

Retail

Weak demand had different impacts

Consumer demand would gradually recover

The consumer's confidence index in Vietnam had declined to the lowest level in 4Q23 which was mainly affected by the layoff wave and expectation of low year-end bonuses. As a result, the overall consumer spending was not strong during Tet holidays, which then negatively affected the recovery rate of listed retailers. On a positive sign, the consumer confidence index in 1Q24 increased to the five-quarter peak. In 2Q24, together with a warmer job market, we expect the number of employed people would continue to improve. Hence, consumers would spend more on consumer goods amid the rise in purchasing power.

MWG: DMX recovered, BHX approached profitability

In 1Q24, MWG reported net revenue of VND 31.5tn (+16.2% yoy, +0.2% qoq), in which sales of air conditioners (DMX) & grocery (BHX) to be the key driver. NPAT surged to VND903bn (about 42 times yoy) since gross margin expanded to 21.3% (+2.1% yoy; +1.6% qoq). Together with the net revenue, we think that MWG's NPAT would continue to rise in the upcoming quarters amid (1) the recovery of the demand (2) the ease of price competition (3) lower operating costs due to the practice of the restructure plan. In addition, BHX could generate sustainable net profit as soon as from 2H24.

FRT: Long Chau expanded, FPT Shop was not yet recovered

FRT reported net revenue of VND9,042bn (+16.6% yoy; +4.1% qoq). While Long Chau maintained to be the growing momentum, sales of FPT Shop has not yet shown sign of upturn. In 1Q24, NPAT rose to VND60.7bn after 3 quarters of making losses thanks to (1) lesser loss of FPT Shop and (2) greater contribution of Long Chau. For FPT Shop, similar to sales, we expect NPAT would continue to recover in the upcoming quarters. For Long Chau, we believe that sales and NPAT would continue to grow impressively thanks to pharmacy store and vaccine centers expansion.

PNJ: Sales surged but NPAT was not yet recovered

PNJ's net revenue climbed to VND12,594bn (+28.6% yoy; +29.0% qoq), which is largely driven by Gold 24K (+66.3% yoy). Sales of Jewelry Retail rose by 12.1% yoy as being affected by the weak demand for luxury products. Since the global economy has been facing the uncertainty, we expect Gold 24K would continue to be the sale drivers in 2Q24. In 2H24, we expect Jewelry Retail would be the key driver – reflects the recovery of consumption demand. As a result, the gross margin would widen and NPAT would grow stronger compared to 1H24 on a year-over-year basic.

Non-rated

Company	Rating	TP (VND)
MWG	HOLD	N/A
FRT	Non-rated	N/A
PNJ	Non-rated	N/A

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Table 1. Coverage valuation

Recommendation & TP			Earning & Valuation										
Company				Sales	OP	NP	EPS	BPS	ROE	ROA	PE	PB	EVEBITDA
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(%)	(%)	(x)	(x)	(x)
Mobile World Group (MWG)	TP	N/A	2019A	102,174	4,977	3,834	8,657	27,360	36.3	11.0	15.2	4.8	10.3
	Price	60,100	2020A	108,546	5,216	3,918	8,650	34,139	28.4	8.9	15.2	3.8	8.2
	Market cap (VND bn)		2021A	122,958	5,888	4,899	6,861	28,561	27.3	9.0	19.2	4.6	11.3
			2022A	133,405	6,644	4,100	2,802	16,338	18.5	6.9	15.3	2.6	6.3
			2023A	118,279	1,017	167	114	15,953	0.7	0.3	428.5	2.8	40.3
FPT Retail (FRT)	TP	N/A	2019A	16,634	273	204	2,612	16,126	17.7	3.6	7.4	1.2	2.1
	Price	162,300	2020A	14,661	14	10	266	15,367	2.0	0.4	101.1	2.1	0.5
	Market cap (VND bn)		2021A	22,495	546	444	5,618	21,045	30.9	5.5	17.6	4.7	2.2
			2022A	30,166	474	398	3,295	16,951	21.3	3.7	24.2	8.6	2.2
			2023A	31,850	(297)	(329)	(2,537)	11,738	(18.3)	-2.9	-64.6	13.9	0.5
Phu Nhuan Jewelry (PNJ)	TP	N/A	2019A	17,001	1,623	1,194	5,034	20,316	28.7	15.9	15.7	3.9	12.1
	Price	96,400	2020A	17,511	1,508	1,069	4,463	23,029	21.8	12.5	17.7	3.4	12.3
	Market cap (VND bn)		2021A	19,547	1,409	1,029	4,295	26,416	18.3	10.7	18.4	3.0	13.7
			2022A	33,876	2,337	1,810	6,988	34,302	25.1	15.1	11.3	2.3	8.5
			2023A	33,137	2,484	1,971	6,009	29,882	21.6	14.2	14.3	3.3	12.9

Source: Company Data, KIS VN

Table 2: 1Q24 business results

(VNDbn, %, %p)

	Revenue			NPAT		
	1Q24	yoy	qoq	1Q24	yoy	qoq
MWG	31,441	16.5	0.1	903	4,143.0	899.8
FRT	9,042	16.9	4.1	61	N/A	N/A
PNJ	12,594	28.6	29.0	738	(1.5)	17.0

Source: Company data, KIS VN

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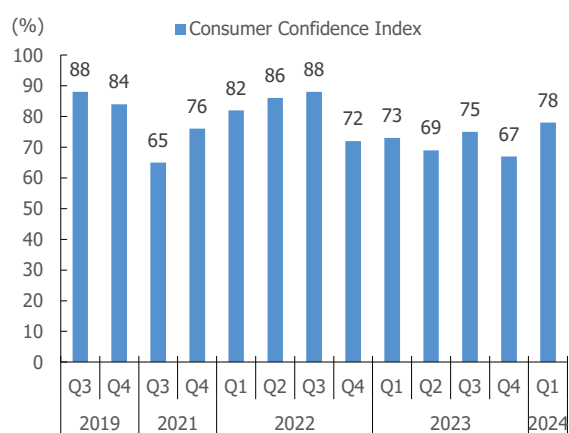
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I. Retail Sector: Weak demand had different impacts

Consumer demand would gradually recover

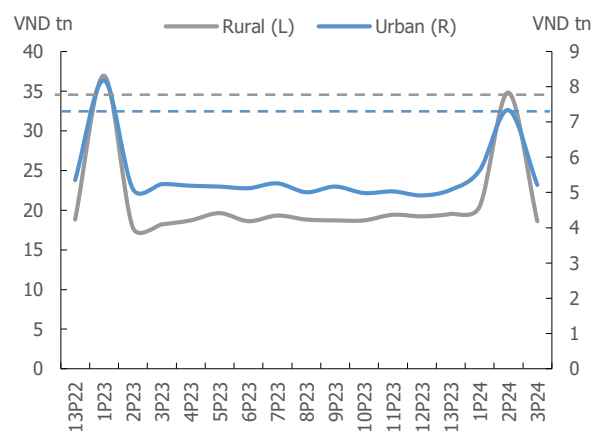
According to Kantar Worldpanel, the consumer's confidence index in Vietnam had declined to 67% in 4Q23, after showing a light recovery in 3Q23 to 75%. This was also the lowest level since the economy reopened in 4Q21, which was mainly affected by the layoff wave and expectation of low year-end bonus. As a result, the consumer spending was not strong during Tet holidays, which then affected the recovery rate of listed retailers. On a positive sign, we see that the consumer confidence index in 1Q24 increased to the five-quarter peak of 78% because of a positive economic outlook especially after Tet holidays. In 2Q24, together with a warmer job market, we expect the number of employed people would continue to improve. Hence, consumers would spend more on consumer goods amid the rise in purchasing power.

