

Phu Nhuan Jewelry (PNJ)

Jewelry retail maintaining growth

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Manager Nguyen Anh Tung
tungna@kbsec.com.vn

2Q24 business results strongly grew, completing 59.5% of the 2024 revenue plan

At the end of 2Q24, Phu Nhuan Jewelry (PNJ) recorded VND9,605 billion in net revenue (+42.6% YoY) thanks to the continuously rising gold market. Gross profit reached VND1,481 billion, equivalent to a GPM of 15.6%, decreasing 2.6ppts YoY due to the gold bar segment having a very small profit margin but increasing its proportion in 1H24. Net profit gained 26.9% YoY to VND428 billion, reaching 55.8% of the full-year plan by the end of 2Q.

PNJ's 24K gold segment shows signs of cooling down after a period of peaking gold prices

24K gold revenue skyrocketed 81.6% YoY to VND9,177 billion as the gold prices keep peaking in 1H24. However, PNJ's 24K gold revenue in July dropped 36.5% YoY to VND425 billion as state-owned commercial banks started selling SJC gold bars to the market from June 2024, causing the prices of SJC gold bars to fall and approach the international gold prices.

Retail segment maintains stable growth

The sales of jewelry retail were more than VND4,586 billion, up 17% YoY. PNJ opened 10 new stores but closed six in 2Q. However, jewelry retail continued to maintain growth thanks to PNJ continuously launching many new collections suitable for customer tastes and implementing many effective marketing campaigns and sales programs. Wholesale revenue also increased slightly thanks to the warming gold market, helping to increase the number of orders.

Valuation: NEUTRAL rating – Target price VND109,800

PNJ's 2024 net revenue and NPAT should reach VND 37,789 billion (+14% YoY) and VND2,232 billion (+13.2% YoY). We gave a NEUTRAL rating to PNJ shares with a price target of VND109,800.

Neutral change

Target price VND109,800

Upside	10.2%
Current price (Sep 16, 2024)	VND99,700
Consensus target price	VND120,700
Market cap (VNDtn/USDbn)	33.2/1.4

Trading data

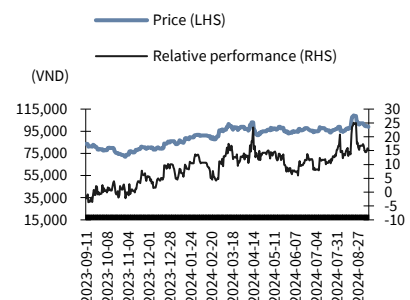
Free float	89.3%
3M avg trading value (VNDbn/USDmn)	123.4/4.9
Foreign ownership	49.0%
Major shareholder	Vietfund (9.16%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	3.6	5.0	0.0	18.4
Relative	1.0	7.3	-1.6	15.8

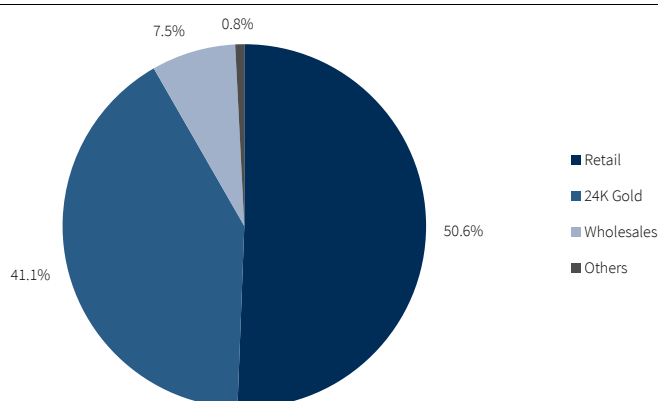
Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	33,876	33,137	37,789	41,972
Operating income/loss (VNDbn)	2,406	2,607	2,920	3,402
NPAT-MI (VNDbn)	1,811	1,971	2,232	2,583
EPS (VND)	5,973	6,009	6,802	7,870
EPS growth (%)	32.0	0.6	13.2	15.7
P/E (x)	16.7	16.6	14.6	12.7
P/B (x)	3.9	3.6	3.2	2.8
ROE (%)	21.4	20.1	20.6	21.3
Dividend yield (%)	2.5	1.4	2.0	2.0



