

## PHU NHUAN JEWELRY JSC (PNJ VN EQUITY)

### It's still shining

# BUY

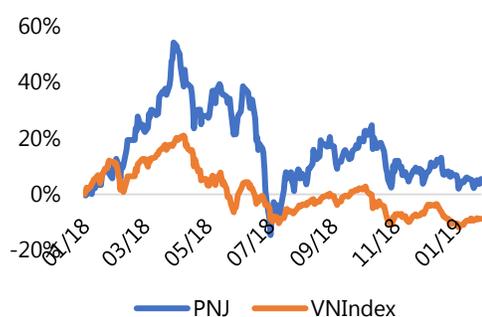
Current price (03-06-2019): VND 99,900

**Target price: VND118,500**
**Upside: 19%**

**Our view:** We expect PNJ to maintain double-digit growth going forward as it accrues its share of the fragmented gold jewelry market. We believe the market is mispricing PNJ; admittedly, the stock has lost some of its luster for foreign investors given FOL-related liquidity issues. We initiate coverage on PNJ with a **BUY** recommendation and target price of **VND 118,500**.

52-week Price Range (VND)	Market Capitalization	FY19E Dividend Yield	Remaining Foreign Room	Free-float	ADTV-3month
<b>71,000-118,000</b>	<b>USD676.2mn</b>	<b>2.2%</b>	<b>0%</b>	<b>30.6%</b>	<b>USD1.5mn</b>

#### Price performance



#### Event catalysts

- Gold jewelry remains the jewel in the crown.
- Other products cannot have significant impact on valuation.
- The low valuation could be due to negative Dong A Bank-related sentiment, but we think that FOL restrictions are the main reason.

#### Risks to our call

- Higher gold price or economic weakness could dampen gold jewelry growth.
- Competition could heat up as more luxury jewelry brands target the Vietnam market.
- Watch retailing remains a sideline, but could drive upside.

#### Quang Vo

Consumer Analyst

+84 28 3622 6868 (ext. 3872)

[quang.vo@yuanta.com.vn](mailto:quang.vo@yuanta.com.vn)

**Company profile:** PNJ is a leader in the fragmented jewelry market, with gold products contributing 80% of sales and 92% of profits in 2018P. The company has the largest gold jewelry retail network in Vietnam, with 324 stores.

Key metrics	2018P	2019F	2020F
Revenue growth (%)	32.8	25.5	21.9
NPAT growth (%)	32.5	18.7	24.4
GPM (%)	19.1	19.2	19.3
Debt/Equity (x)	0.4	0.4	0.3
ROAE (x)	28.7	27.5	27.9
ROAA (x)	17.8	17.8	16.9
EPS (VND/share)	5,330	6,326	7,870
EPS growth (%)	(17.2)	18.7	24.4
PE (x)	17	16	13
PEG (x)	N/A	0.9	0.6
PB (x)	4.2	3.7	3.0
Dividend yield (%)	1.2	2.0	2.0

**Gold jewelry is likely to keep shining.** We expect this segment to post double-digit (15%-20%) same-store sales growth over the next 5 years, with total sales further boosted by the addition of 150 new stores during the period. Our positive view is supported by the high fragmentation of the jewelry market (with 50% of market share in the hands of pop-and-mom stores) and dominant position of PNJ in terms of both scale and product variety.

**Other products fail to glitter so far, but watch this space.** Although the wristwatch business remains small, we think this segment offers the most potential outside of gold jewelry and thus merits monitoring. Larger scale for this business could lead to more beneficial pricing from suppliers, and the company could become a direct retailer for watch brands. By contrast, we don't see much room for silver jewelry and gold bars to grow much in the near future given this business's current lackluster performance and management's business strategy.

**Lackluster share price performance** could be due to negative newsflow related to Dong A Bank as well as foreign ownership concerns. We see these issues as exogenous to PNJ's fundamentals, which are quite strong in our view.

