

Phu Nhuan Jewelry (PNJ)

Challenges still ahead

On 17th Feb, we attended PNJ's analyst meeting presenting the 4Q24 business performance. Here are some notable updates.

Jewelry Retail's sales grew while demand was still weak

- In 4Q24, PNJ reported a net revenue of VND8,581bn (-12.1% yoy). In which:
 - o *Sales of Retail Jewelry* (71.2% total sales) rose to VND6,114bn (+8.1% yoy). PNJ shared that the overall consumer demand was still weak as the low purchasing power. In fact, sales growth of Retail Jewelry has been slowdown on a monthly basic (and even turn into negative in Dec 2024) (Figure 02). We estimated that the volume might stay flat or slightly decrease yoy. Facing the challenges of importing raw gold materials, PNJ has prioritized the products which has lower gold level (through having a higher gross margin), which also contributed to the lower Retail Jewelry's sales growth.
 - o *Sales of 24K Gold* (16.1% total sales) dropped to VND1,386bn (-57.8% yoy) from the high base in 4Q23 (due to the surging demand for gold) and the intervention of SBVs in the gold market allowing 4 state-owned banks to sell Gold 24K.
 - o *Sales of wholesales* (11.7% total sales) surged to VND1,004bn (+39.0% yoy) since PNJ's customers imported more due to the tighten control of SBVs on the gold origin.
- As of 4Q24, PNJ operated 429 stores (+11 stores qoq; +29 stores YTD). In 2025, PNJ expect to open 12 – 25 stores depending on the conditions of the market.
- For 2024, PNJ posted a net revenue of VND37,823bn (+14.1% yoy), which completed 102% of the company guidance.

	2020A	2021A	2022A	2023A	2024A
Sales (VND bn)	17,511	19,547	33,876	33,137	37,823
chg. (% YoY)	3.0	11.6	73.3	(2.2)	14.1
Operating profit (VND bn)	1,508	1,409	2,337	2,484	2,652
Net profit (VND bn)	1,069	1,029	1,810	1,971	2,115
EPS (VND)	4,463	4,295	6,988	6,009	6,254
chg. (% YoY)	(11.3)	(3.8)	62.7	(14)	4.1
EBITDA (VND bn)	1,580	1,484	2,504	2,171	2,751
PE (x)	17.70	18.39	11.31	14.3	15.3
EV/EBITDA (x)	12.3	13.7	8.5	12.9	12.5
PB (x)	3.4	3.0	2.3	3.3	2.9
ROE (%)	21.8	18.3	25.1	21.6	20.1
Dividend yield (%)	3.5	2.5	1.5	2.1	0.6

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

12M rating **NON-RATED**

12M TP

Up/Downside

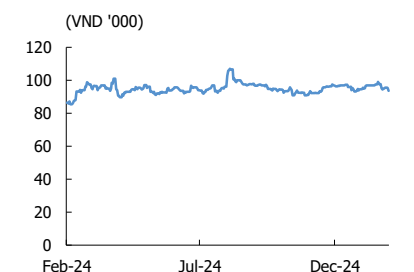
Stock Data

VNIndex (18 Feb, pt)	1,278
Stock price (18 Feb, VND)	93,600
Market cap (USD mn)	1,239
Shares outstanding (mn)	338
52-Week high/low (VND)	107,088/85,511
6M avg. daily turnover (USD mn)	3.29
Free float / Foreign ownership (%)	86.6/49.0
Major shareholders (%)	
Dragon Capital	9.7
Sprucegrove	5.1
VinaCapital Vietnam Opportunity Fund	3.8

Performance

	1M	6M	12M
Absolute (%)	(1.1)	(2.6)	6.2
Relative to VNIndex (%p)	(3.4)	(5.6)	(1.4)

Stock price trend



Source: Bloomberg

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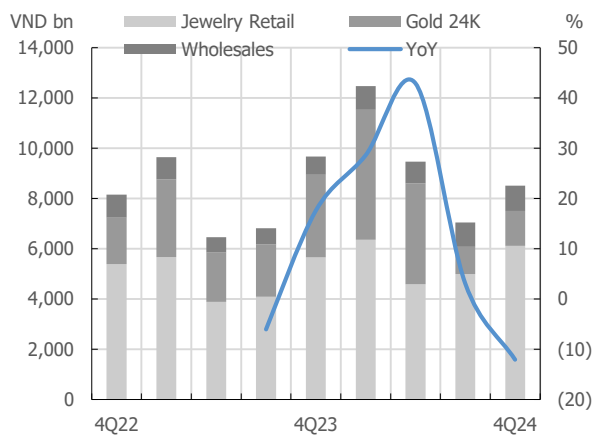
NPAT surged due to change in product mix

