

APRIL

16

THURSDAY

ADVISORY DIARY

- **PNJ AGN note**
- **Going on yesterday's trend**

PNJ AGN note

As mentioned in Rongviet's Vietnam Stock Market Outlook 2015 and Equity Strategy, PNJ is on the list of favored shares in Household industry thanks to strong brand and extensive retail distribution system. This year, Household industry is assessed to be optimistic by our analysts due to the recovery in economy resulting in the income improvement. Especially during first 3 months in 2015, Consumer confidence index maintained at high level reinforcing our argument. Today Advisory diary will provide general valuation of PNJ's revenue and plans for 2015 on the occasion that our analyst attended PNJ Annual general meeting.

Positive earning result in 2014 despite lower Gold demand and Gold price

In 2014, PNJ's revenue only stayed at VND7294 billion (-8% yoy and reached 80% of the plan), however, NPAT increased due to the changes in revenue structure of two main segments (gold bars and jewelry). Accordingly, the proportion revenue of gold bars decreased from 43% (2013) to 28%; while the proportion of gold jewelry segment rose to 70%. Gross profit margin in 2014 increased significantly to 10.83%. Moreover, PNJ focused on PNJ gold by investing more machines, Italian production line. In 2014, PNJ also divest unrelated industry such as SFC (record a VND37 billion of extraordinary earning in 2014).

Table: 2014 Business Operating Result – Performance vs Plan

Items	2014 Plan	Performance		Perf/Plan
		2014	2013	
Total sales	9,124	7,294	7,603	80%
Include: Jewelry Sales	5,205	5,275	4,269	101%
Gross profit	677	790	599	117%
Earning after tax	220.9	256.7	182.3	116%
Consolidated EAT	202.5	255.8	169.0	126%
Dividend	20%	25%*		

15% by cash and và 10% by shares.

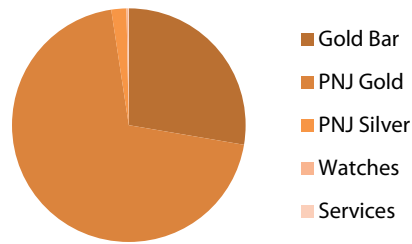
In 2014, PNJ has restructured its operation by concentrating on its **jewelry retailing**, which is currently the main business of PNJ with the contribution to the total revenue and gross profit at about 31% and 74%, respectively. To further the 2013's achievements, the Company's plan, in 2014 is to expand its retailing chain by launching additional 18 stores to reach the total stores of 169, including 78 stores for selling gold, 83 store for selling silver and 8 for Cao Fine stores.

The **wholesale business** is also strength of PNJ. In 2014, this segment recorded the significant growth in quantity as well as revenue, which was increased by 17% and 36% (y-o-y) respectively.

In contrast, sale of gold bar and export were negatively impacted in 2014 from adverse world gold price fluctuations. As such, sales of gold bar in 2014 fell 38 % yoy, reaching VND2,019 billion (constituting 2 % of overall gross margin). In the future, PNJ would continue this particular segment business to sustain brand reputation. For export segment, PNJ only recorded VND76 billion in 2014, down 12 % yoy.

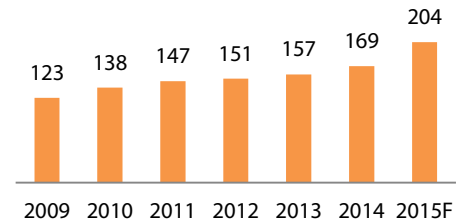
“Going on yesterday's trend”

Exhibit: Sales structure



Source: PNJ

Exhibit: Number of stores



Source: PNJ

2015 Business Plan

For 2015 business plan, we see potential growth on some targets especially sales network expansion with plans to open three outlets per month. Amid unclear sign of gold price recovery, this would be a challenging year ahead for the company. However, our analyst believes “room” for further growth of jewelry business still remains. Hence, the expanding retail network and brand recognition program would make it a doable mission for PNJ.

