

Vietnam: Retail

1 August 2024

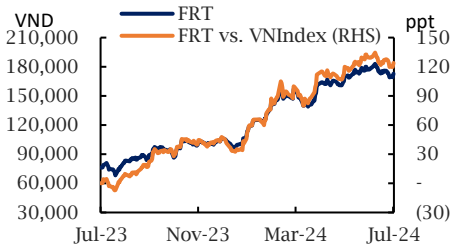
BUY

TP upside (downside): -3.6%

Close 31 Jul 2024

Price VND 172,800
12M Target VND 166,800

Share price performance relative to VNI

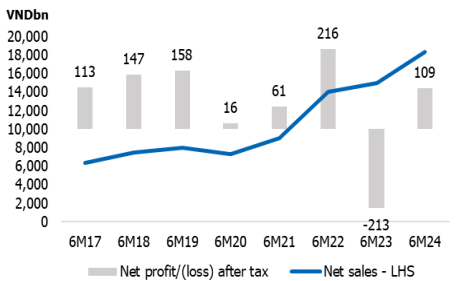


Market cap	US\$932mn
6M avg. daily turnover	US\$4.5mn
Outstanding shares	136 mn
Free float	55.0%
FINI ownership	36.3%
Major shareholders	57.6%
2Q24 Net debt / Equity	0.8x
FOL remaining room	12.7%
FY2025E Dividend yield	0.6%

Source: Fiiipro, Bloomberg, Yuanta Vietnam

VNDbn	2Q24	QoQ	YoY
Total sales	9,240	2.2%	28.8%
FPT Shop	3,340	-6.8%	-7.4%
Long Chau	5,987	8.2%	65.6%
Gross profits	1,811	0.2%	67.5%
Gross margin	19.6%	-0.4ppt	+4.5ppt
EBIT	129	3.6%	-195.2%
EBIT margin	1.4%	+0.02ppt	+3.3ppt
Net profits	48	-20.2%	-122.6%
Net margin	0.3%	+0.1ppt	+3.3ppt

Financial results in the first 6 months



Source: Company Data, Yuanta Vietnam

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Bloomberg code: YUTA

FPT Digital Retail (FRT VN)

Sales increased +23% YoY in 1H24, and after-tax profit of VND109bn in 1H24 reflects the operational turnaround from the net loss of VND213bn in 1H23.

Key Highlights

2Q24 sales increased by +2% QoQ / +29% YoY to reach VND 9.3tn. Pharmacy retail remained the key growth driver, with sales of VND6.0tn (+8% QoQ / +66% YoY) and +119 new pharmacies opened in 2Q24. By contrast, sales of ICT&CE retail segment declined by -7% QoQ and YoY to VND3.3tn, as the company closed 101 low-performing outlets in 2Q24.

6M24 consolidated sales thus grew by +23% YoY to reach VND18.3tn. Long Chau posted sales growth of +67% YoY to accounted for 63% of FRT's 6M24 revenues, while FPT Shop's sales decreased by -15% YoY in 6M24.

FPT Shop posted an after-tax loss of VND 61 bn (+22% QoQ/ -80% YoY) in 2Q24. FPT Shop's gross margin improved in 2Q24 to reach 13.8% (+0.4ppt QoQ / +5.6ppt YoY). However, this segment's EBIT margin was -0.8% in 2Q24, a negative result but one that was less bad than EBIT margins in 1Q24 (-1.0%) and 2Q23 (-6.2%). The losses was mainly due to store closure costs.

Long Chau maintained its strong performance and stable margins. Long Chau continued to deliver positive PAT of VND 110bn in 2Q24, up nearly threefold YoY. The chain's gross margin was 22.6% (-1.4ppt QoQ / +0.8ppt YoY) and EBIT margin was 2.6% (-0.3ppt QoQ / +0.1ppt YoY) in 2Q24. This solid performance was driven by the company's aggressive store expansion. Long Chau opened 463 pharmacies and 87 vaccination centers in 1H24.

As such, consolidated 2Q24 after-tax profits reached VND48bn, down -20% QoQ and a reversal of 2Q23's losses of VND215bn. FRT has fulfilled 48% of our 2024E sales forecast and 56% of our PAT forecast in 6M24.

Our View

We remain confident in Long Chau's long term growth prospects. Despite being in the initial stage in expanding its vaccination chain, Long Chau was still profitable. In addition, the slowdown at MWG's An Khang, one of Long Chau's major competitors, implies an opportunity for Long Chau to gain market share.

FPT Shop may require further restructuring, but pressure could ease in 2H24 as ICT&CE retailers should benefit from three top-down tailwinds: 1) normal seasonality, including back-to-school demand; 2) 4G smartphone upgrades; and 3) growing demand for advanced AI devices. Product diversification is a critical factor to attract consumers, in our view.

Thus, we reiterate BUY on FRT. The stock has soared by +2.2x since our July 2023 [initiation](#) and by another +19% since our latest [update](#) in April 2024. The stock has now exceeded our target price by 3.6% and its valuation of 62.3x 2024E PE is two standard deviations above its 5-year historical mean. FRT is clearly not immune to a market correction, and prudent investors might consider waiting for a pullback to add to positions.

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