

Phu Nhuan Jewelry Joint Stock Company (PNJ)

Add (Maintained)

CONSUMER GOODS

Current price	VND79,100
52Wk High / Low	VND92,241/68,984
Target Price	VND99,900
Last Updated	17/07/2023
Last Rating	ADD
TP vs Consensus	6.1%
Upside	24.1%
Dividend Yield	2.1%
Total stock return	23.7%

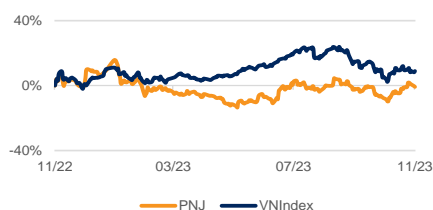
Growth rating	Positive
Value rating	Positive
ST Technical	Positive

Market Cap	US\$1,070.3m
3m Avg daily value	US\$1.7m
Avail Foreign Room	US\$0.0m
Outstanding Shares	328.0m
Fully diluted O/S	328.0m

	PNJ	VNI
P/E TTM	14.4	13.5
P/B Current	2.8	1.6
ROA (%)	13.9%	2.0%
ROE (%)	20.3%	11.7%

*as of 28/11/2023

Share price performance



Share price (%)	1M	3M	12M
Ordinary share	7.5	-0.6	-4.1
Relative to VNI Index	4.28	8.48	-12.21

Ownership

Vietnam Enterprise Investments	10.3%
Cao Thi Ngoc Dung	9.0%
Others	80.7%

Business description

PNJ was established in 1988 with a vision of "becoming Asia's leading jewelry manufacturing and retail company". After more than 30 years of development, PNJ has emerged as the leader in Vietnam's branded retail jewelry market, with excellent quality items and various styles.

Analyst(s):



Hien Ha Thu

hien.hathu@vndirect.com.vn

A good start of the peak season

- We retain our ADD rating with 24.1% upside. We revised up our TP by 3.8% to **VND99,900** and the share price has increased 1.1% since our last report.
- Our TP increased due to the WACC revision and rolling the DCF model to FY24.
- PNJ's TTM P/E of 14.4x is below the 3-year average of 17.0x and undervalues the growth prospect.

Financial Highlights

- Revenue/store/month trended down from January to September 2023. Revenue/store/month for 9M23 declined 24.6% yoy.
- PNJ's high season runs from October to February. Oct 2023 net revenue improved by 1.6% yoy and 33.6% mom while operating profit increased by 11.4% yoy, making expectations for a strong high season this year.
- Gross margin expanded by 1.7% pts yoy in Oct 2023 thanks to: 1) the change in product mix; and 2) optimizing production activities.

Investment Thesis

Leading branded jewellery market with a strong retail store system

PNJ is dominating jewelry market with statistical jewelry market share of more than 55% and a strong upper mid- to high-end customer base that is less affected by inflation. The company owns the largest distribution store chain in the jewelry segment with 394 stores, which outperforms its competitors. In addition, we believe that PNJ can gain more market share from non-branded jewelry stores as consumers tend to prefer branded jewelry.

Riding the long-term growth of Vietnam's wealth

According to McKinsey, Vietnam's consumer class will increase by 36m people (spending at least 11 US\$/day) in 2021-30. The two highest consumer classes (spending at least 30 USD/day) are growing at the fastest rate and could account for 20% of Vietnam's population by 2030. Therefore, we expect jewelry demand increase following the middle- and high-class growth.

Expansion plans & branding strategies support earnings growth

We forecast net profit to grow 5.7%/6.6%/13.5% in FY23-25 thanks to rapid store expansion and gross margin improvement. In the long run, we expect attractive marketing concepts and effective advertising campaigns bring branding strategies to fruition. Moreover, co-operating with global brands to become "Multi-Branded Stores" and increasing digitalization are expected to prompt NP with a CAGR of 11.2% for FY23-26.

Compelling valuation for the leader in jewellery market

PNJ is trading at a P/E of 14.4x, well below its 3-year average su P/E of 17.0x and the peer average of 16.4x. This valuation looks attractive given the company's earnings outlook and dominant position in Vietnam's jewelry market.

Financial ratio (%)	12-22A	12-23E	12-24E	12-25E
Net revenue (bn)	33,876	32,799	35,990	39,665
Revenue growth	73.3%	(3.2%)	9.7%	10.2%
Retail	92.6%	-0.7%	10.7%	10.0%
Gold bar	96.4%	2.2%	9.5%	10.4%
Wholesale	52.0%	-30.0%	2.0%	10.0%
Gross margin	17.5%	19.2%	19.5%	19.5%
EBITDA margin	7.4%	7.9%	7.7%	7.9%
Net profit growth	76.2%	5.7%	6.6%	13.5%
P/E (x)	17.0	10.4	13.6	12.8
ROAE	21.0%	18.5%	16.5%	15.7%