Figure 1. Consumer's confidence reached a five-quarter peak, fuelled by a positive economic outlook.



The economy situation will be better or the same as today in the next 12 months?
Source: Kantar Worldpanel Division

Figure 2. Spending on FMCG products during Tet 2024 saw a decrease compared to Tet 2023.



Source: Kantar Worldpanel Division

Impacts of weak demand were different across segments

Even though facing the consumption weak demand, we see that the impacts on 1Q24 business results of listed retailers are different across segments.

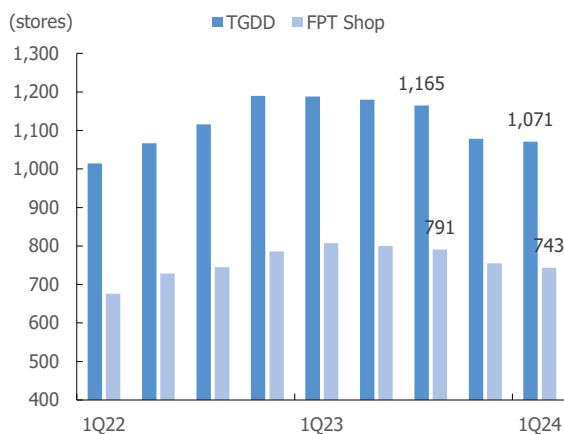
- **Mobile phones – Retailers operated a lower number of stores in 1Q24, and we expect the demand for mobile phones would recover later.**

In 1Q24, sales of mobile phones remained weak since consumers consider them as discretionary products – consumers only change to a newer model when have extra money after reaching basic needs. Compared to 3Q23, both TGDD & FPT Shop's store numbers decreased by 94 & 48 stores respectively; and they have no plan to expand in 2024. Together with the recovery of consumer income, we think that the demand for mobile phones would gradually recover, but being more notable in 2H24. However, in the long-term, we believe that the market for mobile phones has been saturated with only 4% CAGR, per Euromonitor.

- **Consumer electronics - The demand for consumer electronics was on the recovery in 1Q24 and is expected to continue in 2Q24.**

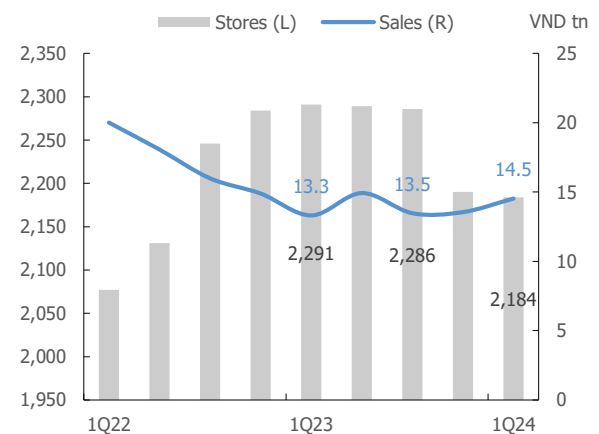
In 1Q24, the demand for air conditioners was supported by the hotter and sooner hot season this year. Among listed retail chains, DMX was the main beneficiary due to the dominance in consumer electronic retail market. In 2Q24, we think that the demand for this product would be cool down relative to 1Q24 due to (1) consumers already bought in 1Q24 and (2) the star of early rain but being still higher than last year as the El Nino effect. In June – July, sales of TV would be the main driver due to the increase in demand for Euro Cup 2024. Similar to mobile phones, we think that the market for consumer electronics products has already been saturated with only 7% CAGR, per Euromonitor.

Figure 3. TGDD and FPT Shop closed 94 and 48 stores respectively compared to 3Q23



Source: Company Data, KIS VN

Figure 4. Sales of DMX was supported by air conditioners in 1Q24

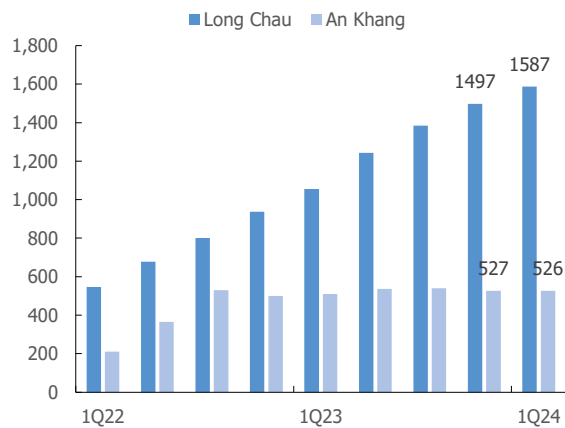


Source: Company Data, KISVN

- **Pharmaceutical - The market structure for the modern retail channel gradually formed.**

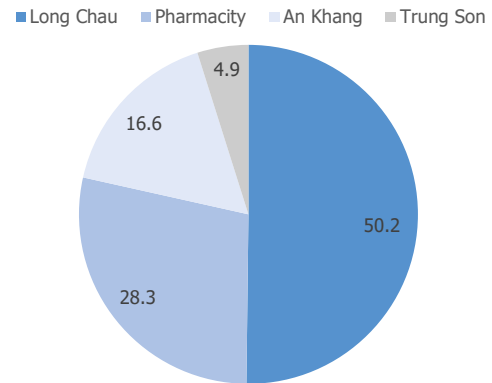
Following the rapid expansion in previous quarters, Long Chau continued to open 90 pharmacies in 1Q24. Meanwhile, other chains had almost no expansion and still find the break-even point. In 2Q24, similar to 1Q24, we expect this trend would continue as the demand for pharmacy stays almost unaffected by the economy cycle. Based on the store number, we estimate that Long Chau now owns at least 50% share of the modern pharmacy retail market (~70% based on sales, as Long Chau has the highest sales per store). Hence, we believe that the long-term market leader has been defined. The second position would be the competition between An Khang & Pharmacy.

Figure 5. Long Chau was the only listed pharmacy chain that opened more stores in 1Q24.



