

BUY

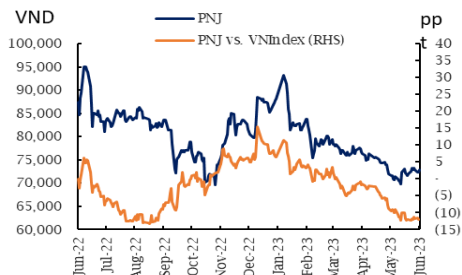
TP upside (downside): +27%

Close 21 Jul 2023

Price VND 80,000
12M Target VND 101,700

** Target price is adjusted for stock dividend*

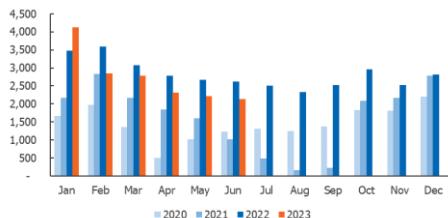
Share price performance relative to VNI



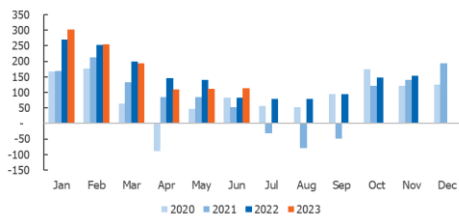
Market cap	US\$1,109mn
6M avg. daily turnover	US\$2.0mn
Outstanding shares	328 mn
Free float	80%
FINI ownership	48.1%
Major shareholders	18%
2022 Net debt / Equity	21%
2023E P/E	15.2x
FOL remaining room	0.9%
2023E Dividend yield	1.7%

Source: Fiiipro, Bloomberg, Yuanta Vietnam

Revenue by month (VNDbn)



PAT by month (VNDbn)



Source: Company Data, Yuanta Vietnam

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Bloomberg code: YUTA

Phu Nhuan Jewelry JSC (PNJ VN)

We attended PNJ's 2Q23 analyst meeting last Friday. PNJ reported 2Q23 sales of VND 6.7tn (-17% YoY) and PAT of VND 335bn (-9% YoY). The lower drop in profit vs. revenues was mainly due to cost efficiencies.

Details

Declining sales momentum in most segments in 1H23: Retail sales decreased by -10.3% YoY, wholesale revenues fell by -32% YoY, and 24k gold sales decreased (albeit slightly) by -1.4% YoY. By contrast, sales of other items jumped by +42% YoY.

In 6M23, total sales reached VND 16.5tn (-9.6% YoY) and PAT reached VND 1.1tn (-0.5% YoY). PNJ has fulfilled 46% of its 2023 sales guidance of VND 35.6tn and 56% its PAT guidance of VND 1.9tn, which are both more conservative than [our forecasts](#).

Weak demand across the low-, mid- and high-end segments. Management reckons that total jewelry market sales have declined by c.40% YoY, although this is partly due to the high base of 6M22.

However, PNJ continues its retail network expansion through the market downcycle. PNJ opened 21 new outlets and closed 4 poorly performing outlets in 6M23. As a result, PNJ currently has 381 retail outlets: 360 PNJ Gold, 7 PNJ Silver, 3 CAO, 3 PNJ Art, 5 PNJ Style, and 3 PNJ Watch outlets. The company plans to open 20-25 new stores in 2023.

Margins remain at high levels due to operating cost efficiencies. 6M23 gross margin reached 18.9% (+1.2ppt YoY) and net margin was 6.6% (+0.6ppt YoY).

Our view

We expect the market to recover in late-4Q23 or early-2024E. This is also in line with management's expectation.

We still believe in PNJ's long-term growth story given (1) rising middle class wealth -- PNJ shared that customers now tend to buy entire collections rather than purchasing each item separately; **(2) new product lines** to be launched when economy stabilizes -- probably in 2024E, in our view; and **(3) the ongoing increase in demand for beauty-related products**, including in areas outside of the major urban centers.

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. So far, PNJ has fulfilled 44% of our sales forecast and 50% our PAT forecast for 2023E.

We reiterate BUY on PNJ with target price of VND 101,700, implying +29% 12-month TSR. PNJ trades at 15.2x 2023E PE with 2023E ROE of 26.5%. Notably, the company currently has 0.9% open FOL room, which we see as a highly attractive opportunity for foreign investors.

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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