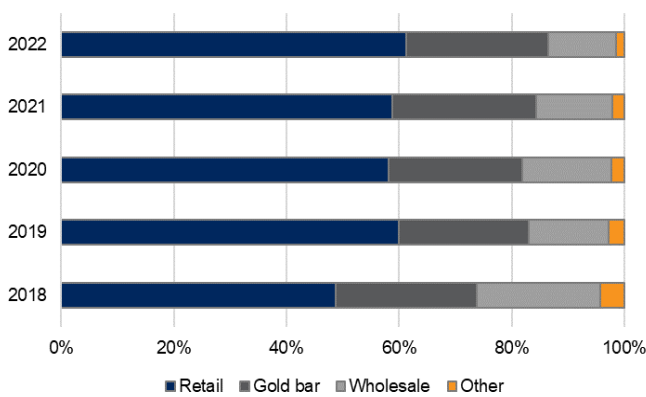
Source: VNDIRECT RESEARCH

Company Profile

Established in 1988, with more than 30 years of development, PNJ has emerged as the leader in Vietnam's branded retail jewellery market, with excellent-quality items and various styles after more than 30 years of development.

- PNJ is a manufacturer and retailer that supplies jewelry products, including gold jewelry, silver jewelry, and diamonds (accounting for about 62% of total revenue). Besides, the company also supplies 24K gold (accounting for 25.3% of revenue) and processes jewelry for other domestic wholesale customers (accounting for 12% of total revenue).
- Among peers, PNJ has a great competitive advantage in production capacity with two factories in Go Vap and Long Hau (total capacity of over 4.0 million products/year) owning more than 1.000 artisans and goldsmiths.
- As of Oct 2023, the company has managed an extensive retail system with more than 390 brand stores that are constantly being expanded and upgraded. Moreover, an omni-channel sales system through the website and mobile applications provides customers with a comprehensive experience in promotions and customer care that are regularly refreshed.
- PNJ owns an experienced, enthusiastic, and dynamic management team, who have an average of 20 years of experience. Currently, the company is dominating the jewellery market with a statistical jewellery market share of more than 55% and a strong upper mid- to high-end customer base.

Figure 1: PNJ's revenue divided by segment



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 2: PNJ's wide portfolio of product line



Source: VNDIRECT RESEARCH, COMPANY REPORT

3Q23 and 10M23 recap

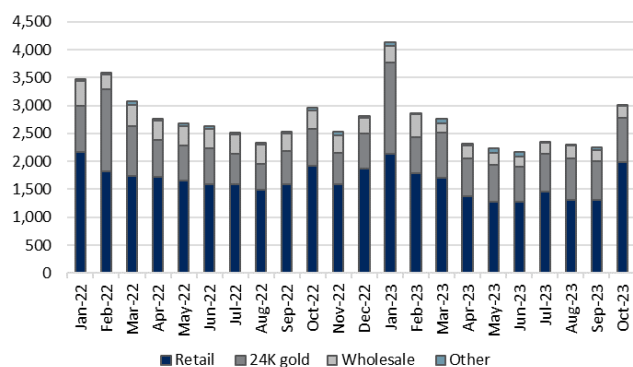
Remarkable gross profit improvement in Oct 2023

Figure 3: 3Q23 and 10M23 results

VNDbn	3Q23	3Q22	yoy	10M23	10M22	yoy	VND forecast	% vs VND forecast	Comment
Revenue	6,918	7,364	-6.1%	26,384	28,535	-7.5%	33,041	79.9%	
Retail	4,083	4,673	-12.6%	15,619	17,264	-9.5%	20,541	76.0%	In Oct, retail sale improved 3.6% yoy and 51.6% mom thanks to annual peak business season and Vietnamese Women's Day on 20 October.
24K gold business	2,100	1,591	32.0%	7,942	7,385	7.5%	8,600	92.3%	In line with our forecast as demand for hoarding gold bars increased in the context of global geopolitical instability to push gold price higher.
Wholesale	629	997	-36.9%	2,348	3,481	-32.5%	3,250	72.2%	
COGS	5,720	6,116	-6.5%	21,503	23,570	-8.8%	26,738	80.4%	
Gross profit	1,198	1,248	-4.0%	4,881	4,965	-1.7%	6,303	77.4%	
Gross margin	17.3%	16.9%	0.4 % pts	18.5%	17.4%	1.1 % pts	19.1%	-0.6 % pts	Gross margin expanded 1.7% pts yoy in Oct 2023 thanks to 1) the change in product mix and 2) optimizing production activities and operating costs which helped to improve gross margins of most products. Therefore, blended gross margin increase 1.1% pts yoy in 10M23.
SG&A expenses	854	893	-4.3%	2,904	2,929	-0.9%	3,793	76.6%	
G&A expenses	175	167	4.7%	N/a	N/a	N/a	726	N/a	
Selling expenses	679	726	-6.4%	N/a	N/a	N/a	3,067	N/a	
S/Revenue	9.8%	9.9%	0.0 % pts	N/a	N/a	N/a	9.28%	N/a	
G&A/Revenue	2.5%	2.3%	0.3 % pts	N/a	N/a	N/a	2.20%	N/a	
SG&A/Revenue	12.4%	12.1%	0.2 % pts	11.0%	10.3%	0.7 % pts	11.48%	-0.5 % pts	
Operation profit	343	355	-3.3%	1,977	2,036	-2.9%	2,510	78.8%	In Oct 2023, operating profit increase 11.4% yoy which showed a good start to the peak season.
Operation profit margin	5.0%	4.8%	0.1 % pts	7.5%	7.1%	0.4 % pts	7.6%	-0.1 % pts	
Net financial income	(9)	(26)	N/a	N/a	N/a	N/a	(85)	N/a	
Pre-tax profit	313	330	-5.0%	N/a	N/a	N/a	2,405	N/a	
Pre-tax margin	4.5%	4.5%	0.1 % pts	N/a	N/a	N/a	7.3%	N/a	
Net profit	253	252	0.4%	1,533	1,487	3.1%	1,924	79.7%	Net profit in 10M23 surged 3.1%, fulfilling 79.7% our full-year forecast
Net margin	3.7%	3.4%	0.2 % pts	5.8%	5.2%	0.6 % pts	5.8%	0.0 % pts	

