

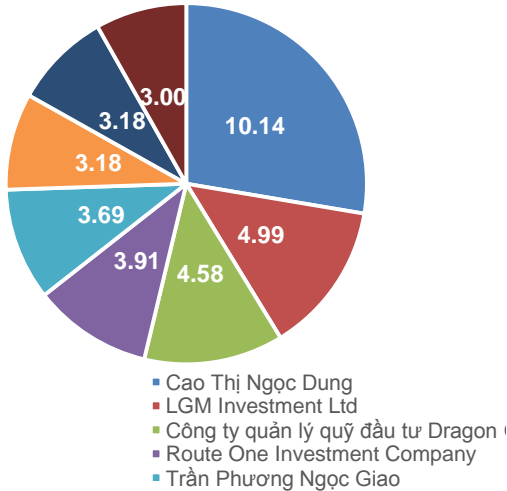
PNJ – PHU NHUAN JSC (HOSE)

Industry: Manufacture & Manufacturing synthetic metal product

Mkt Cap (VND bil)	9,360	Avrg Volume 10 days	326,790	Free float	53%
Charter Cap (VND bil)	982	Price range 52W	57,000 – 100,000	Outs share (mil)	98.2 mil

Recommendation	BUY
Target price	123,000
Upside	24%
Current price	99,000

Shareholders



Management

Chairwoman	Cao Thị Ngọc Dung
CEO	Cao Thị Ngọc Dung
Chief Accountant	Dương Quang Hải

Technical Chart



What's happening?

- **PNJ continues to maintain its leading position in Jewelry market with 2016 market share increases to 26.5%:** After 5 years of the restructuring plan 2012 – 2022, PNJ has increased its number of store from 147 to 219 and doubled its market share in branded jewelry market from 12% to 26.5%. PNJ plans to open additional 80 stores during 2017 – 2018 and increase the total number of stores to 300 by the end of 2018.
- **Demand for Jewelry is high with CAGR at 10%.** CAGR 2012 - 2016 was 11%. Consumers are switching from owning gold bars to owning branded gold jewelry because the SBV is restricting trading gold bars to unlicensed stores. PNJ will benefit from this thanks to large number of stores as well as its brand name.
- **Increase production capacity, keeping up with the expansion speed.**
- PNJ plans to issue 9.83 million shares, transferable after a year starting from issuance date. Minimum asking price is no less than 10% - 15% of the closing price in 13/6, which was VND95,800. The total amount collected will be used for retail development.

What we think?

- **Impressive results from Gold Jewelry segment.** 6 months 2017, PNJ recorded VND5,545 bil in net revenue (+41% yoy), net profit is estimated at VND376 bil (+54%). If removing the abnormal profit and provision in 2016, net profit from core business would increase 35% yoy. **2017 net profit is expected to reach VND700 bil, equivalent with P/E (2017) = 13.6x.**
- **High expectation for reversal provision of 38.5 million EAD shares.** Currently, EAD is traded at VND6,700 on OTC. The total provision is VND378 bil.

What should the investors do?

- **Valuation:** there is still room to grow as middle income class continues to increase. **CAGR 2017 – 2022 is expected to reach 20% - 30%.**
- **PNJ is suitable for value and long-term investors.**
- **FCFE valuation result is VND123,000/share (upside 24%), equivalent with P/E 2017 = 15.9x (subtracted fund).** We think it is a reasonable valuation for positive growth prospect of a leading company in retail sector.

Sales & Trading KHCC

Nguyễn Khắc Nam