

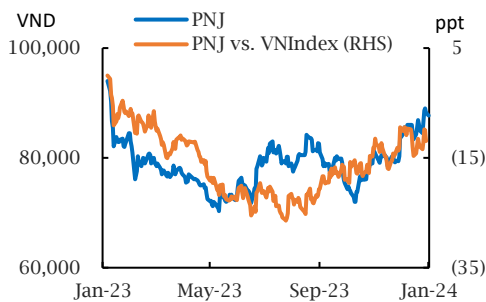
BUY

TP upside (downside): +0.3%

Close 23 Jan 2024

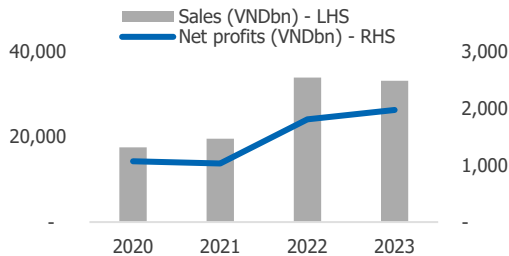
Price VND 89,800
12M Target VND 90,100

Share price performance relative to VNI

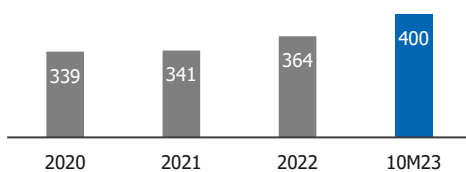


Market cap	US\$1,225mn
6M avg. daily turnover	US\$3.5mn
Outstanding shares	335 mn
Free float	72.0%
FINI ownership	49.0%
Major shareholders	28.0%
3Q23 Net debt / Equity	18.2%
2024E P/E	14.4x
FOL remaining room	0.0%
2024E Dividend yield	1.6%

Source: Fiinpro, Bloomberg, Yuanta Vietnam



Number of stores



Source: Company data, Yuanta Vietnam

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Bloomberg code: YUTA

Phu Nhuan Jewelry JSC (PNJ VN)

PNJ fulfilled 93% of 2023 sales guidance and beat its profit guidance by 2%. 24k gold continue to become the key growth driver.

Details

Full-year sales declined by -2.2% YoY to reach VND 33tn. 24K gold was the key growth driver with sales up +20.9% YoY to account for 31.5% of total sales in 2023. Meanwhile, retail sales (58.2% of total revenues) decreased by -7.8% YoY in 2023. The latter was a disappointment but still outperformed the slump in overall market (-30% to -40%), which is in line with the decrease in PNJ's wholesale revenues of -30.5% YoY in 2023.

Customer base expansion. PNJ reports that its number of new customers increased but average ticket size was low along with weaker consumer purchasing power. The new clients are mostly rural and young people, and PNJ expects this group to become a key growth driver going forward.

But 2023 net profit increased by +8.9% YoY to reach a record high of c.VND 2.0tn, with 4Q23 net profit soaring by +149% QoQ / +34% YoY. According to management, the 4Q spike in PAT was due to the reversal of operating costs for budgeted marketing programs that ultimately were not launched in 2023.

Retail network expansion continues. PNJ added 48 new outlets and closed 7 poorly performing outlets in 2023. As a result, PNJ currently has 400 retail outlets nationwide: 391 PNJ Gold, 3 CAO, 5 PNJ Style, and 1 wholesale center. The company exceeded its target to open 20-25 new stores in 2023.

Margins were solid despite the increased contribution of 24K gold. Revenues for this low-margin segment increased by +6.2 ppt YoY in 2023, but increased operating efficiencies resulted in a full-year gross margin of 18.3% (+0.8ppt YoY) and net margin of 5.9% (+0.6ppt YoY).

Our view

PNJ has exhibited resilience amid the downturn. The company beat our 2023E sales forecast by 3% and our PAT forecast by 14%. This was driven primarily by (1) the faster-than-expected new store expansion rate and (2) higher-than-expected demand for gold bullion in recent months.

Fundamentally, we continue to view the stock as a key beneficiary of the longer-term growth of Vietnam's middle class. For shorter term traders, we think PNJ's positive growth momentum is likely to extend into the Tet holidays as gold demand is likely to remain robust.

PNJ has nearly reached our target price of VND 90,100. We think that any potential correction (perhaps on seasonality ahead of the 2Q-3Q low season) would be a solid BUY opportunity for investors. PNJ currently trades at its 5-year 2024E mean forward-year PE multiple of 14.4x (source: Bloomberg).

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

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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.

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