Table: Performance and business plan of PNJ

Items	2014's performing	2015 Plan	Growth (%)
Total Sales	7,294	8,227	+13%
Include: Jewelry sales	5,275	6,703	+27%
Gross profit	790	976	+24%
Earning after tax	256.7	300	+17%
Consolidated EAT	255.8	306	+20%
Dividend	25%*	20%	
Widening retail network	18 stores	35 stores	+94%

Source: PNJ

PNJ is currently having stable business performance along with expansion and development plan for the period of 2015 – 2016 after reconstructing process. According to our analysts’ evaluation, in short-term, the divestments from companies in other industries such as real estate and hospitality could cause difficulty for small enterprises’ business results due to the loss of consolidated accounts from such businesses. However, in long-run, we evaluate the position as a leading company in domestic jewelry industry and focusing on the core business is the appropriate and consistent direction for PNJ.

Going on yesterday's trend

Going on yesterday's growth trend, today trading session was still affected by oil and gas groups. PVD continued to close at ceiling price just after 17-minute trading. The oil and gas stocks also recorded positive growth such as PVC (+ 1.7%), PVB (+ 2.2%), PVS (+1.2%),... At the end, the VNIndex and HNIndex closed in green at 568.28 and 83.4 points, respectively. However, we found that positive sentiment only limited to oil & gas and large-cap stocks and did not spread to small-cap stocks.

Notably, a different focus of today came from HHS stock. As mentioned in AD April/02/2015, M&A stories with Hoang Giang is the highlight point of HHS this year when extending to production range this year. In the consolidated statements Q12015 was announced, HHS recorded a goodwill VND119.53 billion by successfully merging with Hoang Giang on the day Nov/03/2015. Ending today, the trading volume of HHS reached "huge number" of 6.8 million shares, 2.87 times higher

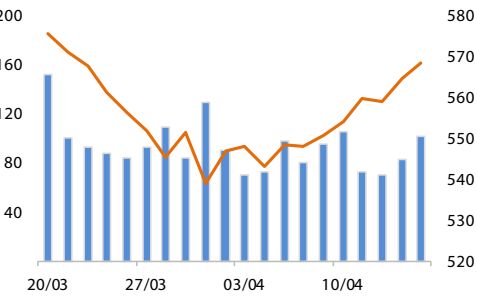
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than yesterday.

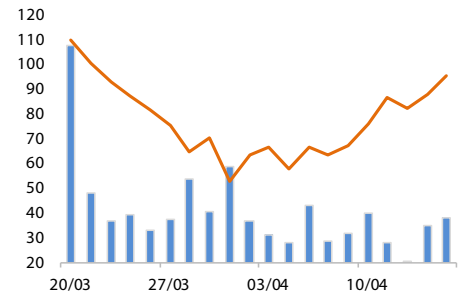
Foreign investors continued net sales of VND220.79 billion in today session. We realize that in top buy stock group (PVD, BID, HHS, and VCB) witnessed a positive gain, which qualified that foreign investors supported these stocks' prices. From the early April to now, net buying value remained VND 992.5 billion, ~ 78% of net sell value in March. We suppose that market movement in upcoming days will depend on significantly foreign investors' activities.

Related to macroeconomic news, yesterday afternoon, General Department of Vietnam Customs announced trade statistics in March, 2015. Accordingly, in March, Vietnam recorded total trade deficit of USD1.4 bn, higher than the previous estimate of GSO (USD600 million). In the first three months of 2015, the trade deficit reached USD2.75 bn. Along with the pressure of the foreign exchange market during these days, the current exchange rate policy has reflected negatively on the trade balance in the early of the year.

