

22/10/2024

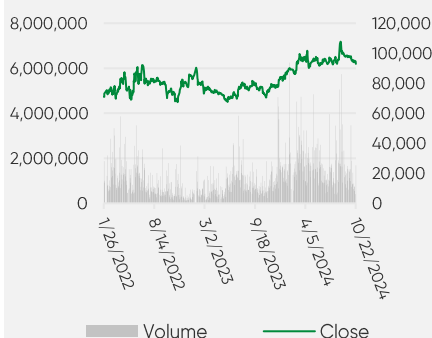
EARNINGS FLASH

PHU NHUAN JEWERY (HOSE: PNJ)



RATING	BUY
1Y Target Price	116,500
Share Price 22/10/2024	93,000
%Upside	25.3%
Market Cap (VNDbn)	31,965.83
Outstanding Shares (mn)	337.91
Trading Volume/day (30 days)	867,623
52W Range (VND)	70.0/107.7
%Foreign Ownership	49.0%
%State Ownership	0.0%

Share price performance



Company Overview

PNJ is the leading branded retail jewelry company in Vietnam, offering high-quality products with diverse designs. PNJ provides the market with gold, silver, and diamond jewelry. Additionally, the company trades in 24K gold and customizes jewelry for large domestic customers. PNJ has a significant competitive advantage in production capacity, owning two large factories in Long Hau and Go Vap with a capacity of over 4 million products per year.

Analyst

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Despite strong growth in retail sales, net revenue only increased by 3% YoY

- Q3 2024 Results:** Revenue reached 7.1 VNDtn (+3% YoY), with retail revenue (accounting for 70% of total revenue) increasing by 20% YoY. We estimate same-store sales growth to be over 10%. Net Profit After Tax reached 216 VNDbn (-15% YoY). Overall, net profit after tax for the first nine months of 2024 slightly increased by 3.2%, achieving 60% of our full-year forecast. We note that Q3 is the low season for the jewelry industry, and we believe the gross profit margin of the retail segment could improve in Q4, the peak season for jewelry, allowing PNJ to introduce new jewelry collections and adjust prices to offset the increase in raw gold prices. We maintain our forecast for net profit after tax growth in 2024 at 2.3 VNDtn (+16% YoY) and maintain our buy recommendation with a target price of VND 116,500 per share (up 23.1%). We will provide a detailed assessment in the subsequent report.
- Profitability:** PNJ continues to be affected by the scarcity of gold. Since June 2024, state-owned commercial banks have started selling SJC gold bars in the market, causing SJC gold bar prices to drop close to international gold prices. This has reduced the participation of short-term gold speculators, leading to a decline in PNJ's gold bar sales since June. The scarcity of gold also impacted the gross profit margin of the retail segment, decreasing by 340 basis points YoY to 23.4% in Q3 2024. The gross profit margin remained unchanged YoY at 16.7% in Q3 2024 due to the high contribution from retail revenue (high margin) thanks to the expansion of the store network and customer base. Amid gold scarcity and government inspections of retail gold stores since May, small gold stores have limited transactions of products without traceable origins. Instead, they have increased orders through PNJ to ensure legitimate product origins. This has resulted in an impressive 54.3% YoY increase in PNJ's wholesale revenue.
- Store Expansion:** PNJ has opened 29 stores and closed 11 stores. Therefore, we believe PNJ is closely following its plan to open new stores in 2024 (35 new stores, reaching 426 stores by December 2024), which will be a growth driver for PNJ's profits next year.

Exhibit 1: Business Performance Overview

VNDbn	9M24	9M23	% YoY	3Q24	3Q23	% YoY
Net Sales	29,242	23,377	25.1%	7,130	6,918	3.1%
Gross Profit	4,881	4,307	13.3%	1,251	1,198	4.4%
Net Profit	1,382	1,340	3.2%	216	253	-14.6%
Gross Profit Margin	16.7%	18.4%		17.5%	17.3%	
Net Profit Margin	28.3%	31.1%		3.0%	3.7%	

Source: PNJ

Exhibit 2: Net Sales Breakdown

VNDbn	9M24	9M23	% YoY	3Q24	3Q23	% YoY
Retail	15,900	13,724	15.9%	5,004	4,166	20.1%
Wholesales	2,758	2,120	30.2%	962	623	54.3%
24K Gold	10,209	7,050	44.8%	1,083	2,002	-46%
Others	375	483	-22.4%	81	126	-35.7%
Total	29,242	23,377	25.1%	7,130	6,918	3.1%

Source: PNJ

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