

FPT Digital Retail (FRT)

Long Chau is a long-term driver

December 22, 2023

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Weak purchasing power coupled with fierce price competition eroded earnings

In the third quarter of 2023, FPT Digital Retail (FRT) achieved VND8,236 billion (+6.8% YoY) in net revenue. Gross profit margin (GPM) picked up 120bps YoY to 16.7% thanks to the rising profit contribution of the Long Chau pharmacy chain. NPAT continued to record a loss of VND13 billion due to weak purchasing power and the heavy impact of the stiff price competition, partly offset by the good performance of Long Chau.

The ICT industry seems to have bottomed out in 2Q23 and should rebound from 2H24

The ICT industry seems to have bottomed out in 2Q23 and slowly recovered in 3Q23. Positive macroeconomic signals emerged, proven by recovering exports, cooling inflation, and the FED signaling interest rate cuts in 2024. It is expected that the ICT industry will rebound from 2H24.

Long Chau is a long-term growth driver

Long Chau continues to be the long-term growth driver of FRT when the ICT market is close to the saturation point. Long Chau, with solid competitive edges, is growing strongly, staying ahead of the competition.

We recommend HOLD for FRT with a target price of VND106,000/share

We forecast that FRT's 2023F NPAT will suffer a loss of VND155 billion due to the fierce price war on net revenue of VND32,591 billion (+8% YoY). We expect that the ICT industry's recovery and Long Chau's strong growth will help FRT accelerate in the future. However, FRT's current price has reflected its growth potential, meaning an unattractive discount. Therefore, we recommend HOLD for FRT with a target price of VND106,000/share, implying a 3% return against the closing price on December 22, 2023.

Hold initiate

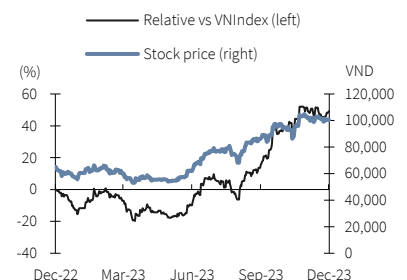
Target price	VND106,000
Upside	3%
Current price (Dec 22, 2023)	VND102,500
Consensus target price	VND106,725
Market cap (VNDtn/USDbn)	13.9/0.6

Trading data	
Free float	49.5%
3M avg trading value (VNDbn/USDmn)	53/2.2
Foreign ownership	36.4%
Major shareholder	FPT Corporation (FPT) (46.5%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-3.7	13.9	57.8	58.3
Relative	-2.4	27.1	60.6	49.1

Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	22,495	30,166	32,591	38,348
Operating income/loss (VNDbn)	546	474	(102)	473
NPAT (VNDbn)	444	398	(155)	380
EPS (VND)	562	336	(114)	279
EPS growth (%)	4245%	-40%	N/A	N/A
P/E (x)	30.9	34.5	(88.4)	36.1
P/B (x)	8.2	6.7	7.5	6.6
ROE (%)	31%	21%	-8%	19%
Dividend yield (%)	0.0%	0.3%	0.4%	1.0%



CONTENTS

I. Company overview	3
II. Business operations	5
1. FRT’s position in the value chain.....	5
2. FPT Shop ICT retail chain.....	6
3. Long Chau pharmacy with ample room for growth	8
III. Business performance	14
IV. Financial analysis	15
1. Asset – capital structure.....	15
2. Liquidity	16
3. Operational efficiency.....	16
4. Profitability	16
V. Investment catalysts	18
1. Improved macroeconomic conditions & retail market support growth.....	18
2. Reboudngin demand for ICT products in 2H24.....	20
3. Long Chau as a long-term growth driver	21
VI. Risks	26
VII. Forecast & valuation	27

I. Company overview

FPT Digital Retail Joint Stock Company (FRT), an affiliated company of FPT Corporation (FPT), was established in 2012 in Vietnam and has been operating two retail chains: FPT Shop and F.Studio. FRT also owns a subsidiary named Long Chau Pharma Joint Stock Company. On April 26, 2018, FPT Digital Retail was officially listed on the Ho Chi Minh City Stock Exchange (HoSE) under the ticker FRT.