Source: Company Data, KIS VN

Figure 6. Long Chau is now accounted for at least 50% market share of modern pharmacy retail

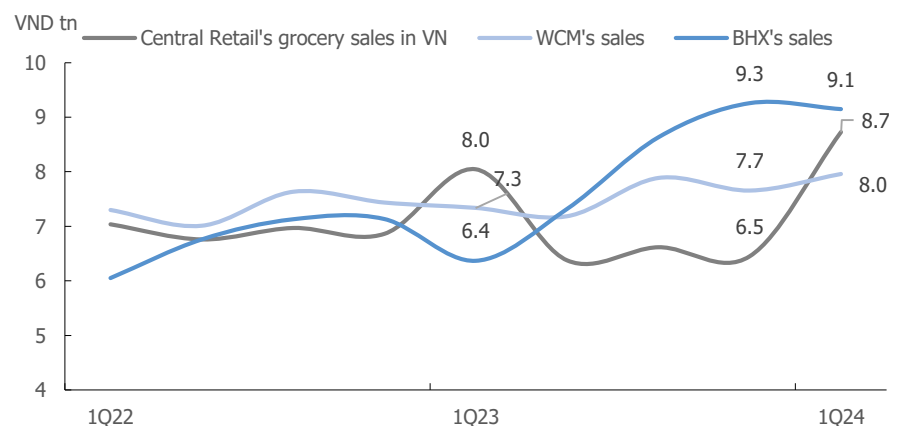


Source: Company Data, KIS VN

- **Grocery – Minimarts have been the main driver for the modern grocery retail channel¹ in 1Q24 and we expect this would continue in 2Q24.**

In 1Q24, the two minimart players (BHX and WCM) continued to report a positive sales growth. We think that the main driver is because consumers shifted the purchase of grocery products to minimarts from both traditional channel and larger store format. Per Kantar World Panel, minimarts have shown the highest growth in both number of visits and spending per trip. Meanwhile, Central Retail's sales reported a rise of 8.5% yoy in 1Q24, after seeing an inch down since 2Q23. We think that this was because they have put more 5 full-size supermarkets into operation since 4Q23. In 2Q24, we believe that minimarts would continue to be the key driver as their business model fits in with the consumption culture in Vietnam.

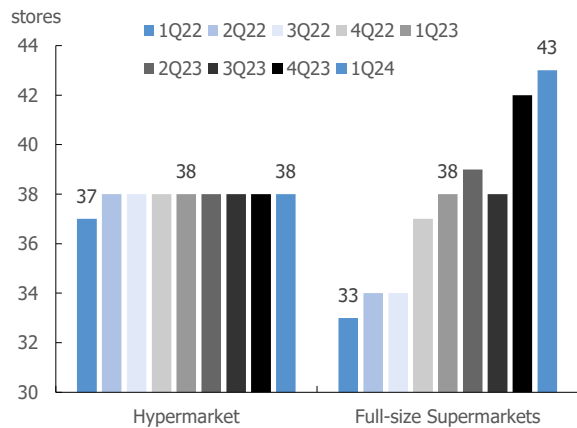
Figure 7. Minimart has been the driver for the modern grocery retail channel.



Central Retail's sales include grocery retail segment in Vietnam (THBVND = 691.5)
Source: Company Data, KIS VN

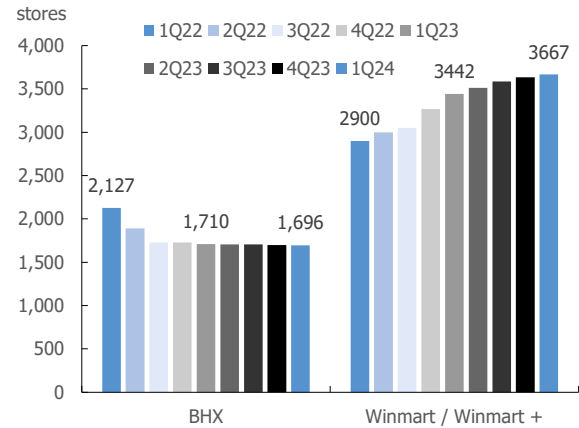
¹ The modern grocery channel consists of supermarkets (including full-size supermarkets and minimarts), hypermarkets and convenience stores. Major brands include:
+ Minimarts: BHX (MWG), Winmart+ (WCM), Co.opFood (SaigonCo.op)
+ Full-size supermarkets: Co.opMart, Winmart, and go!, Top market, Lan Chi (3 brands by Central Retail)
+ Hypermarkets: Go! (Central Retail), Co.opExtra, Emart
+ Convenience stores: Circle K, FamilyMart, GS 25

Figure 8. Sales of Central Retail rose in 1Q23 thanks to the open of 5 full-size supermarkets



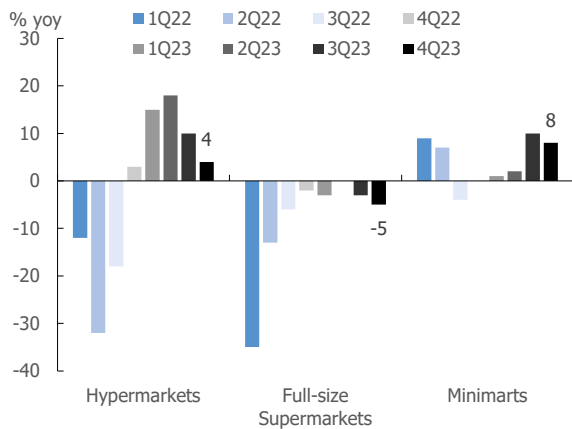
Note: Central Retail's full-size supermarkets include Top market, go!, Lan Chi
Source: Company Data

Figure 9. Sales of minimart chains rose in 1Q24 despite of no major expansion



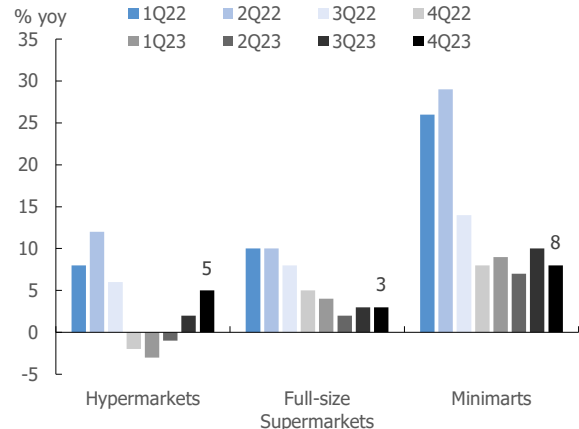
Note: Central Retail's full-size supermarkets include Top market, go!, Lan Chi
Source: Company Data

Figure 10. The number of visits to minimarts rose grew strongest in minimarts (Urban Vietnam)



Source: Kantar Worldpanel, KIS VN

Figure 11. The growth of spending per trip was also highest in minimarts (Urban Vietnam)



Source: Kantar Worldpanel, KIS VN

II. 1Q24 business results of listed enterprises

MWG - DMX recovered, BHX approached profitability

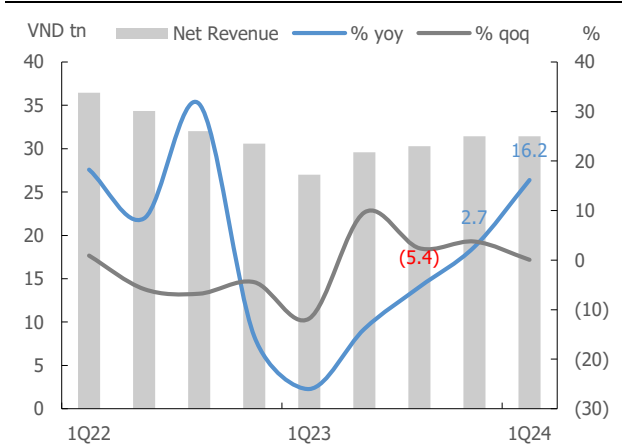
Sales of air conditioners and grocery were the key driver

In 1Q24, MWG reported net revenue of VND 31.5tn (+16.2% yoy, +0.2% qoq), in which sales of air conditioners (DMX) & grocery (BHX) to be the key driver.