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Phu Nhuan Jewelry, KB Securities Vietnam

Business operation

Phu Nhuan Jewelry (PNJ) was established in 1988, starting from Phu Nhuan Jewelry store. After more than 35 years of operation and development, PNJ has become one of the leading enterprises in the gold jewelry production and trading industry in Vietnam with a gold jewelry market share of 30% and a network of more than 400 stores covering the whole country.

Investment Catalysts

PNJ expects it can maintain long-term growth momentum of jewelry retail segment with: (1) Supportive macro factors, (2) more room to open new stores, and (3) improved sales per store.

Expected to stabilize gold price to help improve PNJ's business situation in 2H2024.

Notes

Please find more details [here](#)

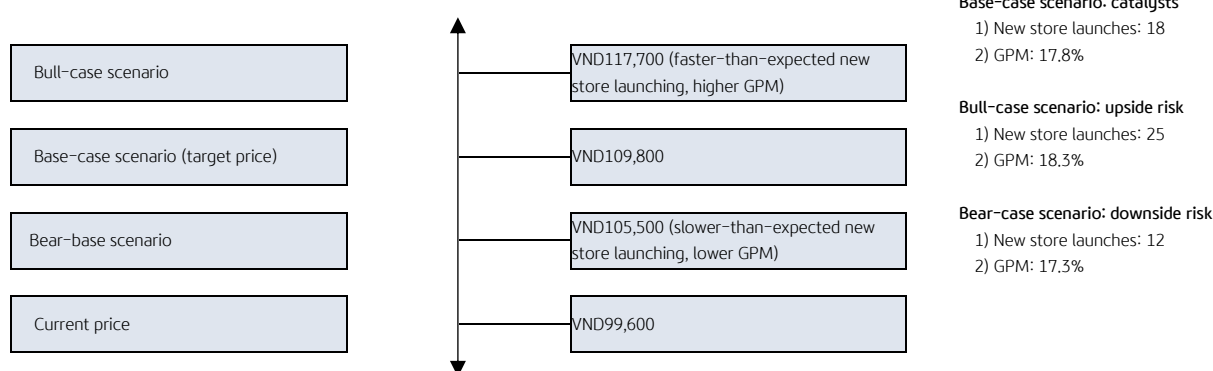
Please see more details below

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	37,789	41,972	-8%	1%	40,466	42,721	-7%	-2%
EBIT	2,920	3,402	6%	1%	2,803	3,348	4%	2%
NP after MI	2,232	2,583	5%	-1%	2,189	2,639	2%	-2%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



2Q24 performance updates

PNJ posted impressive revenue growth, especially from the 24K gold business segment

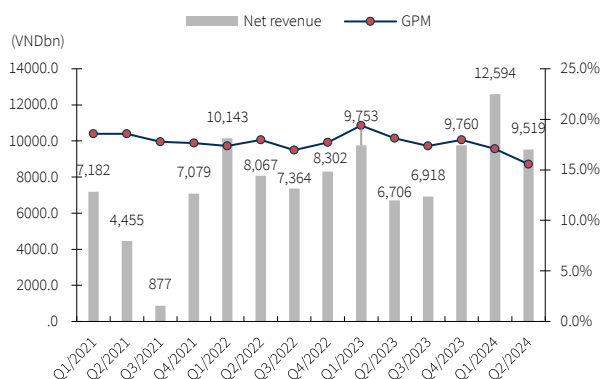
PNJ recorded VND24,621 billion in 7M24 net revenue (+30.8% YoY), of which the 24K gold bar segment saw a strong increase of 67.8% YoY thanks to the vibrant gold market in 1H24. Meanwhile, the jewelry retail segment continued to maintain growth of 14.6% YoY, bringing the total number of stores to 409 stores in July. NPAT gained 4.0% YoY to VND1,218 billion, equal to 58.3% of the full-year target.

