



PHU NHUAN JEWELRY JSC (PNJ – HSX)

3Q2013 revenue increased 25%, but profits stumbled, driven by lower financial revenue. PNJ has just announced the parent company's financial statement for 3Q2013, offering few changes from the consolidated one. Last quarter, revenue dropped by a slight 9% from the previous quarter to VND1,899 billion, but increased 25% a year earlier. In particular, revenue from gold bar and gold jewelry grew 36% and 17% respectively whereas silver jewelry sales contracted 12%. The bright spot in the PNJ's business was that gold jewelries, the one segment that accounts for over 50% of PNJ's revenue, was able to maintain good growth in both wholesale (+24% yoy) and retail (+7% yoy).

Gross profit margin dipped to 6.5% from 8.2% in 1H2012 because of declining profitability in all product categories. Besides, since PNJ recognized more than VND40 billion of financial revenue from the transfer of the Dai Viet Energy Company in 3Q2012, last quarter's NPAT was nothing to compare, thus declining sharply 58% to VND 33,3 billion.

PNJ will likely decrease its profit target for FY2013. 9-month revenue reached as much as VND 5,710 billion (+18 yoy), fulfilling 73% of the jeweler's 2013 revenue target; NPAT for the same period was posted about VND116 billion (-44% yoy) or ~50% of the annual goal. On 31th Oct, PNJ opened a shareholder poll to obtain its owners' opinions on revising down the financial revenue target from VND 65 billion to VND 25 billion, effectively reducing the NPAT goal by the same amount. The adjustment somehow equates VND 40 billion of expected dividends from DongA's Bank in FY2013.

Assuming that the dividend sum from Dong A's Bank will not be recognized this year and that the gross profit margin will fall to 7.5%, we decide to maintain our FY2013 revenue projection for PNJ at VND 7,724 billion (+15 % yoy) while cutting our estimation for NPAT to 185.4 billion (-27 % yoy). The corresponding forward EPS should be VND 2,570/share, about 20% below our previous forecast.

Improving the brand image and elevating its position in the gold jewelry market will be the focus of PNJ in the coming time. Though owning the widest distribution network among local jewelry makers, PNJ has not seen its brand popularity growing to the same scale. Thus the Company now lays more focus on advertising and marketing schemes while refreshing its brand identity for more widespread recognition. Considering PNJ's aggressing move in public relation, we expect that the Company will soon improve its brand awareness, ultimately leading to an increased market share in the future.

Particulars(VND bn)	3QFY13	2QFY13	% Chg. (qoq)	3QFY12	% Chg. (yoy)
Net revenue	1,898.9	2,043.6	-9.3%	1,524.1	24.6%
NPAT	33.3	20.4	63.0%	79.1	-58.0%
EBIT	58.4	49.1	18.9%	124.7	-53.2%
EBIT margin	3.1	2.4	70bps	8.2	-510bps

Source: PNJ parent company's FS, RongViet Securities' compilation

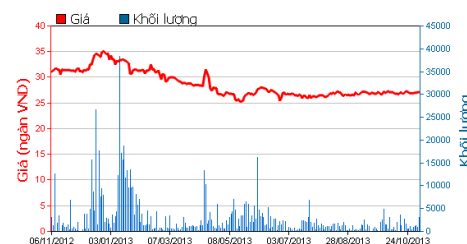
NEUTRAL

CMP (VND)	27.100
Target Price (VND)	28.500

Investment Period	Intermediate
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Stock Info

Sector	Distribution
Market Cap (VND bn)	1,951.1
Shares O/S	71,997,126
Beta	0.3
Free float (%)	77.9
52 weeks High	33,400
52 weeks Low	24,900
Avg. Daily Volume (in 20 sessions)	11,542



Performance (%)

	3M	1Y	3Y
PNJ	2.3	-9.7	13.4
Distribution	4.6	N/A	N/A
HN30 Index	2.1	24.9	15.8
HNX Index	1.2	32.5	9.3

Major Shareholders (%)

Cao Thị Ngọc Dung	10,2
Vietnam Azalea Fund Limited	6,9
Route One Investment	5,1
Foreigner Investor Room (%)	0.0

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2014 revenue and NPAT are forecasted to increase 16% and 40%, respectively. Sales of gold jewelries should remain the main growth motivation and gold bar sales may continue growing at 15%-20%. Assuming that Dong A Bank will pay 5-percent dividends of 2013 that will be also recognized next year and that other expenses will not vary significantly, FY2014 NPAT may grow at about 40% yoy, underlying a forward EPS of VND 3,600.

Outlook

PNJ is seeing its main business segment, which is gold jewelries sales, growing at very positive rate. A radical change in brand identity and stronger public relation should drive continued growth in the near future. Nevertheless, PNJ's volatile profits, driven mainly by financial investments that make up ~30 of its total assets, have a diminishing effect on the stock's appeal. At market price on 5th Nov of VND 27,100/share, PNJ is trading at forward P/E of 10.5x for FY2013 and 7.5x for FY2014. Our recommendation for PNJ is NEUTRAL.

Key financials

Y/E Dec (VND bn)	FY2011	FY2012	FY2013E	FY2014F
Net sales	17,963.8	6,716.8	7,724.4	8,960.3
% chg	30.6	-62.6	15.0	16.0
Net profit	257.1	254.4	185.4	259.4
% chg	20.6	-2.5	-25.3	39.9
Net margin (%)	1.4	3.8	2.4	2.9
ROA (%)	9.7	10.0	7.5	10.0
ROE (%)	22.9	20.5	14.2	18.4
EPS (VND)	3,571	3,534	2,570	3,600
Book value (VND)	18,841	17,247	18,147	19,618
Dividend (VND)	2,500	2,300	2,000	N/A
P/E (x)*	7.6	7.7	10.5	7.5
P/BV (x)*	1.4	1.6	1.5	1.4

Source: PNJ Financial statement, RongViet Securities' compilation and estimates. *As of 5/11/2013

BRIEF UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings \ Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to 10%	-15% to - 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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