- **The Gioi Di Dong (TGDD) has not yet recovered.**

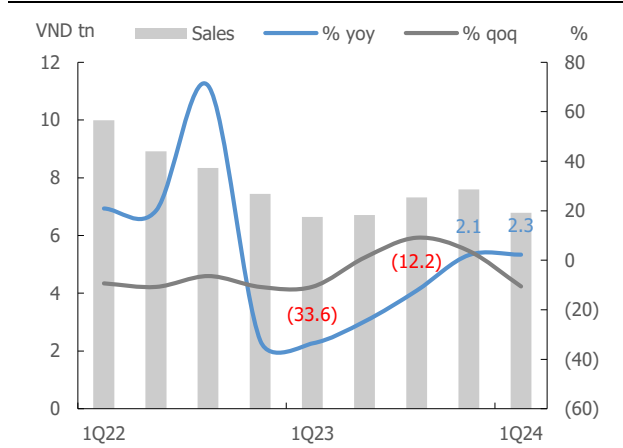
In 1Q24, sales of TGDD (including Top Zone) stayed weak at VND6.8tn (+2.3% yoy; -10.6% qoq), accounting for 21.6% of total sales. This implies that the demand for mobile phones has not yet come back. We think that sales of mobile phones would recover slower and later than other products due to the discretionary nature, meaning that customers would prioritize the purchase of more essential products. Yet, we believe that TGDD's sales would grow more visibly from 2H24 when the purchasing power is stronger, thereby becoming the main recovery driver.

Figure 12. MWG's net revenue surged, which was driven by sales of air conditioners and grocery.



Source: Company Data, KIS VN

Figure 13. TGDD's sales was still weak amid the weak demand for mobile phones.



Source: Company Data, KISVN

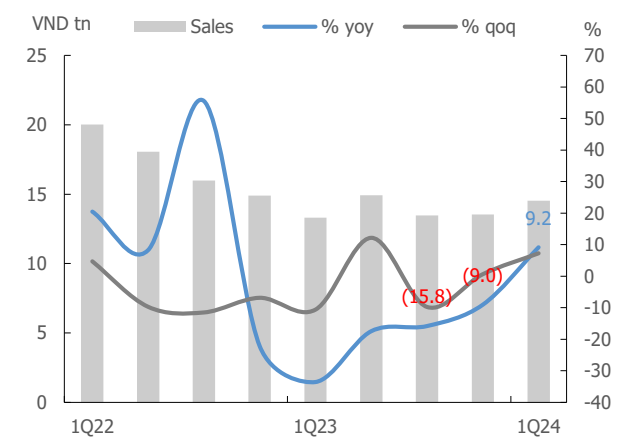
- **Dien May Xanh (DMX) would continue to be the main driver.**

In 1Q24, sales of DMX increased to VND14.5tn (+9.2% yoy; +7.2% qoq), accounting for 46.2% of total sales. Unlike the sluggish demand for mobile phones, sales of DMX were strongly supported by the double-digit growth of consumer electronics. In which, sales of air conditioners grew about 50% yoy since the hot season came sooner and hotter than usual this year. Based on the industry data, we estimate that sales of air conditioners would account for 15% ~ 20% of consumer electronics sales (10% ~ 13% MWG's ICT sales). As a result, the sales per store increased to about VND2.2bn (SSSG: +14.5% yoy), helping DMX to overcome the impact of 107 stores closure.

According to NOAA, the hot weather is likely to last until the end of May 24 before becoming more pleasant in 2H24. Hence, we think that the sales of air conditioners would continue to be the growing factor for early months of 2Q24. Then, the demand would be cool down as the start of early rain will

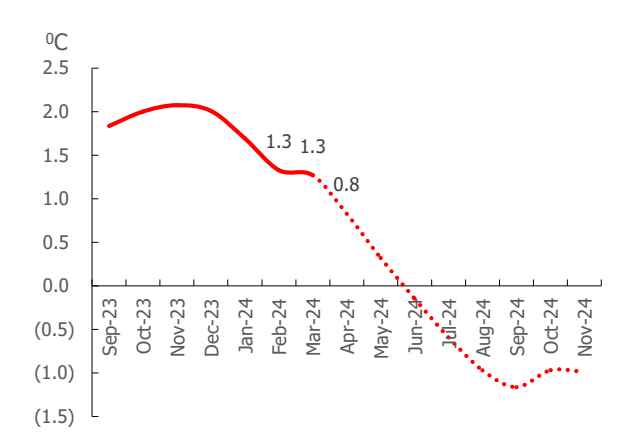
help to lower the temperature but still being higher than last year due to the El Nino effect. In addition, since Euro 2024 would take place from June to July 24, we expect that TV would also be the sales driver in 2Q24. Similar to air conditioners, we estimate that sales of TV would account for 15% ~ 20% of MWG's consumer electronics sales. All together, we believe that DMX would continue to be the main recovery driver for the ICT segment in 2Q24.

Figure 14. DMX's sales was supported by the high demand of air conditioners



Source: Company Data, KIS VN

Figure 15. The temperature was hot in 1Q24, and it's likely to last until the end of 2Q24

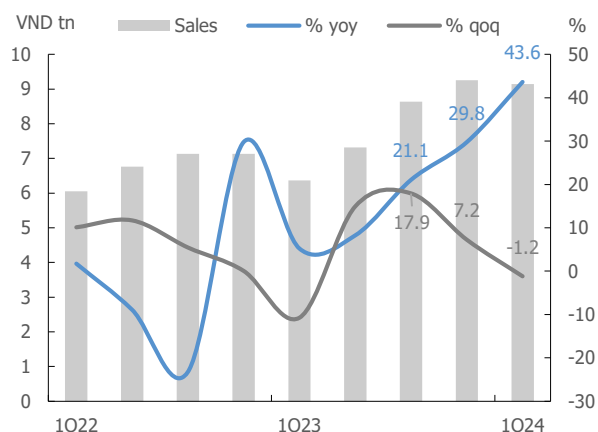


Source: NOAA, EVN, KIS VN

- Bach Hoa Xanh (BHX) could generate sustainable NPAT since 2H24.** In 1Q24, sales of BHX continued to increase to VND9.2tn (+43.6% yoy; -1.2% qoq), accounting for 29.1% of total sales. Compared to 1Q23, the number of BHX stores remained almost at the same level at 1,696 stores in 1Q24. However, the sales per store increased to VND1.8bn in 1Q24 (SSSG: +50% yoy). This implies that consumers has increased the purchase frequency at BHX (bill per store per day surged by 40% yoy). This is a proxy to show that BHX's business model fix in with the consumption culture of Vietnamese consumers.

