

Vietnam: Consumer Discretionary

23 July 2024

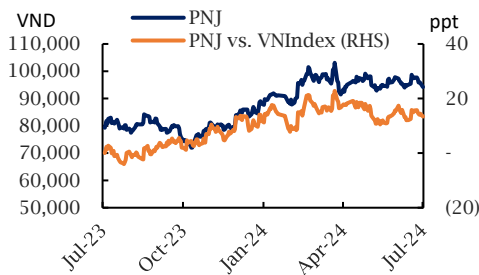
HOLD-Underperform

TP upside (downside): -4.6%

Close 22 Jul 2024

Price VND 94,200
12M Target VND 90,100

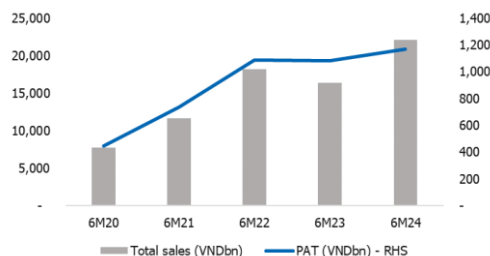
Share price performance relative to VNI



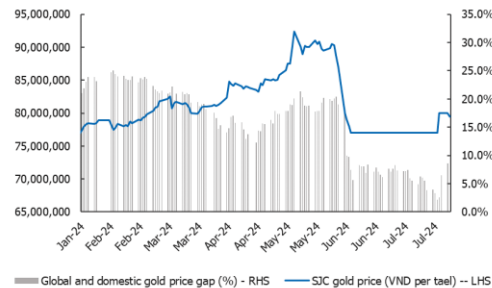
Market cap	US\$1,244mn
6M avg. daily turnover	US\$6.6mn
Outstanding shares	335 mn
Free float	80.0%
FINI ownership	49.0%
Major shareholders	19.7%
2023 Net debt / Equity	21.3%
2024E P/E	13.2x
FOL remaining room	0.0%
2024E Dividend yield	2.0%

Source: Fiiipro, Bloomberg, Yuanta Vietnam

First 6 months results over the years



Vietnam gold premium decreased from recent peak



Source: PNJ, FiiiproX, Bloomberg, Yuanta Vietnam

Research Analysts:

Di Luu

di.luu@yuanta.com.vn

Bloomberg code: YUTA

Phu Nhuan Jewelry JSC (PNJ VN)

PNJ continues to post strong revenue growth but reduced net margins YTD, primarily attributable to 24K gold products. 6M24 earnings were in line but sales came in ahead of our forecasts. Our target price is currently under review.

Details

Jun sales (-26.6% MoM / +20.2% YoY) reached VND2.6tn, while monthly PAT (-14.7% MoM / +1.8% YoY) reached VND116bn.

Margins improved in June. Monthly gross margin was 16.0% (+1.8ppt MoM) and net margin was 4.5% (+0.6ppt MoM). The MoM changes followed the SOE bank start-up of direct gold sales on June 3.

2Q24 sales were VND 9.5tn (-24.4% QoQ but +42.9% YoY) and PAT was VND 429bn (-41.9% QoQ / +28.1% YoY).

6M24 revenues increased by +35% YoY... driven by +81% YoY growth of 24K gold sales. 6M24 jewelry retail sales were up +14% YoY, while YTD wholesale revenues grew by +16% YoY.

...but 6M24 PAT increased by just +7.4% YoY to reach VND 1.2tn. The gap was attributable to the higher contribution of low-margin 24K gold sales (41.5% of total 6M24 sales, +10.8ppt YoY).

Blended margins declined in 6M24. Gross margin fell to 16.4% (-2.5ppt YoY) and net margin to 5.3% (-1.3ppt YoY) in 1H24. Both figures are lower than PNJ's full-year 2024 guidance of 17.6% for gross margin and 5.6% for net margin, which are both low vs. PNJ's pre-COVID margins.

No new outlets were added in Jun 2024. PNJ opened a net of 5 outlets (newly added 13 stores and closed 8 stores) in 1H24, bringing its network to 405 retail outlets nationwide: 396 PNJ Gold, 3 CAO, 5 PNJ Style, and 1 wholesale center.

Our view

Our HOLD-Underperform rating since March has been underpinned by our belief that the share price had gotten ahead the fundamentals -- likely due to investor sentiment related to gold prices.

We like PNJ for its jewelry retail business, not as a "play" on gold. The retail jewelry business posted decent results in 1H24, with retail sales +13% YoY in 1Q24 and +18% YoY in 2Q24.

Core jewelry business to take precedence in 2H24. Seasonality suggests improved retail jewelry sales in 2H24, while 24K gold demand has eased along with the advent of direct sales of gold from the SOE banks. This implies reduced overall sales but also higher margins in 2H24.

Our model is now under review. PNJ's 1H24 sales came in at 22% above our assumption, whereas earnings were in line (-2%) with our 1H24 forecast. PNJ is trading at a 2024E PE multiple of 13.2x, slightly lower than its 5-year average level of 14.5x.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

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YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (ext. 3874)

tanh.tran@yuanta.com.vn

Di Luu

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Giang Hoang

Assistant Analyst

giang.hoang@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

An Nguyen

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

an.nguyen@yuanta.com.vn

Institutional Sales

Lawrence Heavey

Head of Institutional Sales

Tel: +84 28 3622 6868 (ext. 3855)

lawrence.heavey@yuanta.com.vn

Hien Le

Sales Trader

Tel: +84 28 3622 6868

hien.le@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn

Tuan-Anh Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn