

Phu Nhuan Jewelry (PNJ)

2Q24: Sign of recovery

On 30th July, we attended PNJ's analyst meeting presenting the 2Q24 business performance. Here are some notable updates.

Demand for Retail Jewelry improved

- In 2Q24, PNJ reported a revenue of VND9,544bn (+43.2% yoy; 102% of our forecast). In which:
 - o *Sales of Retail Jewelry* (49.5%) rose to VND4,586bn (+18.1% yoy). In June 24, Retail Jewelry sales were reported at VND1,583bn (+22.5% yoy) – despite the cooldown of the gold price. Per management, the consumer demand in 2Q24 has improved compared to 1Q24, but was still not strong.
 - o *Sales of 24K Gold* (41.5%) surged to VND4,013bn (+105.5% yoy) due to the vibrant market for trading purposes. However, in Jun 24, since the intervention of SBV to allow 4 state-owned banks to sell Gold 24K, PNJ's Gold 24K sales only grew by 10.8% yoy, compared to 146.1% yoy in Apr and 152.2% yoy in May.
 - o PNJ's wholesales (8.2%) increased to VND869bn (+41.0% yoy).
- In 3Q24F, we think that the demand for Jewelry Retail would continue to be improved due to the recovery of purchasing power amid the better economic outlook. Meanwhile, sales of Gold 24K would be weaker than in 2Q24.
- Per management, PNJ is facing challenges in importing raw gold for Jewelry Retail due to limited supply – as consumers want to hold gold amid the high gold prices.

	2019A	2020A	2021A	2022A	2023A
Sales (VND bn)	17,001	17,511	19,547	33,876	33,137
chg. (% YoY)	16.7	3.0	11.6	73.3	(2.2)
Operating profit (VND bn)	1,623	1,508	1,409	2,337	2,484
Net profit (VND bn)	1,194	1,069	1,029	1,810	1,971
EPS (VND)	5,034	4,463	4,295	6,988	6,009
chg. (% YoY)	(7.8)	(11.3)	(3.8)	62.7	(14)
EBITDA (VND bn)	1,684	1,580	1,484	2,504	2,171
PE (x)	15.69	17.70	18.39	11.31	14.3
EV/EBITDA (x)	12.1	12.3	13.7	8.5	12.9
PB (x)	3.9	3.4	3.0	2.3	3.3
ROE (%)	28.7	21.8	18.3	25.1	21.6
Dividend yield (%)	2.3	3.5	2.5	1.5	0.6

Note: Net profit, EPS, and ROE are based on figures attributed to controlling interest

12M rating **NON-RATED**

12M TP
Up/Downside

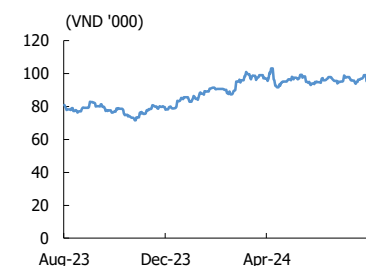
Stock Data

VNIndex (6 Aug, pt)	1,210
Stock price (6 Aug, VND)	95,600
Market cap (USD mn)	1,273
Shares outstanding (mn)	335
52-Week high/low (VND)	103,100/71,572
6M avg. daily turnover (USD mn)	5.33
Free float / Foreign ownership (%)	89.3/49.0
Major shareholders (%)	
Dragon Capital	9.7
Sprucegrove	5.1
VinaCapital Vietnam Opportunity Fund	3.8

Performance

	1M	6M	12M
Absolute (%)	0.6	5.7	20.3
Relative to VNIndex (%p)	6.2	2.6	19.5

Stock price trend



Source: Bloomberg

Research Department

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NPAT would grow at a single digit in 3Q24F

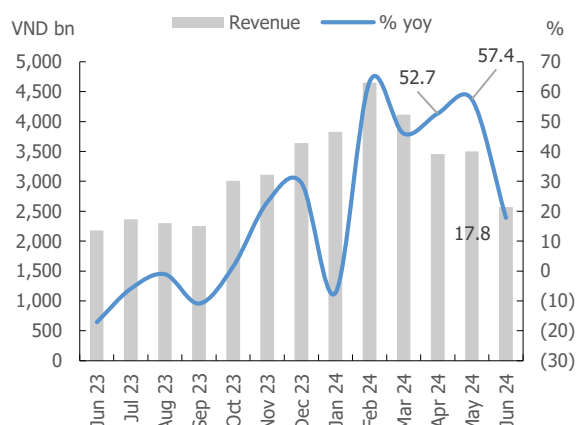
- In 2Q24, PNJ's GM decreased to 16.0% (-200 bps yoy), following the trend in 1Q24. This was because of the greater proportion of 24K Gold, which has a thinner margin (figure 4 & 5).
- In 2Q24, NPAT rose to VND429bn (+28.4% yoy; 103% of our forecast), which was mainly attributed to the surge in Apr (+60.9% yoy) and May (+22.5% yoy).
- In 3Q24F, we estimate that NPAT would grow at a single digit, driven mainly by the recovery of Retail Jewelry.
- In June 24, PNJ opened 1 and closed 1 stores, maintaining the total number of stores at 405 stores (+5 stores YTD). Normally, the opening rates would be faster in 2H since 1H is the peak sales season of PNJ. Per management, PNJ plan to open 25-30 new stores in 2024.