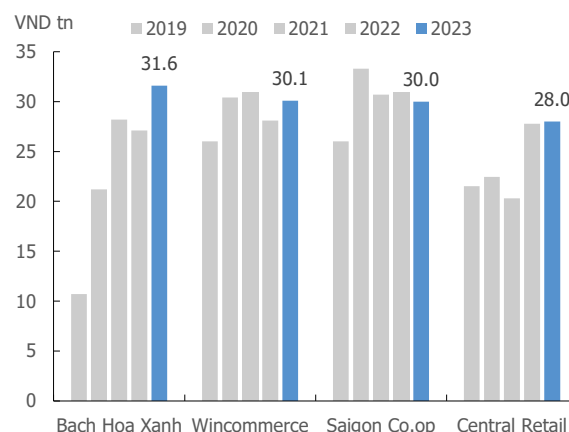
Compared to 4Q23, BHX's sales per store also remained at the break-even level of VND1.8bn per month. In addition, we see that the net loss of MWG subsidiary (in which BHX has been the largest contributor due to its scale) contracted to VND60.2bn in 1Q24 compared to VND128.6bn in 4Q23 and 105.8 in 1Q23. Hence, we expect that BHX could generate sustainable net profit as soon as from 2H23. As such, we expect BHX's gross margin would be at about 24 – 25%. Initially, we think that NPAT margin would be at a minor of 0.25% - 0.75%, then gradually increase to a stable level of ~1.5%.

Figure 16. BHX's sales surged due to the increase in sales per store.



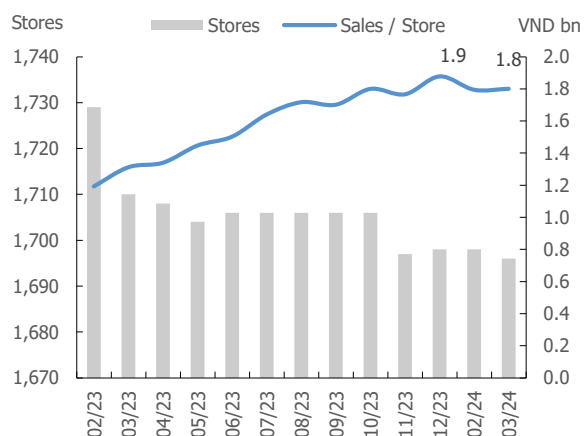
Source: Company Data, KIS VN

Figure 17. BHX is currently the largest grocery retailer in Vietnam.



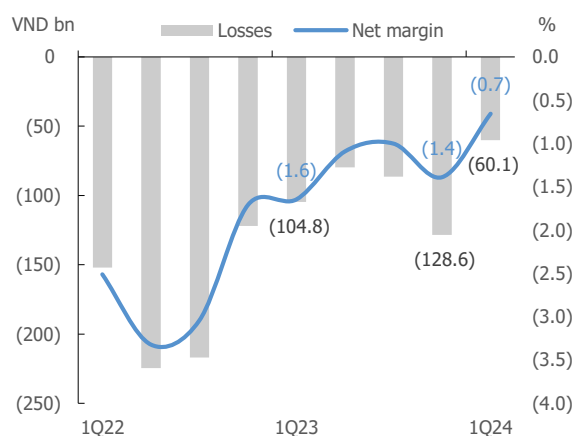
Source: Company Data, KISVN

Figure 18. BHX's sales per store was maintained at the break-even level of VND1.8bn.



Source: Company Data, KIS VN

Figure 19. BHX's losses had contracted notably in 1Q24



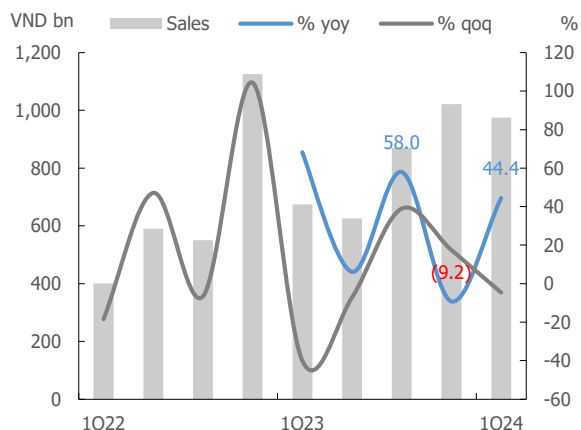
Source: Company Data, KISVN

- **Other chains contributed a minor to MWG's business results.**

In 1Q24, sales of MWG's other business segments increased to VND975bn (+44.5% yoy; -4.6% qoq), accounting for about 3.1% of total sales. In which, An Khang has 526 stores, followed by Ava with 64 stores and EraBlue (Indonesia) with 55 stores. During the last 12 months, except for the trail open of EraBlue, other domestic chain has almost no expansion. Compared to Long Chau, who opened 531 stores to have 1,587 pharmacy stores and 51 vaccine centers as of 1Q24, we think that it is quite difficult for An Khang to compete for the leading position.

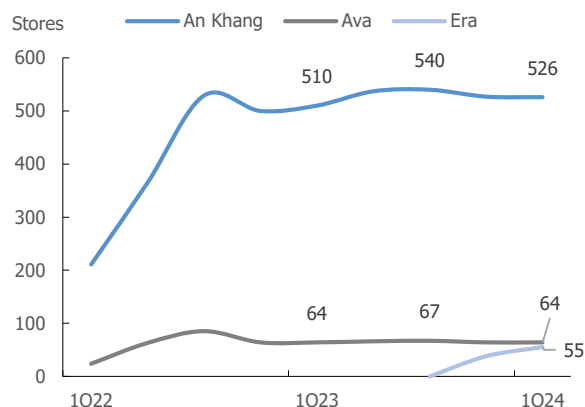
For EraBlue, per management, there is no proper electronic retail chains in Indonesia, which offers the same service quality as DMX does in Vietnam – implies an opportunity for MWG to enter the market. Although we need further research to identify the true competitive advantage of EraBlue, we believe that EraBlue would contribute more significant to MWG's business results in the upcoming years if its business model fit in with the Indonesian consumption culture. This is because Indonesia has (1) a large population with about 277.5 million people as of 2023 and (2) higher GDP per capita compared to Vietnam.

