

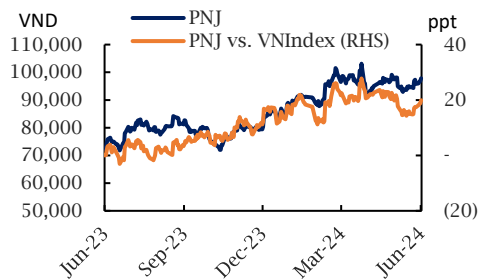
## HOLD-Underperform

TP upside (downside): -8.5%

Close 20 Jun 2024

Price VND 97,800  
12M Target VND 90,100

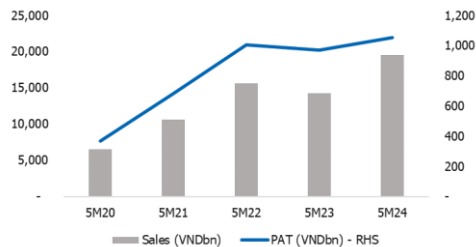
Share price performance relative to VNI



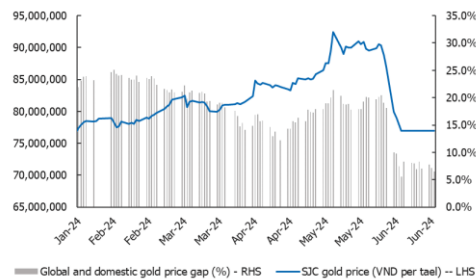
Market cap	US\$1,286mn
6M avg. daily turnover	US\$6.7mn
Outstanding shares	335 mn
Free float	80.0%
FINI ownership	49.0%
Major shareholders	19.8%
2023 Net debt / Equity	21.3%
2024E P/E	14.5x
FOL remaining room	0.0%
2024E Dividend yield	2.0%

Source: Fiiipro, Bloomberg, Yuanta Vietnam

First 5 months results over the years



Vietnam gold premium decreased from recent peak



Source: PNJ, FiiiproX, Bloomberg, Yuanta Vietnam

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## Phu Nhuan Jewelry JSC (PNJ VN)

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

### Details

May sales (+1.2% MoM / +57% YoY) reached VND 3.5tn, while monthly PAT (-23.2% / +23% YoY) totaled VND 136bn.

5M24 revenues increased by +37% YoY... to reach VND 19.5tn, driven by +91% YoY growth of 24K gold sales. 5M24 jewelry retail sales were up +13% YoY, while YTD wholesale revenues grew by +16% YoY.

...but 5M24 PAT increased by just +8.5% YoY to reach VND 1.0tn. The gap between revenue and profit growth is attributable to the higher contribution of low-margin 24K gold sales (43.4% of total 5M24 sales, +12.5ppt YoY).

As a result, blended margins declined in 5M24. Gross margin decreased to 16.5% (-2.5ppt YoY) and net margin decreased to 5.4% (-1.4ppt YoY). Both figures are lower than PNJ's full-year 2024 guidance of 17.6% for gross margin and 5.6% for net margin, which would both be low compared to the company's pre-COVID margins.

PNJ added a net 5 new outlets in 5M24, bringing its network to 405 retail outlets nationwide: 396 PNJ Gold, 3 CAO, 5 PNJ Style, and 1 wholesale center. PNJ targets an increase of 30-40 new stores in 2024, which would clearly require a faster rollout 2H24.

### Our view

Revenue growth and margins may normalize going forward. The 5M24 results may not be indicative of the rest of the year given that the reform of gold sales -- and the decline in the Vietnam gold premium -- has only started from June 3, when the SBV allowed the Big Four SOE banks to sell gold directly to individuals. The Vietnam gold premium has declined from a recent peak of c.18% to just 6-7% as a result.

PNJ and other non-state-owned gold shops have stopped selling gold bars. Some have claimed via the media that they are facing "supply shortage," but we believe that other reasons are driving this shift.

Discontinuing gold bar sales should reduce PNJ's overall revenues but alleviate gross margin pressure going forward given that 24K gold sales accounted for over 40% of PNJ's total revenue in 5M24.

We reiterate HOLD-Underperform. We like the company for its jewelry retail business -- and not as a "play" on gold. However, our view is that the share price has gotten ahead of the fundamentals. Our target price implies 12-month shareholder downside of -6.5%.

Risk to our cautious view: A sharp recovery of consumer confidence and jewelry demand might boost PNJ's fundamental fair value.

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