After more than 11 years of operation, FPT Digital Retail has built a chain system of close to 800 FPT Shop stores and more than 1,600 Long Chau drug stores covering 63 provinces and cities nationwide. Along with its increasing presence, FPT Shop provides customers with pleasant and worthwhile shopping experiences through high-quality genuine products, competitive prices, and exceptional customer service.

Table 1. FRT – History of establishment and development

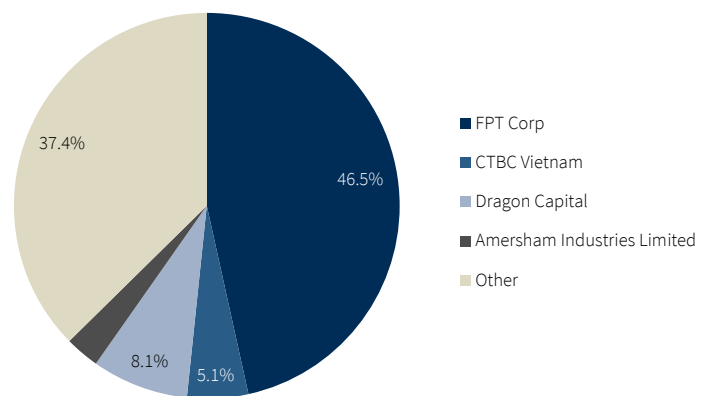
2012	<ul style="list-style-type: none"> In March 2012, FRT was established, as one of 07 subsidiaries of FPT Corporation (FPT).
2013	<ul style="list-style-type: none"> In December 2013, FPT Shop officially reached the milestone of 100 stores.
2014	<ul style="list-style-type: none"> FPT Shop reached the milestone of 200 stores across 63 provinces and cities and became a direct importer of genuine Apple iPhones and iPads in Vietnam.
2016	<ul style="list-style-type: none"> FPT Shop reached the milestone of 385 stores across 63 provinces and cities. Online sales doubled, hitting more than VND1,000 billion. FPT Shop opened 80 Apple corners nationwide.
2018	<ul style="list-style-type: none"> In the third quarter of 2018, FRT established a subsidiary named Long Chau Pharma Joint Stock Company and reached Top 500 largest enterprises in Vietnam (Vietnam Report).
2021	<ul style="list-style-type: none"> Top 3 listed companies with the most popular investor relation (IR) activities. Set a record for opening sales of iPhone 13 Series in the Vietnamese market.
2022	<ul style="list-style-type: none"> Ranked 2nd in the top 10 most prestigious retail companies for the 6th consecutive time. Long Chau is the first pharmacy chain to distribute COVID-19 antiviral medicines. The entire chain reached the milestone of 1,000 drug stores.

Source: FPT Digital Retail, KB Securities Vietnam

Ownership structure

Regarding ownership structure, FPT is currently FRT's largest shareholder, holding 46.5% of shares. Although FRT is no longer a subsidiary of FPT as before, FPT still has absolute control over FRT. As a result, FRT inherits advanced technology and receives support from FPT. Foreign investors hold 36.4% of FRT shares in total, especially Dragon Capital (8.1% ownership) and CTBC Vietnam (5.1% ownership). Recently, FRT has consumed a lot of foreign investors' attention thanks to the incredible growth potential of the Long Chau pharmacy chain. Although the Board of Directors does not hold many FRT shares, they all have been with FPT for a long time and show high commitment.

Fig 2. FRT – Ownership structure



Source: FPT Digital Retail, KB Securities Vietnam

II. Business operations

1. FRT's position in the value chain

In the first step of the entire value chain, FRT will work with suppliers, which are brands, to import goods including ICT (information and communications technology) items like mobile phones, laptops) and pharmaceutical products. FRT has established relationships with plenty of leading ICT firms in the world such as Samsung, Apple, Microsoft as well as many domestic and foreign pharmaceutical firms.