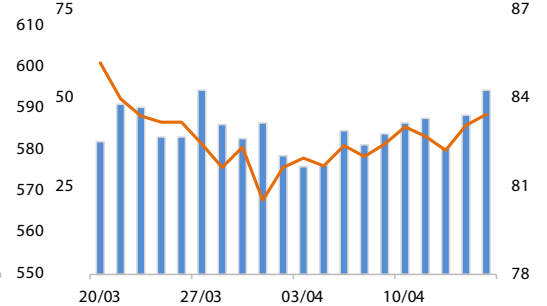
VNINDEX 0.67% **568.28**



VN30 0.73% **595.09**

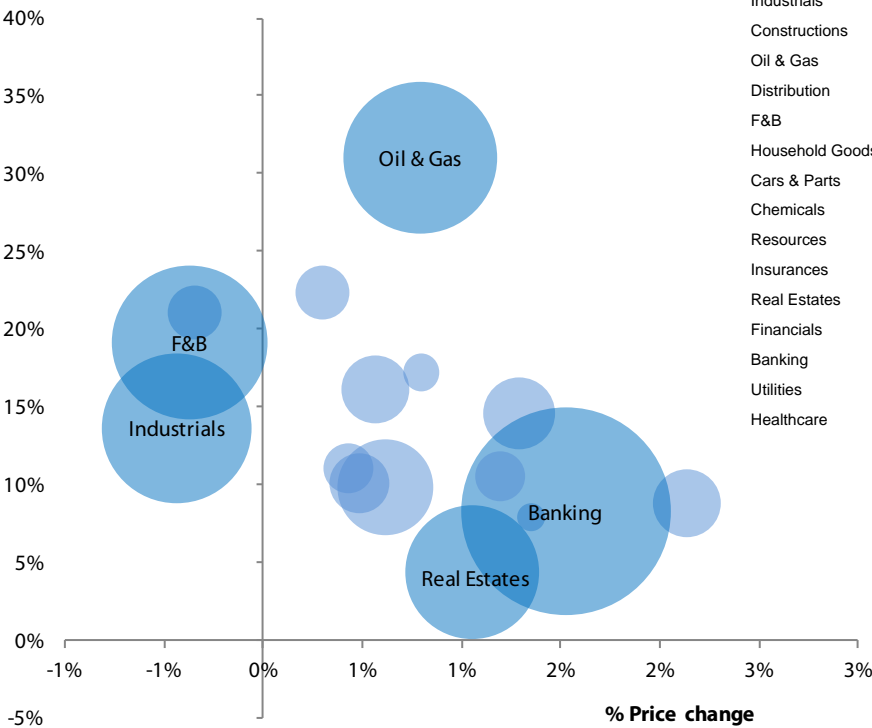


HNXINDEX 0.45% **83.40**



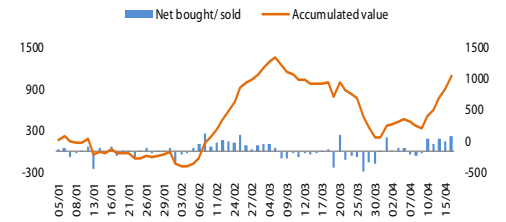
Industry Movement

Industry ROE

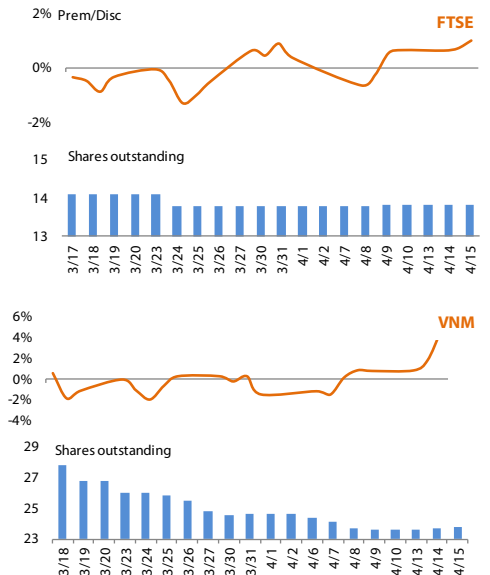


Industry	% change
Technologies	-0.3%
Industrials	-0.4%
Constructions	0.6%
Oil & Gas	0.8%
Distribution	1.4%
F&B	-0.4%
Household Goods	0.4%
Cars & Parts	0.8%
Chemicals	0.6%
Resources	0.3%
Insurances	1.3%
Real Estates	1.1%
Financials	2.1%
Banking	1.5%
Utilities	0.5%
Healthcare	1.2%

