

BUY

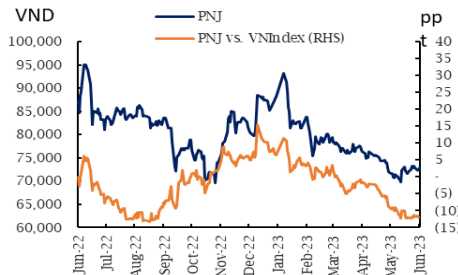
TP upside (downside): +40%

Close 21 June 2023

Price VND 72,500
12M Target VND 101,700

* Target price is adjusted for stock dividend

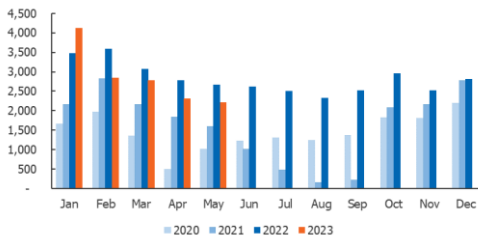
Share price performance relative to VNI



Market cap	US\$1,009mn
6M avg. daily turnover	US\$2.0mn
Outstanding shares	328 mn
Free float	80%
FINI ownership	48.9%
Major shareholders	18%
2022 Net debt / Equity	21%
2023E P/E	10.9x
FOL remaining room	0.1%
2023E Dividend yield	1.9%

Source: Fiiipro, Bloomberg, Yuanta Vietnam

Revenue by month (VNDbn)



PAT by month (VNDbn)



Source: Company Data, Yuanta Vietnam

Research Analysts:

Di Luu

di.luu@yuanta.com.vn

Bloomberg code: YUTA

Phu Nhuan Jewelry JSC (PNJ VN)

PNJ's May sales declined by -17.0% YoY to reach VND 2.2tn and PAT dropped by -21.0% YoY to VND 111bn.

Details

Key drivers continue to post weak results. Retail sales decreased by -8.7% YoY in 5M23. It may come as cold comfort, but this weak result still outperformed the market, as some small jewelry shops report that customer traffic has declined by 30-40% YoY in the past two months. In addition, PNJ's wholesale revenues fell -27.0% YoY and 24k gold sales slightly decreased by -1.4% YoY in 5M23, while sales of other items increased by +27.5% YoY.

In 5M23, total sales reached VND 14.3tn (-8.4% YoY) and PAT reached VND 970bn (-3.5% YoY). So far, PNJ has fulfilled 40% of its 2023 sales guidance of VND 35.6tn and 50% its PAT guidance of VND 1.9tn, which are more conservative than [our forecasts](#).

Margins remain at high levels. 5M23 gross margin reached 19.0% (+1.2ppt YoY) and net margin was 6.8% (+0.3ppt YoY).

PNJ currently has 376 retail outlets (+9% YoY / flat MoM): 355 PNJ Gold, 7 PNJ Silver, 3 CAO, 3 PNJ Art, 5 PNJ Style, and 3 PNJ Watch outlets. This new store opening run rate is slightly ahead of PNJ's full-year target of 5-7% outlet expansion in 2023.

Our view

So far, PNJ has fulfilled 54% of our sales and PAT forecasts for 2Q23. We expect 2Q23 revenues to reach VND 8.3tn (-15% QoQ / +3% YoY) and 2Q23 PAT to reach VND 440bn (-45% QoQ / +12% YoY).

We believe that gold demand is still there. The cultural predilection for gold remains strong - this is unlikely to change in the decades ahead. In the short term, a pause or pivot by the US Fed could boost gold prices and lead to increased investment buyer demand.

Consumer spending power could see a lift from reduced debt financing costs in 2H23. PNJ's poor results reflect Vietnam's struggling economy and reduced spending power. However, gradual resetting of floating mortgage rates in 2H23 should lead to increased disposable income among the middle class.

Therefore, we expect weak sales to persist through 3Q23 with a recovery to start from 4Q23. We forecast 2023E revenues to reach VND 37.6tn (+11% YoY) and 2023E PAT to reach 2.2tn (+21% YoY) with the retail and 24k gold segments as the two key drivers.

We reiterate BUY on PNJ with target price of VND 101,700, implying +42% 12-month TSR. PNJ trades at a reasonable 10.9x 2023E PE with 2023E ROE of 26.5%.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th 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

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (ext. 3874)

tanh.tran@yuanta.com.vn

Di Luu

Analyst (Consumer)

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

An Nguyen

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

an.nguyen@yuanta.com.vn

Institutional Sales

Tuan-Anh Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn

Hien Le

Sales Trader

Tel: +84 28 3622 6868

hien.le@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn