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FPT Retail (FRT)

Disappointing 3Q on continued losses

Another quarter of losses as 3Q results suffer from weak mobile sales & pharmacy costs

— 3Q pretax losses narrowed to VND8 billion compared to 3Q19's VND91 billion in earnings as revenue fell by 22% YoY to VND3,422 billion. Although posting better performance than 2Q's pretax losses of VND21 billion, earnings continue to suffer from another round of store closures that have hurt mobile phone sales amid weaker disposable income and consumption demand. Costs from the expansion of *Long Chau* drug stores also likely pressured earnings as management continues rapid expansion. FRT did manage to shift customers to the online channel during the outbreak, with online sales of VND1,614 billion up 22% YoY and 47% of total quarterly revenue. Year-to-date pretax earnings plunged by 94% to a mere VND18 billion. This represents 8% of management's full-year earnings target and 9% of 2020E consensus. Revenue for the first nine months is also down 14% YoY to VND10,729 billion or 70% of management's annual goal and 69% of the 2020E consensus.

Sticking to aggressive expansion of the *Long Chau* pharmacy chain

— The *Long Chau* chain of pharmacies reported 3Q revenue of VND351 billion or up 131% YoY and has grown to 10% of total revenue. Strong topline growth was likely from the pickup in demand for health products and flu medications due to the pandemic but these items usually carry thinner margins. Total stores reached 593 FPT shops and 176 *Long Chau* stores following the opening of 41 new *Long Chau* locations and closing of 3 FPT shops during the current quarter. Management remains committed to expanding the *Long Chau* drug store franchise and continues its plan to have more than 200 stores nationwide by the end of the year. The company's initial plan was to open 150 new *Long Chau* stores in 2020E.

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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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