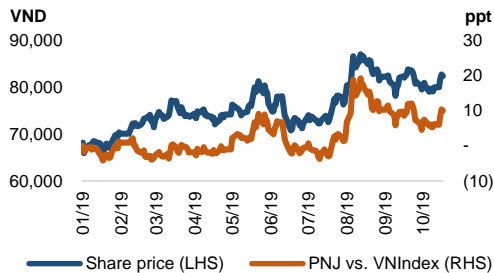


Vietnam : Consumer
18 October 2019
HOLD - OPF
TP upside (downside) +4.6%
Close 18 Oct 2019

Price	82,400
12M Target	86,200
Previous target	86,200

Share price performance relative to VNINDEX


Market cap (USD bn)	0.8
6M ADT (USD mn)	1.9
Outstanding shares (mn)	222.6
Free float (%)	30.6
FINI ownership (%)	49
Major shareholders (%)	9
Net debt/equity (x)	0.5
BVPS (VND)	18,504
P/B (x)	4.5
P/E (x)	17.5
EV/EBITDA (x)	12.8

Financial outlook

Year to Dec	2018	2019E	2020E	2021E
Sales (VND bn)	14,573	18,286	22,295	26,439
EPS (VND)	5,330	4,607	5,731	7,013
ROE (%)	28.7%	27.5%	27.9%	27.7%
Div. yield (%)	1.2	2.0	2.0	2.5

Note: Fully diluted weighted average EPS is based on weighted average number of shares.

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PHU NHUAN JEWELRY (PNJ VN)
Recovery from ERP trouble
Event

PNJ released its 3Q19 results yesterday with a 25% YoY increase in sales and 17% YOY increase in PAT. This is a notable improvement compared to the YoY declines of -8% YoY in sales and -6% in PAT seen in 2Q19. The positive growth in 3Q19 indicates an operational recovery from the ERP problem and weak jewelry demand in the previous quarter.

Our take

The strong 25% YoY growth in 3Q19 revenues boosted YTD revenue increase by 11%, reaching 65% FY19 of guidance. 3Q19 sales were supported by the addition of 29 new stores, a rebound in jewelry demand, and success in its new jewelry offerings.

Net income in 9M19 (+16% YoY) has reached 68% of FY19 guidance. Gross margin increased slightly by 10bps YoY in 3Q19 to reach 19.1%, which management attributed to a more favorable product mix (i.e., a higher contribution from high-value jewelry). In addition, PNJ managed its operating costs effectively.

Management also attributed the recovery to increased effectiveness of its enterprise resource planning (ERP) system. Management noted that its employees have become more familiar with the new system and its operations are close to "normal" conditions now, which is a contrast from 2Q19.

As we said in our most recent note titled "[PNJ: The Fat Hits the Fire](#)", a slowdown in jewelry demand is much more of a concern than the ERP system problems. Thus the quarterly rebound in sales, while welcome, is insufficient to conclude that Vietnamese jewelry demand is returning to high-single-digit growth rates, in our view. Having said that, we see the rebound as a meaningfully positive signal. We expect a continued recovery in 4Q19, and we thus make no changes to our 2019 revenue and PAT forecasts.

We have a HOLD-Outperform rating but note that our expected 12-month total return is now just 6.4% (including the 2% dividend yield). Our target price is unchanged at VND 86,200 or 15x FY20E forward P/E.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

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.

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.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

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