

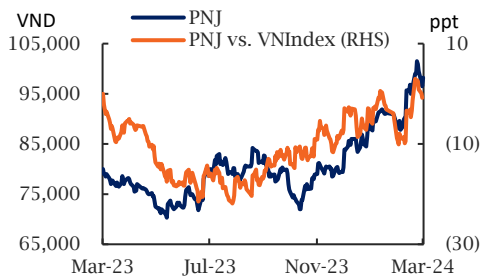
## HOLD-Underperform

**TP upside (downside): -9.3%**

**Close 22 Mar 2024**

Price **VND 98,500**  
12M Target **VND 90,100**

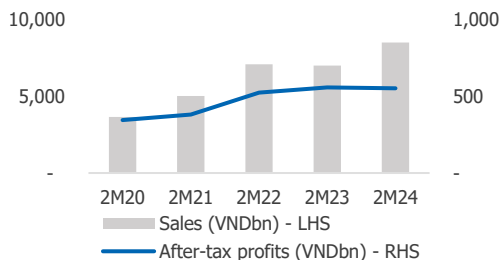
**Share price performance relative to VNI**



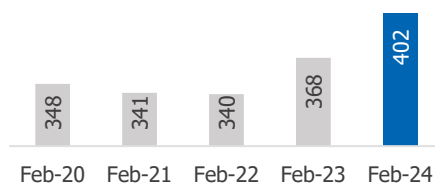
<b>Market cap</b>	<b>US\$1,329mn</b>
<b>6M avg. daily turnover</b>	<b>US\$4.9mn</b>
<b>Outstanding shares</b>	<b>335 mn</b>
<b>Free float</b>	<b>85.0%</b>
<b>FINI ownership</b>	<b>49.0%</b>
<b>Major shareholders</b>	<b>14.7%</b>
<b>2023 Net debt / Equity</b>	<b>21.3%</b>
<b>2024E P/E</b>	<b>14.7x</b>
<b>FOL remaining room</b>	<b>0.0%</b>
<b>2024E Dividend yield</b>	<b>1.4%</b>

Source: Fiinpro, Bloomberg, Yuanta Vietnam

**Sales increased but profits were flattish in 2M24**



**Number of stores**



Source: Company data, Yuanta Vietnam

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**Bloomberg code: YUTA**

## Phu Nhuan Jewelry JSC (PNJ VN)

Sales were up +22% YoY but PAT declined -1% YoY in 2M24. The stock has exceeded our fair value-based target price, and we downgrade our recommendation to HOLD-Underperform from the previous BUY rating.

### Details

In 2M24, total sales rose by +21.6% YoY to reach VND 8.5tn but after-tax profits slid by -0.9% YoY attributable to lower gross profit margin (decreased by -2.0ppt to 17.4% in 2M24). The increase in operating costs (+21.2% YoY in 2M24) is in line with sales growth.

**Sales breakdown.** Jewelry retail sales increased by +8.4% YoY, while 24K gold sales soared by +48.8% YoY in 2M24. Wholesale revenues also went up by +7.8% YoY in 2M24. This was mainly driven by the growth in January (+33% YoY) when downstream gold shops were preparing inventories for Tet and the God of Wealth Day in February.

Sales (VNDbn)	Retail	Wholesales	24k gold	Others	Total
2M23	3,969	621	2,302	84	6,975
2M24	4,315	670	3,425	68	8,478
YoY growth (%)	8%	8%	49%	-22%	22%

**Gross margin decreased due to higher contribution of 24k gold,** which is a low margin product. This segment accounts for 40.4% of total sales in 2M24 (+7.4ppt YoY). By contrast, jewelry retail's contribution decreased to 50.9% of total sales in 2M24 (-6.9ppt YoY).

**No new outlets were added in February** which was no surprise given the timing of the holidays. As a reminder, PNJ plans to add 30-40 new stores this year, which we expect to be discussed in detail during its upcoming AGM next month.

### Our view

**Seasonality is a fickle friend.** Sales were very solid in 2M24 but will likely slow seasonally in 2Q-3Q24 as discretionary consumer demand remains soft. A sequential slowdown in sales could impact the trajectory of PNJ's share price, which has risen by +35% in the past five months.

**Downgrade to HOLD-Underperform** as the share price has gotten ahead of the fundamentals, in our view. PNJ has exceeded our target price by 9% and currently trades at 14.7x 2024E P/E, a premium to its 5-year average forward PE of 12.5x.

**Risks to our view.** A sharp improvement in consumer sentiment and jewelry demand could drive the stock's fair value higher. PNJ plans to launch a new brand when market conditions improve, but we don't expect this to occur imminently. Aside from the fundamentals, further gold price strength could support retail investor sentiment for PNJ.

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