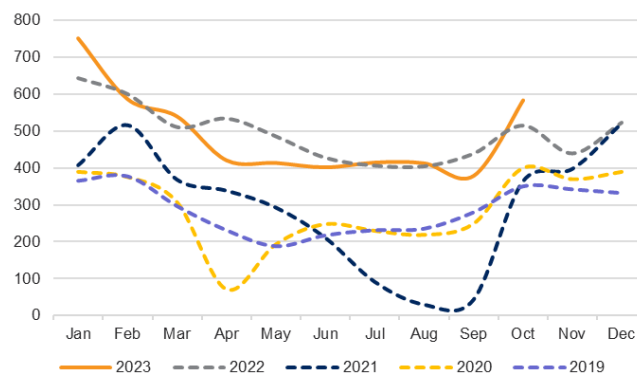
Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 4: PNJ's net revenue (VNDbn) improved 33.6% mom Oct 2023



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 5: PNJ's gross profit (VNbn) jumped 13.2% yoy in Oct 2023



Source: VNDIRECT RESEARCH, COMPANY REPORT

FY24F outlook: Healthy earning growth

Maintain the best jewelry retail chain in Vietnam

Figure 6: Change in FY23-24F earnings forecasts to in line with 10M23 figures

	2023F			2024F			2025F		
	Old	New	Change	Old	New	Change	Old	New	Change
VNDbn									
Revenue	33,041	32,799	-0.7%	36,225	35,990	-0.6%	39,927	39,665	-0.7%
% yoy	-2.5%	-3.2%	-0.7% pts	9.6%	9.7%	0.1% pts	10.2%	10.2%	0.0% pts
Retail	20,541	20,541	0.0%	22,735	22,735	0.0%	25,002	25,002	0.0%
Goldbar	8,600	8,764	1.9%	9,415	9,594	1.9%	10,398	10,592	1.9%
Wholesale	3,250	2,844	-12.5%	3,315	2,901	-12.5%	3,647	3,191	-12.5%
COGS	(26,738)	(26,508)	-0.9%	(29,203)	(28,980)	-0.8%	(31,940)	(31,916)	-0.1%
Gross profit	6,303	6,291	-0.2%	7,022	7,010	-0.2%	7,987	7,749	-3.0%
% yoy	6.3%	6.1%	-0.2% pts	11.4%	11.4%	0.0% pts	13.7%	10.5%	-3.2% pts
Gross profit margin	19.1%	19.2%	0.1% pts	19.4%	19.5%	0.1% pts	20.0%	19.5%	-0.5% pts
Selling expense	(3,067)	(3,067)	0.0%	(3,543)	(3,543)	0.0%	(3,559)	(3,819)	7.3%
G&A expense	(726)	(726)	0.0%	(800)	(800)	0.0%	(842)	(903)	7.2%
SG&A expense	(3,793)	(3,793)	0.0%	(4,343)	(4,343)	0.0%	(4,401)	(4,722)	7.3%
Selling expense / revenue	9.3%	9.4%	0.1% pts	9.8%	9.8%	0.0% pts	8.9%	9.6%	0.7% pts
G&A expense / revenue	2.2%	2.2%	0.0% pts	2.2%	2.2%	0.0% pts	2.1%	2.3%	0.2% pts
SG&A expense / revenue	11.5%	11.6%	0.1% pts	12.0%	12.0%	0.0% pts	11.0%	11.9%	0.9% pts
Operating profit	2,510	2,498	-0.5%	2,679	2,667	-0.4%	3,586	3,027	-15.6%
% yoy	3.5%	3.0%	-0.5% pts	6.7%	6.8%	0.1% pts	33.9%	13.5%	-20.4% pts
Net financial expense	(85)	(84)	-1.2%	(93)	(92)	-1.1%	(102)	(102)	0.0%
Profit before tax	2,405	2,394	-0.5%	2,563	2,552	-0.4%	3,457	2,898	-16.2%
Net profit	1,924	1,915	-0.5%	2,050	2,042	-0.4%	2,766	2,318	-16.2%
% yoy	6.2%	5.7%	-0.5% pts	6.5%	6.6%	0.1% pts	34.9%	13.5%	-21.4% pts

