Phu Nhuan Jewelry JSC (PNJ – HSX)

Glittering gold

BUY

CMP (VND)	76,500
Target Price (VND)	101,000
Investment Period	**Long-term**

- *Lucrative prospect thanks to the golden age structure and the change in consumer trend*
- *Rapidly expanding and growing retail stores system is the key for PNJ to success in gaining more market share*
- *An open door to improve margins by boosting gold jewelry segment*
- *Divesting from non-core business activities supports PNJ's core business activity*
- *Positive growth prospect in long term*

Outlook and Valuation:

The positive outlook of Vietnam's consumer goods market is supported by (1) the young and growing population, (2) recent improvements in income per capita and (2) consumers' growing tendency to use high-quality, branded products increases. PNJ currently holds over 25% of share in the domestic branded jewelry market, outweighing runner-ups like Doji and SJC. Wide market coverage and strong brand recognition are primary advantages that has helped PNJ to expand their network.

Non-core investment should no longer have negative impact on PNJ's bottom-line after 2016. We estimate this year's net revenue could rise ~9% and PAT 239% from 2015 to VND517 billion. Adjusting for extraordinary income, 2016 PAT can reach VND569 billion, up ~36% yoy.

We believe that the reasonable price for PNJ is 101,000 per share, 32% higher than the closing price on July 04, 2016. Therefore, we recommend **BUY** the stock of PNJ in the **LONG TERM**. The main risk to PNJ's core operations is the volatility in gold prices although PNJ is capable of transferring part of the increases in raw material prices to customers.

Key financials

Y/E Dec (VND bn)	FY2014	FY2015	3M2016	FY2016E	FY2017F
Net Revenues	9,199.2	7,708.4	2,330.0	8,423.7	9,813.0
% chg	3.2	-16.2	9.0	9.3	16.5
PAT	242.5	152.3	123.8	516.6	746.3
% chg	48.6	-37.2	8.1	239.2	44.5
EBIT margin (%)	2.6	2.0	5.3	6.1	7.6
ROA (%)	8.4	5.2		17.0	22.9
ROE (%)	19.4	11.6		36.1	45.2
EPS (VND)	2,144	1,347	1,260	4,863	7,025
Adjusted EPS (VND)	1,649	1,347	1,949	4,863	7,025
Book value (VND)	16,277	14,188	14,939	14,962	18,622
Cash dividend (VND)	1.300	800		3.000	3.000
P/E (x)	13.9	31.3	19.2	15.4	11.2
P/BV (x)	1.8	3.0	3.2	5.0	4.2

*Sources: PNJ, RongViet Research estimated. * Accounted for welfare provision expense and computed based on total share number on 04 July 2016.*

Stock Info

Sector	Personal Goods
Market Cap (VND bn)	6,361
Current Shares O/S	98,273,868
Beta	0,71
Free float (%)	83.29
52 weeks High	79,000
52 weeks Low	29,500
Avg. Daily Volume (in 20 sessions)	150,167

Source: Vietstock

Performance (%)

	3M	1Y	3Y
PNJ	61.7	100.3	311.3
Personal Goods	20.0	45.2	193.3
VN30 Index	12.0	-1.0	16.5
VN Index	16.6	5.1	33.0

Major Shareholders (%)

Cao Thi Ngoc Dung	10.14
Vietnam Azalea Fund Limited	6.57
Foreigner Investor Room (%)	0

Huong Pham

(084) 08- 6299 2006 – Ext 1314

huong.pt@vdsc.com.vn

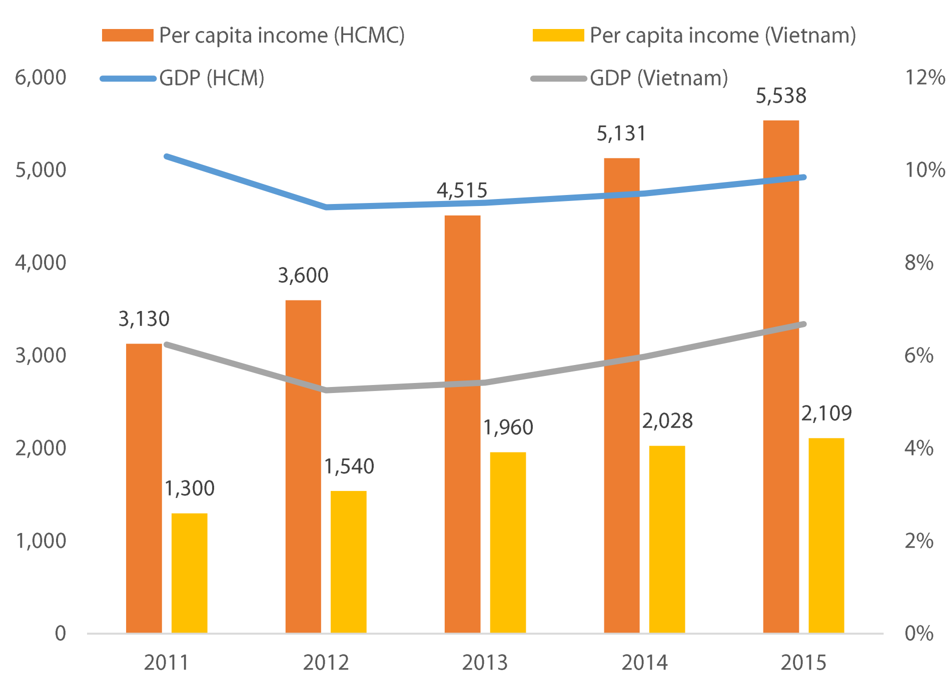
Lucrative prospect thanks to the golden age structure and the change in consumer trend