Table 1. PNJ – 1H24 updated results

(VNDbn, %)	2Q23	2Q24	+/-%YoY	1H23	1H24	+/-%YoY	Notes
Revenue	6,663	9,519	42.9%	16,459	22,113	34.3%	
Jewelry retail	3,919	4,586	17.0%	9,546	10,946	14.7%	PNJ made efforts to launch many new collections that suit customer tastes and implemented many effective marketing campaigns and sales programs, thereby attracting many new customers and increasing the rate of returning old customers.
24K gold	1,971	4,013	103.6%	5,053	9,177	81.6%	Revenue increased sharply from the 24K gold segment thanks to the vibrant gold market and peaking gold prices.
Jewelry wholesale	620	869	40.1%	1,498	1,813	21.1%	PNJ expanded its customer network.
Gross profit	1,210	1,481	22.4%	3,110	3,630	16.8%	Gross profit margin decreased due to the sharp increase in the proportion of 24K revenue, contributing 41.5% in revenue.
<i>Gross profit margin</i>	18.2%	15.6%	-2.6ppts	18.9%	16.4%	-2.5ppts	
Financial income	36	8	-77.8%	50	22	-55.8%	Financial income declined due to a plunge in term deposits.
Financial expenses	-39	-14	-64.3%	-77	-38	-50.9%	Financial expenses plummeted due to a decrease of 88.4% in short-term loans.
SG&A	-772	-938	21.5%	-1,707	-2,141	25.5%	
Operating profit/loss	435	537	23.5%	1,376	1,474	7.1%	
Profit before taxes (PBT)	436	533	22.3%	1,379	1,469	6.5%	
Profit after taxes (NPAT)	338	428	26.9%	1,086	1,166	7.4%	
NP after MI	338	428	26.9%	1,086	1,166	7.4%	Although revenue increased sharply, it was mainly in the gold bar segment with very low profits, so the company's NPAT did not fluctuate much.
<i>NPAT margin</i>	5.1%	4.5%	-0.6ppts	6.6%	5.3%	-1.3ppts	

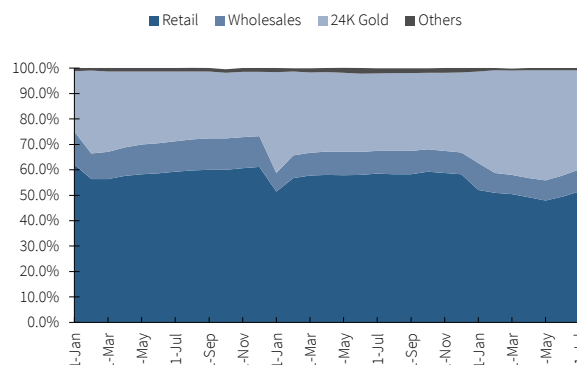
Source: Phu Nhuan Jewelry, KB Securities Vietnam

Fig 2. PNJ – Net revenue & GPM (VNDbn, %)



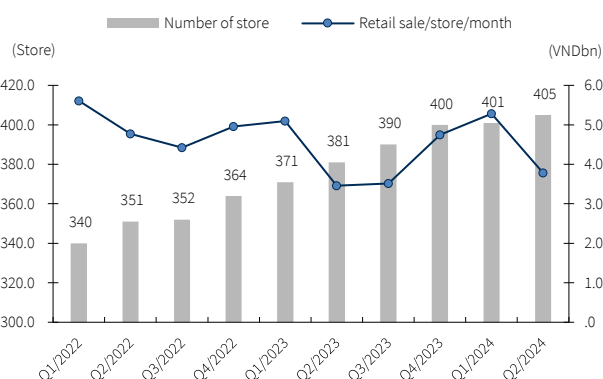
Source: Phu Nhuan Jewelry, KB Securities Vietnam

Fig 3. PNJ – Revenue breakdown (%)