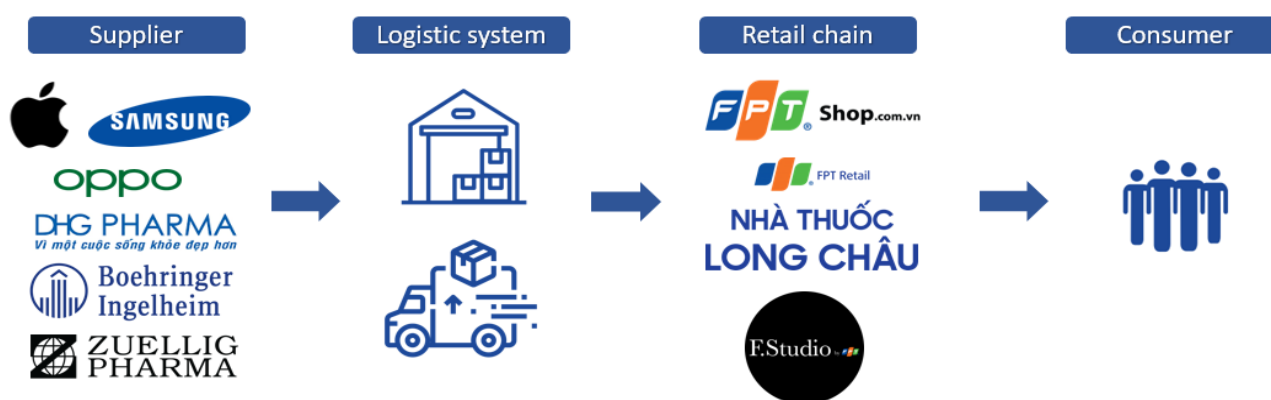
In the second step, FRT will complete customs procedures. Imported goods will be transported to the central warehouse first before being sent to distribution centers (DCs) in 63 provinces and cities and then to FRT's retail stores. FRT's store chains all operate according to a modern retail model, including:

(1) FPT Shop: A retail chain specializing in digital products like mobile phones, tablets, laptops, accessories, and technology services... FPT Shop is the first retail system in Vietnam to be granted ISO 9001:2000 certification for quality management following international standards. Currently, FPT Shop is the second-largest retail chain in the ICT market.

(2) F.Studio: The chain is among the top agents for Apple products in Vietnam, specializing in genuine Apple products, offering customers enjoyable experiences with high-quality Apple products and exceptional customer service.

(3) Long Chau pharmacy: A drug store chain specializing in genuine pharmaceuticals, medical instruments, and healthcare products under FRT. With competitive prices, high product quality standards, and a team of highly qualified and well-trained pharmacists, Long Chau pharmacy is increasingly strengthening its position in the pharmaceutical retail industry.

Fig 3. FRT's position in the value chain



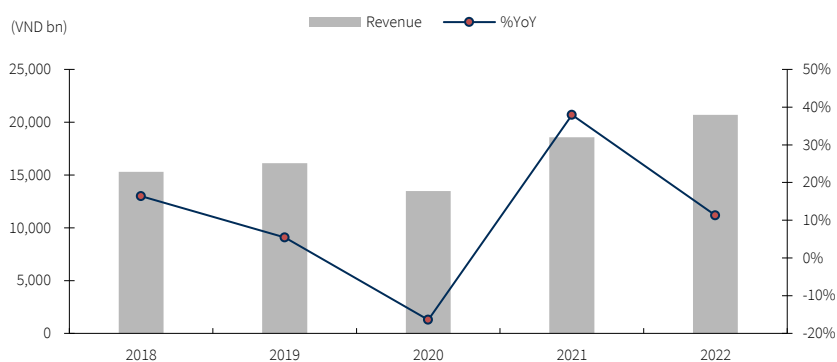
Source: FPT Digital Retail, KB Securities Vietnam

2. FPT Shop ICT retail chain

FPT Shop lost steam in the race with The Gioi Di Dong of MWG

The FPT Shop ICT retail chain was the major contributor to FRT's total revenue and earnings. Although FRT has lost steam in competition with the The Gioi Di Dong (TGDD) chain of Mobile World Investment (MWG), it remains Vietnam's second-largest ICT retailer. FPT Shop's revenue has seen relatively slow growth since FRT's listing, except for two years enjoying impressive growth due to the COVID-19 pandemic. The proportion of FPT Shop revenue to FRT's total revenue constantly dropped due to the rise of Long Chau. It was 63% in 2022 and dropped to 50% by 3Q23 (equaling that of Long Chau).