Phu Nhuan Jewelry JSC (PNJ – HSX) specializes in manufacturing and trading gold and silver jewelry, gemstone, gold bar and accessories. The Company has 3 distribution channels including retail, whole sale and export. Of which, the retail channel plays the most important role of the three by contributing up to 55% of total revenue and 80-85% of gross profit. More importantly, this sales channel has the highest gross margin of about 27% compared to the wholesale (3-5%) and the export (10-12%).

For the retail market in general and jewelry one in particular, the size and growth of population along with income and consumer trends are the most essential factors. As stated by the United Nation Economic and Social Council (ECOSOC), Vietnam population grew ~2.02% annually in the period from 1955 to 2015 and now stands at around 94 million people. Of which, the group aged 15 and over accounts for 75% of the population. As also predicted by ECOSOC, Vietnam could reach 105 million people in 2030, an increase of 12.6% compared to FY2015 (see Appendix). Especially, Ho Chi Minh city, the biggest market of PNJ, makes up nearly 9% of the nation population and is expected to grow 4% annually until 2020.

Besides, the positive growth of Vietnam's economy has helped increase per capita income. According to General Statistics Office (GSO), the growth rate of individual income in the period of 2011-2015 was quite high of around 12.9%. Currently, the average income of Ho Chi Minh city is about USD5,538, 1.6 times higher than the country average. In accordance with Ministry of Planning and Investment, it is anticipated that GDP per capita of HCMC should be USD9,800 in 2020, 80% higher than that of FY2015. Along with the aging structure (represented by the increase in the median age) (see Appendix), the proportion of population at medium and high level of income, target customers of PNJ, is expected to grow in future.

Figure 1: Per capita income (Unit: USD) and GDP growth of Vietnam and Ho Chi Minh city



Sources: GSO, RongViet Research

The change in consumer behavior including branded and high quality products, has been growing with the higher per capita income and positively affects the jewelry consumption. According to a recent market research of Nielsen, Vietnamese consumers tend to choose high quality products, in need of connecting and have more autonomy in purchasing and also higher demand than before.

Keeping pace with that trend, PNJ is now the leading player in developing store in supermarkets and online marketing. Currently, PNJ owns many stores at big centers such as Vincom Dong Khoi, Pearl Plaza, Maximark Cong Hoa, AEON Tan Phu, etc. Besides, PNJ also actively collaborates with famous restaurants, wedding venues like Windsor, Melisa Center, Queen Plaza, Adora and regularly participates in wedding events such as Queen Dary exhibition, Marry Wedding Day… However, these mentioned selling and advertising channels are effective in promotion and brand positioning than creating good revenues.

The risk for the growth of retail sector, especially high-consumption segment like jewelry, is that it depends heavily on the country's economic health. According to the Economist (EIU), in term of retail growth, Vietnam ranks the second (after China) in Asia. This organization is also optimistic about the prospect of the sector in the 2016-2018 period. However, the recent events of the world such as Brexit will cause big concern about the global political instability and Vietnam's economy will be more or less affected.

Table 1: Growth rate of retails of some typical Asia countries (Unit: %)

Country	2011	2012	2013	2014	2015	2016F	2017F	2018F
Australia	-0.5	0.9	1.5	1.3	2.6	2.3	2	2.2
China	9.1	8.7	9.3	8.8	8.7	8.6	8	7.9
Hong Kong	18.6	5.5	6.6	3.1	2	-1	0.4	1.3
India	5.7	2.7	1.7	4	5.6	6.2	6.2	6.6
Indonesia	6	5.3	4.3	3.8	5.1	5.4	5	5
Japan	0.1	1.5	0.7	0.2	0	0.3	0.4	0.6
Malaysia	4.6	4.7	6.4	5.4	5.3	4.6	4.6	4.8
New Zealand	-1.9	2.4	6.3	3.2	2.9	2.2	2.7	2.5
Pakistan	9.2	-0.8	5.1	3.9	4.1	3.8	4.3	4.3
Philippines	3.2	5.4	4.4	4.2	5.3	5.4	5.4	5.5
Singapore	1.9	0.6	1.2	1.7	2.5	2.9	2.4	2.9
Korea	2.1	1.3	-0.1	1.6	2.9	3.1	2.8	2.9
Taiwan	3.6	0.6	2.5	2.9	2.5	2.4	2.7	2.3
Thailand	1.4	4.9	-2.4	-0.6	0.7	3.6	3.4	4.3
Vietnam	**6.7**	**3.9**	**3.8**	**9.5**	**8.4**	**7.8**	**6.0**	**6.5**