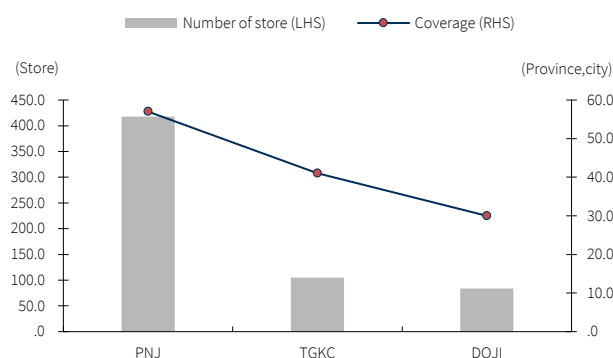
Source: Phu Nhuan Jewelry, KB Securities Vietnam

Fig 4. PNJ – Retail sales per stores and store number (VNDbn, store)



Source: Phu Nhuan Jewelry, KB Securities Vietnam

Fig 5. PNJ, Diamond World, Doji – Store number & coverage (store, provinces & cities)



Source: Phu Nhuan Jewelry, KB Securities Vietnam

In April 2024, PNJ paid the first dividend of 2023 at a rate of 6%, equivalent to VND600/share, totaling VND201 billion. The remaining dividend will be paid in 2H24, equivalent to VND1,400/share. At the 2024 AGM held on April 16, 2024, PNJ also finalized the expected dividend for 2024 to remain at 20% in cash.

Fig 6. PNJ – Cash dividend yields in 2019–2024F



Source: Phu Nhuan Jewelry, KB Securities Vietnam

Jewelry retail segment maintains positive growth

By the end of 7M24, PNJ recorded jewelry retail revenue of VND12,680 billion, rising 15% YoY, and the number of stores reached 409 stores. We expect the jewelry retail sales to maintain positive growth and reach VND22,071 billion (+14.4% YoY) in 2024 for the following reasons:

- (1) **Supportive macro factors:** (i) Vietnam's PMI surged to 54.7 in June and July, indicating a recovery in the manufacturing industry. According to the S&P Global PMI, new orders increased for the fourth consecutive month in July, and the pace of increase was only slightly slower than the near-record level in June. Significant improvements were recorded in all sectors of consumer goods, intermediate goods and capital goods. (ii) Improved incomes of people boost consumer demand with a 30% increase in the minimum wage from VND1.8 million/month to VND2.34 million/month from July 1, 2024 and a 2% reduction in VAT for goods and services until December 31, 2024.
- (2) **Potential of new store launches:** We expect PNJ to open 18 and 30 new stores in 2024 and 2025, based on: (i) The middle- and high-income group (over USD11/day) in Vietnam will account for 74% by 2030 (according to McKinsey). (ii) PNJ's coverage in the northern market is still low, and this will be the target market of PNJ in the coming time.
- (3) **Improving retail sales per store:** Ending 2Q24, average sales store of PNJ improved by 9.3% YoY, reaching VND3.8 billion (Figure 4). KBSV expects the figure for the whole year 2024 to grow by 5% YoY because (i) PNJ always improves customer service quality and focuses on improving design capacity, researching new production technology and diversifying product portfolio to reach many customer segments; and (ii) it also successfully implemented a series of customer engagement programs and oriented consumption habits on special occasions, thereby retaining old customers.

