

Vietnam: Retail

18 September 2024

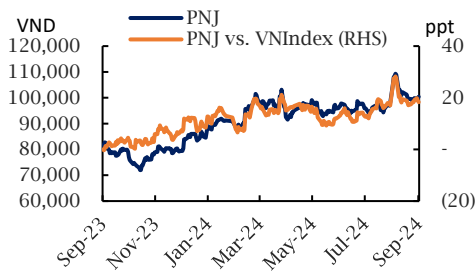
BUY

TP upside (downside): +25.2%

Close 18 Sep 2024

Price VND 100,000
12M Target VND 125,200

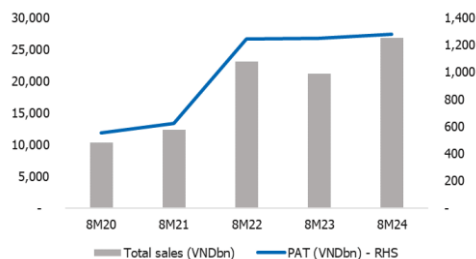
Share price performance relative to VNI



Market cap	US\$1,356mn
6M avg. daily turnover	US\$6.6mn
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	15.9x
FOL remaining room	0.0%
2025E Dividend yield	1.8%

Source: Fiinpro, Bloomberg, Yuanta Vietnam

First 6 months results over the years



Source: PNJ

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Bloomberg code: YUTA

Phu Nhuan Jewelry JSC (PNJ VN)

August margins improved due to the lower contribution of 24K gold sales, as expected. Low-margin gold bar sales have declined from 43% of total revenues in Jan–May to just 20% of sales in June–August.

Details

Aug sales fell (–10.5% MoM / –2.5% YoY) to VND 2.2tn, whereas monthly PAT posted a +23.5% MoM increase (but –17.5% YoY) to VND63bn.

8M24 revenues increased by +27.2% YoY... to reach VND 26.9tn, 72% of guidance and 70% of our forecast for 2024. 24k Gold sales YTD are still up +53% YoY, but most of this occurred in Jan–May (+91% YoY in 5M24). The core jewelry retail sales business continued to post solid growth (+15% YoY in 8M24 vs. 14% in 6M24).

...but 8M24 PAT only ticked up by +2.8% YoY to reach VND 1.3tn, 61% of guidance and 58% of our forecast for 2024. We attribute the gap between revenue and profit growth to the high contribution of low-margin 24K gold sales in 5M24, as well as higher materials costs.

8M24 gross margin decreased to 16.6% (–1.9ppt YoY) and net margin decreased to 4.8% (–1.1ppt YoY). Notably, gross margin was 16.5% in Jan–May and 17.0% in June–Aug. But both of the YTD 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 compared to pre-COVID levels.

Sales breakdown	Retail	Wholesales	24K gold	Others	Total
Jan-May 2024 (VNDbn)	9,363	1,544	8,483	156	19,547
Contribution (%)	48%	8%	43%	1%	100%
Sales breakdown	Retail	Wholesales	24K gold	Others	Total
Jun-Aug 2024 (VNDbn)	4,876	954	1,430	59	7,319
Contribution (%)	67%	13%	20%	1%	100%

Net 5 new outlets in August brings YTD figure to 14. PNJ added 24 new stores and closed 10 in 8M24, bringing its network to 414 retail outlets nationwide: 405 PNJ Gold, 3 CAO, 5 PNJ Style, & 1 wholesale center.

Our view

September results to be impacted by Typhoon Yagi, which resulted in temporary closures across several provinces, although the online channel should partially mitigate this impact.

We remain positive view on PNJ as discussed in our [Sep 4](#) upgrade. We believe that margin pressure has been alleviated by PNJ’s refocus on the core jewelry retail business, as evidenced by this segment’s increased contribution to total sales in the last 3 months.

Risks: 1) Soaring demand for gold bullion might reduce gold jewelry purchases, 2) Persistence of the gold shortage might mean high COGS / reduced profitability, but 3) Potential deregulation of gold imports the purpose of jewelry manufacturing would be an upside catalyst.

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