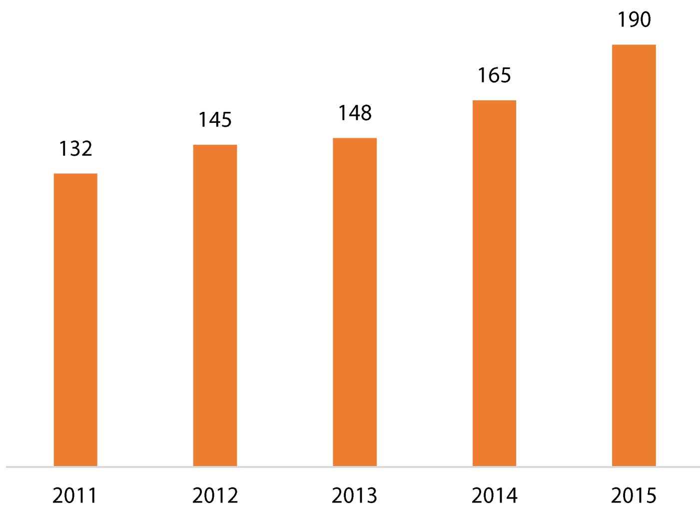
Source: EIU

Rapidly expanding and growing retail stores system is the key for PNJ to success in gaining more market share

As mentioned above, the retail segment accounted for the majority and has the highest profit margin in PNJ 's distribution channel. Currently, PNJ is now the market leader with more than 25% of the jewelry market, exceeding the biggest rivals which are Doji and SJC (the market share of each company is less than 10%).

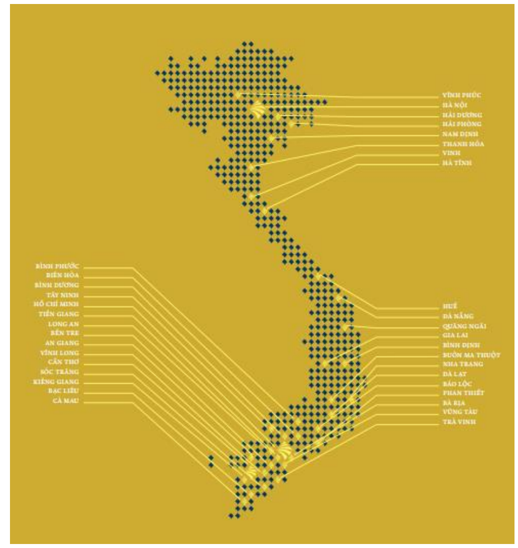
Thus, PNJ' market share has doubled since 2013. By the end of Q2/2016, PNJ owns 204 retail stores in 45 provinces across the country, including 135 gold shops, 65 silvers and 4 high-end jewelry stores (CAO brand). This 2016, PNJ plans to open 25 new stores, mainly gold shops or stores specializing in a variety of products. At this rate, the target owning 300 stores owned before 2022 of PNJ can be accomplished ahead of schedule.

Figure 2: Number of retail stores over the years (excluding store CAO)



Source: PNJ Annual Reports

Figure 3: Distribution system map



Source: PNJ Annual Reports

PNJ has thoroughly researched before deciding the new stores' location based on criteria such as average income, population density, transportation usage density, competition level... According to our observations, most of PNJ stores are in a quite favorable location, placed on the major roads, near big markets or in the crowded commercial centers. The fact is position always plays an important role in attracting customers and promoting brand image for PNJ.

Figure 4: PNJ gold store at 18A Lach Tray, Ngo Quyen, Hai Phong

Source: Google

Figure 5: PNJ store at 666 Nguyen Dinh Chieu, HCM

Source: Google

The expansion in distribution system positively supports sales and profit growth of PNJ. To reach the breakeven point it takes each store ~1,5 years, therefore, those stores which began their operations in the previous years will start contributing profits for PNJ. We estimate that the new store (under 12 months) can contribute around 5% to revenue in 2016. In terms of the old ones, the growth rate of annual revenue is relatively stable, approximately 10-12 %. Normally, the older these stores are, the higher sales and gross profit margin compared to the new store because consumers usually select their familiar brand or shopping locations to buy. Besides, the trend of using branded products is a notable point supporting for market share increase in the long.

Compared with competitors, PNJ has some noticeable advantages in term of the market coverage. They own 203 stores, nearly 3 times the total volume of Doji and SJC. Their jewelry products has been tested more thoroughly than in traditional stores and the company is committed to buy back up to ~ 70% of the purchase price. For diamond products, this proportion rises ~95%.

Overall, PNJ 's repurchase rate is equivalent to its peers, however, spreading distribution systems and high professional level is one of the key competitive advantages of the PNJ compared with domestic and foreign players. According to our observations, though SJC can be consider as a longstanding brand like PNJ, they still focused mainly on gold bars and the Company does not seem to invest more for the jewelry. Regard to Doji, they have focused on enhancing brand image, however, their products are relatively new designs and somewhat less diverse than the PNJ. Besides, we believe that consumer habits are the most important factors causing the continuous and highly effective expansion of the retail network, while their opponents have not really done well.