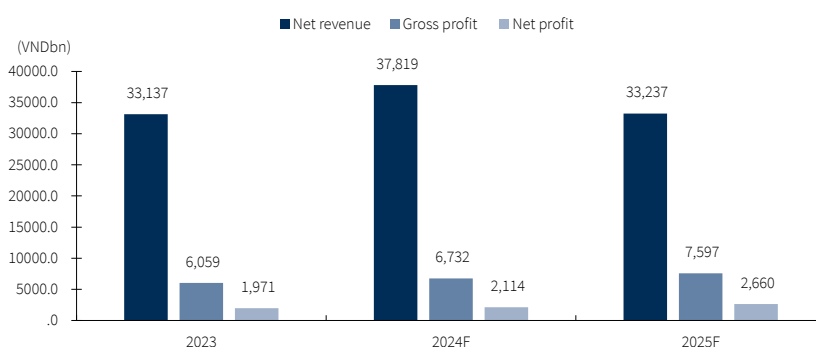
Forecast & valuation

Table 7. PNJ – 2024–2025F results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
Revenue	33,137	37,789	14.0%	41,972	11.1%	
Jewelry retail	19,286	22,071	14.4%	24,842	12.6%	– Sales per store increase by 5% YoY – The number of newly opened stores reach 15 stores due to the slower opening rate than expected in 1H24.
24K gold	10,438	12,526	20.0%	13,778	10.0%	The forecast was lowered by VND2,379 billion compared to the old forecast because the revenue from the gold bar segment showed signs of cooling down in July. KBSV expects the gold market to stabilize again in 2H24.
Jewelry wholesale	2,850	3,192	12.0%	3,351	5.0%	
Gross profit	6,059	6,700	10.6%	7,631	13.9%	The profit margin is expected to recover in the coming time because (1) the gold market stabilizes again; and (2) PNJ continues to implement measures to optimize resources and improve operational capacity.
<i>Gross profit margin</i>	18.3%	17.7%	-0.6ppts	18.2%	0.5ppts	
Financial income	98	117	20.1%	120	1.9%	
Financial expenses	-143	-105	-26.2%	-145	38.0%	
SG&A	-3,530	-3,898	10.4%	-4,349	11.6%	
Profit before taxes (PBT)	2,489	2,814	13.1%	3,256	15.7%	
Profit after taxes (NPAT)	1,971	2,232	13.2%	2,583	15.7%	
NP after MI	1,971	2,232	13.2%	2,583	15.7%	
<i>NPAT margin</i>	5.9%	5.9%	0.0ppts	6.2%	0.2ppts	

Source: Phu Nhuan Jewelry, KB Securities Vietnam

Fig 8. PNJ – 2024–2025F performance



Source: Phu Nhuan Jewelry, KB Securities Vietnam

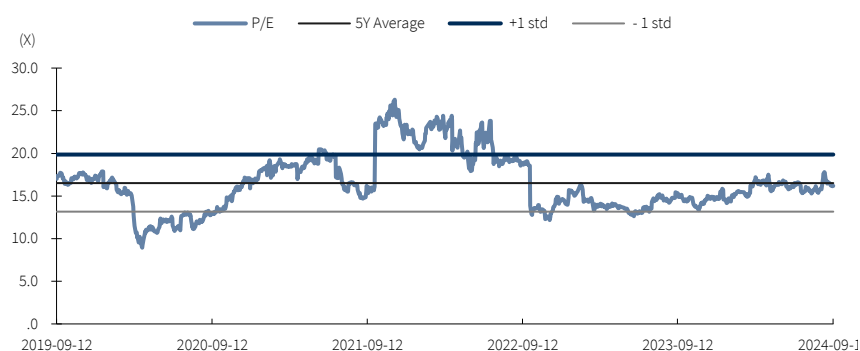
**Valuation: NEUTRAL rating –
Target price VND109,800**

We used two methods (1) FCFF and (2) comparables to value PNJ stock:

- (1) FCFF: We used the FCFF with the assumptions stated below. We give a target price of VND107,400/share for PNJ.
- (2) Comparables: We use a target P/E of 16.5x, equivalent to the average P/E in the last five years. The target EPS is VND6,799/share. We give PNJ a target price of VND112,300/share for this method.

With a 50-50 weighting for each method in the valuation model, we gave a NEUTRAL rating to PNJ with a price target of VND109,800, 10.2% higher than the closing price on September 17, 2024.