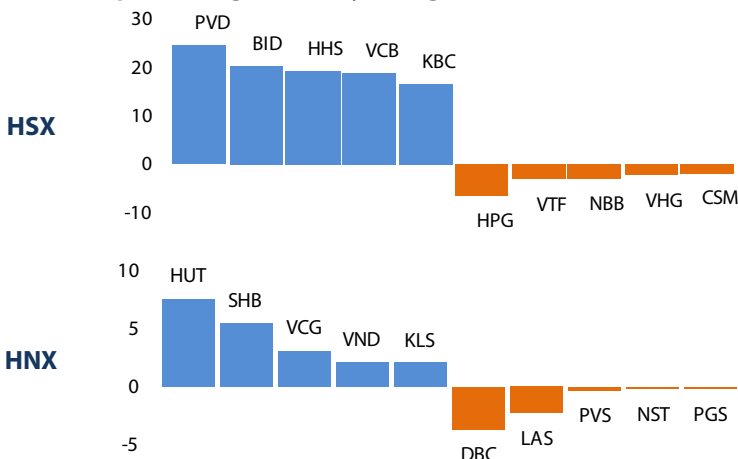
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



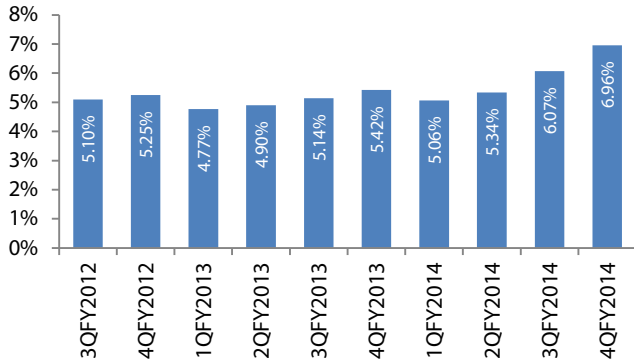
Top Active

Ticker	Price	Volume	% price change
HHS	19.5	6.81	3.2%
FLC	10.6	5.10	1.0%
BID	19.6	4.92	3.2%
CII	21.2	4.67	1.0%
KBC	16.7	3.94	3.7%

Ticker	Price	Volume	% price change
KLF	8.8	4.28	0.0%
PVS	25.5	3.49	1.2%
ITQ	14.6	2.99	-9.9%
FIT	14.1	2.65	-0.7%
HUT	15.9	2.53	3.2%

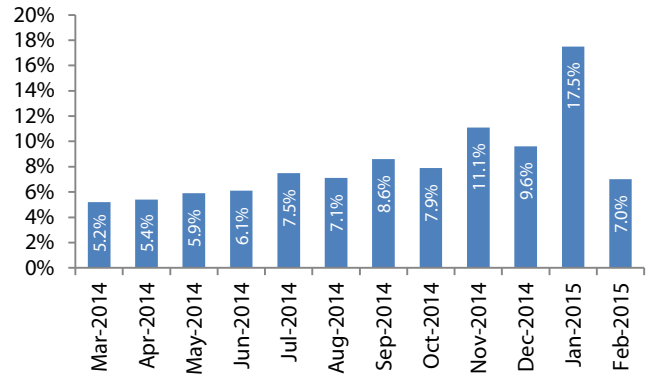
MACRO WATCH

Graph 1: GDP Growth



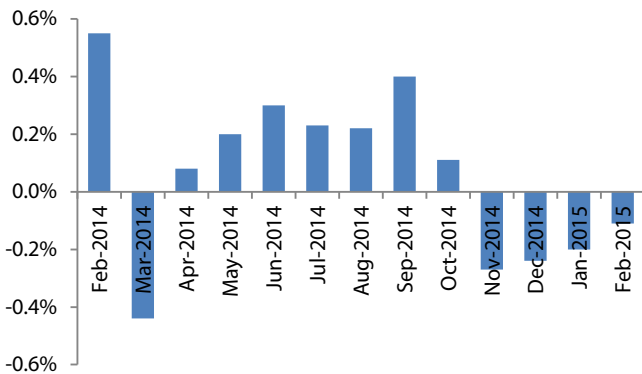
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