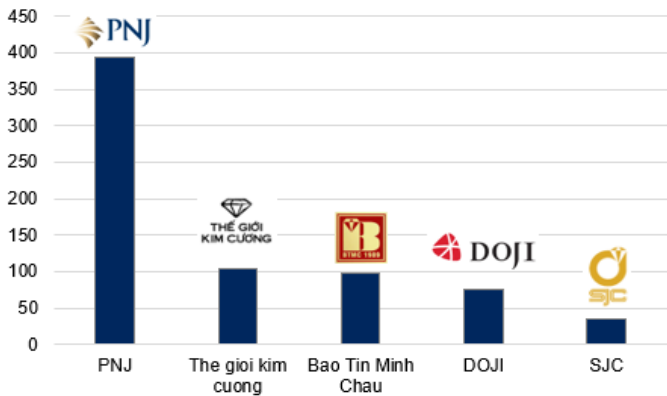
Source: VNDIRECT RESEARCH, COMPANY REPORT

Retains the largest market share through rapid store expansion

PNJ has rapid store expansion in 10M2023 with 394 stores, which outperforms its competitors such as Doji and SJC. Since the beginning of 2023, PNJ has continuously structured its store system to optimize operations, while kept opening new stores in other areas to increase brand coverage. In which, PNJ opened 38 new stores and closed 8 stores (6 PNJ stores and 2 PNJ Watch) in 10M23. According to management, the company is implementing a store expansion strategy, especially in tier-2 and tier-3 cities to increase branded jewelry coverage. The company has successfully built a customer base in these areas with double-digit growth in the number of new customers, accounting for 40% of PNJ's total customer base.

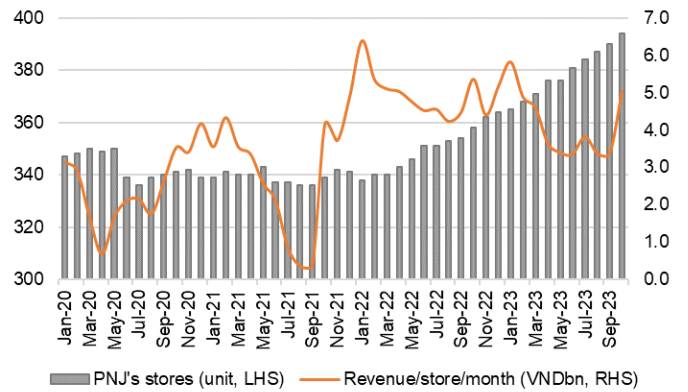
We also see that the number of non-branded jewelry stores in Vietnam is gradually decreasing due to 1) shrinking in scale due to declining consumers' income leading to lower shopping demand; and 2) consumers prefer branded jewelry. In 3Q23, jewelry consumption demand in Vietnam decreased by 14% yoy according to the World Gold Council while PNJ's retail revenue recorded a lesser decline of 12.6% yoy. Therefore, we believe that PNJ gained market share from non-branded jewelry stores in 3Q23. Therefore, we expect the number of stores to increase 8.0%/8.2%/7.4% yoy in FY23-25F.

Figure 7: PNJ's number of stores compared to competitors at 10M23



Source: VNDIRECT RESEARCH, COMPANY WEBSITE

Figure 8: PNJ's store and revenue per store from Jan 2020 to Oct 2023



Source: VNDIRECT RESEARCH, COMPANY REPORT

Keep releasing new collections and marketing programs to attract customers

We forecast PNJ's net revenue to decline slightly by 2.5% yoy in FY23F due to weak demand but increase 9.6%/10.2% yoy in FY24-25F. In September 2023, PNJ launched the wedding jewelry collection "Trau cau" imbued with Vietnamese culture, which quickly became the preferred choice of many couples on their wedding day (including many Key opinion leader couples). Then in October, the company proactively launched marketing programs to stimulate year-end shopping demand such as organizing wedding fairs at flagship stores, introducing new collections (the Trust collection and Sunnyva collection), and sponsoring TV shows and music shows. We expect PNJ to keep serving the mass market by launching new, fashionable collections at affordable prices to attract middle-income buyers, which are forecast to recover their consumption in the upcoming time. We believe the new collections and marketing programs will be key growth drivers for revenue in FY24-25F. We also see that despite launching many marketing programs, costs were managed well with its SG&A/revenue ratio remaining stable at 11%-12%.

