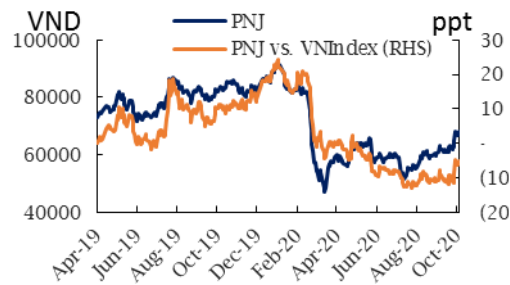


HOLD - OUTPERFORM
Close 22 October 2020

Price VND 68,200
 12M Target VND 86,200
 Upside +26.4%

Share price performance relative to VNINDEX


Market cap (USD mn)	662
6M ADT (USD mn)	1.9
Outstanding shares (mn)	225
Free float (%)	71
FINI ownership (%)	49.0
FOL Room (%)	0
Major shareholders (%)	24
Net debt/equity (%)	41%
FY20E BVPS (VND)	21.789
FY20E P/E (x)	13.9
FY20E P/B (x)	2.7

Source: Bloomberg

Financial snapshot

Year to Dec	2016A	2017A	2018A	2019A
Sales (VND bn)	8,565	10,977	14,571	17,001
EPS (VND)	4,126	6,370	5,461	5,034
ROE (%)	32.0	32.6	28.7	28.7
Div. yield (%)	2.7	3.0	3.0	2.7

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Bloomberg code: YUTA

Phu Nhuan Jewelry (PNJ VN)
Retail business showing recovery signs
Event

We attended PNJ's Oct 21 analyst meeting. The company's retail business appears to have returned to growth since September.

Key highlights

Sep retail sales growth of 18% YoY. 3Q20 revenue slid slightly by 0.3% YoY to VND3.9tn despite the second COVID-19 outbreak. The retail business (57% of revenue) posted 9.5% YoY expansion in 3Q20 with impressive Sep retail sales growth of 18% YoY. Gross margin declined by 0.4ppt YoY to 18.7% in 3Q20 as low-margin gold bars accounted for a larger share of revenues (28.7% in 3Q20 vs. 24.1% in 3Q19). Thus, PBT decreased by 2.8% YoY to VND202bn.

9M2020 revenue was nearly unchanged (-0.1% YoY) at VND11.7tn, fulfilling 80.6% of the company's 2020 guidance. Gold bars accounted for 25.0% 9M20 revenue, up from 21.6% in 9M19. 9M20 gross margin thus declined by 1.6ppt YoY to 19.3%. 9M20 PAT decreased by 20.3% YoY to reach VND642bn, fulfilling 77.1% of the company's target.

Refining the distribution network. PNJ has open 23 new stores in prime locations out of 31 planned new stores for 2020. However, the company has closed 30 unprofitable stores YTD, bringing the total number of stores to 340. Management disclosed that SSSG may remain flat for the entire year despite the two COVID-19 outbreaks.

2020 profit guidance revisited. The company targets 2020 PAT of VND 832.3bn, down 30% YoY, with sales expected to decline by 15% YoY to reach VND 14.5tn. PNJ also targets a 2020 dividend of 18% of par value, equivalent to a 2.8% forward yield assuming it is paid entirely in cash.

Our view

PNJ's September retail sales recovered impressively (+18% YoY), signaling further growth in 4Q20. This is also ahead of the overall recovery in domestic retail sales. The GSO estimates total retail sales value of goods and services in Sep expanded by 4.9% YoY, much stronger than that of Aug (+1.9% YoY).

We transfer coverage of PNJ to analyst Binh Truong with publication of this note. As such, our forecasts and recommendation on PNJ are under review.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

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HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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