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Phu Nhuan Jewelry (PNJ)

Shareholders approve cautious 2020E earnings

2020E earnings down 30% YoY as lower incomes hit spending on discretionary items

— Shareholders approved PNJ's revised 2020E guidance for a 30% YoY drop in earnings to VND832 billion and 15% YoY decrease in sales to VND14,485 billion. Management warned that consumption patterns may still be impacted by the coronavirus as lower disposable incomes force many consumers to tighten discretionary spending. Moreover, the COVID-19 pandemic has also delayed the company's export activities since the start of the year. Shareholders also approved PNJ's plan to issue more than 2.5 million ESOP shares at VND20,000 per share for key management sometime this year (the BOD will decide on the specific date at a later time).

PNJ will continue to expand the domestic network despite weaker consumption

— The company will continue to expand the domestic retail network despite the negative impact from the coronavirus. Management seems well aware that the expansion into the weak consumer environment may depress same-store-sales in the near term but opted to continue to strengthen the strategic footprint of its stores and to grow overall topline sales. PNJ will simultaneously open nine new stores on June 11 to bring its total number of stores to 360 locations. *PNJ Watch* currently has 44 stores but will reach 54 stores by the end of June. PNJ will also strengthen its multi-channel sales network to gain market share in the post-pandemic era with the launch of an e-commerce platform.

Will break ground on the second factory in Long An in 2020E

— PNJ will begin construction of the second factory this year that will be located in the Long An region and away from any large urban center due to environmental concerns on the plated products that the new facility will produce. The current factory located in a residential area of Ho Chi Minh City will focus primarily on the premium segment to reduce the reliance on imported products and thereby reduce import taxes for the company. PNJ's chairwoman stated that each year PNJ imports approximately 0.5 tons of goods that are subject to the 35% special consumption tax or equivalent to VND100 billion per year.

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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