

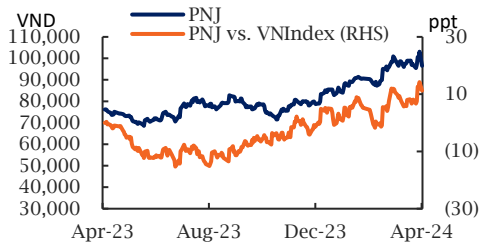
HOLD-Underperform

TP upside (downside): -6.4%

Close 16 Apr 2024

Price VND 95,900
12M Target VND 90,100

Share price performance relative to VNI



Market cap	US\$1,291mn
6M avg. daily turnover	US\$5.1mn
Outstanding shares	335 mn
Free float	85.0%
FINI ownership	49.0%
Major shareholders	14.7%
2023 Net debt / Equity	21.3%
2024E P/E	14.7x
FOL remaining room	0.0%
2024E Dividend yield	2.1%

Source: Fiiipro, Bloomberg, Yuanta Vietnam

	2023A	PNJ's 2024 guidance	YoY
Sales (VNDbn)	33,137	37,147	12%
Gross profits (VNDbn)	6,059	6,543	8%
Gross margins (%)	18.3%	17.6%	-0.7 ppt
PAT (VNDbn)	1,971	2,089	6%
Net margins (%)	5.9%	5.6%	-0.3 ppt



Source: Company data, Yuanta Vietnam

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Phu Nhuan Jewelry JSC (PNJ VN)

PNJ disclosed mixed results in 1Q24, with sales up but net profit down.

Details

1Q24 sales rose by +29% QoQ / YoY to reach VND 12.6tn, exceeding our 1Q24 sales forecast by +24%.

But PAT slid by -1.4% YoY to reach VND 738bn. This result was up +17% QoQ, but it missed our 1Q24 earnings forecast by -5%.

This divergent result was due to the higher contribution of low margin 24K gold products. Bullion demand has soared along with expectations of further gold price appreciation, as well as worries about VND depreciation amid higher-for-longer USD interest rates.

1Q24 Sales breakdown. Jewelry retail sales increased by +12.1% YoY, wholesale revenues were up by +7.5%, and 24K gold sales soared by +66.3% YoY. The latter segment's contribution to total sales increased to 41% (+9.4ppt YoY) in 1Q24, while that of the core jewelry retail segment decreased to 50.5% (-7.2ppt YoY) in the same period.

As a result, blended margins decreased in 1Q24. Gross margin decreased to 17.1% (-0.9ppt QoQ / -2.3ppt YoY) and net margin decreased to 5.9% (-0.6ppt QoQ / -1.8ppt YoY). PNJ is guiding for full-year gross margin to reach 17.6% and net margin to reach 5.6% in 2024, which would both be rather low compared to pre-COVID levels.

PNJ held its AGM this morning. Attendees broadly expressed concerns about the impact of gold price fluctuations on margins. Shareholders approved the cash dividend of VND2,000 per share for 2023, of which VND600 has already been paid. This implies a 2.1% cash dividend yield, and PNJ plans to pay out another VND2,000 DPS on 2024E earnings.

Our view

Slow new store rollout in 1Q24. PNJ increased its store footprint by a net 2 new outlets YTD, which is a slow pace relative to its target increase of 30-40 new stores in 2024. But seasonality may be a factor here, and the +12% YoY increase in jewelry sales in 1Q24 is a positive signal.

Gold buyers are active, which is a driver of sales growth but one that erodes PNJ's profitability - as exhibited clearly in the 1Q24 P&L results. The SBV's resumption of gold auctions is likely to help erode the price premium for gold but demand is likely to remain strong.

We reiterate HOLD-Underperform as the share price has gotten ahead of the fundamentals, in our view. PNJ is now 6% above our target price.

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.

Appendix A: Important Disclosures

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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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