Table 2: Buy/Bartering policy of some typical jewelry company

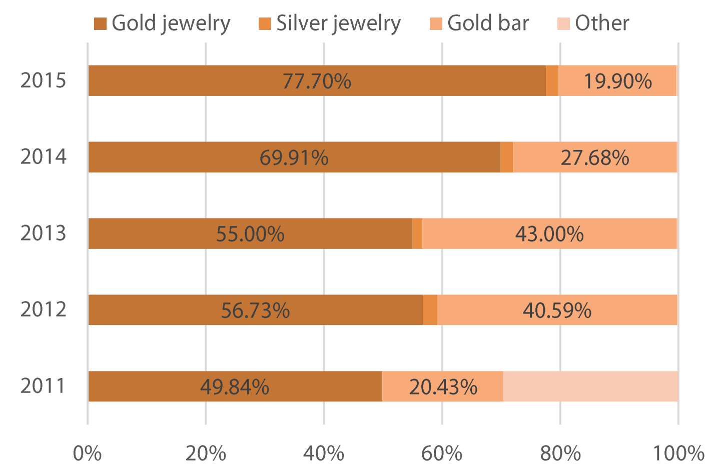
	PNJ	Doji	SJC	Bao Tin Minh Chau
Business system				
Number of stores	**203**	32	41	94
Density (Provinces, cities)	**43**	12	13	27
Repurchasing rate (% invoice value)				
Gold	**70%**	75%	70%	70-75%
Diaomond	**~95%**	~94-96%	~90-95%	80-85%

Source: RongViet Research

An open door to improve margins by boosting gold jewelry segment

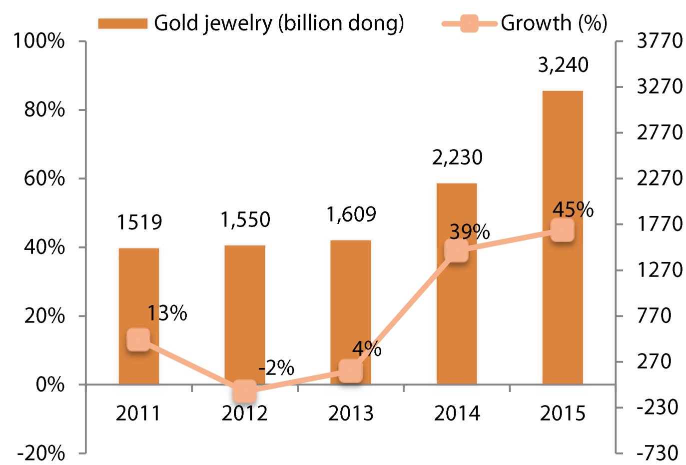
In terms of product structure, the gold jewelry contributed 77.7% revenue and 88% gross profit. This is simultaneously their core-business and has a noticeably higher growth rate compared to the rest. Specifically, though only accounted for 21% the revenue of 2011, only after 04 years, the proportion of the gold jewelry has risen to 77.70%, equivalent to CAGR of 20, 9% per year. In Q1/2016, sales of gold jewelry segment continue to grow 19% while silver fell slightly by 1% and gold bars continued to decline 7% over the same period. Admittedly reducing the proportion of gold bars and increasing gold jewelry segment has many meanings: (1) increase gross profit margin due to PNJ gold bars' gross margin is very low (~ 0.5%) compared to gold jewelry segment (~ 17.2%); PNJ maintain this segment only to meet the diverse needs of consumers rather than focusing on development and (2) reduce the risk of gold price fluctuations. Gold bars consumption trend in Vietnam is also declining and demand for gold jewelry is rising as a replacement.