Fig 4. FRT – Revenue & revenue growth of FPT Shop (VNDbn, %)

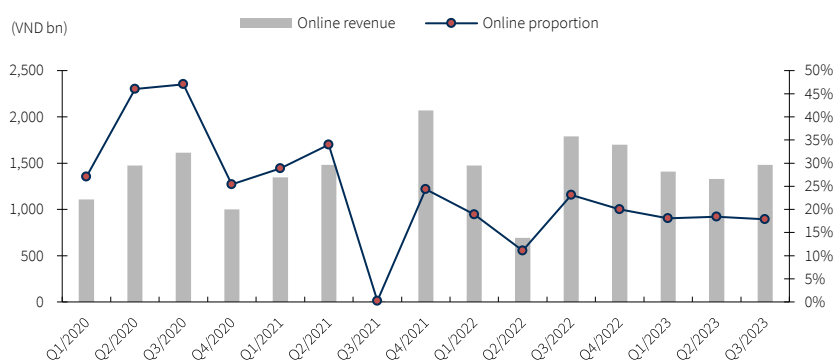


Source: FPT Digital Retail, KB Securities Vietnam

Online is a complementary channel for physical stores

Following the development trend of e-commerce, FRT launched its online channel, but online sales have not grown well. It was attributable to customers prioritizing the experience of seeing and touching items in person instead of shopping online. Furthermore, FPT Shop's wide coverage makes it easy for them to do so. However, the online channel doesn't have to see strong revenue growth other than supporting physical stores and promoting the offline-to-offline (O2O) sales channel. Consumers can refer to product information on the website and visit stores to experience and purchase products.

Fig 5. FRT – Online sales and contribution to total revenue (VNDbn, %)



Source: FPT Digital Retail, KB Securities Vietnam

The mobile phone market has saturated, with its future depending on Apple

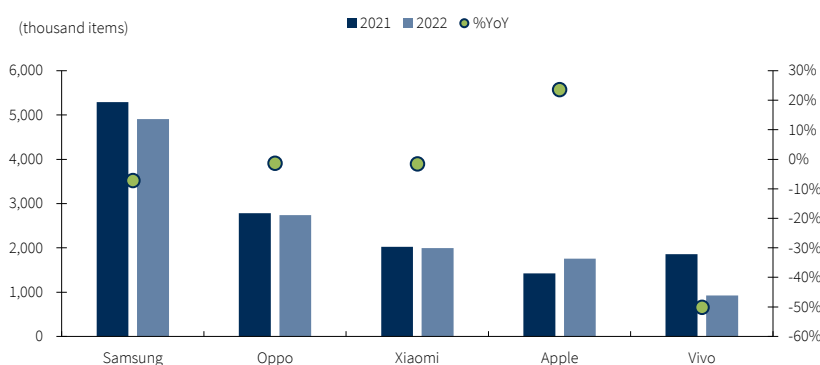
The 2010–2019 decade saw a shift from traditional phones to smartphones and increased phone ownership among the population, helping the mobile phone industry grow strongly by an average rate of over 20%. Nevertheless, it has slowed down in recent years. With the emergence of the COVID–19 pandemic, the increasing need to study and work from home pushed the industry back to the growth trajectory. However, rising inflation after the pandemic forced central banks to raise interest rates, resulting in an economic slowdown and waning smartphone demand.

Market research companies all believe this industry can only see a compound annual growth rate (CAGR) of ~7–8% over the next five years. It will primarily enjoy an increase in the average retail price rather than the quantity, given the high phone ownership rate in Vietnam after the COVID–19 pandemic. There will be a stronger recovery in 2024–2025 thanks to a few supportive factors (mentioned in Section V. Investment catalysts), and it will return to single-digit growth after that.

Apple products, mainly iPhones, contribute about 50% of the FPT Shop chain's revenue. The growing premiumization and strong sales growth of the iPhone series in Vietnam, proven by record numbers of devices sold after every release, will be the growth momentum in the coming years of the phone segment at FRT. FRT is now far behind MWG in the phone industry when MWG currently makes up more than 50% of the phone market share and plans to win back more through price competition. We believe FRT's coverage will tend to stay flat or increase slightly in the years to come thanks to capturing the market share of smaller retailers, but revenue growth is forecast to equal that of the entire industry.