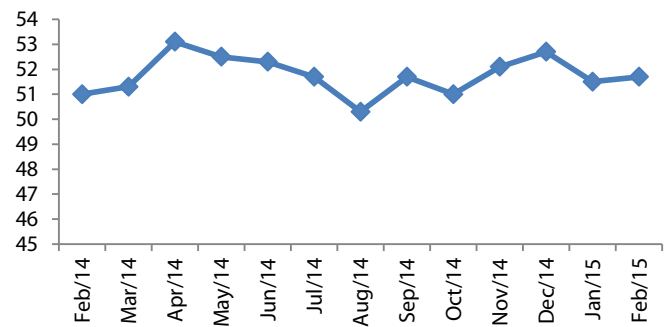
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



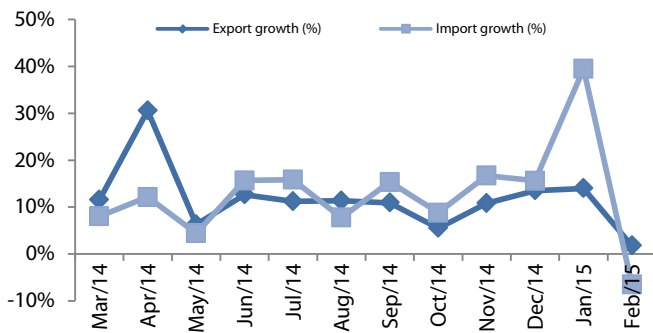
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



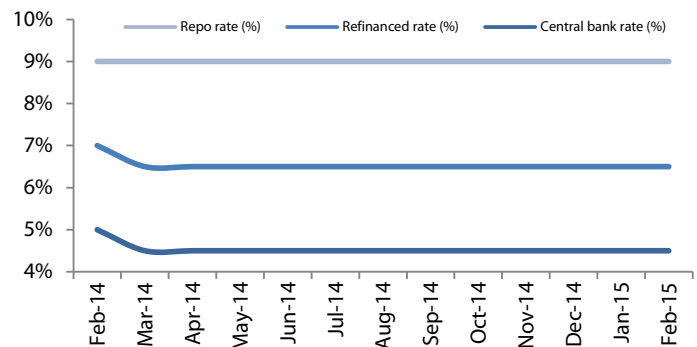
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
PAC- Opportunities along with challenges	Jan 14 th , 2015	Accumulate – Intermediate term	27,500
HMH - Positive outlook from various supporting factors	Jan 06 th , 2015	Accumulate – Long term	33,800
DPM - Tail wind from crude oil	Dec 26 th , 2014	Buy – Intermediate term	36,100
VNM - 2014 - At the pit stop	Dec 19 th , 2014	Accumulate – Long term	110,000
PCT – Restructuring	Dec 11 th , 2014	Monitor	

Please find more information at <http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx>

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	10/03/2015	0%-0.75%	0%-2.5%	11,730	11,725	0.04%
VEOF	10/03/2015	0%-0.75%	0%-2.5%	9,871	9,695	1.82%
VF1	16/03/2015	0.2% - 1%	0.5%-1.5%	21,715	21,772	-0.26%
VF4	11/03/2015	0.2% - 1%	0%-1.5%	9,530	9,552	-0.23%
VFA	13/03/2015	0.2% - 1%	0%-1.5%	7,402	7,457	-0.73%
VFB	13/03/2015	0.3% - 0.6%	0%-1%	12,187	12,179	0.06%
ENF	06/03/2015	0% - 3%	0%	10,951	10,868	0.76%
MBVF	26/02/2015	1%	0%-1%	11,081	11,100	-0.17%
MBBF	11/03/2015	0%-0.5%	0%-1%	12,032	11,966	0.55%

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