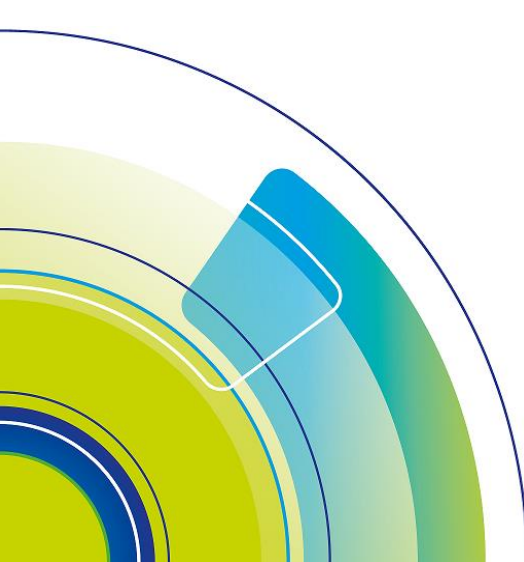




PNJ Update - BUY

April 29, 2025



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Company Update

Recommendation

BUY

HSX: PNJ

Target price (VND)

88,000

Market price (VND)

71,100

Expected share price return

23.8%

Expected dividend yield

2.8%

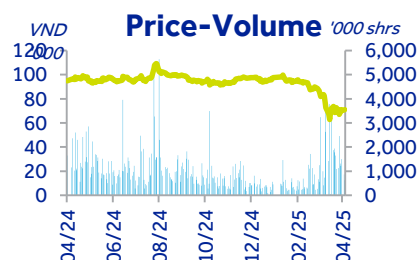
Expected total return

26.6%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-26.9	-13.7	-27.0	-23.9
Relative	-23.8	-6.8	-24.1	-27.2

Source: Bloomberg



Ownership

Vanguard Group In	4.2%
VietFund Management	3.8%
Tran Phuong Ngoc Thao	3.5%

Stock Statistics 29-Apr-25

Bloomberg code **PNJ VN**

52-week range (VND) 62,800-110,200

Shares O/S (m) 338

Mkt cap (VND bn) 24,025

Mkt cap (USD m) 921

Est. Foreign room left (%) 2.3

Est. free float (%) 86.5

3m avg daily vol (shrs) 989,458

VND/USD 26,090

Index: VNIndex / HNX 1226.30/211.94

PHU NHUAN JEWELRY JSC (PNJ VN)

In addition to an expected slump in 24K gold sales, a slowdown in the retail segment given the market turbulence in 1Q2025 weighed on the company's business results in the period. Although we retain a **BUY** recommendation, we revise 2025 EAT projection for PNJ down by 17.5% and target price by 22% to VND88,000/shr by YE2025, to reflect adverse impacts from a tighter gold supply on the retail segment and higher costs for sourcing materials.

PNJ held 2025 AGM last week to discuss about 2025 business plans and development strategies, etc. Beside, 1Q2025 business results were released.

PNJ announced 1Q2025 net revenue at VND9,635bn (-23.5% YoY) and EAT at VND678bn (-8.2% YoY).

The retail segment continued to post growth, at 6% YoY, though a slowdown might be felt. Its sales contribution increased to 69.3% at the expense of the 24K gold segment. At the end of 1Q2025, there were 429 stores in operation, suggesting no new store opened compared to YE2024.

24K gold sales tumbled by 65.8% YoY in 3Q given a high base in 1Q2024, tighter gold supply and PNJ's priority of gold materials for the jewelry retail segment.

Weak earnings performance stemmed primarily from a narrower 24K gold-excluded gross margin. The overall gross margin widened to 21.3% in 1Q2025 (1Q2024: 17.1%) thanks to reduced 24K sales contribution. However, we estimate that the 24K gold-excluded gross margin shrank to 25.4% in 1Q2025 from 27.5% in 1Q2024, mainly explained by higher costs for sourcing materials and recycling old products into materials in view of tighter materials supply.