**The fundamental story is highly attractive given growth in the core business.**

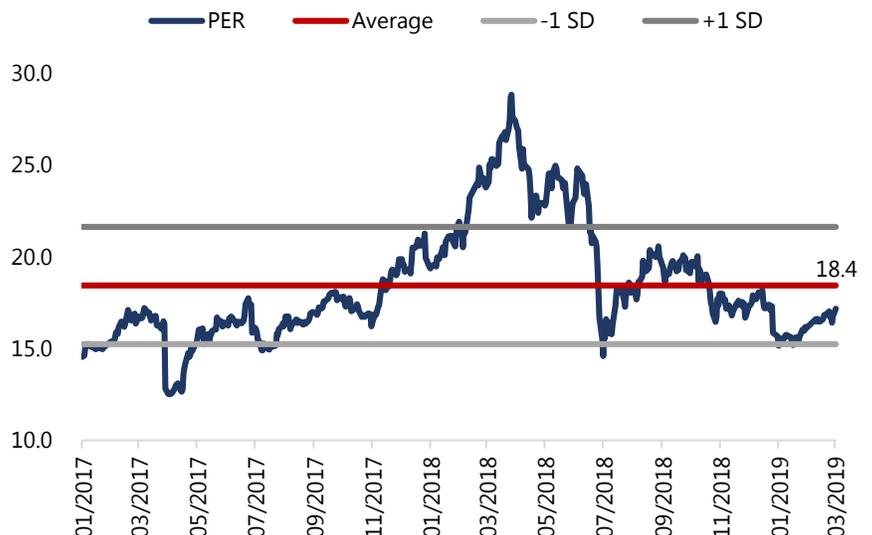
**But admittedly, liquidity factors could limit the stock's luster from the point of view of foreign institutions.**

### OUR VIEW

We expect PNJ to retain double-digit sales growth going forward as demand for gold jewelry continues to expand and as PNJ consolidates its dominance over this fragmented market. We believe the market is underestimating PNJ's upside opportunity as it instead focusses on specific and (we believe) short-term) legal and regulatory issues. We initiate coverage on PNJ with a **BUY** recommendation and target price of **VND 118,500**.

As for foreign funds, the opportunity is admittedly less attractive given PNJ's full FOL which has resulted in a 10%-20% premium to purchase a PNJ block, as well as the stock's greatly reduced liquidity in recent weeks. Although these issues are obviously extremely relevant to investment decisions, we see them as exogenous to the business itself, which is likely to remain very strong. We therefore focus on the fundamental story in this initiation.

**Fig 1: PNJ's historical PER**



Source: Bloomberg

### Gold jewelry continues to shine.

Over the last five years, PNJ has recorded strong gold jewelry sales growth, backed by averaged same-store sales growth of 20% annually along with the addition of 40-50 new stores per year. We believe this very strong momentum should persist for at least the next 3-5 years, supported by two main drivers: 1) continued growth of the overall jewelry market and 2) PNJ's proven ability to consolidate market share.

**1) Jewelry market still has ample room to grow.** In sharp contrast to the almost flat global demand for jewelry in 2013-18, Vietnam has posted an attractive jewelry sales CAGR of 9% over the same period. Additionally, the low

### FY18P revenues and gross margin



Source: PNJ

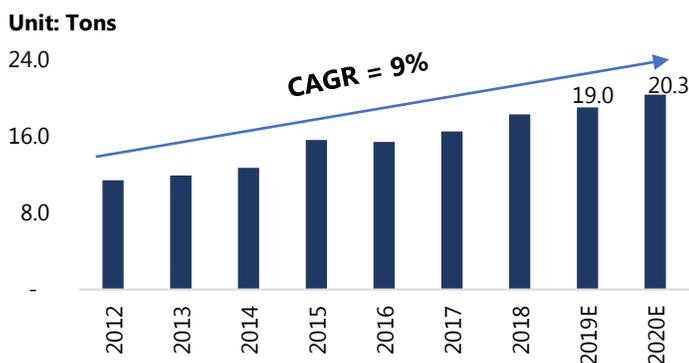
penetration rate of jewelry (demonstrated by low jewelry demand as a percentage of total gold demand when compared to more developed economies) also underline the industry’s potential. This positive outlook is also bolstered by Vietnam’s positive economic growth outlook and improving disposable income, of which spending for jewelry, clocks, and watches posted a CAGR of 12% in 2016A-2022E, according to BMI. Against this robust demand outlook, we believe the industry should maintain high single-digit growth rates for the foreseeable future.

Of course, demand could be hit by higher gold prices and/or weakening economic growth. We see these top-down factors as the key risks to our investment view.