Figure 6: Revenue structure in product segment



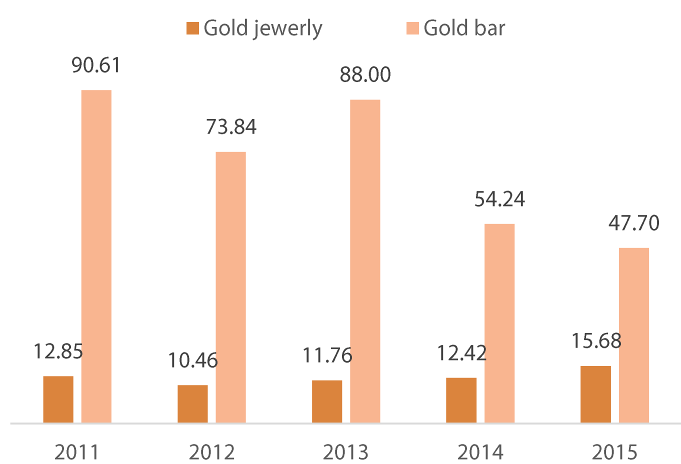
Source: PNJ Annual Reports

Figure 7: Revenue growth in gold jewelry retail sale



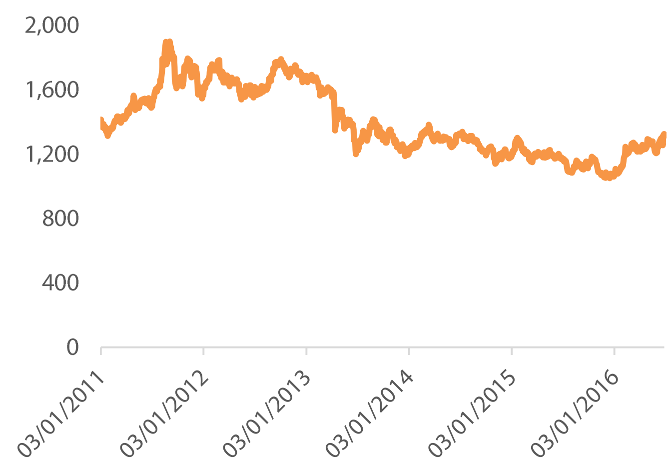
Source: PNJ Annual Reports

Figure 8: Gold bars and gold jewelry consumption output in Vietnam (Unit: tons)



Source: World Gold

Figure 9: World gold price movement (USD/oz)



Source: Bloomberg

PNJ' raw gold materials resource mainly come from wholesale partners. They are mostly private retail stores and their gold resources usually come from current customers. With a large reserves of gold in community - up to 500 tonnes (Gold Business Association Vietnam) while PNJ's gold consumption is only about 2.5 tonnes per year, raw material supply can be considered as relatively abundant. Still, raw gold accounted for ~ 40-50% COGS of gold jewelry which resulted in the fact that gold price fluctuations should have certain impacts on the profit margin of Company.

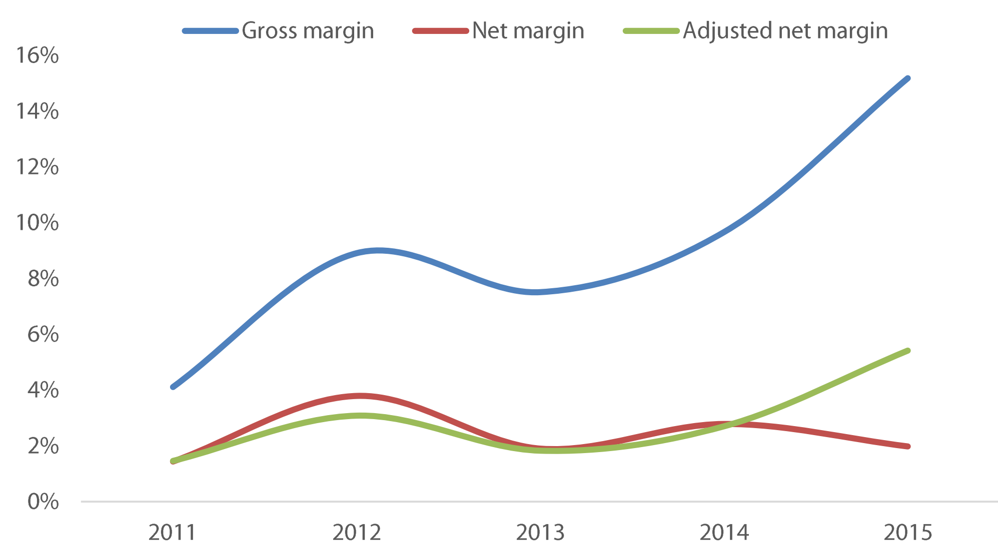
PNJ's products are mainly high value jewelry. Good profit margin allows the Company to absorb minor fluctuations in prices of raw materials (mainly gold) and maintain overall earnings. In addition, if the raw material prices change more than 10%, PNJ can adjust its selling prices to ensure a minimum profit level. We believe that margins of gold jewelry segment will still continue to improve slightly due to economies of scale and the increase proportion of high value products.

Divesting from non-core business activities supports PNJ's core business activity

As mentioned above, PNJ's core business is on a stable growing trend. However, non-core business activities have negatively affected the overall business performance.

Specifically, financial investment worth 395.3 billion VND in DongA bank had damagingly affected PNJ's 2015 performance. The insurance fund of 300.3 billion VND for that investment along with losses of VND39.2 billion from divesting SaiGon real estate corporation had severely increased PNJ's financial cost by 4.8 times and decreased net profit by 40.4% compared to 2014. On the other hand, if those unfortunate losses were prevented, net profit of PNJ would increase by 72% last year.

Exhibit 10: Profit margin of PNJ in the period 2011-2015



Source: PNJ

In addition, there is a chance that PNJ can reinstate part of its losses from investing in DongA bank because this bank has showed sign of improvement in its performance. Especially, PhatDat real estate corporation prioritized interest payment (500-1,000 billion VND) from Everich 2 project within this year. However, the exact time frame for the reinstatement is still a mystery. In order to embrace stable growth, PNJ focus on its core business and build a sustainable business model.

Positive growth prospect in long term

Continuous expansion of distribution channel and seamless innovation in adding value to its products are the core to improve market share and growth in business performance. In the 1Q2016, if the insurance fund for DAF investment was excluded, PNJ's net profit had grown ~61% compared to previous period.

