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Consumer & Retailing Analyst
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Phu Nhuan Jewelry (PNJ)

Earnings up double digits in May

Earnings and sales up double digits for May

— May monthly earnings jump by 22% YoY to VND47 billion on a 20% YoY increase in monthly sales to VND1,019 billion. Year-to-date profits are still down 30% YoY to VND364 billion but sales are now only down by 1% YoY to VND6,561 billion. Performance for the first five months of the year are at 44% of PNJ's annual profit plan and 45% of the total sales target for this year. Strong recovery seen in May results were broad based, with sales up by 103.4% MoM after all locations resumed normal operations with the end of the nationwide lockdown.

Gold bar sales continued to soar

— May monthly retail sales rose sharply by 20% YoY, while wholesale sales also rose by an impressive 18% YoY. Most notably, sales of gold bars continue to gain momentum and soared by 42% YoY. May's gross profit margin recovered to 18.9% from April's 8.4% and now sits just below figures seen in January and February results. Gross profit for the first five months of the year remains down 13% YoY. Efforts to cut costs to offset the impact from April shutdowns and the coronavirus are showing some signs of initial success after management successfully lowered total operating expenses by 2% YoY in May and 4% YoY for the first five months of the year.

New openings progressing well & PNJ continues to launch more *PNJ Watch* shop-in-shops

— PNJ opened an additional eleven *PNJ Watch* shop-in-shop locations in May, four *PNJ Gold* stores and upgraded two *PNJ Gold* stores. It also closed five underperforming stores during this time (four *PNJ Gold* stores and one *PNJ Silver* store). Store openings until May have now reached nineteen *PNJ Watch* store-in-store locations; twelve jewelry stores; the upgrade of two jewelry stores; and the closing of ten jewelry stores. Total stores at the end of May numbered 350 locations, including 294 *PNJ Gold*; 52 *PNJ Silver*; 4 *CAO Fine Jewelry*; and 44 shop-in-shop *PNJ Watch* locations.

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Investment ratings & definitions

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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