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Phu Nhuan Jewelry (PNJ)

4Q2024 analyst meeting updates

PNJ navigated a difficult 2024, grappling with supply and demand constraints

- According to the leadership, 2024 has been a challenging year for PNJ, even more so than 2021 (during the COVID-19 period), as the company faces pressure from both supply and demand. On the supply side, the scarcity of gold supply persists, with further updates awaited on amendments to Decree No. 24/2012/ND-CP regarding gold trading management. On the demand side, purchasing power has yet to show signs of recovery. In the bull case scenario, the leadership expects demand to rebound by 3Q2025, whereas in the bear case scenario, recovery may be delayed until 4Q2025 or even 2026.
- The Northern market demonstrated strong growth, with higher purchasing power compared to other regions.
- Wholesale revenue surged 32.7% YoY, driven by the government's stricter gold market regulations, which led customers to shift towards major wholesalers for greater transparency.
- In 3Q2024, PNJ reported pre-tax profit of VND318 billion (+1.6% YoY), yet corporate tax payments skyrocketed nearly 70% (from VND60 billion to VND102 billion). Leadership attributed the significant discrepancy between pre-tax profit and taxable profit to increased inventory provisions. Given the ongoing gold supply shortage, PNJ leveraged repurchased gold as raw material. However, under prudent accounting principles, the company had to increase inventory provisions due to the higher material loss rate associated with this process.

PNJ is poised for a higher gross profit margin in 2025, alongside store expansion and product diversification plans

- PNJ's gross profit margin (GPM) in 2025 is expected to be higher than in 2024, driven by a significant decline in the contribution of gold bar sales. Meanwhile, the GPM in the retail segment will be shaped by two key factors. On one hand, the procurement and recycling of raw materials will incur additional costs due to high material loss rates. On the other hand, PNJ is enhancing its creativity in product design to introduce new collections, which could help improve margins.
- PNJ plans to open 12 to 25 new stores in 2025.
- The leadership also noted that selling, general, and administrative (SG&A) expenses will increase at the same pace as store expansion.
- PNJ is expanding its product lines for men and planning to introduce non-jewelry products in 2025.

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Investment Ratings for Stocks

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

Buy:	Neutral:	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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