



## Company Report: PHU NHUAN JEWELRY JOINT STOCK COMPANY (HOSE:PNJ)

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### PNJ Flash Report: The Glitter of Gold



#### BASIC INFORMATION ABOUT THE BUSINESS

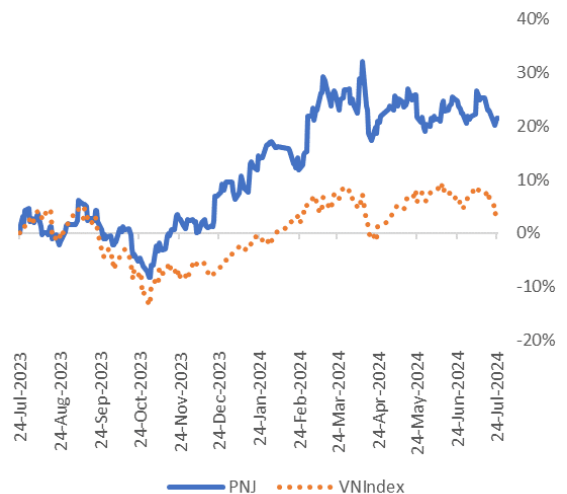
Phu Nhuan Jewelry Joint Stock Company (HOSE: PNJ) was formerly known as Phu Nhuan Jewelry Store, belonging to the People's Committee of Phu Nhuan District, established on April 28, 1988. The company specializes in manufacturing and trading gold, silver and gemstone jewelry. The company has been operating as a corporation since 2004. The company's shares were listed and traded on the Ho Chi Minh City Stock Exchange (HOSE) since 2009. The company's head office address: 170E Phan Dang Luu, Ward 3, Phu Nhuan District, Ho Chi Minh City, Vietnam. Website: [www.pnj.com.vn](http://www.pnj.com.vn). PNJ currently manages and operates 2 factories with a total capacity of over 4 million products per year. During its operation, PNJ has achieved many achievements and awards such as receiving the title of High Quality Vietnamese Goods and the title of National Brand for many years, and many other domestic and international awards. PNJ is ranked 16th by Plimsoll World in the 500 largest jewelry manufacturing and trading companies in the world. Currently, PNJ has a diversified shareholder structure with 2 major shareholders (ownership ratio >5%). The current Chairwoman of PNJ's Board of Directors is Ms. Cao Thi Ngoc Dung. Mr. Le Tri Thong is currently holding the position of CEO.

Recommendation: **N/A**

6-18m TP: **NOT RATED**

Current price: **VND 94,800**

Price performance (12M)



	1M	3M	12M
Price change	1M	3M	12M
%	-2.57	+0.53	+21.54
% VN-Index change	-1.67	+2.29	+3.57
Avg price (VND)	95,839	95,990	87,190

Sources: Guotai Junan (VN), investing.com

Year	Net Sales (VND b)	PATMI (VND b)	Assets (VND b)	Equity net MI (VND b)	EPS (VND)	ΔEPS (%)	DPS (VND)	ROAA (%)	ROAE (%)
2020A	17,511	1,069	8,603	5,242	4,308	-12.01	1,800	12.52	21.78
2021A	19,547	1,029	8,483	6,013	4,197	-2.58	2,000	10.77	18.29
2022A	33,876	1,811	10,619	8,444	5,223	24.45	2,000	15.12	25.05
2023A	33,137	1,971	13,337	9,806	5,436	4.08	2,000	14.20	21.60

