

PNJ VN
BUY
TP upside (downside) +5.9%
Close 25 January 2021
Price 87,000
12M Target 92,085
Share price performance relative to VNINDEX


Market cap (USD mn)	858
6M ADT (USD mn)	2.4
Outstanding shares (mn)	227
Free float (%)	71
FINI ownership (%)	49
FOL room	0%
Major shareholders (%)	22.9
2021 Net debt/equity (%)	27
2021 BVPS (VND)	37,450
2021 P/B (x)	2.3
2021 P/E (x)	15.5

Source: Bloomberg, YSVN

Financial outlook

Year to Dec	2019A	2020A	2021E	2022E
Sales (VND bn)	17,000	17,511	20,640	23,871
EPS (VND)	4,896	4,059	5,321	7,104
ROE (%)	28.7	25.9	20.7	23.4
Div. yield (%)	2.3	2.1	2.9	2.9

Source: YSVN

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Bloomberg code: YUTA
Phu Nhuan Jewelry JSC
Turnaround with improved margin
Event

PNJ announced solid 4Q20 results, with revenues in line with our expectation but net income beating our forecast by +10.2% on higher than expected gross margin. The company is on its way to recovering, which is in line with the overall recovery of the economy.

Details

4Q20 turnaround with improved margin. PAT rose by 11.0% YoY to VND 427bn although revenue increased by 9.8% YoY to VND 5.9tn. Gross margin improved to 20.2% in 4Q20 from 19.2% in 4Q19 as retail sales outgrew wholesale. Additionally, net financial expense fell by -25% YoY to VND30.4bn on reduced leverage.

2020 revenue rose by 3% YoY to VND 1.5tn (0.4% above our forecast). Retail sales grew by 10% YoY to account for 59.7% of revenue. However, FY2020 PAT declined by -10.4% YoY to VND 1.1tn as full-year gross margin shrank to 19.6% in 2020 from 20.4% in 2019. In addition, financial expenses increased by +36.2% YoY to VND159bn and operating expenses increased by +5% YoY to VND 1.9tn. PNJ's full-year results were +21% ahead of its revenue guidance and +28% higher than its PAT guidance.

Significant deleverage. The company's 4Q20 net debt to equity ratio was to 27%, substantially down from 55% at 4Q19.

Gold business is in line with the 2020 overall retail sales. According to the GSO, retail sales of goods and services recovered very positively toward yearend to increase by +9.4% YoY in December. Full-year retail sales rose by a nominal +2.6% YoY and real +1.2% (vs 2019's +9.5% growth in real terms). We expect gold demand to continue to recover in 2021, underpinned by gold price consolidation and seasonal demand and further supported by delayed demand from 1H20.

2021 outlook: a clearer recovery. Our 2021E revenue and net income forecasts now appear slightly conservative. Our model for PNJ's forecasts and valuation are under review.

We reiterate BUY on PNJ. The share price has recovered 14.6% since our last update in [November](#). PNJ is a proxy on long-term Jewelry consumption and a beneficiary of the growth of the middle class.

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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.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more 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.

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