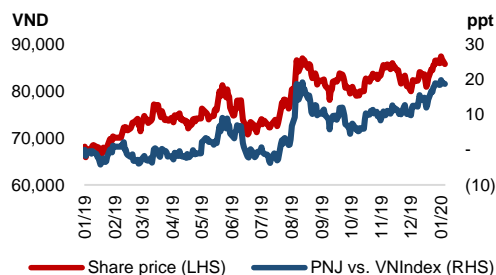


Vietnam: Consumer

6 January 2020

HOLD - OPF
TP upside (downside) +0.5%
Close 06 Jan 2020

Price	VND 85,800
12M Target	VND 86,200
Previous target	VND 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

Source: Company data, Yuanta Vietnam

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

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Phu Nhuan Jewelry (PNJ VN)
Surging gold price: What is the impact?
Event

Gold prices are surging as investors seek safe-haven assets. As a jewelry producer and gold bar merchant, PNJ should be a net beneficiary, but the increased gold price, if sustained, would not be a one-way street given the negative impact on COGS and questions over the company's ability to pass higher gold costs on to customers via product pricing.

Our take

Increased gold price is typically positive for sentiment, as illustrated by the 50%–55% historical correlation of PNJ's share price with gold. This moderately high correlation is understandable given that gold is a traditionally savings mechanism in Vietnam as well as a speculative commodity.

Operational impact: The good. The increased gold price is positive and could trigger increased demand for gold as a safe asset, which in turn should boost PNJ's sales of both gold bars and jewelry.

Operational impact: The bad. However, PNJ's price policy for the jewelry segment (98% of revenues) is very sticky. This means that higher gold prices over the next couple of quarters will be reflected in COGS but not necessarily in the selling price. Thus, an unfavorable impact on profit margin is also possible going forward.

Our view: Higher gold would be a net positive. Forecasting gold prices is beyond our remit. But if gold continues to trend higher, PNJ should benefit from higher demand with buyers broadening out to include speculators as well as fashion buyers. That said, we wouldn't view speculative gold buying as sustainable, and in any case gold bar trading only accounts for about 2% of PNJ's revenue.

VN Diamond ETF inclusion could also be a short-term share price catalyst. We reckon that US\$100m in inflows into the ETF (which we think may be launched in February) would result in inflows into PNJ equivalent to c. 9 days' of recent daily turnover. Please see "[Of FOLs and Money: The Diamond Edition](#)" for details.

We maintain our HOLD–Outperform rating on PNJ. We maintain our fair value–derived target price unchanged at VND 86,200 (US\$3.72) or 15x FY2020E forward P/E. Despite the potential for PNJ to "surf" the wave of higher gold prices, the upside appears limited based on the fundamentals. Having said that, the positive catalysts— notably, gold prices and VN Diamond ETF inclusion—could continue to bolster the shares in the weeks ahead.

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.

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.

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