**Peak gold for Vietnam? Maybe for bars, but jewelry has plenty of room to grow.**

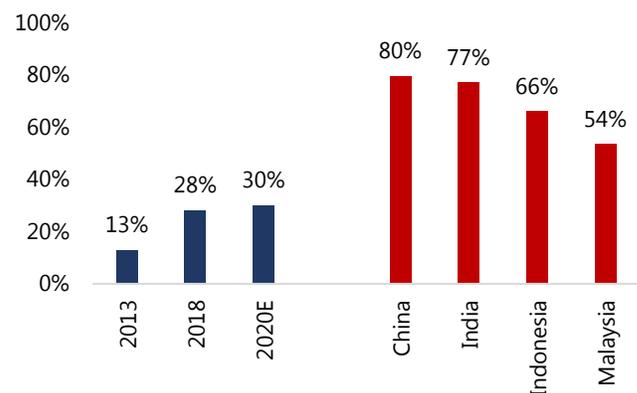
Some investors have expressed concern that total gold demand in Vietnam is near peak levels. Annual gold demand per capita (0.62 grams) in Vietnam is notably higher than that of Indonesia (0.23 grams), Malaysia (0.51 grams), and India (0.54 grams), and just slightly lower than that of China (0.69 grams), according to the World Gold Council. Although we share these concerns for gold overall, we still believe that gold jewelry sales will continue to expand. The Vietnamese government is attempting to restrict gold bar storage and to bring such gold (which represents locked-up capital) out of the lock box and into the banking system. This should boost gold jewelry demand as an alternative. Also, consumers see gold jewelry is a relatively safe asset that is not likely to fall notably in value, especially if the jewelry contains a high proportion of pure gold and is produced by reputable brands. Finally, Vietnamese habits are gradually changing, as evidenced by higher consumption of gold jewelry compared to gold bars since 2013.

**Fig. 2: Gold jewelry consumption in Vietnam has been posting strong growth in recent years**



Source: World Gold Council, Yuanta Vietnam

**Fig. 3: Vietnamese gold jewelry sales as a percentage of total gold demand is moving toward peer nation levels**

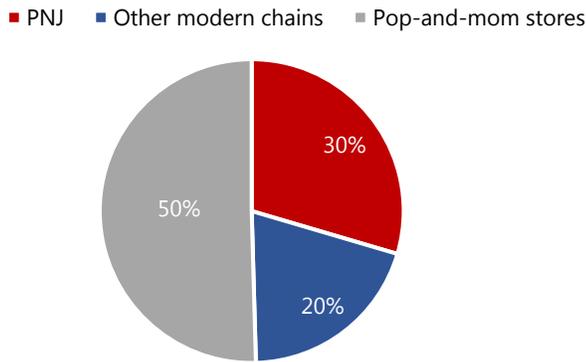


Source: PNJ, World Gold Council, Yuanta Vietnam

**2) High industry fragmentation implies strong chance for PNJ to consolidate the market.** We don’t have access to official statistics on the overall Vietnamese jewelry market, but we believe that the market is highly

fragmented with c. 50% of market share attributable to pop-and-mom stores. We believe PNJ’s strong brand name identity (which is due to its large retail network and strong marketing team) and plentiful product offerings (as seen in its number of new collections being far greater than those of its competitors) could allow it to consolidate the market further.

**Fig. 4: Gold jewelry market is highly fragmented**



Source: PNJ, World Gold Council, Yuanta Vietnam estimates

**Fig. 5: PNJ enjoys the dominant market position in terms of outlet scale and new collections**



Source: Yuanta Vietnam Research compiled

We forecast PNJ’s same-store sales growth will gradually decline from 20% in FY19E to 15% in FY23E due to the rising base and market share each year. New stores openings should also proceed at a gradually lower speed, because of scale but also due to intense competition for store locations among retailers – not only jewelry businesses, but also grocery, electronics, and other store operators. We thus forecast the number of new opening stores each year to slow down from 40 stores in FY19E to 20 stores in FY23E.

**We use more conservative margin assumptions in our model than the Street.**

**Yuanta vs. the consensus.** Our net profit forecasts are relatively conservative compared to the Street profits despite very close revenue forecasts. Although we believe in the growth potential of gold jewelry, we think that the slowdown in same-store sales growth will be faster than consensus expectations. We thus expect PNJ to record a higher contribution from the wholesale channel (where profit margins are less attractive), mainly due to the intense competition in its retail business.