Table 3: 3QFY2016 and YTD Results

Item (billion dong)	Q1-FY16	Q4-FY15	*+/- (qoq)*	Q1-FY15	*+/- (yoy)*	Till date	*+/-(yoy)*
Revenue	**2,330.0**	**2,011.5**	**15.8%**	**2.137.1**	**9.0%**	**2.330.0**	***9.0%***
Gross profits	421.4	352.2	19.6%	294.7	43.0%	421.4	*43.0%*
SG&AC	-159.8	-171.5		-125.5	27.4%	-159.8	*27.4%*
Operating Income	154.6	-0.1		151.4	2.1%	154.6	*2.1%*
EBITDA	184.7	29.3	529.5%	172.1	7.3%	184.7	*7.3%*
EBIT	176.4	21.4	723.7%	165.2	6.8%	176.4	*6.8%*
Financial expenses	-106.6	-181.0	-41.1%	-18.0	491.1%	-106.6	*491.1%*
- Interest	-21.3	-21.2	0.5%	-17.1	24.5%	-21.3	*24.5%*
Depreciation and amortization	8.2	7.9	3.9%	7.0	17.7%	8.2	*17.7%*
Unusual gains/losses (*)	84.7	119.4	-29.1%	-3.6	-2,481.4%	84.7	
Extraordinary gains/losses (*)		39.2					
PBT	155.1	0.2	74.798.7%	148.0	4.8%	155.1	*4.8%*
NPAT	**123.8**	**-0.1**		**114.5**	**8.1%**	**123.8**	***8.1%***
Adjusted NPAT (*)	**191.6**	**126.7**	**51.1%**	**118.9**	**61.1%**	**191.6**	***61.1%***

Source: RongViet Research

Table 4: 1QFY2016 performance analysis

Chỉ tiêu	Q1-FY16	Q4-FY15	*+/- (qoq)*	Q1-FY15	*+/- (yoy)*
Profitability Ratios (%)					
Gross Margin	18.1	17.5	58bps	13.8	429bps
EBITDA Margin	7.9	1.5	647bps	8.1	-13bps
EBIT Margin	7.6	1.1	651bps	7.7	-16bps
Net Margin	5.3	0.0	532bps	5.4	-5bps
Adjusted net margin	8.2	6.3	192bps	5.5	273bps
Turnover *(x)					
Inventories	3.5	3.1	0.4	4.5	-1.0
Receivables	161.9	81.0	81.0	118.6	43.3
Payables	6.3	5.3	1.1	5.9	0.4
Cash conversion cycle	***49.6***	***52.9***	***-3.3***	***23.1***	***26.4***
Leverage (%)					
Total Debts/Equity	1.06	1.13	-0.07	1.18	-0.11

Source: RongViet Research

According to a recent announcement by PNJ, the Company's earnings result kept the growing trend in the first 6 months. In details, the gross profit climbed 30%, much higher than the growth rate of revenue (4%). We believe that the increase in gold jewelry segment (revenue + 15%) was the main reason supporting PNJ's growth. In the first half year, profit before tax reached VND304.5 billion, up 116% yoy and achieved 66% of the yearly plan.

We assume that PNJ could complete divestment from Dong A Real Estate (DAL) this year and may have to record a loss of about VND31 billion. Meanwhile, PNJ's revenue may rise about 9% and NPAT could stand at VND517 billion, an increase of 239% yoy. Excluding all extraordinary items, net profit of PNJ may reach VND569 billion, 36% higher compared to 2015. In particular, estimates of gold jewelry sales rose by 17% and gross margin might advance 60 percentage points. To 2017, the stores opened in 2015 are expected to contribute more significantly to the revenue and profit of the PNJ. Therefore, revenue could grow by approximately 17.5% over the year. At the same time, with no negative impacts from non-core investments, profit after tax in 2017 could reach ~ VND746 billion, 44% higher than forecast in 2016.

Table 5: Business results of PNJ in the period 2011-2017

Items	2011	2012	2013	2014	2015	2016F	2017F
Net revenues (billion dong)	**17,964**	**6,717**	**8,914**	**9,199**	**7,708**	**8,424**	**9,813**
Growth in revenue		*-62.6%*	*32.7%*	*3.2%*	*-16.2%*	*9.3%*	*16.5%*
Gross profit (billion dong)	738	599	670	889	1.170	1.390	1.708
Gross margin	*4.1%*	*8.9%*	*7.5%*	*9.7%*	*15.2%*	*16.5%*	*17.4%*
NPAT (billion dong)	**257**	**254**	**163**	**242**	**152**	**517**	**746**
Growth in NPAT		*-1.0%*	*-35.9%*	*48.6%*	*-37.2%*	*239.2%*	*44.5%*
Net margin	*1.4%*	*3.8%*	*1.8%*	*2.6%*	*2.0%*	*6.1%*	*7.6%*
Adjustment for extraordinary items (billion dong)	8.269	-63.01	0	7.95	339.471	65.692	0
Adjusted NPAT (billion dong)	**263**	**207**	**163**	**249**	**417**	**569**	**746**
Growth in adjusted NPAT		*-21.3%*	*-21.2%*	*52.4%*	*67.7%*	*36.5%*	*31.1%*
Adjusted NPAT margin	*1.5%*	*3.1%*	*1.8%*	*2.7%*	*5.4%*	*6.8%*	*7.6%*

Source: RongViet Research

Regarding financial aspects, as similar to other manufacturing and distribution enterprises, PNJ employs a high proportion of debt, especially the short term, to finance its working capital. However, almost PNJ's debts are secured by its large inventory and real estate having good location. In particular, the inventories of PNJ (value at ~VND2,261 billion) are mostly gold and jewelery products which having high liquidity and capacity to store value as equivalent to cash. As a result, the Company can borrow short-term loan at high LTV ratio and low cost. The popular short term interest rates of PNJ are varied from 5.0% to 7.5% only. This is a major advantage of PNJ enabling the Company to increase capital efficiency and ROE.

