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Phu Nhuan Jewelry (PNJ)

Analyst meeting updates

PNJ weathered headwinds to finish 4Q 2023 with impressive growth

- In the fourth quarter of 2023, Phu Nhuan Jewelry (PNJ) reported NPAT of VND632 billion (up 34.4% YoY) on net revenue of VND9,760 billion (up 17.6% YoY). The gross profit margin (GPM) reached 17.9%.
- For 2023, the accumulated net revenue was VND33,137 billion, down slightly 2.2% YoY. GPM was 18.3%, up 80bps compared to 17.5% in 2022, which was attributed to a reduction in the cost of goods sold, the constant value of gold, silver, and jewels combined with the continuous rise in gold prices. The operating expenses to gross profit ratio declined by 80bps to 58.3% in 2023. The slight decrease in revenue was offset by record-breaking gross profit and operational cost optimization, helping NPAT to hit VND1,971 billion (up 8.9% YoY).
- Breaking down revenue by segment, 2023 retail sales dropped by 7.8% YoY, wholesale sales contracted by 30.5% YoY, gold bar sales surged 20.9% YoY, and revenue from other segments grew slightly by 5.3% YoY. Thus, retail sales, wholesale sales, gold bars sales, and others contributed 58.2%, 8.6%, 31.5%, and 1.7% to total revenue, respectively.
- Throughout 2023, PNJ opened 48 new stores and closed 7 PNJ stores. The enterprise also implemented business model transformations for 3 standalone PNJ Watch stores and 2 PNJ Art stores for cost optimization.

Key takeaways from the analyst meeting

- PNJ has conducted multiple marketing campaigns simultaneously targeting various specific customer segments. Consequently, the firm has attracted many new customer segments that were not their previous targets. Both market share and the number of new customers have experienced growth.
- PNJ also noted that the average order value has fallen by ~20% compared to the previous peak period due to weak purchasing power. Despite that and the challenges faced by the entire industry, the overall revenue remained stable thanks to the increase in the number of new customers.
- 2023 GPM improved as reduced purchasing power resulted in the increased sale of low-priced products with higher margins than high-priced items. The business revealed that its primary goal is to increase gross profit rather than GPM.
- Management forecasts a complete recovery of purchasing power from 3Q 2024, and PNJ will base its moves on the actual purchasing power to adapt to the market.
- The Northern market has shown positive signals with good recovery and growth, which should be a highly potential market for PNJ to develop in the coming years.

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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