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# Phu Nhuan Jewelry (PNJ)

## November earnings down double digits

### November earnings down 12% YoY on sharp rise in operating expenses

— November monthly earnings dropped by 11.7% YoY to VND120 billion despite the 8.1% YoY increase in monthly sales to VND1,812 billion due to a sharp 34.2% YoY rise in operating expenses. Year-to-date profits remain down 12.4% YoY to VND939 billion on flat sales that are up by 1.5% YoY to VND15,305 billion. By division, monthly retail sales rose by 21.7% YoY; gold bar sales were up by 16.3% YoY; while wholesale sales fell by 18.6% YoY (implying that PNJ's storefronts outperformed industry competitors). The November gross profit margin remained steady at 20.4% compared to a year ago. Year-to-date performance has already reached 113% of management's full-year earnings target and 105.7% of its annual sales goal compared to 88.8% of 2020E consensus earnings and 90.1% of consensus sales. We believe the company is well on track to meet 2020E consensus into the fourth quarter's peak holiday season, with Christmas and delayed weddings due to the pandemic likely to keep business activities high until the Tet holiday.

### Management already looking to 2021E despite slower new store openings

— While overall demand in the jewelry market has not fully recovered yet – as seen in weak wholesale sales and slower pace of new store openings – PNJ is outpacing peers and using its leading position to prepare for 2021E recovery. The sharp rise in November operating expenses was largely due to new staff hires to boost 2021E sales performance as well as the marketing push for product placements in live music concerts for the new *Style by PNJ* product roll out (albeit also some delayed expenses from October's low cost recognition). New store openings slowed further with only one new *PNJ Gold* store location in November with twenty-seven new stores opened this year or 87% of plan. Total stores at the end of November numbered 342 locations, including 305 *PNJ Gold*; 30 *PNJ Silver*; 4 *CAO Fine Jewelry*; 3 *PNJ Art* and 66 shop-in-shop *PNJ Watch* locations.

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## Investment ratings & definitions

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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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