Table 6: PNJ's liquidity indicators

	2012	2013	2014	2015
Capital structure				
Total liabilities / Equity	1.08	1.22	1.25	1.13
Total liabilities / Total assets	0.52	0.53	0.55	0.53
Short-term liabilities / Equity	0.84	0.92	0.92	0.85
Short-term liquidity ratios				
Current liquidity ratio	1.19	1.21	1.31	1.51
Quick liquidity ratios	0.49	0.45	0.28	0.09
Cash liquidity ratio	0.41	0.36	0.20	0.03
EBITDA / Total liabilities	0.24	0.18	0.23	0.13
Solvency ratios				
Interest coverage	4.06	3.79	5.20	3.43
CFO/Short-term debts	0.19	-0.02	-0.10	0.06

Source: RongViet Research

Valuation

To determine the reasonable price for PNJ, we use a combination of discounted cash flow (FCFF) and relative value (P/E) methods with a ratio of 50:50. In free cash flow to firm method, the discounted rates for the period 2016-2020 and the years after 2020 are expected to be 12.3% and 12.8%, respectively. The long-term growth rate of FCFF used in the model is 6.6%.

The P/E method applies the references from peers. The P/E ratio of six popular jewelry companies in the industry is 18.5x. Considering the country risk premium, we believe that P/E at 15x is reasonable for PNJ.

Table 7: PE ration of popular jewelry companies in the world

Bloomberg ticker	Company name	Quốc gia	Market cap (million USD)	P/E
002740 CH Equity	SHENZHEN IDEAL JEWELLERY C-A	China	712.8	22,9
600612 CH Equity	LAO FENG XIANG CO LTD-A	China	2.766.7	20,7
1929 HK Equity	CHOW TAI FOOK JEWELLERY GROU	Hong Kong	7.244.1	19,1
TIF US Equity	TIFFANY & CO	USA	7.724.9	16,7
ASN IN Equity	ASIAN STAR CO LTD	India	195.3	18,1
VGM IN Equity	VAIBHAV GLOBAL LTD	India	132.1	22,2
AVERAGE				**18.5**

*Source: Bloomberg, *Use closing price on July 04, 2016*

Consequently, the appropriate price for PNJ stock is forecasted at VND101,000 per share, 32% higher than the closing price on July 04, 2016. Therefore, we recommend to **BUY** the stock of PNJ in **LONG TERM.**

Table 8: Valuation results

Valuation method	Price	Proportion	Result
FCFF	120,921	50%	60,461
P/E	80,360	50%	40,180
Average price		**100%**	**100,641**

Source: RongViet Research

Outlook

The positive outlook of Vietnam's consumer goods market is supported by (1) the young and growing population, (2) recent improvements in income per capita and (2) consumers' growing tendency to use high-quality, branded products increases. PNJ currently holds over 25% of share in the domestic branded jewelry market, outweighing runner-ups like Doji and SJC. Wide market coverage and strong brand recognition are primary advantages that has helped PNJ to expand their network.

Non-core investment should no longer have negative impact on PNJ's bottom-line after 2016. We estimate this year's net revenue could rise ~9% and PAT 239% from 2015 to VND517 billion. Adjusting for extraordinary income, 2016 PAT can reach VND569 billion, up ~36% yoy.

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APPENDIX: VIETNAM POPULATION PROJECTION 1955-2050

Year	Population	Change (%)	Median	Urbanization rate
1955	28,147,785	2.56%	24	13.20%
1960	32,670,623	3.03%	22	14.80%
1980	54,372,518	2.22%	19	19.40%
2000	80,285,563	1.32%	24	24.60%
2010	88,357,775	0.97%	29	30.60%
2015	**93,447,601**	**1.13%**	**30**	**33.60%**
2020	98,156,617	0.99%	33	36.40%
2025	102,092,604	0.79%	35	39.10%
2030	105,220,343	0.61%	37	41.60%
2035	107,772,569	0.48%	39	43.80%
2040	109,925,372	0.40%	40	45.90%
2045	111,641,853	0.31%	41	47.70%
2050	112,783,209	0.20%	42	49.40%

Source: Worldomesters (www.worldomesters.info)