Fig 9. PNJ – P/E in 2019–2024 (x)



Source: Bloomberg, KB Securities Vietnam

Table 11. PNJ – FCFF & assumptions

Cost of equity	11.52%	PV of terminal value	46,122
Cost of debt	3.17%	PV value of FCFF	35,913
Risk-free rate	4.70%	Cash & equivalents	1,706
Beta	0.87	Short-term investments	756
Terminal growth	3.5%	Total debt	2,384
Duration	5	Equity value	35,235
WACC	9.89%	Outstanding shares	328,169,188
Target price			107,368

Source: Phu Nhuan Jewelry, KB Securities Vietnam

PNJ – 2022A–2025F financials

Income Statement					Balance Sheet				
(VND billion)	2022	2023	2024F	2025F	(VND billion)	2022	2023	2024F	2025F
Net sales	33,876	33,137	37,789	41,972	Total Asset	13,337	14,428	16,109	18,022
Cost of sales	-27,949	-27,078	-31,089	-34,341	Current Asset	11,966	12,958	14,176	16,006
Gross Profit	5,927	6,059	6,700	7,631	Cash and cash equivalents	880	896	1,348	1,063
Financial income	54	98	117	120	Short-term investments	200	810	756	839
Financial expenses	-141	-143	-105	-145	Accounts receivable	301	215	249	289
of which: interest expenses	-94	-119	-105	-145	Inventories	10,506	10,941	11,712	13,691
Gain/(loss) from joint ventures (from 2015)	0	0	0	0	LONG-TERM ASSETS	1,371	1,469	1,933	2,016
Selling expenses	-2,828	-2,836	-3,217	-3,556	Long-term trade receivables	94	105	0	0
General and admin expenses	-674	-694	-681	-792	Fixed assets	882	883	848	812
Operating profit/(loss)	2,337	2,484	2,814	3,256	Long-term incomplete assets	31	29	31	33
Other incomes	9	12	0	0	Nợ phải trả	4,893	4,621	5,285	5,918
Other expenses	-34	-7	0	0	LIABILITIES	4,883	4,612	5,285	5,917
Net other income/(expenses)	42	19	0	0	Current liabilities	277	257	441	554
Income from investments in other entities	0	0	0	0	Advances from customers	222	215	265	295
Net accounting profit/(loss) before tax	2,380	2,503	2,814	3,256	Short-term borrowings	2,683	2,384	2,632	2,906
Corporate income tax expenses	-502	-518	-582	-674	Long-term liabilities	10	9	0	1
Net profit/(loss) after tax	1,811	1,971	2,232	2,583	Long-term advances from customers	0	0	0	0
Minority interests	0	0	0	0	Unrealized revenue	0	0	0	0
Attributable to parent company	1,811	1,971	2,232	2,583	Long-term borrowings	0	0	0	0
					Vốn chủ sở hữu	8,444	9,806	10,824	12,105
					OWNER'S EQUITY	2,462	3,282	3,282	3,282
					Paid-in capital	2,251	1,851	1,851	1,851
					Share premium	2,522	2,740	3,758	5,039
					Undistributed earnings	1,209	1,933	1,933	1,933
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
	2022	2023	2024F	2025F	(x, %, VND)	2022A	2023E	2024E	2025E
Gross profit margin	17.5%	18.3%	17.7%	18.2%	Multiple				
EBITDA margin	7.3%	8.1%	8.0%	8.4%	P/E	16.7	16.6	14.6	12.7
EBIT margin	7.1%	7.9%	7.7%	8.1%	P/E diluted	16.7	16.6	14.6	12.7
Pre-tax profit margin	6.8%	7.5%	7.4%	7.8%	P/B	3.9	3.6	3.2	2.8
Operating profit margin	6.9%	7.5%	7.4%	7.8%	P/S	0.9	1.0	0.9	0.8
Net profit margin	5.3%	5.9%	5.9%	6.2%	P/Tangible Book	3.9	3.6	3.2	2.8
					P/Cash Flow	12.3	12.5	17.1	12.2
					EV/EBITDA	13.2	13.0	11.6	10.2
					EV/EBIT	13.7	13.4	12.1	10.5
Cash Flow Statement					Operating performance				
(VND billion)	2022	2023	2024F	2025F	ROE	21.4%	20.1%	20.6%	21.3%
Net profit/(loss) before tax	2,312	2,489	2,814	3,256	ROA	13.6%	13.7%	13.9%	14.3%
Depreciation and amortisation	80	81	116	105	ROIC	23.5%	23.1%	24.1%	24.4%