Fig 6. Vietnam – Sales growth of smartphone brands in 2022

Apple was the only brand to achieve positive sales growth in Vietnam in 2022



Source: IDC, KB Securities Vietnam

FRT Shop takes the lead in the laptop retail market but will unlikely make a breakthrough in the future

Like the phone segment, after enjoying impressive growth during the COVID-19 pandemic with rising laptop ownership, the economic downturn caused the demand for laptops to decrease substantially. Therefore, the industry's growth is set to see a CAGR of ~8-9% over the next few years. The laptop industry will very likely enjoy higher selling prices thanks to the premiumization of ultraportable business laptops and gaming laptops, while the sales volume will hardly increase due to high laptop ownership. FPT Shop currently takes the lead in the laptop retail market, with a market share of about 30%. FRT's market share will hardly improve, given the increasing saturation coupled with fierce competition in the laptop industry, and its expansion may only be a bit higher than the entire industry.

3. Long Chau with ample room for growth

Realizing the deceleration of the ICT industry, companies specializing in ICT retail have aggressively uncovered growth drivers. MWG put its expectations on the Bach Hoa Xanh (BHX) grocery chain, Digiworld Corp (DGW) expanded into new industries, and FRT has also found the solution to their growth problem, which is the Long Chau pharmacy chain. In this report, we will go deep into the pharmaceutical retail industry, from its formation and development to the current state of retail chains, to give an overall picture of the entire industry, from which we can see the future growth potential of Long Chau.

History of establishment & development of the pharmaceutical retail industry

The pharmaceutical retail industry promises to become a potential field in the Vietnamese market, witnessing high diversity and fragmentation, with more than 60,000 pharmacies, largely small businesses. This fragmentation poses many challenges but also creates opportunities for small businesses to capture the community's needs, especially amid a rapidly aging population and increasing health consciousness. World Bank forecasts that the number of people aged 65 years and older in Vietnam will more than double by 2040, accounting for 18% of the population. The aging population is one of the main factors promoting the pharmaceutical retail market. The increase in the number of illness cases among seniors is inevitable, leading to a great demand for medicines and medical help. According to statistics, on average, people over 65 have at least three diseases, and those over 80 have at least 6.9 diseases.

Realizing the growing pace of population aging, co-founder Pharmacity Chris Blank founded Pharmacity in 2011, when he believed the pharmaceutical retail market at that time was very primitive like the mobile retail market, with the majority of the market share previously occupied by small retail stores and currently belonging to the majority of large retail chains such as TGDD and FPT Shop. Another chain that was established very early in 2007 is Phano Pharmacy. Pioneers like Pharmacity and Phano Pharmacy, although established early and pursuing the chain model early on, only operate a few dozen stores, which could be explained by the Law on Pharmacy 2006 requiring pharmacists must have five years of experience to be qualified to stand at the counter, limiting the number of qualified pharmacists and the expansion of drug stores.

The introduction of Law on Pharmacy 2016 was a game changer

Law on Pharmacy 2016, effective from the start of 2017, was a game changer for pharmaceutical retail. Under the new law, pharmacists with two years of experience are qualified to stand at the counter, further pushing the industry. Right in 2017, FRT and MWG entered the pharmaceutical industry when FRT acquired Long Chau, and MWG acquired Phuc An Khang (later renamed An Khang). Despite the same starting point, MWG at that time focused more on the rapidly growing chains like Dien May Xanh (DMX) and launched BHX, while FRT was determined to develop the Long Chau chain after its FPT Shop chain was far behind MWG's TGDD chain in terms of market share.

The COVID-19 pandemic further supported the pharmaceutical market

The next turning point came when the COVID-19 outbreak broke out. After the pandemic, people cared more about their health by supplementing healthcare products to prevent diseases, creating favorable conditions for the development of pharmaceutical retail. For that reason, many corporations raced to develop retail chains and compete aggressively for market share. Among them were three prominent players: Pharmacity, Long Chau, and An Khang. Fitch Solutions forecast over-the-counter (OTC) channel revenue to have a CAGR of 7% and ethical drugs (ETC) channel revenue to have a CAGR of 8% across the next five years based on increasing coverage of health insurance and the expected rapid growth of brand-name drugs and generics that have been licensed for production.

Pharmacity – Is the "Convenient Pharmacy" model still suitable?

Established in 2011, Pharmacity is one of Vietnam's first pharmaceutical retail chains. Pharmacity is considered a pioneer in the modern retail pharmacy model in Vietnam. Chris Blank is originally from America but has worked in Vietnam for a long time. Pharmacy chains near where Chris Blank lived inspired him to set up the Pharmacity convenient drug store chain in Vietnam. A pharmacity model in the US is like a convenience store, offering a full range of pharmaceutical products, healthcare products, cosmetics, or personal care products such as shampoo, shower gel. This model differs from that in Vietnam, when consumers ask pharmacists for help finding the appropriate medicines.