Table 1: PNJ's 2Q24 business results

	Quarterly				Accumulated		
	2Q23	2Q24	YoY (%)	KIS (%)	6M23	6M24	YoY (%)
Total revenue	6,663	9,544	43.2	102	16,459	22,113	34.4
Retail	3,884	4,586	18.1	104	9,546	10,946	14.7
Gold 24K	1,957	4,013	105.0	97	5,053	9,177	81.6
Wholesales	616	869	41.0	-	1,498	1,813	21.1
Others	205	76	(62.9)	-	362	177	(51.1)
NPAT	334	429	28.4	103	1,083	1,167	(7.8)

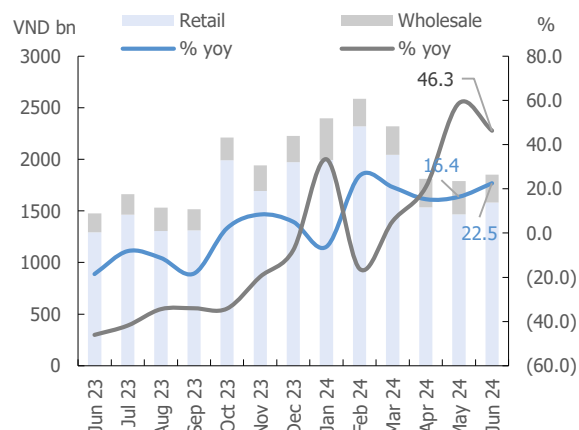
Source: Company Data, KISVN

Figure 1. PNJ's sales growth was slower on June 24 due to Gold 24K



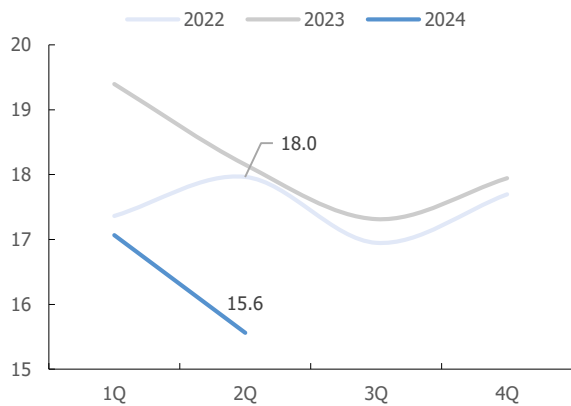
Source: Company Data, KISVN

Figure 2. PNJ's Retail Jewelry continued to grow on June 24 despite of a decline in the gold price



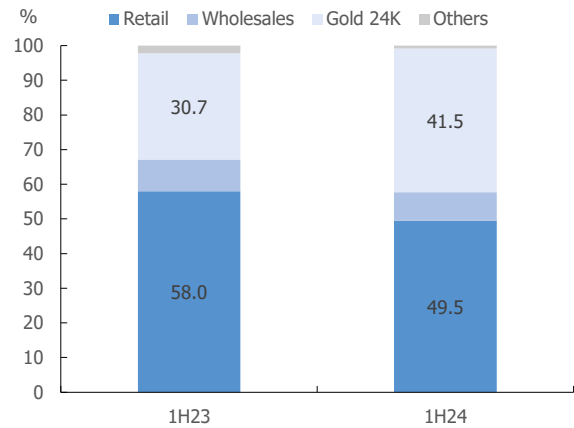
Source: Company Data, KISVN

Figure 3. PNJ's gross margin decreased to the lowest level in 2Q24



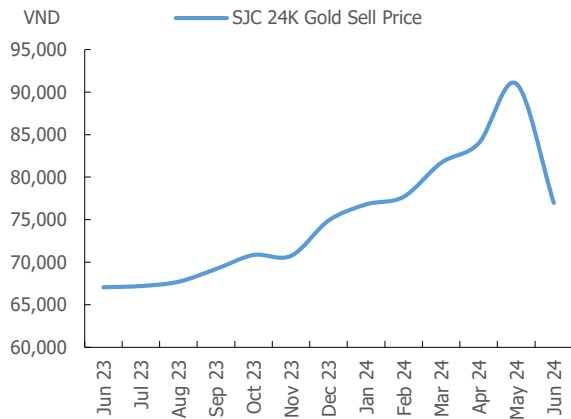
Source: Company Data, KISVN

Figure 4. Shares of Gold 24K increased in 1H24 due to higher demand for trading activities



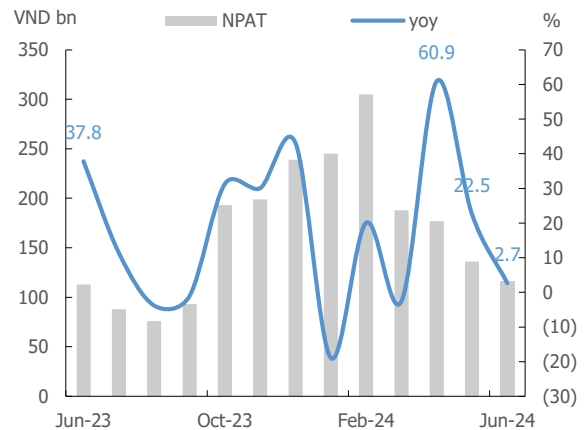
Source: Company Data, KISVN

Figure 5. SJC 24K Gold Sell Price cooled down in June 24 due to the intervention of SBV



Source: Company Data, KISVN

Figure 6. PNJ's NPAT surged in 2Q24 mainly attributed by Apr and May.



Source: Company Data, KISVN

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