Yuanta vs consensus	2019E	2020E	2021E	2018-21E (CAGR)
<b>Revenues (VND bn)</b>				
Yuanta	18,286	22,295	26,439	22%
Consensus	18,295	22,527	26,875	23%
Differential	0.0%	-1.0%	-1.6%	
<b>Net profit (VND bn)</b>				
Yuanta	1,140	1,418	1,735	22%
Consensus	1,224	1,516	1,886	25%
Differential	-6.9%	-6.5%	-8.0%	
<b>EPS (VND)</b>				
Yuanta	6,326	7,870	9,630	19%
Consensus	6,954	8,406	10,521	22%
Differential	-9.0%	-6.4%	-8.5%	

Source: Bloomberg, Yuanta Vietnam

## Watch the watches, but other products fail to glitter

Watches are still a sideline but merit observation, as this segment could become a future growth driver for PNJ.

**Wristwatch segment offers strong potential, but it is still quite small.** We believe that the watch segment could be a potential driver of future growth. PNJ has been a watch retailer for many years, but largely as a sideline. Given the segment's small scale, PNJ purchases products from distributors rather than directly from brands, which results in thin profit margins. A more significant contribution and high double-digit growth rates could motivate us to take a more positive view on this segment, but for now we view it as a call option rather than a fundamental operational driver.

We see very little potential for silver jewelry or gold bars.

**Silver jewelry is starting to tarnish.** In contrast to gold jewelry, silver jewelry does not seem to have garnered popularity among Vietnam's young generation. The number of silver stores has been stable with no growth in same-store sales in FY18A. As living standards improve in the future, spending on luxury jewelry made from gold, platinum, or diamonds is more likely to grow. Therefore, we don't see much potential for the silver jewelry segment.

**Gold bars: Margins are too low for the business to be a meaningful profit driver.** Gold bars account for 20% of PNJ's total revenues but only 2% of net profit. Thus, this segment doesn't mean much for our valuation. Additionally, the company has no intention of expanding this category, so we don't expect any meaningful improvement in its contribution to the overall business.

**SWOT analysis**

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Strong brand identity and good reputation.</li> <li>- Wide retail outlet network.</li> <li>- High number of new collections and designs.</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- Difficulty gaining traction in high-end segments.</li> <li>- Silver jewelry is not competitive with premium jewelry products.</li> <li>- Gold bars sales are low margin.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Mom-and-pop stores still account for a large part of the market (we estimate 50%).</li> <li>- PNJ’s major rivals are well behind it and are struggling to find a way to compete.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Sudden recession and/or spike in gold prices could dampen demand.</li> <li>- Competition could heat up as major players such as Doji and SJC become more focused on jewelry, and as new rivals backed by investment funds (e.g., Precita) enter the market.</li> <li>- Disruption could heat up as e-commerce paves the way for customers to access international luxury brands.</li> </ul>

**The low valuation could be due to negative newsflow related to Dong A Bank...**

**Dong A Bank case was impactful for sentiment, not the actual business...**

Market weakness since 2Q18 was, for PNJ’s share price, exacerbated by unfavorable news related to the Dong A Bank case, with the prosecution of Ms. Nguyen Thi Cuc, former vice CEO of PNJ. However, this ended with PNJ being found guiltless when the case was closed at end-2018. The rebound of the stock prices suggests that Dong A Bank is no longer a hindrance to PNJ’s investors.

We also note that PNJ could have an opportunity to reverse its VND 400 bn provision for exposure to Dong A Bank. However, we see this as only a potential positive, and we do not factor it into our model or valuation for PNJ.