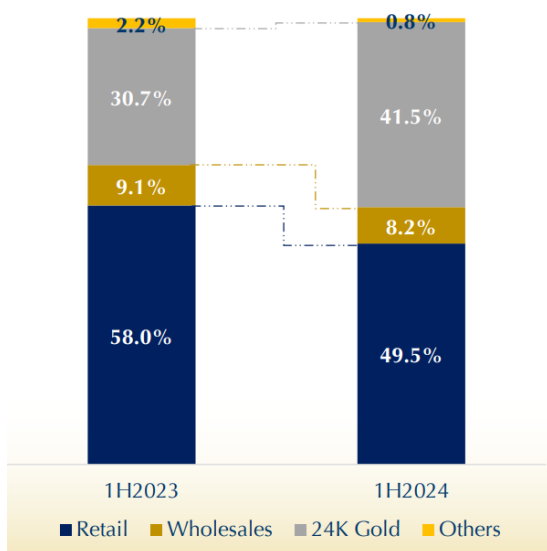
Outstanding shares (in millions)	328.0	Major shareholders (%)	DRAGON CAPITAL, 9.65%
Market cap (VND b)	31,716	Free float (%)	RUCEGROVE IM LTD., 5.06%
10-day average volume (shares)	1,121,520		76%
52w high/low (VND)	103,100/71,580		

Sources: the Company, FiinPro X, Guotai Junan (VN)

## OPERATING RESULTS IN THE FIRST 6 MONTHS OF 2024 AND COMMENTS

PNJ's net revenue in the first 6 months of the year reached VND 22,113 billion, up +34.3% yoy and completing 59.5% of the 2024 net revenue plan. Profit after tax in the first 6 months of the year reached VND 1,167 billion, up +7.4% yoy, completing 55.8% of the 2024 plan. Thus, achieving the revenue and net profit plan in 2024 seems feasible for PNJ.

REVENUE CONTRIBUTION BY CHANNEL



Sources: PNJ.

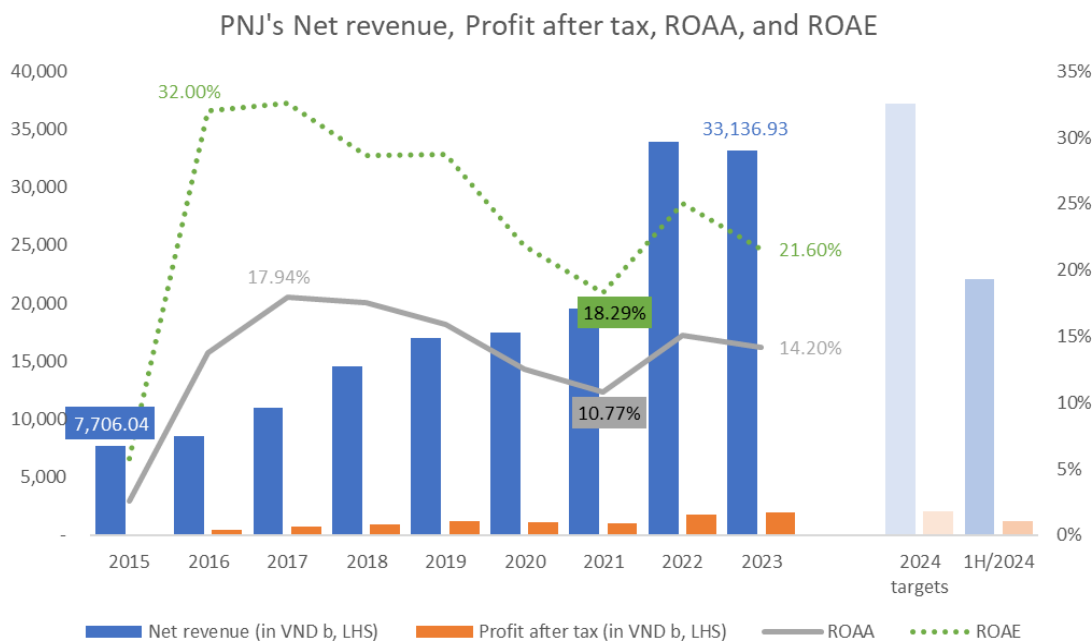
In terms of revenue structure, the retail jewelry segment continues to be the largest revenue contributor, with revenue in the first 6 months of the year reaching VND 10,946 billion, accounting for 49.5% of total revenue and growing 14% over the same period. Next is the 24K gold (gold bars) segment, contributing 41.5% of revenue in the first 6 months of the year with revenue of VND 9,200 billion, up 80.8% over the same period. The company reported that the high activities of the domestic gold market in the first half of the year helped the 24K gold segment to have outstanding growth. The wholesale segment continued to rank 3rd in revenue, reaching VND 1,813 billion, growing 20% over the same period and contributing 8.2% to PNJ's revenue. Gross margin for the first 6 months of 2024 reached 16.4%, down from 18.9% in the same period of 2023. The company explained that this was due to changes in revenue structure: the gross margin of the 24K gold segment was not high compared to the retail jewelry segment but it accounted for a larger proportion of revenue compared to the same period in 2023. The company reported gross margins for the remaining business segments were stable.



