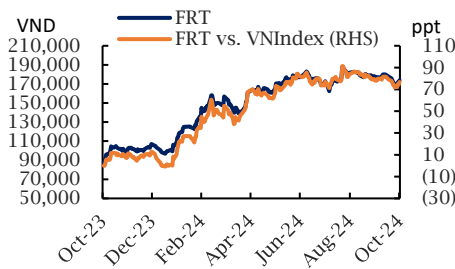


**Vietnam: Retail**
**1 November 2024**
**BUY**
**TP upside (downside): +13.5%**
**Close 31 Oct 2024**
**Price VND 173,800**  
**12M Target VND 197,200**
**Share price performance relative to VNI**


<b>Market cap</b>	<b>US\$936mn</b>
<b>6M avg. daily turnover</b>	<b>US\$3.9mn</b>
<b>Outstanding shares</b>	<b>136 mn</b>
<b>Free float</b>	<b>55.0%</b>
<b>FINI ownership</b>	<b>37.3%</b>
<b>Major shareholders</b>	<b>46.5%</b>
<b>3Q24 Net debt / Equity</b>	<b>0.8x</b>
<b>FOL remaining room</b>	<b>11.7%</b>
<b>FY2025E Dividend yield</b>	<b>0.6%</b>

*Source: Fiinpro, Bloomberg, Yuanta Vietnam*

VNDbn	9M23	9M24	YoY
Total sales	23,159	28,657	23.7%
FPT Shop	12,222	10,904	-10.8%
Long Chau	11,088	18,006	62.4%
Gross profits	3,641	4,888	34.2%
Gross margin	15.7%	17.1%	1.3ppt
EBIT	(22)	486	N/A
EBIT margin	-0.1%	1.7%	1.8ppt
Net profits	(226)	275	N/A
Net margin	-1.0%	1.0%	1.9ppt

*Source: Company Data, Yuanta Vietnam*
**Research Analyst:**

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**Bloomberg code: YUTA**
**FPT Digital Retail (FRT VN)**

Sales increased +24% YoY in 9M24, and after-tax profit of VND275bn in 9M24 reflects the operational turnaround from the net loss of VND226bn in 9M23.

**Key Highlights**

3Q24 sales increased by +12% QoQ / +26% YoY to reach VND 10.4tn. Healthcare segment remained the key growth driver, with sales of VND6.5tn (+8% QoQ / +55% YoY) and +143 new pharmacies opened in 3Q24. Sales of ICT&CE retail segment increased by +19% QoQ but slid by -3% YoY to VND3.9tn.

9M24 consolidated sales thus grew by +24% YoY to reach VND28.7tn. Long Chau posted sales growth of +62% YoY to account for 62% of FRT's 9M24 revenues, while FPT Shop's sales decreased by -11% YoY in 9M24.

Consolidated 3Q24 after-tax profits reached VND165bn, up +3.4x QoQ and a reversal of 3Q23's losses of VND13bn. 9M24 NPAT reached VND275bn, a reversal of the 9M23 net loss of VND226bn.

Long Chau maintained its strong performance and stable margins. Long Chau's operating profit was VND177bn in 3Q24 (+14% QoQ / +69% YoY) and VND492bn in 9M24 (+63% YoY). Segment EBIT margin improved by +0.1ppt QoQ / +0.2ppt YoY to 2.7% in 3Q24. This solid performance is attributable to the company's aggressive expansion by another 143 pharmacies in 3Q24 (+352 pharmacies YTD) and 28 vaccination centers (+105 centers YTD).

The parent company (which runs FPT Shop) posted positive after-tax profit of VND 263bn in 3Q24 and VND 151bn in 9M24, recovering from a net loss of VND 387bn in 9M23. Admittedly, 3Q24 was boosted by a dividend of VND 223bn from Long Chau Pharmacy, which is recorded as financial income.

We reckon FPT Shop's 3Q24 operating profit (ex the Long Chau dividend) was still positive at VND56bn. We estimate a segment operating loss of VND5bn in 9M24, a substantial improvement over the 9M23 operating loss of VND324bn.

**Our View**

We reiterate BUY on FRT and increase our target price to VND 197,200 per share, implying +13.5% upside. This is mainly due to the revision of (1) Long Chau's sales per store (from the previous VND 0.9bn to VND 1.2bn) and (2) improved gross margin at FPT Shop as this chain adds higher-margin CE products (i.e., higher gross margin than those of ICT products) going forward.

We remain confident on Long Chau's long term growth prospects and we believe Long Chau is on track to reach its 3000<sup>th</sup> pharmacy by 2027E. Just as the introduction of vaccination centers emerged as the key upside share price catalyst for FRT in 1H24, we think the official introduction of its new healthcare services should be another catalyst for the stock.

FPT Shop's margin pressure, which had been a concern, began to alleviate in the third quarter of 2024. We expect to see further recovery in margins in 4Q24 and beyond given a broader product mix. FPT Shop successfully transitioned 10 regular ICT retail outlets into FPT Shop Electronics stores in 3Q24, and it plans this upgrade at another 50 FPT Shop outlets in 4Q24.

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