**... and concerns over FOL limitation on gold trading activity.**

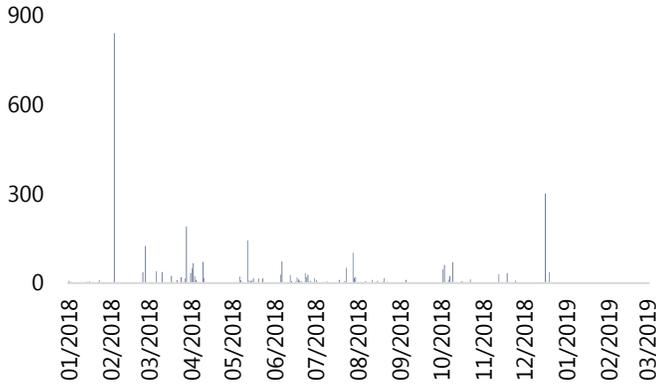
**FOL concerns could also be overdone...**

After Vinaconex’s (VCG VN, Not Rated by Yuanta) foreign room was cut to 0% due to violations of laws governing restricted activities, investor concerns about this issue arose for PNJ. This is because the company operates gold-related product retailing activities, which is also a sensitive business. According to the best of our knowledge, the only gold-related business that prohibits enterprises from having foreign equity capital is the trading of semi-finished gold products and raw gold. According to management, this should not be a concern because the restricted areas are not PNJ’s core businesses.

... although we acknowledge that foreign investors may be well advised to wait for a recovery in the liquidity of FOL shares.

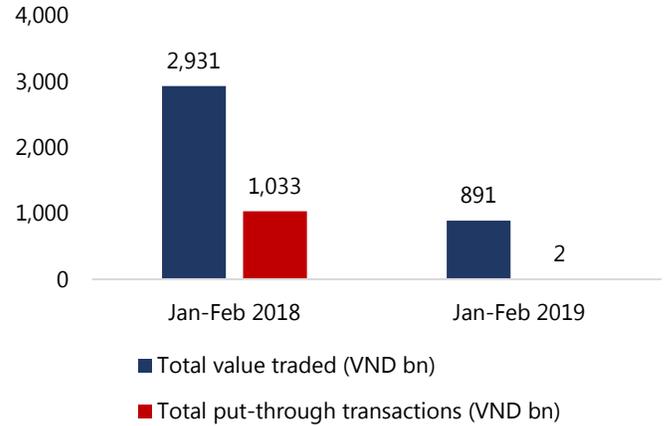
Therefore, Vietnamese investors could choose to view these issues, which are clearly negative for sentiment and liquidity, as an opportunity. However, we acknowledge that foreign institutional investors may see the stock's market liquidity constraints as a reason to await a better (i.e., more liquid) entry opportunity. Although block trades have dwindled since Dec 2018, we are somewhat encouraged by a put-through transaction of 20,000 shares on February 26. Of course, whether this is a sign of a recovery in liquidity for foreign institutions remains to be seen.

**Fig. 1: Put through order transactions (VNDbn) on PNJ have tanked YTD**



Source: FiinPro

**Fig. 2: Trading liquidity has also dried up YTD**



Source: FiinPro

## VALUATIONS

Our price target of VND 118,500 is based on a weighted approach that applies FCFE with a 30% weighting and a P/E comparison with peers at 70% weighting. This target price implies 18.7x 2019E EPS, which we see as reasonable. We believe that the stock should re-rate if upcoming quarterly results confirm the accuracy of our forecasts.

**Table 1: Key assumptions**

Key assumptions	2019E	2020E	2021E	2022E	2023E
<b>Revenues</b>	<b>18,286</b>	<b>22,295</b>	<b>26,439</b>	<b>30,386</b>	<b>34,570</b>
<b>YoY growth rate</b>	<b>25%</b>	<b>22%</b>	<b>19%</b>	<b>15%</b>	<b>14%</b>
Gold jewelry	14,827	18,178	21,897	25,356	29,202
SSSG	20%	20%	20%	10%	10%
New opening stores	40	35	30	25	20
Silver Jewelry	263	263	263	263	263
SSSG	0%	0%	0%	0%	0%
New opening stores	0	0	0	0	0
Gold bar	3,130	3,756	4,132	4,545	4,772
YoY growth rate	20%	20%	10%	10%	5%
Others	66	98	148	221	332
YoY growth rate	50%	50%	50%	50%	50%
<b>Gross margin</b>	<b>19.2%</b>	<b>19.3%</b>	<b>19.5%</b>	<b>19.9%</b>	<b>20.3%</b>
Gold jewelry	22%	22%	22%	23%	23%
Silver Jewelry	60%	60%	60%	60%	60%
Gold bar	1%	1%	1%	1%	1%
Others	50%	50%	50%	50%	50%
<b>EBIT margin</b>	<b>8.2%</b>	<b>8.3%</b>	<b>8.5%</b>	<b>8.8%</b>	<b>9.3%</b>