Profit/loss from investing activities	-21	-80	0	0					
Interest expense	94	119	105	145	Financial structure				
Operating profit/(loss) before changes in Working Capital	2,460	2,610	3,035	3,507	Cash Ratio	0.3	0.4	0.4	0.4
(Increase)/decrease in receivables	-52	39	-29	-39	Quick Ratio	0.0	0.0	0.0	0.0
(Increase)/decrease in inventories	-1,753	-437	-767	-1,980	Current Ratio	0.2	0.4	0.4	0.3
Increase/(decrease) in payables	77	92	381	306	LT Debt/Equity	0.0	0.0	0.0	0.0
(Increase)/decrease in prepaid expenses	-60	-104	0	0	LT Debt/Total Assets	0.0	0.0	0.0	0.0
Net cash inflows/(outflows) from operating activities	-571	-693	-436	-15	Debt/Equity	0.3	0.2	0.2	0.2
Purchases of fixed assets and other long term assets	101	1,508	1,497	959	Debt/Total Assets	0.2	0.2	0.2	0.2
Proceeds from disposal of fixed assets	-52	-83	-81	-69	ST Liabilities/Equity	0.6	0.5	0.5	0.5
Loans granted, purchases of debt instruments	1	2	0	0	ST Liabilities/Total Assets	0.4	0.3	0.3	0.3
Collection of loans, proceeds from sales of debts instruments	-540	-2,240	0	0	Total Liabilities/Equity	0.6	0.5	0.5	0.5
Investments in other entities	200	1,680	0	0	Total Liabilities/Total Assets	0.4	0.3	0.3	0.3
Proceeds from divestment in other entities	0	-4	0	0					
Dividends and interest received	0	0	0	0	Activity ratios				
Net cash inflows/(outflows) from investing activities	20	66	0	0	Account Receivable Turnover	2.9	2.5	2.7	2.7
Proceeds from issue of shares	-371	-578	-78	-216	Inventory Turnover	70.7	124.0	108.2	84.4
Payments for share returns and repurchases	1,447	0	0	0	Account Payable Turnover	2.5	2.3	2.3	2.3
Proceeds from borrowings	0	0	0	0					
Repayment of borrowings	6,261	8,159	248	274					
Finance lease principal payments	-6,300	-8,458	0	0					
Dividends paid	0	0	0	0					
Interests, dividends, profits received	-617	-615	-1,214	-1,302					
Net cash inflows/(outflows) from financing activities	0	0	0	0					
Net increase in cash and cash equivalents	792	-914	-966	-1,028					
Cash and cash equivalents at the beginning of period	522	15	452	-285					
Cash and cash equivalents at the end of period	355	880	896	1,348					

Source: Phu Nhuan Jewelry, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Research Division

research@kbsec.com.vn

Nguyen Xuan Binh – Head of research

binhnx@kbsec.com.vn

Financials

Nguyen Anh Tung – Manager

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Consumer

Nguyen Duc Quan – Analyst

quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst

anhnhd@kbsec.com.vn

Real Estate

Pham Hoang Bao Nga – Manager

ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst

trangnt6@kbsec.com.vn

Industrials & Materials

Nguyen Thi Ngoc Anh – Analyst

anhntn@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Macro & Strategy

Tran Duc Anh – Head of macro & strategy

anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Energy, Utilities & IT

Pham Minh Hieu – Analyst

hieupm@kbsec.com.vn

Nguyen Viet Anh – Analyst

anhnv3@kbsec.com.vn

Support Team

Nguyen Cam Tho – Assistant

thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

Investment ratings & definitions

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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