Figure 9: The wedding jewelry collection "Trau cau"



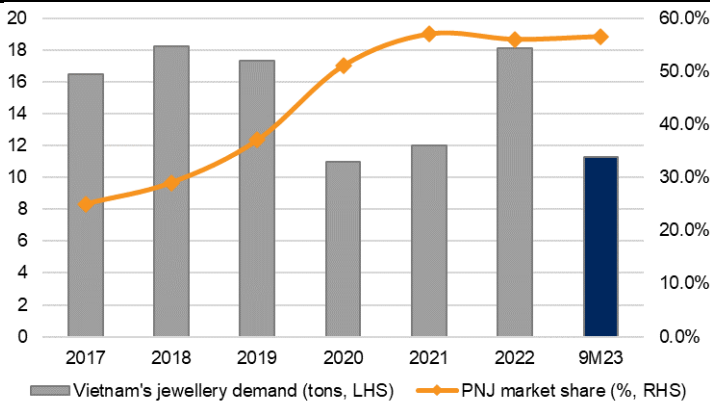
Source: VNDIRECT RESEARCH, COMPANY WEBSITE

Figure 10: The Trust collection and Sunnyva collection



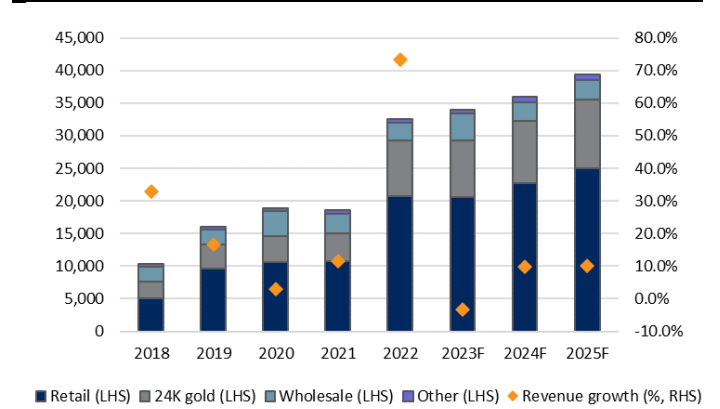
Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 11: Vietnam's jewellery demand and PNJ's market share from 2017 to 9M23



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 12: PNJ's revenue forecast in FY23-25F



Source: VNDIRECT RESEARCH, COMPANY REPORT

Earnings growth remain healthy

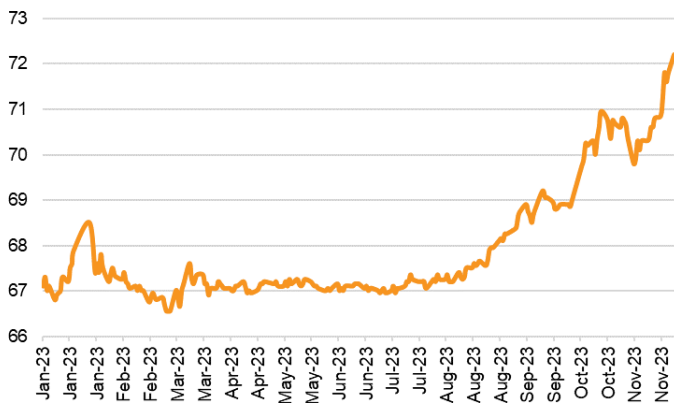
Benefit from gold price increase thanks to inventory advantages

Domestic gold prices continued set a new peak on November 27. SJC's gold selling price had increased VND1.5m/tael compared to last month and VND5.1m/tael compared to the beginning of the year. Domestic gold prices have increased sharply as 1) the domestic gold price tends to move in line with the global gold price; and 2) there is increasing demand for gold investment as bank deposit interests decline.

We expect PNJ's results will still benefit from this growth trend in the short-term due to:

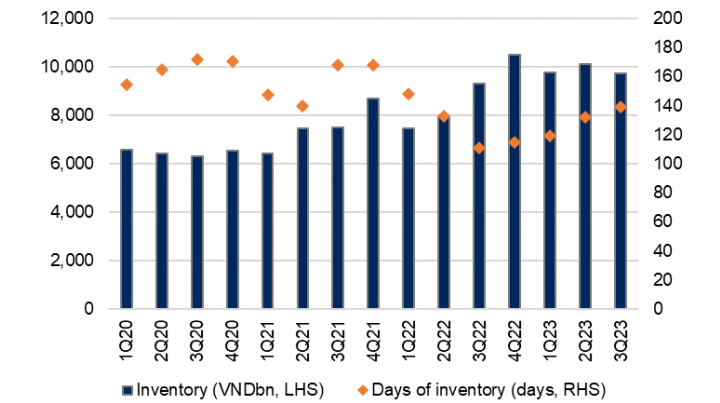
- Large inventories accumulated from the previous year's give PNJ an advantage of lower cost of goods sold, leading to a stable gross margin during the period of high domestic gold prices.
- In the context of increasing demand for gold transactions, the company also benefits from the spread between buying/selling prices of gold bars.