Source: Yuanta Vietnam Research estimates

**Table 2: DCF valuation**

DCF Analysis	FY19E	FY20E	FY21E	FY22E	FY23E
Sales	18,286	22,295	26,439	30,386	34,570
YoY Growth	25.5%	21.9%	18.6%	14.9%	13.8%
Net profit	1,140	1,418	1,735	2,077	2,528
Net margin	6.2%	6.4%	6.6%	6.8%	7.3%
Depr&Amor (+)	42	48	53	58	64
Working cap investment (-)	(428)	(863)	(1,177)	(948)	(983)
Capex (-)	(70)	(55)	(53)	(53)	(53)
Net borrowing (+)	56	81	95	70	57
<b>FCFE</b>	<b>739</b>	<b>629</b>	<b>653</b>	<b>1,204</b>	<b>1,612</b>
Terminal growth rate	5.9%				
Terminal value					22,635
Cost of equity	13.4%				
Total equity value	17,675				
<b>FCFE-derived value per share</b>	<b>109,014</b>				
Implied P/E	17.2				

Source: Yuanta Vietnam Research estimates

**Table 3: Peer comparison**

Peer comparisons	Country	Market cap (USD Mn)	P/E		P/B Trailing 12M	EPS Growth		ROE Trailing 12M
			FY19E	FY20E		FY19E	FY20E	
Chow Tai Fook	Hong Kong	9,530	16.7	15.6	2.6	8%	7%	14%
Luk Fook	Hong Kong	1,975	10.4	10.1	1.6	8%	2%	16%
Titan	India	12,762	61.3	49.2	17.8	18%	25%	24%
Thangamayil Jewellery	India	62	14.0	10.7	2.6	24%	30%	14%
Chow Tai Seng	China	2,185	14.4	11.8	3.9	25%	22%	22%
Hartadinata Abadi	Indonesia	85	6.5	4.4	0.9	23%	N/A	14%
Michael Hill	Australia	190	10.4	9.2	1.4	413%	13%	2%
Richemont SA	Switzerland	43,909	20.3	20.2	2.4	49%	0%	16%
Tiffany & Co.	US	11,585	20.3	19.4	3.9	58%	4%	14%
<b>Mean</b>			<b>19.4</b>	<b>16.8</b>	<b>4.1</b>			
<b>Median</b>			<b>14.4</b>	<b>11.8</b>	<b>2.6</b>			
<b>PNJ</b>	<b>Vietnam</b>	<b>709</b>	<b>15.6</b>	<b>12.8</b>		<b>19%</b>	<b>22%</b>	<b>29%</b>

Source: Bloomberg, Yuanta Vietnam Research estimates

**Table 4: Weighting of each method**

Fair price	Stock value	Weighting	Proportionate share
<b>FCFE</b>	109,014	<b>30%</b>	32,704
<b>P/E = 19.4</b>	122,501	<b>70%</b>	85,751
<b>SUM</b>			<b>118,455</b>

## RISKS TO OUR INVESTMENT THESIS

- Higher gold price, economic weakness, or shifts in consumer sentiment could dampen growth in gold jewelry demand.
- Competition could heat up as international luxury jewelry brands target Vietnam via direct marketing and e-commerce.
- Watch retailing is still a sideline, but one with potential to become a growth driver in the future. The progress of this segment merits close monitoring, in our view.