Images of some PNJ jewelry products. Sources: PNJ.

As of June 30, 2024, PNJ has a distribution system of 405 stores in 57 provinces and cities in Vietnam. Of which, there are 396 “PNJ” stores, 5 “Style by PNJ” stores, 3 “CAO Fine Jewelry” stores, and 1 wholesale center. In the first 6 months of 2024, PNJ opened 13 new stores and closed 8 stores. Thus, it can be seen

that PNJ is still expanding its distribution network, adding net 5 stores to the network in the first 6 months of 2024. However, the rate of network expansion seems to be slowing down (the net number of stores increased in 2023 is 36 stores).



Sources: FiinPro X, GTJASVN Research.

From 2015 to 2023, net revenue grew with a CAGR of 20%. Net revenue slowed down during the COVID-19 years (2020, 2021) but the growth rate strongly recovered in 2022 and 2023. ROAA and ROAE bottomed out in 2021 and have shown signs of recovery. Overall, ROAA and ROAE tended to decrease from 2017 to 2023, but remained high in 2023, at 14.20% and 21.60%, respectively.

Regarding the developments in the domestic gold market, SBV recently sold gold directly to individual buyers through the channels of 4 state-owned commercial banks (Agribank, BIDV, Vietcombank, Vietinbank) and through SJC to narrow the gap between domestic and international gold prices, stabilizing gold prices. We assess that this development may slow down the growth of PNJ's gold bar segment sales, but may have a positive impact on the retail jewelry segment, which contributes the most to the company's gross profit. The cooling of gold prices may help reduce the cost of goods sold for PNJ, improving the gross profit of the retail jewelry segment (PNJ reports that raw gold usually accounts for 50% of the total cost of goods sold). Some analysts believe that the cooling of domestic gold prices will have a positive impact on PNJ's business results. PNJ also has the advantage of having a large inventory of raw materials, which helps the business to somewhat withstand the shock of increasing input prices.

Regarding corporate news, in 2024, PNJ is going to issue more than 3.34 million ESOP shares to employees, equivalent to 1% of the number of outstanding shares, with an issuance price of only VND 20,000/share (equivalent to 21% of the current market price). The issuance is expected to take place in Q3/2024. Regarding ESG activities in 2024, the Company reported that it will continue to focus on ESG factors, maintain the greenhouse gas emissions accounting at the HCM and Long An factories, and expand the greenhouse gas emissions accounting to 100% of units (headquarters, branches, stores).

## INVESTMENT RISKS

Risks related to the fluctuation of domestic gold prices. Risks related to consumer sentiment that may cause a decrease in demand for retail jewelry. Competition risk. Risks related to the policies of the State regarding the gold market.

**COMPANY RATING DEFINITION**

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
<b>Buy</b>	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
<b>Accumulate</b>	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
<b>Reduce</b>	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
<b>Sell</b>	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

**SECTOR RATING DEFINITION**

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
<b>Outperform</b>	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
<b>Underperform</b>	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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