Figure 20. Sales of other chains still accounted for a minor of MWG total sales



Source: Company Data, KIS VN

Figure 21. Except for EraBlue, other chains has almost no expansion during the last 12 months

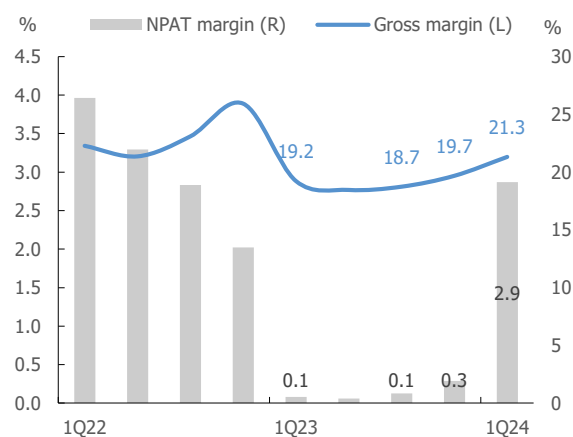


Source: Company Data, KISVN

NPAT strongly recovered due to the expansion of ICT margins

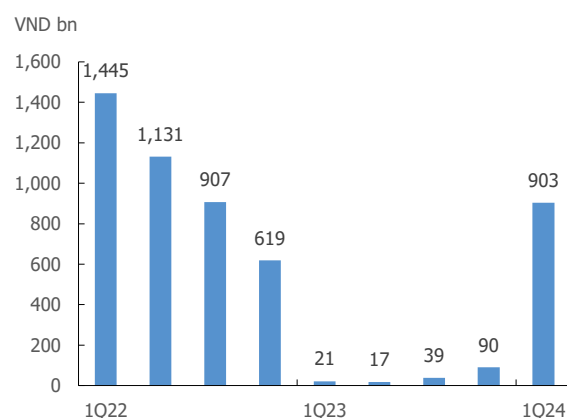
In 1Q24, the gross margin expanded to 21.3% (+2.1% yoy; +1.6% qoq), which was mainly because ICT's gross margin expanded to 19% from about 17% in 4Q23 – due to (1) greater contribution of CE products which have more stable margins and (2) the cool down of the price war. Hence, the NPAT margin rose to 2.9% (+2.8% yoy; +2.6% qoq), which then led NPAT to surge to VND903bn (about 42 times yoy). Together with the net revenue, we think that MWG's NPAT would continue to increase in the upcoming quarters amid (1) the recovery of the demand (2) the ease of the price competition (3) lower operating costs due to the practice of the restructure plan. Hence, MWG's 2024 NPAT would be much better compared to 2023.

Figure 22. Gross margin and NPAT margin both expanded due to the ease of the price war



Source: Company Data, KIS VN

Figure 23. NPAT surged to VND903bn in 1Q24 after seeing a long gloomy year



Source: Company Data, KISVN

FRT: NPAT turned to be positive after a long waiting year

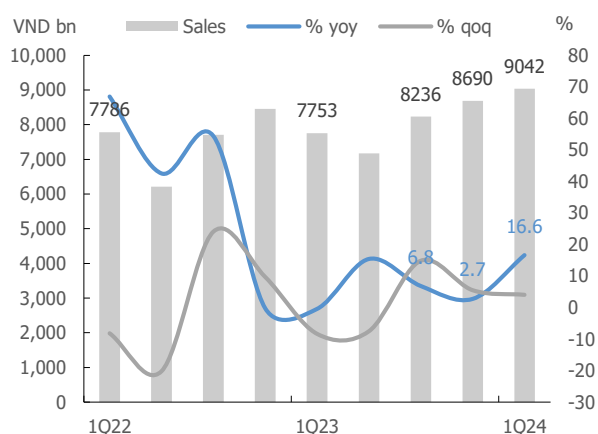
Sales continued to grow thanks to Long Chau store expansion.

In 1Q24, FRT reported net revenue of VND9,042bn (+16.6% yoy; +4.1% qoq). While Long Chau maintained to be the growing momentum, sales of FPT Shop has not yet shown sign of upturn.

- **FPT Shop's sales has not yet recovered.**

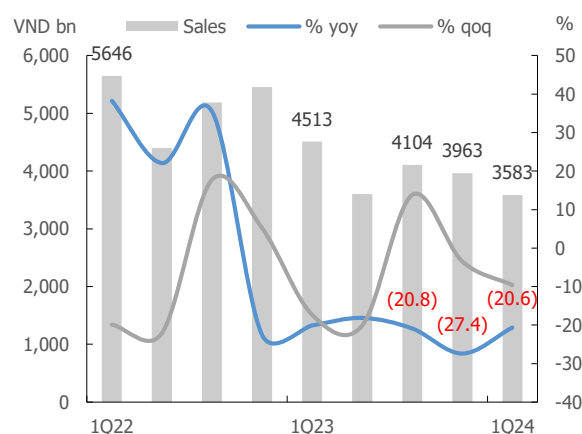
In 1Q24, sales of FPT Shop declined to VND3,583bn (-20.6% yoy; -9.6% qoq), accounting for 39% of FRT's total sales. Similar to TGDD, the weak demand for mobile phones was the main factor for this decline. However, unlike DMX, FPT Shop doesn't have the support from sales of air conditioners, while other electronic devices still accounted for a minor share. Since Apr 24, FPT Shop announced to sell air conditioners with an effort to widen their product portfolio. We think that this will not have a notable effect on the 2Q24 business results since (1) they currently have a small market share as a new entrance and (2) they have not yet reached the scale to have a good price from suppliers.

Figure 24. Sales of FRT grew strongly in 1Q24 thanks to Long Chau



Source: Company Data, KIS VN

Figure 25. Sales of FPT Shop has not yet recovered amid the weak demand.



Source: Company Data, KISVN

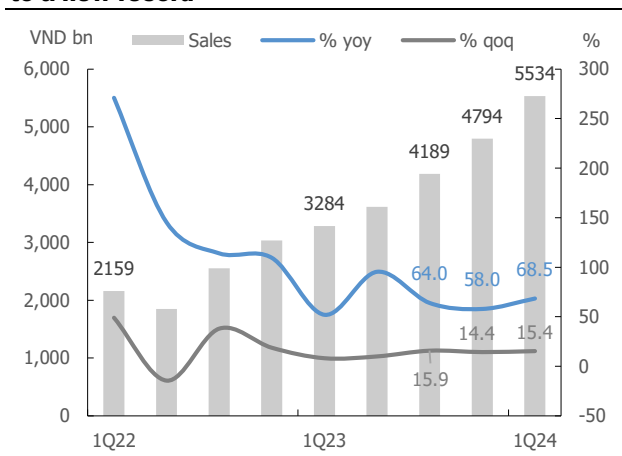
- **Long Chau continued to be the growing factor.**

In 1Q24, sales of Long Chau continued to climb to a high of VND5,534bn (+68.5% yoy; +15.4% qoq), making up 61% of FRT's total sales. Similar to the previous quarters, the surge in sales of Long Chau was driven by pharmacy store expansion (+531 stores yoy; +90 stores qoq). In 2Q24, we expect Long Chau would continue to open 100 stores per quarter, thereby completing the 2024 plan of 400 pharmacy stores. We think that Long Chau still have room to open ~1,000 more pharmacy stores but the opening rate might not be as fast as being seen due to its current dominance.