Figure 13: Vietnam gold prices in Jan – Nov 2023 (unit: VNDm/tael)



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 14: PNJ's inventory in 1Q20-3Q23



Source: VNDIRECT RESEARCH, COMPANY REPORT

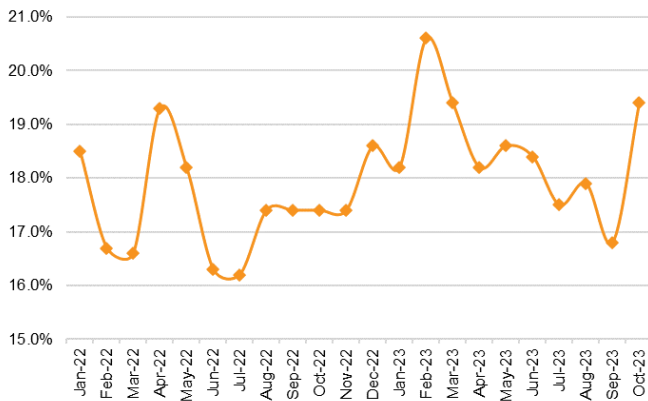
Stable earnings growth in FY24-25F

In FY23-24F, we expect net profit to increase 5.7%/6.6% yoy due to:

- We forecast net revenue to decline slightly by 3.2% yoy in FY23F due to weak demand and improve by 9.7% yoy in FY24F.
- Gross margin forecast expands by 1.6%/0.3% pts yoy in FY23-24F as the company keeps intensifying efforts in each product's gross margin optimization.
- We expect SG&A expenses/revenue to extend 1.2%/0.5% pts yoy mainly due to 1.0%/0.5% pts yoy increase in as % selling expenses out of revenue following rapid store expansion.

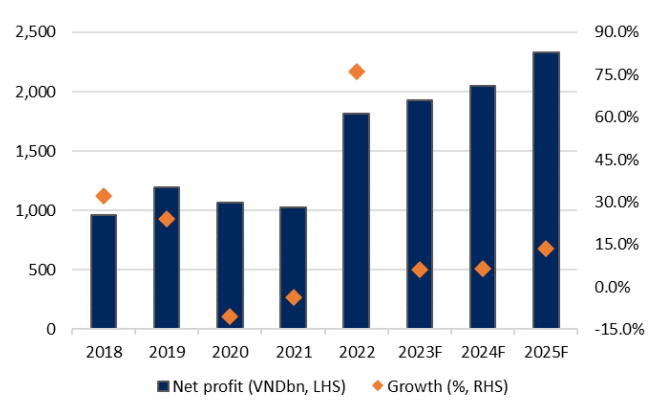
In FY25F, we expect net profit to soar by 13.5% mainly thanks to 10.2% yoy increase in net revenue while gross margin remains flat compared to FY24F.

Figure 15: PNJ's gross margin (%) from Jan 2022 to Oct 2023



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 16: PNJ's net profit forecast in FY23-25F



Source: VNDIRECT RESEARCH, COMPANY REPORT

Valuation: Higher TP of 99,900 on FCFF and P/E methods

We revise up our DCF-based TP by 3.8% due to mixed impact of: 1) rolling forward our valuation base year to FY24F; 2) lower WACC from 10.9% to 9.2% as we lowered our risk-free rate from 3% to 2.7% (based on 10-year bond yield as of Sep 30) and [equity risk premium](#) from 10% to 9.6%; and 3) target P/E of 17.0x (PNJ's 3- year average P/E) applied on average FY23-24F EPS.

Potential re-rating catalysts include 1) faster-than-expected store opening and 2) new projects/collections/concepts which are expected to boost sales.

Downside risks include 1) slower-than-expected store expansion/sales, especially PNJ's jewellery retail sales, and 2) weaker-than-expected jewellery demand in 2H23F.

Figure 17: Valuation summary

Methodology	Price	Weight	Weighted price
FCFF	97,300	50%	48,650
P/E	102,493	50%	51,247
Average price			99,897
Target price (Rounded)			99,900

Source: VNDIRECT RESEARCH

Figure 18: Valuation: Multiples (P/E)

Average FY23-24F NPAT attribute to common share holder (VNDbn)	1,979
No. of outstanding share	328,169,188
Average FY23-24F EPS (VND)	6,029
Target P/E	17.0
Implied price	102,493

Source: VNDIRECT RESEARCH

Figure 19: Assumptions

Cost of Capital	
Beta	0.8
Market Risk Premium	9.6%
Risk Free Rate	2.7%
Cost of Equity	10.8%
Cost of Debt	6.2%
Corporate Tax Rate	21.7%
WACC	9.3%