**PROFIT AND LOSS (VND bn)**

<i>FY Dec 31 (VND'bn)</i>	2017A	2018P	2019E	2020E	2021E
<b>Revenue</b>	<b>10,977</b>	<b>14,573</b>	<b>18,286</b>	<b>22,295</b>	<b>26,439</b>
Gold jewelry	8,672	11,658	14,827	18,178	21,897
Silver jewelry	215	262	263	263	263
Gold bar	2,086	2,609	3,130	3,756	4,132
Others	33	44	66	98	148
Cost of goods sold	(9,065)	(11,794)	(14,782)	(18,001)	(21,290)
<b>Gross profits</b>	<b>1,912</b>	<b>2,779</b>	<b>3,504</b>	<b>4,294</b>	<b>5,150</b>
Operating expenses	(963)	(1,517)	(2,011)	(2,453)	(2,908)
<b>Operating profits</b>	<b>949</b>	<b>1,263</b>	<b>1,493</b>	<b>1,842</b>	<b>2,241</b>
Net interest expenses	(56)	(66)	(93)	(96)	(101)
Net investments income/(loss)	-	-	-	-	-
Net other incomes	6	3	3	3	3
<b>Pretax profits</b>	<b>907</b>	<b>1,206</b>	<b>1,425</b>	<b>1,772</b>	<b>2,169</b>
Income taxes	(183)	(246)	(285)	(354)	(434)
Minority interests	-	-	-	-	-
<b>Net profits</b>	<b>725</b>	<b>960</b>	<b>1,140</b>	<b>1,418</b>	<b>1,735</b>
EBITDA	988	1,305	1,534	1,890	2,294
EPS (VND)	6,434	5,330	6,326	7,870	9,630

**KEY RATIOS**

	2017A	2018P	2019E	2020E	2021E
<b>Growth (% YoY)</b>					
Sales	28.2	32.8	25.5	20.3	16.5
Gold jewelry	30%	34%	27%	21%	18%
Silver jewelry	26%	22%	0%	0%	0%
Gold bar	22%	25%	20%	20%	10%
Others	28%	33%	50%	50%	50%
Operating profit	31.0	33.0	18.2	21.0	15.4
EBITDA	30.3	32.0	17.6	20.8	15.3
Net profit	60.9	32.5	18.7	21.9	15.8
EPS (VND)	46.8	(17.2)	18.7	21.9	15.8
<b>Profitability ratio (%)</b>					
Gross margin	16.5	17.4	19.1	19.2	19.1
Operating margin	<b>8.5</b>	<b>8.6</b>	<b>8.7</b>	<b>8.2</b>	<b>8.2</b>
EBITDA margin	8.9	9.0	9.0	8.4	8.4
Net margin	5.3	6.6	6.6	6.2	6.3
ROA	13.7	17.9	17.8	17.2	18.4
ROE	32.0	32.6	28.7	28.1	29.0
<b>Stability</b>					
Net debt/equity (x)	0.9	0.2	0.4	0.3	0.2
Int. coverage (x)	4.0	16.8	19.0	16.1	18.7
Int. &ST debt coverage (x)	0.5	1.1	0.8	0.9	1.0
Cash conversion days	106.2	105.5	107.0	110.3	107.0
Current ratio (X)	<b>1.6</b>	<b>2.7</b>	<b>2.1</b>	<b>2.3</b>	<b>2.5</b>
Quick ratio (X)	0.1	0.3	0.2	0.3	0.3
Net cash/(debt) (VND mn)	(1,353)	(717)	(1,360)	(1,222)	(1,140)
<b>Efficiency</b>					
Days receivable outstanding	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>
Days inventory outstanding	<b>127</b>	<b>126</b>	<b>127</b>	<b>130</b>	<b>127</b>
Days payable outstanding	23	23	23	23	22

Source: Company data, YSVN

**BALANCE SHEET (VND bn)**

<i>FY Dec 31 (VND'bn)</i>	2017A	2018P	2019E	2020E	2021E
<b>Total assets</b>	<b>4,492</b>	<b>6,303</b>	<b>7,164</b>	<b>8,469</b>	<b>9,946</b>
Cash & cash equivalents	175	207	585	849	1,050
ST Investment	160	-	-	-	-
Accounts receivable	85	176	165	183	239
Inventories	3,402	4,816	5,265	6,263	7,466
Other current assets	74	82	86	91	95
Net fixed assets	497	787	816	823	823
Others	99	236	247	260	273
<b>Total liabilities</b>	<b>1,543</b>	<b>2,558</b>	<b>2,625</b>	<b>2,860</b>	<b>3,037</b>
Current liabilities	1,436	2,479	2,550	2,788	2,965
Accounts payable	590	921	931	1,085	1,167
ST debts	846	1,558	1,618	1,703	1,798
Long-term liabilities	106	78	75	71	72
Long-term debts	46	8	4	-	-
Others	60	71	71	71	72
<b>Shareholder's equity</b>	<b>2,950</b>	<b>3,745</b>	<b>4,540</b>	<b>5,609</b>	<b>6,909</b>
Share capital	1,958	2,595	2,595	2,595	2,595
Treasury stocks	(0)	(0)	(0)	(0)	(0)
Others	1,186	1,711	939	(102)	(1,368)
Retained earnings	772	885	1,656	2,698	3,963
<b>Minority interest</b>	-	-	-	-	-