In addition, Long Chau also opened 40 vaccine centers in 1Q24 to have a total of 51 vaccine centers. This new vaccine center has sales per store of VND2.2bn (double Long Chau pharmacy store). In FRT's plan to transform Long Chau into a healthcare system, these vaccine centers would act as the first touching point (as babies are the main customers). Having 15 million of customers and a wide network of 1,700 pharmacy stores, this would be the competitive advantage for Long Chau to enter the market with the value of USD 1 – 3 bn. In the mid-term, we think vaccine centers would

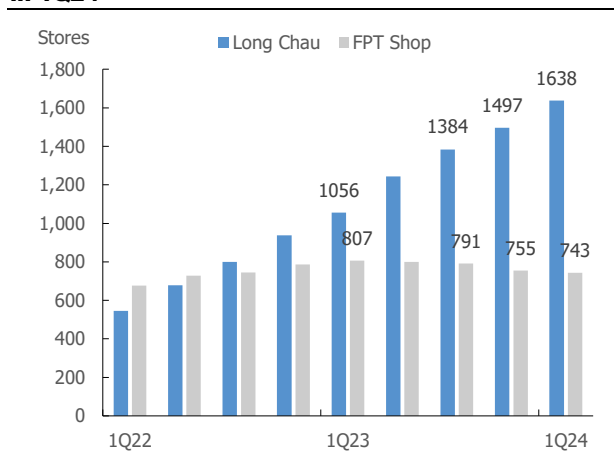
be the sale driver for Long Chau.

Figure 26. Sales of Long Chau continued to climb up to a new record



Source: Company Data, KIS VN

Figure 27. Long Chau continued to open more stores in 1Q24



Note: Stores of Long Chau include both pharmacy and vaccine center
Source: Company Data, KISVN

NPAT was positive in 1Q24 after 3 quarters of making losses

In 1Q24, FRT reported NPAT of VND60.7bn after 3 quarters of making losses thanks to (1) lesser loss of FPT Shop and (2) greater contribution of Long Chau.

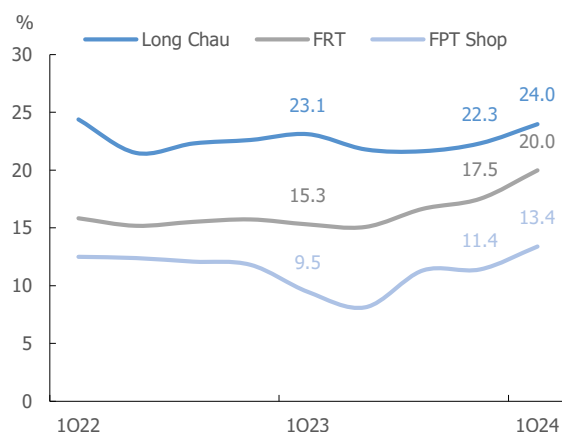
- **FPT Shop's loss after tax contracted in 1Q24.**

FPT Shop's gross margin expanded to 13.4% in 1Q24 compared to 11.4% in 4Q23 (+2.0% qoq) and 9.5% in 1Q23 (+3.9% yoy) which was due to the ease of the price war. As a result, FPT Shop's loss after tax contracted to VND51bn from VND88bn in 4Q23. Together with the recovery in sales, we think that loss after tax of FPT Shop would continue to contract in 2Q23, and FPT Shop would report NPAT in 2H24. We think that the driver would be the recovery of consumer demand, since FPT Shop's gross margin has almost been recovered.

- **Long Chau was the biggest driver for NPAT.**

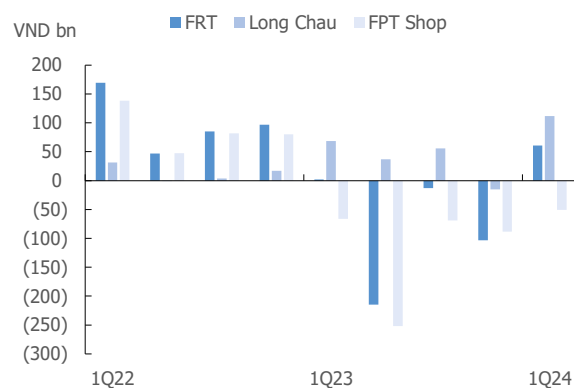
Together with the rise of sales, NPAT increased to VND111bn (+63.2% yoy) from loss after taxes of VND15bn in 4Q23 (due to one-off expenses). In addition, gross margin has expanded to 24.0% from 22.3% in 1Q23 (+0.9% yoy and +1.7% qoq), which we believe is because of (1) a larger scale allows Long Chau to have a better price from suppliers and (2) the new contribution of the new vaccine centers. In 2Q23, Long Chau would continue to be the main contributor to FRT's NPAT.

Figure 28. Gross margins of FPT Shop recovered due to the ease of the price war.



Source: Company Data, KIS VN

Figure 29. FRT recognized NPAT in 1Q24 after 3 quarters of making losses.



Source: Company Data, KISVN

PNJ: Sales surged but NPAT was not yet recovered

Gold 24K was the sale driver in 1Q24

In 1Q24, PNJ's net revenue climbed up to VND12,594bn (+28.6% yoy; +29.0% qoq), which is largely driven by Gold 24K.

- **Jewelry Retail is expected to recover later.**

In 1Q24, sales of Jewelry Retail increased to VND6,360bn (+12.1% yoy), which accounted for 50.5% of total sales. Since Jewelry Retail is considered as a luxury product, its sales was strongly affected by the weak purchasing power of consumers. However, with the effective marketing campaigns and collaborations with KOLs, the company was able to attract new customers and enhance the return rate of existing customers. In fact, at the 2023 end, the growth rate of existing customers and new customers increased by 16% and 11% yoy respectively, helping to mitigate the negative impact of the drop of 20% yoy in order value. When the order value recovers, we expect both existing and new customers would contribute positively to the growth of Jewelry Retail.

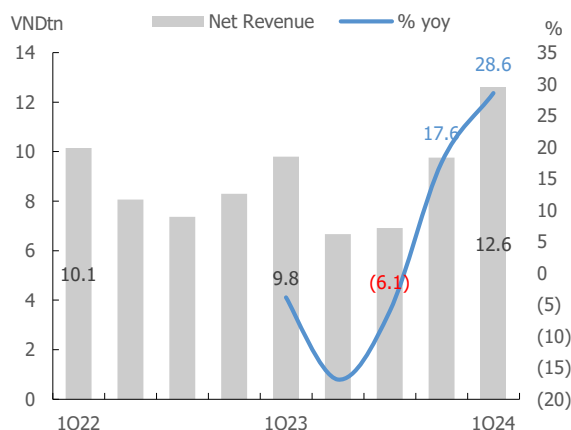
- **Gold 24K would continue to be the sales driver in 2Q24.**

Sales of Gold 24K surged to VND5,164bn (+66.3% yoy), which accounted for 41.0% of total sales. Unlike Jewelry Retail, the purchase of Gold 24K is considered as an investment option. Hence, with the surging of gold price amid the current low deposit rate, the demand for Gold 24K has increased for trading purposes. Since the global economy has been facing the uncertainty from interests rates to geopolitical issues, the gold price is expected to violate unpredicted. As a result, we think that Gold 24K would continue to be the sale driver in 2Q24, considering the demand for Jewelry Retail would not yet be recovered. However, in 2H24, we expect Jewelry Retail would contribute more to total sales, which reflects the recovery of consumption demand and the wedding season.