Source: VNDIRECT RESEARCH

Figure 20: Target price

DCF Method	Amount	Unit
PV of Free Cash Flows	8,589	VNDbn
PV of Terminal Value (2.0% growth)	25,143	VNDbn
Enterprise value	33,732	VNDbn
Cash and cash equivalents	880	VNDbn
Total debts	(2,683)	VNDbn
Equity Value	31,929	VNDbn
Shares	328	million
Price per share	97,300	VND/share

Source: VNDIRECT RESEARCH

Figure 21: DCF Valuation - Summary of free cash flow (FCF)

	2024	2025	2026	2027	2028
EBIT	2,667	3,027	3,439	3,922	4,219
Depreciation	91	104	120	132	144
Capex	(227)	(261)	(200)	(219)	(241)
Change in working cap	(1,525)	(1,354)	(1,609)	(1,052)	(983)
Free Cash Flows	496	936	1,091	2,029	2,327
Tax	(510)	(580)	(659)	(754)	(812)
Free Cash Flows to Firm	496	936	1,091	2,029	2,327
Terminal Value					39,246
Present Value of FCF	454	783	835	1,421	1,491
PV of terminal value					25,143

Source: VNDIRECT RESEARCH

Figure 22: Peer comparison (data as at 29 Nov 2023)

Company	Country	Mkt cap US\$m	TTM net revenue US\$m	TTM Net		Debt/equity x	ROE %	TTM P/E x	Adj.P/E x	LQ P/B x	
				yoy %	profit US\$m						
Chow Tai Fook Jewellery Group	Hongkong	14,233	12,473	-4.0	858	2.0	101.5	22.8	16.9	11.8	4.2
Chow Sang Sang Holdings Intern	Hongkong	779	N/a	10.0	101	40.0	21.3	3.9	4.6	3.2	0.5
Citizen Watch Co Ltd	Japan	1,441	2,211	5.0	158	-9.0	29.3	9.3	9.7	11.1	0.9
Luk Fook Holdings Internationa	Hongkong	1,646	1,774	19.0	200	12.0	7.2	7.3	8.3	9.5	1.0
PC Jeweller Ltd	India	157	308	54.0	-25	48.0	101.2	-5.4	N/a	N/a	0.4
Asian Star Co Ltd	India	172	558	1.0	10	-12.0	43.8	6.0	15.9	23.3	1.0
Average							43.8	6.0	12.1	16.4	1.0
Median							50.7	2.6	12.1	16.4	0.8
Phu Nhuan Jewelry JSC	Vietnam	1,088	1,330	-2.8	76	0.9	18.2	20.4	14.4	14.4	2.8

Source: VNDIRECT RESEARCH, BLOOMBERG

Figure 23: Sensitivity of valuation assumption

Terminal growth rate	Cost of equity						
	9.9%	10.2%	10.5%	10.8%	11.1%	11.4%	11.7%
1.1%	103,600	101,800	100,100	98,600	97,000	95,500	94,200
1.4%	104,200	102,400	100,600	99,000	97,300	95,900	94,400
1.7%	104,900	102,900	101,100	99,400	97,700	96,200	94,700
2.0%	105,600	103,500	101,600	99,900	98,100	96,500	95,000
2.3%	106,300	104,200	102,200	100,400	98,500	96,900	95,300
2.6%	107,100	104,900	102,800	100,900	99,000	97,300	95,700
2.9%	108,000	105,700	103,500	101,500	99,500	97,700	96,000

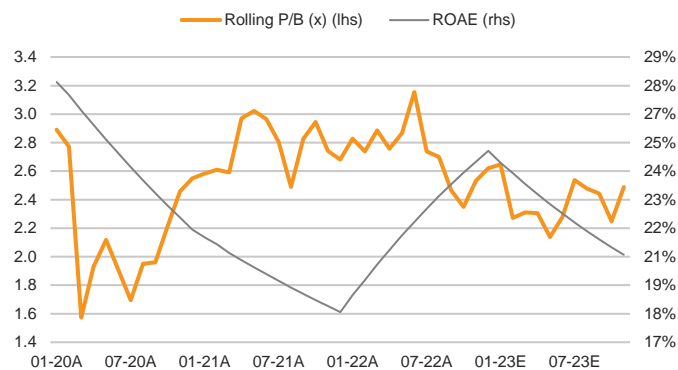
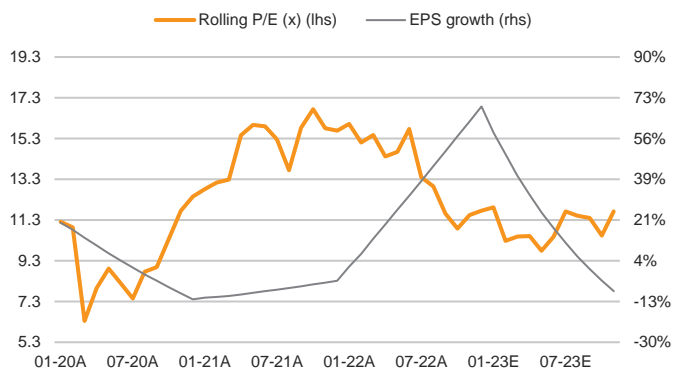
Source: VNDIRECT RESEARCH, BLOOMBERG

