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Phu Nhuan Jewelry (PNJ)

April losses on store closures

April store closures lead to VND89 billion in losses

— PNJ posted VND89 billion in losses for the month of April compared to VND53 billion in earnings during the same period last year. Revenue fell by 47% YoY to VND501 billion. Year-to-date profits were down 34% YoY to VND320 billion and sales were down 4% YoY to VND5,502 billion from the start of the year to April. April results reflect store closures from the start of the month and gradual opening of locations from the middle of April. Management indicates that it is already seeing positive signals of market recovery and has gained market share since the second week of April.

Gold bar sales helped offset the sales drop

— Store closures hit hard in April, with monthly retail sales down 62% YoY and wholesale down 60% YoY but the sharp 42% YoY rise in sales for gold bars helped offset the drop. April's gross profit margin plummeted to 8.2% compared to 24.6% in April 2019 due to: 1) closures in the key retail profit center and higher contribution of gold bars (38% compared to 14% in April 2019); 2) higher proportion of lower-margin high-carat jewelry in the product mix; and 3) increase in polishing and renewal expenses resulting in a surge of cost of goods sold. The gross profit margin for the first four months of the year fell to 19.8% from 22.4% a year ago. PNJ managed to successfully lower total operating expenses by 25% YoY as part of counter-measures to the store shutdowns.

PNJ continues to open more *PNJ Watch* shop-in-shops

— PNJ opened an additional six *PNJ Watch* shop-in-shop locations in April in addition to two *PNJ Gold* stores. It also closed three stores (two *PNJ Gold* stores and one *PNJ Silver* store) during this time. Over the first four months of the year, PNJ has opened eight *PNJ Watch* store-in-store locations and eight jewelry stores, while closing five jewelry stores. Total stores by the end of April were 349 locations, including 292 *PNJ Gold*, 53 *PNJ Silver*, 4 *CAO Fine Jewelry* and 33 shop-in-shop *PNJ Watch* locations.

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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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