

HOLD - OUTPERFORM
Close 10 June 2020

| | |
|------------|------------|
| Price | VND 65,500 |
| 12M Target | VND 86,200 |
| Upside | +31.6% |

Share price performance relative to VNINDEX


| | |
|--------------------------|--------|
| Market cap (USD mn) | 631 |
| 6M ADT (USD mn) | 2.4 |
| Outstanding shares (mn) | 225 |
| Free float (%) | 30.6 |
| FINI ownership (%) | 49.0 |
| FOL Room (%) | 0 |
| Major shareholders (%) | 2.39 |
| 1Q20 Net debt/equity (%) | 42% |
| FY20E BVPS (VND) | 33,587 |
| FY20E P/E (x) | 15.8 |
| FY20E P/B (x) | 2.9 |
| FY20E EV/EBITDA (x) | 7.1 |

Financial outlook

| Year to Dec | 2018A | 2019A | 2020E | 2021E |
|----------------|--------|--------|--------|--------|
| Sales (VND bn) | 14,573 | 17,000 | 22,295 | 26,439 |
| EPS (VND) | 5,330 | 4,896 | 5,731 | 7,013 |
| ROE (%) | 32.6 | 28.7 | 27.5 | 27.9 |
| Div. yield (%) | 1.2 | 3.1 | 3.1 | 3.8 |

Binh Truong
O&G Analyst / Deputy Head of Research
Binh.truong@yuanta.com.vn
<http://research.yuanta.com>
Bloomberg code: YUTA
Phu Nhuan Jewelry (PNJ VN)
**Hope for the best, prepare for the worst
Event**

We attended PNJ's AGM on June 10. The company proposed modest profit guidance due to the COVID-19 impact and high gold price environment.

Key highlights

Weak 2020 profit guidance. The company targets 2020 profit after tax of VND 832.3bn, down 30% YoY, mainly attributable to the expected slowdown in sales to VND 14,485 bn, -15% YOY. Management stated that the COVID-19 impact is still unknown and the high gold price environment could undermine jewelry demand.

But sales recovered in May. 4M20 revenue fell 4% YoY to VND5,502bn. This was driven by the COVID-19-related shutdown in April, which resulted in 47% YoY revenue decline for the month. However, sales recovered in May, expanding by +20% YoY.

Expanding the distribution network and manufacturing capacity. PNJ plans to open 31 new stores in 2020, mostly in tier 2 and 3 cities, which would result in 380 total stores (+8.9% YoY). Management also plans 1) to renovate its legacy production capacity to manufacture previously imported products and 2) to build a new facility in Long An province to address the environmental issues from its plating process, with 2020 capex guided at VND 150 bn (-37% YoY). PNJ also plans to continue investing in its digital transformation to improve its retail management.

2020E dividend guidance. PNJ targets a 2020 dividend of 18% of par value. Assuming this is paid in cash, the 2020E yield would be 2.8%.

ESOP for 2020. PNJ plans to issue ESOPs of 0.85% of outstanding shares if management fulfills 115% of its profit guidance, and each 1ppt that earnings exceed that level will add an additional 0.06% in new shares. The ESOP is subject to a 36-month transfer limit.

Accumulating gold bars to ensure liquidity. Given the unpredictable impact of COVID-19, the company plans to increase its gold bar inventory in 2020 as means of ensuring sufficient liquidity.

Our view

We transfer coverage of PNJ to Binh Truong with publication of this note, and our investment thesis is currently under review. Overall, PNJ remains highly profitable with 28.7% ROE in 2019 underpinned by net margin of 7.0% and net debt/equity of 55.1% as at Dec 2019 declining sharply to 42.4% as at 1Q20.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Appendix A: Important Disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2019 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (3845)

binh.truong@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (3874)

tanh.tran@yuanta.com.vn

Institutional Sales

Huy Nguyen

Head of Institutional sales

Tel: +84 28 3622 6868 (3808)

huy.nguyen@yuanta.com.vn

Duyen Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3890)

duyen.nguyen@yuanta.com.vn