 1,083 billion (-0.5% YoY), respectively, completing 46.2% and 55.9% of the annual plan. Retail revenue, compared to the same period in 2022, decrease by 10.3% while gross profit margin slightly increase to 18.9% from 17.6% maintained in the planned profit margin range of 17%-20%.

Forecast: Due to the weakening purchasing power and sensitivity of jewelry sales to the economic condition, we expect the company's revenue and net profit after tax to reach VND 30,673 billion (-9.5% YoY) and VND 1,729 billion (-4.5% YoY) respectively in 2023.

Valuation & Recommendation: PNJ's business is facing a headwind in the incoming two quarters. Our analysis reveal that PNJ short-term prospect will be getting blur. By using DCF and Multiple methods, we derive the fair price of VND 89,000 per share. Thus, our recommendation is HOLD with a potential upside of 7.2%. Our model has reflected the base-case estimation for the next 5-year period.

Investment risks: (1) Risk of deteriorating purchasing power in the second half of 2023 (2) Risk of competition from new competitors.

Investment highlights:

Recovery is far from sight...

Looking back at past business cycles, it is not difficult to see the seasonality in the jewelry and gold business. The peak season for jewelry sales falls in Q1 and Q4 each year. The highest point generally is be in Q1, as it coincides with major shopping occasions such as preparing for Tet holiday, Vietnamese Women's Day, International Women's Day, etc.

As of the end of H1 2023, the company had completed 46.2% of its annual revenue target and 55.9% of its profit target, with a gross profit margin of 18.9%, up 1.3 percentage points YoY. The company attributed this positive result to the application of marketing and product strategies with higher profit margin.

However, we believe that the profit target of VND 1,937 billion in 2023 will be a challenge for the company in the remaining half of the year, as we mentioned earlier that Q1 will be the quarter with the highest profit and revenue of the year, and so far the company has only achieved 55% of its annual business plan. We forecast that the company will open 20 new stores with an average SSSG (same-store sales growth) of -15.0% YoY.

Financial indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (billion VND)	14,571	17,001	17,511	19,547	33,876	30,673
Net Profit (billion VND)	960	1,194	1,069	1,029	1,811	1,729
EPS (VND)	6,481	4,896	4,308	4,197	5,223	5,041
EPS Growth (%)	0.7%	-24.5%	-12.0%	-2.6%	24.4%	-3.5%
Book Value (VND)	25,290	18,773	21,122	24,526	34,302	29,647
P/E	17.00	11.36	20.09	26.39	16.96	12.17
P/B	4.36	2.96	4.09	4.80	2.58	3.00
Cash dividend (%)	16.2%	15.3%	15.8%	8.0%	20.0%	15.0%