

## PNJ: 1H2022 business results

Phu Nhuan Jewelry JSC (HSX: PNJ) announced 1H2022 revenue of VND18,210bn (+56.5% YoY) and EAT of VND1,088 (+48% YoY), completing c.70% and 82% of the company's full-year targets, respectively.

PNJ's 1H2022 results		YoY growth
Net revenue	18,210	56.5%
Retail	10,671	61.9%
Wholesale	2,149	30.1%
Gold bar	5,135	65.6%
Others	255	-9.7%
EAT	1,088	48.0%

Source: PNJ

The retail segment generated 61.9% YoY revenue growth in 1H2022, driven by:

- i) Strong growth of the existing stores (though the company did not disclosed a specific number) and rising contribution of new stores.
- ii) Flexible deployment of marketing activities with customized approaches.
- iii) Dynamic product portfolio at each point of sale meeting customers' interest.

By the end of June 2022, PNJ had 351 stores (YE2021: 341) in operation, with 332 gold stores (YE2021: 319).

Sales of gold bars and high-gold-content products soared by 65.6% YoY in 1H2022, explained by higher demand for these products as either safe-haven assets or investments/speculation amid concerns about inflation and global geopolitical uncertainty. In addition to the retail and gold bar segments, wholesale revenue rose by 30.1% YoY in 1H2022, including 191% growth in June 2022 compared to a low base in June 2021.

The company's overall gross margin was 17.6% compared to 18.6% in the same period last year, due to increased proportion of gold bar revenue and changes in the retail product mix. However, a lower SG&A expenses to gross profit ratio (54.6%% in 1H2022 vs 55.6%% in 1H2021) supported its bottom line.

The company is paying attention to inflation movement on consumer spending, though its sales have yet been affected severely so far, according to the company's management. We think the impacts could be less worrying in PNJ thanks to its focus on the mid to high-end customer segments, unless there are serious jumps in inflation rates.

**Comments:** The first half result beat our expectations by c.20% on the top line and c.12% on EAT, which were driven by a jump in gold bar revenue, good growth in the retail segments in 2Q despite low season, and the company's cost optimization. Further details will be available after a full review of the 1H earnings and updated outlook for the company.

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