

Vietnam: Consumer Discretionary

21 May 2024

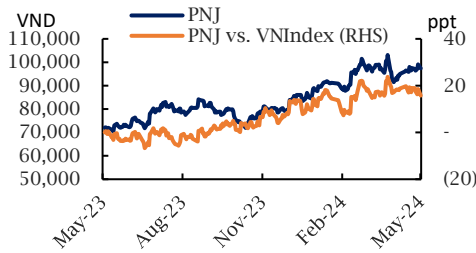
**HOLD-Underperform**

TP upside (downside): -7.5%

Close 20 Apr 2024

Price VND 97,400  
12M Target VND 90,100

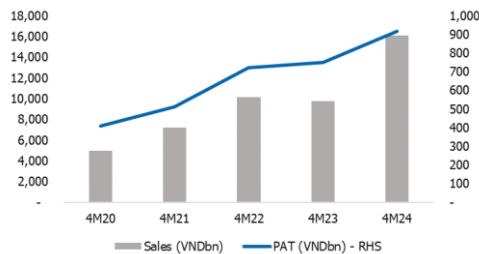
Share price performance relative to VNI



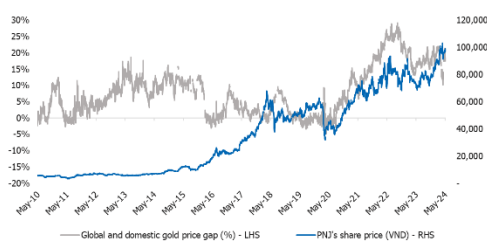
Market cap	US\$1,280mn
6M avg. daily turnover	US\$6.4mn
Outstanding shares	335 mn
Free float	85.0%
FINI ownership	49.0%
Major shareholders	29.6%
2023 Net debt / Equity	21.3%
2024E P/E	14.2x
FOL remaining room	0.0%
2024E Dividend yield	2.1%

Source: Fiinpro, Bloomberg, Yuanta Vietnam

First 4 months results over the years



PNJ's share price has a high correlation to gold price gap recently



Source: Company data, Yuanta Vietnam

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Bloomberg code: YUTA

**Phu Nhuan Jewelry JSC (PNJ VN)**

PNJ has posted strong revenue growth but reduced net margins YTD, primarily attributable to soaring demand for 24K gold products.

**Details**

April monthly sales reached VND 3.5tn (+50% YoY) and PAT was VND 177bn (+60% YoY).

4M23 sales increased by +33% YoY... to reach VND 16.0tn, driven by an +80% YoY increase in 24K gold sales. 4M23 jewelry retail sales increased by +12% YoY, and YTD wholesale revenues grew by +9% YoY.

...but 4M23 PAT increased by just +6.5% YoY to reach VND 915bn in 4M24. The gap between revenue and profit growth is attributable to the higher contribution of low-margin 24K gold products (42.4% of total 4M24 sales, +11.2ppt YoY). Bullion demand has soared YTD along with global gold prices and worries about VND depreciation amid higher-for-longer USD interest rates.

As a result, blended margins decreased in 4M24. Gross margin decreased to 17.0% (-2.1ppt YoY) and net margin decreased to 5.7% (-1.4ppt YoY). PNJ is guiding for full-year gross margin of 17.6% and net margin of 5.6% in 2024, which would both be low compared to its pre-COVID margins.

PNJ added a net of 3 new outlets in 4M24, bringing its network to 403 retail outlets nationwide: 394 PNJ Gold, 3 CAO, 5 PNJ Style, and 1 wholesale center. As a reminder, PNJ net opened 41 outlets last year, which exceeded its full-year target of 20-25 net new stores. PNJ targets an increase of 30-40 new stores in 2024, which would clearly require a faster rollout in the latter two-thirds of the year.

**Our view**

Soaring demand for 24K gold has eroded PNJ's margins YTD. The company is a branded manufacturer of jewelry -- not a mere "play" on gold prices, in our view. As such, the +12% YoY growth of 4M24 retail sales is still a positive result.

But a correlation between PNJ's share price and the Vietnam gold premium -- spurious or otherwise -- appears to have emerged since 2020. The gold price gap is now relatively high at c.18%. History may not always rhyme, but it's worth noting that PNJ's share price was weak until after the SBV finished its final auctions at end-2013.

We reiterate **HOLD-Underperform** as the share price has gotten ahead of the fundamentals, in our view. Our target price for the stock implies -5.4% 12-month shareholder returns.

**Risk to our cautious view:** A sharp recovery of jewelry demand might boost PNJ's fair value higher.

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