- In 4Q24, PNJ's gross margin expanded to 20.9% (+2.9%p yoy) due to the higher contribution of Retail Jewelry, while SG&A / net revenue slightly rose to 10.6% (+0.9%p yoy).
- NPAT surged to VND733bn (+15.2% yoy) after reaching the bottom in 3Q24 (-14.8% yoy – due to the unusual tax expenses) attributed to the rise of Jewelry Retail and a higher gross margin (as explained).

1Q25F – 2025F: Jewelry Retail depends on gold prices

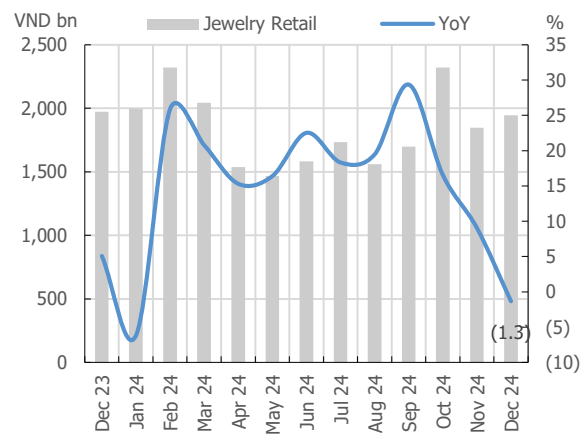
- In 1Q25F, we think that PNJ would continue to see a sharp decline in sales, mainly due to the drop of Gold 24K. For Jewelry Retail, we think that sales would depend on the gold price and product mix, while volume would continue to stay flat in 1Q25F (due to weak consumer demand).
- We think NPAT would rise slightly thanks for a higher gross margin for Jewelry Retail (from products that has lower gold level).

Figure 1. PNJ's sales decreased in 4Q24 due to the drop of Gold 24K



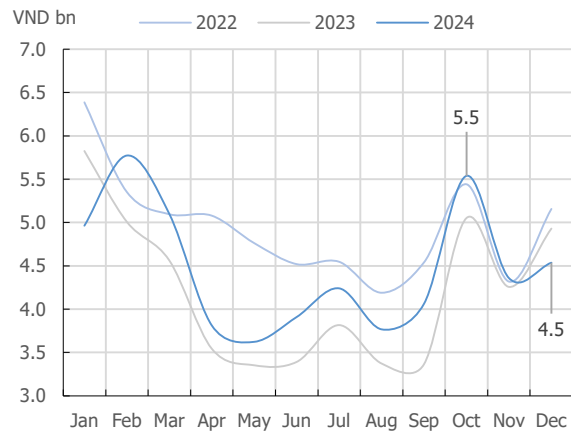
Source: Company Data, KISVN

Figure 2. PNJ's Jewelry Retail's sales per stores growth has been slowed down on a monthly basis



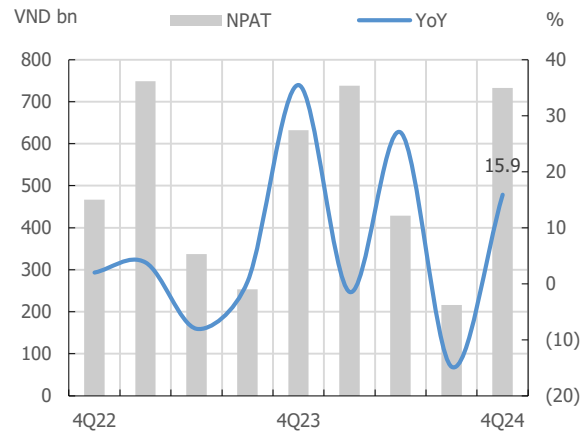
Source: Company Data, KISVN

Figure 3. Sales of Jewelry Retail per store in 2024 was generally higher than 2023 but still lower than 2022, implying a room for recovery in 2025



Source: Company Data, KISVN

Figure 4. PNJ's NPAT surged by 15.9% in 4Q24 after reaching the bottom in 3Q24



Source: Company Data, KISVN

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