- **Wholesales & others accounted for a minor sales.**

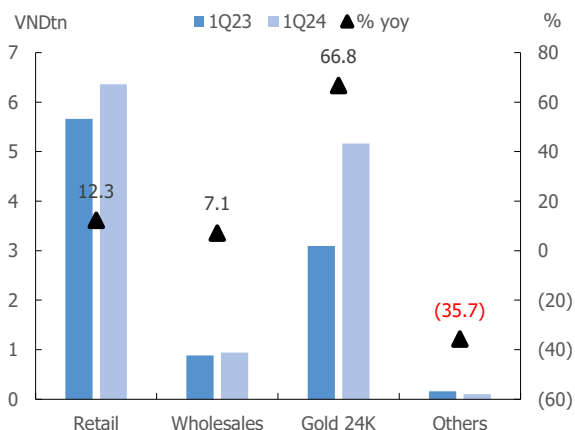
Sales of wholesales rose to VND945bn (+7.5% yoy) thanks to the increase in order placements, accounting for ~7.6% total sales. Meanwhile, other sales declined by 32.4% but accounting for a minor of ~0.8% total sales.

Figure 30. Net Revenue rose by 28.6% yoy, which was driven by Gold 24K in 1Q24.



Source: Company Data, KIS VN

Figure 31. Gold 24K surged by 66.8% yoy in 1Q24 amid higher demand for trading activities.

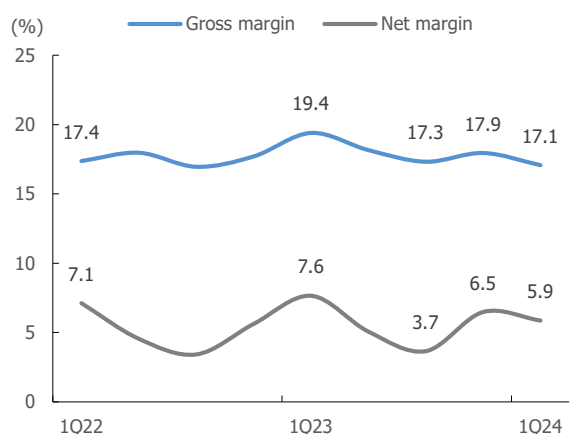


Source: Company Data, KIS VN

NPAT slightly inched down due to the change in product mix

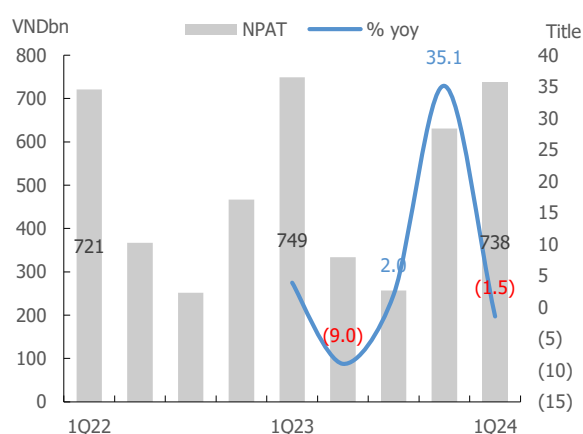
In 1Q24, despite the increase of net revenue, NPAT inched down to VND738bn (-1.5% yoy; +17.0% qoq). This was because the gross margin declined to 17.1% (-230bps) due to change in product mix (higher shares of Gold 24K). Typically, Jewelry Retail has a gross margin of 20 – 25% hence being the main driver for NPAT. In contrast, Gold 24K has a gross margin of 3 – 4% hence contributing much less prominent to the final business results (~1% net margin). Since the demand for Gold 24K is not likely to cool down in 2Q24, we believe that gross margin is unlikely to recover notably, which then results in the slow growth of NPAT. However, in 2H24, as we expect share of Jewelry Retail to be improved, the gross margin would consequently widen and NPAT would grow stronger compared to 1H24 on a year-over-year basis.

Figure 32. PNJ's gross and net margin decreased due to change in product mix.



Source: Company Data, KIS VN

Figure 33. As a result, NPAT slightly inched down despite of the surge of net revenue.

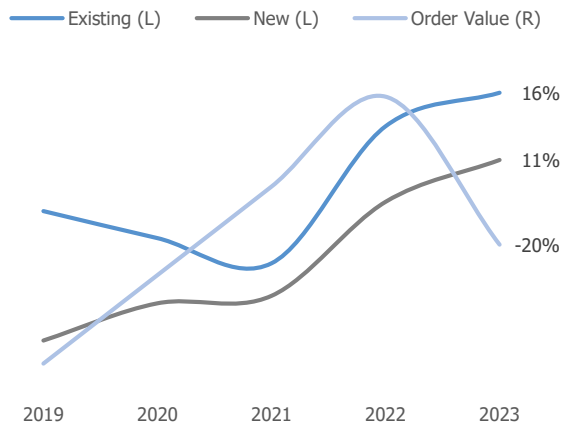


Source: Company Data, KIS VN

The tighten control of SBV limits the raw gold materials

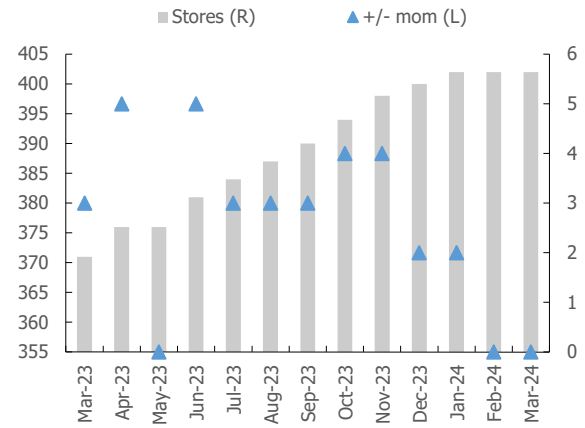
Per management, the tighten control of SBV caused difficulties for PNJ to import gold materials since PNJ's suppliers (small independent stores) closed to avoid the examination. As a result, PNJ was not able to produce enough Jewelry Retail for the God of Wealth Day. We think that this is also the reason why PNJ only opened 1 stores in 1Q24 compared to 7 stores in 1Q23.

Figure 34. Existing and new customers rose 16% and 11% yoy respectively in 2023



Note: Data as being disclosed by PNJ during 2024 AGM (chart for illustration only)
Source: Company Data, KIS VN

Figure 35. PNJ opened (net) 1 stores in 1Q24 compared to 7 stores in 1Q23



Source: Company Data, KIS VN

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