We project net revenue and EAT for PNJ at VND30,086bn (-20.5% YoY) and VND1,939bn (-8.2% YoY) in 2025, 12% and 17.5% lower than the prior update, respectively, considering the perspective that a tighter gold supply will likely hamper the retail segment's growth and the expansion of store network decelerates this year. Our target price for PNJ by YE2025 is VND88,000/share, equivalent to a total return of 26.6%.

	2023	2024	2025F	2026F	2027F
Net Sales (VNDbn)	33,137	37,823	30,086	32,458	36,364
Growth	-2.2%	14.1%	-20.5%	7.9%	12.0%
NPATMI (VNDbn)	1,971	2,113	1,939	2,150	2,492
Growth	8.9%	7.2%	-8.2%	10.9%	15.9%
EPS (bonus-adjusted, VND)	5,436	5,710	5,150	5,653	6,487
Growth	4.5%	5.0%	-9.8%	9.8%	14.7%
ROE	21.6%	20.1%	16.3%	16.1%	16.6%
ROA	14.2%	13.4%	12.3%	14.6%	15.9%
Net debt/EBITDA (times)	0.2	0.4	-1.2	-1.4	-1.4
EV/EBITDA (times)	9.7	9.3	10.0	9.3	8.0
EV/Sales (times)	0.8	0.7	0.8	0.8	0.7
PER (times)	13.0	12.4	13.7	12.5	10.9
PBR (times)	2.4	2.1	1.9	1.7	1.5
DPS (VND)	2,000	2,000	2,000	2,000	2,000
Dividend yield (%)	2.8%	2.8%	2.8%	2.8%	2.8%

❖ Key points from 2025 AGM:

2025 business targets were set at VND 31,607bn (-17.3% YoY) in revenue and VND1,960bn (-7.3% YoY) in EAT, much lower than our expectation, with the number of new stores of 12 to 25 depending on the economic conditions. While the plunge in revenue is driven by lower 24K gold revenue, the drop in EAT is attributed to the company's plans to increase investments in expansion of its store network, enhancing production efficiency and customer experience, and applying AI.

Some focal development strategies in the year:

- Selectively expanding the store network in potential areas, concurrently heightening the existing stores' efficiency.
- Intensifying its distinction in product development, e.g. introducing new collections and diversifying product portfolio.
- Broadening customer base and upholding old customers by expanding such products as Style by PNJ, PNJ Art and Mancode business.
- Diversifying investments aiming at synergic businesses, personalized experiences, bespoke services for high-end customers, etc.
- Leveraging technology to innovate business model and processes, including applying AI to increase labor productivity.

The new business Mancode has showed positive initial signals so far. Once its effectiveness is affirmed, PNJ may consider opening standalone stores for it. The company plans to spur collaboration with international brands to add more products that can be mixed with men jewelry.

❖ 1Q2025 business results update

PNJ's business results	1Q2025	+/- YoY	Key drivers
Net revenue	9,635	-23.5%	Slump in 24K sales despite growth in the retail and wholesale segments.
Gross profit	2,048	-4.7%	
Gross margin	20.5%	+4.2 ppt	Reduced 24K gold contribution.
Gross margin excluded 24K gold	25.4%	-2.1 ppt	Higher costs for sourcing materials.
SG&A expenses	1,199	-0.3%	
SG&A expenses/net revenue	12.4%	+2.8 ppt	
SG&A/(net revenue excluded 24K gold)	15.2%	-1 ppt	Revenue growth.
EAT	678	-8.2%	