VND Billion

INCOME STATEMENT	2014	2015	2016F	2017F
Revenue	9,199	7,708	8,424	9,813
COGS	8,310	6,538	7,034	8,105
Gross profit	**889**	**1,170**	**1,390**	**1,708**
Selling Expense	355	424	468	550
G&A Expense	130	118	117	137
Finance Income	19	1	1	1
Finance Expense	90	431	205	83
Other profits	1	-3	50	1
PBT	**335**	**197**	**654**	**941**
Prov. of Tax	79	45	131	188
Minority's Interest	13	0	6	7
PAT to Equity Shareholder	**242**	**152**	**517**	**746**
EBIT	**415**	**278**	**738**	**1,020**
EBITDA	356	209	775	1,066

FINANCIAL RATIO	2014	2015	2016F	2017F
Growth				
Revenue	3.2	-16.2	9.3	16.5
Operating Income	-21.3	-92.9	-23.1	21.9
EBITDA	36.7	-41.3	270.5	37.5
EBIT	31.0	-32.9	165.0	38.3
PAT	48.6	-37.2	239.2	44.5
Total Assets	-4.1	5.2	4.1	10.8
Equity	-3.1	13.3	5.5	24.5
Internal growth rate	11.5	5.6	15.5	27.4
Profitability				
Gross profit/Revenue	9.7	15.2	16.5	17.4
Operating profit/ Revenue	3.6	2.6	7.1	9.6
EBITDA/ Revenue	3.9	2.7	9.2	10.9
EBITDA/ Revenue	4.5	3.6	8.8	10.4
Net margin	2.6	2.0	6.1	7.6
ROAA	8.4	5.2	17.0	22.9
ROIC or RONA	28.0	19.2	48.7	59.5
ROAE	19.4	11.6	36.1	45.2
Efficiency				
Receivable Turnover	124.9	130.1	151.5	142.6
Inventory Turnover	6.6	3.7	3.2	3.3
Payable Turnover	32.3	22.7	21.4	21.9
Liquidity				
Current	1.31	1.51	1.65	1.83
Quick	0.28	0.09	0.14	0.16
Solvency				
Total Debt/Equity	124.5	113.4	110.5	87.4
Current Debt/Equity	92.0	85.3	81.3	63.4
Long-term Debt/ Equity	11.1	5.2	5.2	2.0

VND Billion

BALANCE SHEET	2014	2015	2016F	2017F
Cash and equivalents	272	38	112	119
Short-term investment	0	0	0	0
Receivables	71	47	64	74
Inventories	1,437	2,135	2,321	2,594
Other current assets	50	45	47	52
Total Current Asset	**1,831**	**2,265**	**2,544**	**2,838**
Tangible Fixed Assets	160	194	261	297
Intangible Fixed Assets	291	292	232	232
Construction in Progress	0	6	7	8
Investment Property	0	0	0	0
Long-term Investment	532	167	0	0
Other long-term assets	13	51	52	54
Long-term Asset	**997**	**710**	**551**	**591**
Total Asset	**2,828**	**2,975**	**3,096**	**3,430**
Payables	151	211	232	259
Other current liabilities	112	101	113	136
Current Debt	1,132	1,189	1,195	1,159
Long-term Debt	137	72	77	36
Other long-term liabilities	0	7	8	9
Total Liability	**1,532**	**1,581**	**1,625**	**1,600**
Owner's Equity	**1,231**	**1,394**	**1,470**	**1,830**
Capital	756	983	983	983
Retained Earnings	203	192	207	360
Funds & Reverses	166	220	281	487
Others	**0**	**0**	**0**	**0**
Total Equity	**1,231**	**1,394**	**1,470**	**1,830**
Minority's Interest	0	0	0	0
TOTAL RESOURCES	**2,763**	**2,975**	**3,096**	**3,430**

CASH FLOW STATEMENT	2014	2015	2016F	2017F
Profit before tax	335	197	654	941
-Depreciation	31	30	37	46
-Adjustments	*64*	*412*	*119*	*69*
+/- Working capital	-549	-566	-410	-531
Net Operating CFs	**-118**	**74**	**400**	**525**
+/- Fixed Asset	-34	-70	-40	-82
+/- Deposit, equity investment	9	26	83	-2
Interest, dividend, cash profit	22	0	45	10
Net Investing CFs	**-3**	**-44**	**89**	**-75**
+/- Capital	0	0	0	0
+/- Debt	128	-7	10	-76
Dividend paid & other	0	0	-424	-367
Net Financing CFs	**128**	**-7**	**-414**	**-443**
+/- cash & equivalents	6	23	74	7
Beginning cash & equivalents	**508**	**38**	**38**	**112**
Impact of exchange rate	0	0	0	0
Ending cash & equivalents	**272**	**38**	**112**	**119**

COMPANY REPORT

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% to10%	-15% to- 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews

Network

Headquarter

Address: Floor 1-2-3-4, Viet Dragon Tower, 141 Nguyen Du, Ben Thanh Ward, Dist.1, Tp.HCM

Phone: 84.8 6299 2006   Fax: 84.8 6291 7986

Website: www.vdsc.com.vn

Ha Noi Branch

2C Thai Phien – Hai Ba Trung District – Ha Noi

Nha Trang Branch

50Bis Yersin - Nha Trang

Can Tho Branch

08 Phan Dinh Phung –Can Tho

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