**CASH FLOW (VND bn)**

<i>FY (VND'bn)</i>	2017A	2018P	2019E	2020E	2021E
<b>Operating cash flow</b>	<b>109</b>	<b>(305)</b>	<b>749</b>	<b>598</b>	<b>607</b>
Net income	725	960	1,140	1,418	1,735
Dep. & amortisation	28	39	42	48	53
Change in working capital	59	331	11	154	82
Others	(351)	(435)	(289)	(359)	(438)
<b>Investment cash flow</b>	<b>(264)</b>	<b>(169)</b>	<b>(82)</b>	<b>(67)</b>	<b>(66)</b>
Net capex	(99)	(271)	(82)	(67)	(66)
Change in LT investment	(160)	160	-	-	-
Change in other assets	-	-	-	-	-
Cash flow after invt.	(5)	(58)	-	-	-
<b>Financing cash flow</b>	<b>174</b>	<b>505</b>	<b>(289)</b>	<b>(267)</b>	<b>(339)</b>
Change in share capital	98	589	-	-	-
Net change in debt	(615)	674	56	81	95
Change in other LT liab.	692	(758)	(345)	(348)	(434)
<b>Net change in cash flow</b>	<b>20</b>	<b>31</b>	<b>378</b>	<b>264</b>	<b>201</b>
Beginning cash flow	155	175	207	585	849
<b>Ending Cash Balance</b>	<b>175</b>	<b>207</b>	<b>585</b>	<b>849</b>	<b>1,050</b>

**KEY METRICS**

	2017A	2018P	2019E	2020E	2021E
PE (x)	21.3	17.5	15.9	12.8	10.5
Diluted PE (x)	21.3	17.5	15.9	12.8	10.5
PB (x)	5.0	4.2	3.7	3.0	2.4
EBITDA/share	9,143	7,812	9,186	11,315	13,737
DPS (VND)	1,713	1,585	2,000	2,000	2,500
Dividend yield (%)	1.3	1.2	2.0	2.0	2.5
EV/EBITDA (x)	10.4	15.5	12.9	11.0	8.9
EV/EBIT (x)	15.5	13.0	11.3	9.1	7.5

## APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Ratings	Expected return within the next 12 months
<b>BUY</b>	Above 10%
<b>HOLD</b>	Between -10% to +10%
<b>SELL</b>	Below 10%

**BUY:** We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

**HOLD-Outperform:** In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

**HOLD-Underperform:** In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

**SELL:** We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

**Under Review:** We actively follow the company, although our estimates, rating and target price are under review.

**Restricted:** The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

*Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.*

### Global Disclaimer

© 2018 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

## YUANTA SECURITIES NETWORK



## YUANTA SECURITIES VIETNAM OFFICE

**Head office:** 4<sup>th</sup> Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

### Institutional Research

**Matthew Smith, CFA**

Head of Research  
 Tel: +84 28 3622 6868 (ext. 3815)  
[matthew.smith@yuanta.com.vn](mailto:matthew.smith@yuanta.com.vn)

**Quang Vo**

Analyst (Consumer)  
 Tel: +84 28 3622 6868 (ext. 3872)  
[quang.vo@yuanta.com.vn](mailto:quang.vo@yuanta.com.vn)

**Tam Nguyen**

Analyst (Property)  
 Tel: +84 28 3622 6868 (ext. 3874)  
[tam.nguyen@yuanta.com.vn](mailto:tam.nguyen@yuanta.com.vn)

**Tanh Tran**

Analyst (Banks)  
 Tel: +84 28 3622 6868 (3874)  
[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)

### Institutional Sales

**Huy Nguyen**

Head of Institutional sales  
 Tel: +84 28 3622 6868 (ext. 3808)  
[Huy.nguyen@yuanta.com.vn](mailto:Huy.nguyen@yuanta.com.vn)

**Duyen Nguyen**

Sales Trader  
 Tel: +84 28 3622 6868 (ext. 3890)  
[duyen.nguyen@yuanta.com.vn](mailto:duyen.nguyen@yuanta.com.vn)