Source: PNJ; ACBS

Net revenue decline was driven by an expected plummet in 24K gold sales

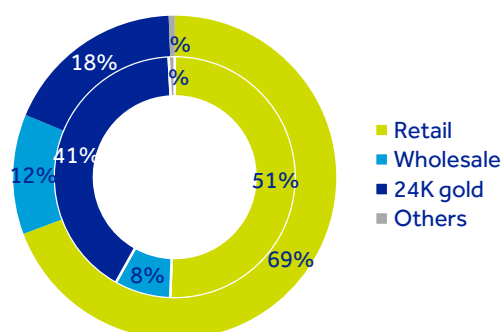
PNJ announced 1Q2025 net revenue at VND9,635bn, falling by 23.5% YoY, largely driven by a 65.8% YoY slump in the 24K gold segment, regardless of upturns in the retail (+6.1% YoY) and wholesale (+22.8% YoY) segments. This foreseeable result of 24K gold sales and slower growth in the retail segment might be explained by a high base of 24K gold sales in 1Q2024, sharp fluctuations in gold price in 1Q2025 contributing to further shrink gold supply, PNJ's priority of gold materials for the jewelry retail segment and initial influences from macro-economic uncertainties on

consumer sentiment, though the wholesale segment might benefit from the government tightening regulations on gold trading.

PNJ's segmented results	1Q2025 revenue (VNDbn)	YoY change	Sales contribution
Retail	6,677	+6.1%	69.3%
Wholesale	1,156	+22.8%	12.0%
24K gold trading	1,744	-65.8%	18.1%
Others	58	-46.3%	0.6%

Source: PNJ; ACBS

Revenue breakdown



Source: PNJ; ACBS. *: Inside circle describes 1Q2024 and the outside one describes 1Q2025

Weak EAT performance mainly due to a narrower 24K gold-excluded gross margin

PNJ generated VND678bn of EAT, falling 8.2% YoY in 1Q2025, primarily driven by a narrower 24K gold-excluded gross margin (which we estimate by excluding the 24K gold segment). The margin narrowed to 25.4% in 1Q2025 from 27.5% in 1Q2024 (albeit a bit better than 24.6% in 4Q2024), in light of limited gold supply, higher costs for sourcing materials and recycling old products. Due to the narrower supply of gold material in the domestic market - PNJ's main material source, PNJ has also put a priority for stocking raw materials for production of jewelry, aligning with the company's target to be acknowledged as a jewelry company over trading 24K gold products.

The SG&A expenses to 24K gold-excluded revenue ratio reported 15.2% in 1Q2025, an improvement from 16.2% in 1Q2024 thanks to revenue growth.

2025 forecast and valuation

We project net revenue and EAT for PNJ in 2025 at VND30,086bn (-20.5% YoY) and VND1,939bn (-8.2% YoY). These were 12% and 17.5% lower than the prior update, respectively, considering the perspective that a tighter gold supply will likely hamper the retail segment's growth and the expansion of store network decelerates this year. The Mancode business may still take time to generate meaningful contribution if its trial phase succeeds.

While waiting for new regulations favorable for accessing material supply, PNJ aims to cope with difficulties in sourcing materials by applying new technologies to produce new products with lower gold content and keeping an efficient structure for inventories in addition to maintaining the policy of buying back.

The company likely sees little direct negative impacts from the US's higher tariff policies given its predominantly domestic exposure; however, indirect impacts on consumer spending might be felt in the face of macro-economic uncertainties.

Combining the DCF and PER methods, our **target price for PNJ by the end of 2025 is VND88,000/share, 22% lower than the prior update.**