Figure 24: PNJ's P/E and peer's P/E from Jan 2020 to Nov 2023 (unit: x)



Source: VNDIRECT RESEARCH, BLOOMBERG

Valuation



Income statement

(VNDbn)	12-22A	12-23E	12-24E
Net revenue	33,876	32,799	35,990
Cost of sales	(27,949)	(26,508)	(28,980)
Gen & admin expenses	(674)	(726)	(800)
Selling expenses	(2,828)	(3,067)	(3,543)
Operating profit	2,425	2,498	2,667
Operating EBITDA	2,505	2,581	2,758
Depreciation and amortisation	(80)	(83)	(91)
Operating EBIT	2,425	2,498	2,667
Interest income	54	26	29
Financial expense	(141)	(110)	(121)
Net other income	(25)	(20)	(23)
Income from associates & JVs	0	0	0
Pre-tax profit	2,313	2,394	2,552
Tax expense	(502)	(479)	(510)
Minority interest	0	0	0
Net profit	1,811	1,915	2,042
Adj. net profit to ordinary	1,811	1,915	2,042
Ordinary dividends	(617)	(656)	(656)
Retained earnings	1,194	1,259	1,386

Balance sheet

(VNDbn)	12-22A	12-23E	12-24E
Cash and equivalents	880	1,380	2,281
Short term investments	200	492	212
Accounts receivables	302	170	246
Inventories	10,506	11,980	13,013
Other current assets	80	99	361
Total current assets	11,968	14,121	16,113
Fixed assets	882	934	1,067
Total investments	31	0	0
Other long-term assets	458	483	530
Total assets	13,339	15,538	17,710
Short-term debt	2,683	2,762	3,030
Accounts payable	277	537	426
Other current liabilities	1,923	1,641	1,843
Total current liabilities	4,883	4,940	5,299
Total long-term debt	0	0	0
Other liabilities	12	239	10
Share capital	2,462	3,282	3,282
Retained earnings reserve	2,522	4,366	6,323
Shareholders' equity	8,444	10,359	12,401
Minority interest	0	0	0
Total liabilities & equity	13,339	15,538	17,710

Cash flow statement

(VNDbn)	12-22A	12-23E	12-24E
Pretax profit	2,313	2,394	2,552
Depreciation & amortisation	80	83	91
Tax paid	(464)	(479)	(510)
Other adjustments	69	94	150
Change in working capital	(1,894)	(1,415)	(1,015)
Cash flow from operations	104	677	1,268
Capex	(52)	(138)	(227)
Proceeds from assets sales	2	0	0
Others	(340)	(280)	246
Other non-current assets changes	20	0	0
Cash flow from investing activities	(370)	(418)	19
New share issuance	1,447	820	0
Shares buyback	0	0	1
Net borrowings	(39)	79	268
Other financing cash flow	0	0	1
Dividends paid	(617)	(656)	(656)
Cash flow from financing activities	791	243	(386)
Cash and equivalents at beginning of period	355	880	1,380
Total cash generated	525	502	901
Cash and equivalents at the end of period	880	1,382	2,281

Key ratios

	12-22A	12-23E	12-24E
Dupont			
Net profit margin	5.3%	5.8%	5.7%
Asset turnover	2.83	2.27	2.16
ROAA	15.1%	13.3%	12.3%
Avg assets/avg equity	1.66	1.54	1.46
ROAE	25.1%	20.4%	17.9%
Efficiency			
Days account receivable	0.6	1.0	1.0
Days inventory	137.2	165.0	164.3
Days creditor	3.6	7.4	5.4
Fixed asset turnover	37.81	36.12	35.97
ROIC	16.3%	14.6%	13.2%
Liquidity			
Current ratio	2.5	2.9	3.0
Quick ratio	0.3	0.4	0.6
Cash ratio	0.2	0.4	0.5
Cash cycle	134.2	158.6	160.0
Growth rate (yoy)			
Revenue growth	73.3%	(3.2%)	9.7%
Operating profit growth	72.2%	3.0%	6.8%
Net profit growth	76.2%	5.7%	6.6%
EPS growth	69.3%	(12.8%)	(6.7%)

Source: VND RESEARCH

DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Barry Weisblatt – Head of Research

Email: barry.weisblatt@vndirect.com.vn

Bach Phan Nhu – Senior Analyst

Email: bach.phannhu@vndirect.com.vn

Hien Ha Thu – Analyst

Email: hien.hathu@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vn

Website: <https://vndirect.com.vn>