

Vietnam: Retail

29 January 2024

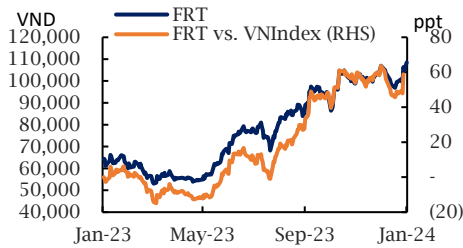
**BUY**

**TP upside (downside): -7.3%**

**Close 29 Jan 2024**

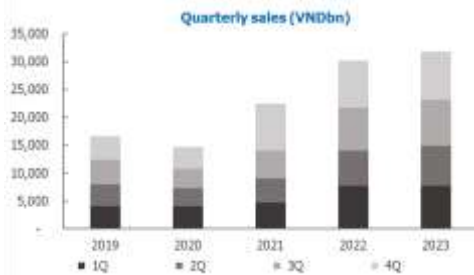
Price VND 108,500  
12M Target VND 100,600

Share price performance relative to VNI



Market cap	US\$602mn
6M avg. daily turnover	US\$2.8mn
Outstanding shares	136 mn
Free float	43.8%
FINI ownership	35.0%
Major shareholders	56.2%
3Q23 Net debt / Equity	2.8x
FOL remaining room	14.0%
2023E Dividend yield	0.9%

Source: Fiinpro, Bloomberg, Yuanta Vietnam



Source: Company Data, Yuanta Vietnam

Research Analysts:

Di Luu  
[di.luu@yuanta.com.vn](mailto:di.luu@yuanta.com.vn)

Bloomberg code: YUTA

**FPT Digital Retail (FRT VN)**

FRT reported a 4Q23 pre-tax loss that was attributable to one-off expenses related to the pharmacy retail business. However, the full-year results provide support for our positive view on Long Chau Pharmacy.

**Key Highlights**

**Consolidated sales rose by +6% QoQ / +3% YoY in 4Q23** to reach VND 8.7tn. Long Chau Pharmacy remained the key growth driver, with sales of VND4.8tn (up +14% QoQ / +58% YoY, and 55% of total sales). By contrast, FPT Shop's sales decreased by -3% QoQ / -27% YoY to reach VND3.9tn as buyer sentiment faded after the launch of IP15.

**Consolidated 4Q23 pre-tax loss was VND97bn**, a reversal of 3Q23's VND1bn and 4Q22's VND 117bn pre-tax gains. This was mostly driven by expenses related to the pharmacy retail business including: (1) a performance bonus for Long Chau employees as the business exceeded sales guidance by c.VND 1,900bn in 2023; (2) costs for disposal of close-to-date medicines; and (3) costs for investing in vaccination centers and digitalization. Opex was also boosted by (4) costs related to the closure of 36 FPT Shop outlets during the quarter.

**Consolidated full-year sales rose by +6% YoY, but pre-tax losses were VND 294bn** (vs. profits of VND 486bn in 2022). This was largely attributable to the soft electronics retail business in 2Q23, when FRT recorded pre-tax losses of VND 200bn.

**Sales breakdown.** FPT Shop posted sales of 16.2tn (-22% YoY) in 2023. FPT Shop opened 21 new outlets in 1Q23 but closed 52 outlets in the last three quarters of 2023, resulting in the net closure of 31 outlets in 2023 and a total of 755 outlets as at yearend. By contrast, Long Chau's sales reached VND 15.9tn (+66% YoY) driven by its aggressive footprint expansion (+560 new pharmacies in 2023, bringing the total number to 1,497).

**Our View**

**Long Chau remains the key growth driver.** The actual expansion of the pharmacy footprint exceeded our forecast for Long Chau to add 450 pharmacies in 2023E, as they actually added 560 stores.

**ICT&CE retail segment remains a drag.** In last July's [initiation](#), we argued that FPT Shop would be able to overcome the pressure of the price war and open another 30 electronics retail stores by end-2023. Admittedly, reality has not been kind to those rosy assumptions. However, we retain our overall view that the worst is past for the consumer electronics segment, for which we forecast single-digit sales growth in 2023-2026E.

**Our target price is under review.** Investors may be thinking of taking profits given that FRT has doubled over the past 8 months. But this re-rating has been driven by the fundamentals, in our opinion: Specifically, far greater-than-expected operational momentum in the pharmacy retail business.

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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

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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

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# YUANTA SECURITIES NETWORK



## YUANTA SECURITIES VIETNAM OFFICE

**Head office:** 4<sup>th</sup> 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](mailto:matthew.smith@yuanta.com.vn)

**Tanh Tran**

Analyst (Banks)

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

[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)

**Di Luu**

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

[di.luu@yuanta.com.vn](mailto:di.luu@yuanta.com.vn)

**Binh Truong**

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

[binh.truong@yuanta.com.vn](mailto:binh.truong@yuanta.com.vn)

**Tam Nguyen**

Analyst (Property)

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

[tam.nguyen@yuanta.com.vn](mailto:tam.nguyen@yuanta.com.vn)

**An Nguyen**

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

[an.nguyen@yuanta.com.vn](mailto:an.nguyen@yuanta.com.vn)

### Institutional Sales

**Lawrence Heavey**

Head of Institutional Sales

Tel: +84 28 3622 6868 (3855)

[lawrence.heavey@yuanta.com.vn](mailto:lawrence.heavey@yuanta.com.vn)

**Hien Le**

Sales Trader

Tel: +84 28 3622 6868

[hien.le@yuanta.com.vn](mailto:hien.le@yuanta.com.vn)

**Vi Truong**

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

[vi.truong@yuanta.com.vn](mailto:vi.truong@yuanta.com.vn)

**Tuan-Anh Nguyen**

Sales Trader

Tel: +84 28 3622 6868 (ext. 3909)

[anh.nguyen2@yuanta.com.vn](mailto:anh.nguyen2@yuanta.com.vn)

**Dat Bui**

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

[dat.bui@yuanta.com.vn](mailto:dat.bui@yuanta.com.vn)