PNJ FINANCIALS MODEL	Price (VND):	71,100	Target (VND):	88,000	Mkt cap (VND bn):	24,025
(VND bn except where stated)	2023	2024	2025F	2026F	2027F	
Total Net Sales	33,137	37,823	30,086	32,458	36,364	
<i>Sales growth (%)</i>	<i>-2.2%</i>	<i>14.1%</i>	<i>-20.5%</i>	<i>7.9%</i>	<i>12.0%</i>	
CoGS	27,052	31,123	23,316	25,124	28,079	
Selling expenses ex-dep'n	2,814	3,185	3,399	3,703	4,164	
G&A expenses ex-dep'n	661	763	824	887	953	
Financial revenues	19	29	23	24	27	
Financial expenses	24	47	42	43	46	
EBITDA	2,605	2,733	2,527	2,726	3,148	
<i>EBITDA margin (%)</i>	<i>7.9%</i>	<i>7.2%</i>	<i>8.4%</i>	<i>8.4%</i>	<i>8.7%</i>	
Depreciation	81	81	80	84	89	
Operating profit	2,524	2,652	2,447	2,642	3,060	
<i>Operating profit margin (%)</i>	<i>7.6%</i>	<i>7.0%</i>	<i>8.1%</i>	<i>8.1%</i>	<i>8.4%</i>	
Other profits/losses	5	(1)	1	1	1	
Profits/Losses from associates	-	-	-	-	-	
Net interest expense	40	(0)	(7)	(78)	(93)	
<i>as % of avg net debt</i>	<i>3.9%</i>	<i>0.0%</i>	<i>0.8%</i>	<i>2.3%</i>	<i>2.2%</i>	
<i>Interest cover (x)</i>	<i>63.1</i>	<i>-13260.0</i>	<i>-355.9</i>	<i>-33.8</i>	<i>-32.8</i>	
Tax	518	538	516	572	662	
<i>Effective tax rate (%)</i>	<i>20.8%</i>	<i>20.3%</i>	<i>21.0%</i>	<i>21.0%</i>	<i>21.0%</i>	
Minority interest	-	-	-	-	-	
Attributable net profit after MI	1,971	2,113	1,939	2,150	2,492	
Cash earnings	2,052	2,194	2,019	2,234	2,580	
Total number of shares	328,169,188	338,074,776	341,455,524	344,870,079	348,318,780	
EPS (VND) (after treasury shares)	5,436	5,710	5,150	5,653	6,487	
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	
Adjusted EPS (VND)	5,436	5,710	5,150	5,653	6,487	
<i>EPS growth (%)</i>	<i>4.5%</i>	<i>5.0%</i>	<i>-9.8%</i>	<i>9.8%</i>	<i>14.7%</i>	

KEY CASHFLOW AND BS ITEMS	2023	2024	2025F	2026F	2027F
Increase in working capital	372	1,938	-2,860	582	979
Capex	81	90	45	60	75
Change in investment in affiliates	-	-	-	-	-
Other cashflow items	-109	-132	-120	-126	-123
Free cash flow	1,491	34	4,714	1,466	1,403
Share issues	-	67	68	68	69
Dividends paid	615	672	683	689	696
Increase in net debt	-875	571	-4,099	-845	-775
Net debt, end of year	588	1,159	-2,940	-3,785	-4,560
Shareholders' equity	9,806	11,255	12,580	14,109	15,973
BVPS (VND)	29,897	33,558	36,860	40,930	45,881
Net debt / equity (%)	6.0%	10.3%	-23.4%	-26.8%	-28.5%
Net debt / EBITDA (x)	0.2	0.4	(1.2)	(1.4)	(1.4)
Total assets	14,428	17,208	14,433	15,118	16,207

KEY RETURN AND VALUATION RATIOS	2023	2024	2025F	2026F	2027F
ROE	21.6%	20.1%	16.3%	16.1%	16.6%
ROA	14.2%	13.4%	12.3%	14.6%	15.9%
ROIC	19.7%	18.5%	17.5%	20.9%	22.2%
WACC	11.6%	11.0%	12.1%	12.1%	12.1%
EVA	8.1%	7.5%	5.4%	8.8%	10.1%
PER (x)	13.0	12.4	13.7	12.5	10.9
EV/EBITDA (x)	9.7	9.3	10.0	9.3	8.0
EV/FCF (x)	17.0	747.6	5.4	17.3	18.1
PBR (x)	2.4	2.1	1.9	1.7	1.5
PSR (x)	0.7	0.6	0.8	0.7	0.7
EV/sales (x)	0.8	0.7	0.8	0.8	0.7
PEG (x, 3 yr prospective)	-176.7	7.4	2.8	1.0	0.7
Dividend yield	2.8%	2.8%	2.8%	2.8%	2.8%

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BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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