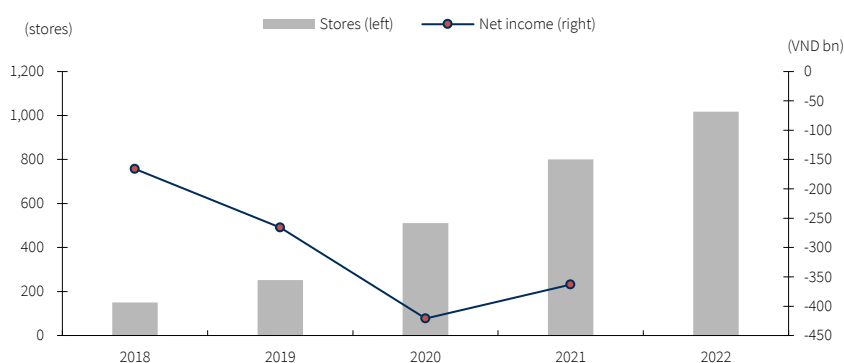
Fig 7. Pharmacity – Inside a Pharmacity drug store



Source: KB Securities Vietnam

During the 2018–2020 period, Pharmacy's revenue continuously grew rapidly. Revenue growth reached 129%, 230%, and 89% YoY in 2019, 2020, and 2021, respectively. Despite that, the company recorded losses VND421 and VND363 billion in 2021 and 2022. After a period of massive openings, the store count increased continuously, reaching a peak of more than 1,100 stores. However, from mid-2022 until now, Pharmacy closed nearly 200 drug stores to optimize costs amid fierce competition and temporarily has no plan for new openings.

Fig 8. Pharmacy – Store count and profit (stores, VNDbn)



Source: Pharmacy, KB Securities Vietnam

Despite being a pioneer in the pharmaceutical retail market and constantly pouring capital to expand its coverage, it sounds like Pharmacy has not yet found a solution to its breakeven story. Pharmacy's model has proven successful in many developed countries but does not seem to fit the Vietnamese market at this time. While consumers can freely choose products of their needs at convenience stores, they often consult with pharmacists at drug stores to get the appropriate products. Moreover, Vietnamese people are not in the habit of going to pharmacies to buy beauty and personal care products, and they prefer visiting specialty stores or supermarkets. Displaying shelves for consumer goods takes up space and pushes premises costs but does not help to improve revenue considerably, which is why Pharmacy is still far from the breakeven point for the time being.

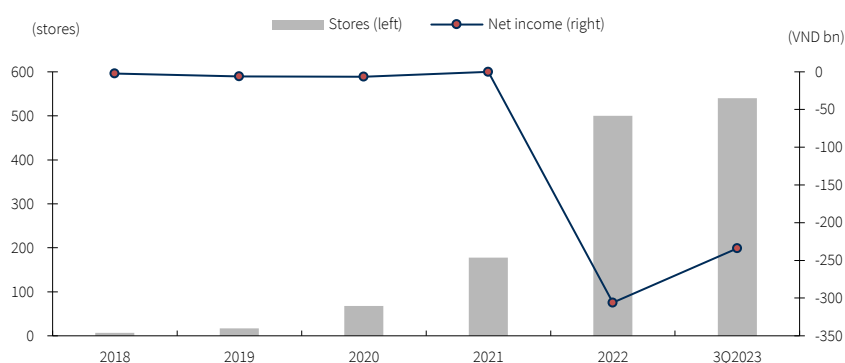
Another problem indicating that Pharmacy is still struggling with its business strategy lies with the executive board. In 2022, Chris Blank, the founder and CEO of the company, left the position of general director. It is a not very positive signal for Pharmacy as he is considered the soul of the company and was with the development process of this pharmacy chain. After that, Pharmacy appointed Ms. Tran Tue Tri, with 25 years of experience in the retail and consumer sectors, as general director to restructure the system. However, after only one year, Pharmacy announced the appointment of Mr. Deepanshu Madan as the new CEO in November 2023. These moves show Pharmacy's unstable management, so we do not expect positive business outlook for Pharmacy in the near term.

An Khang – Is MWG still interested?

In 2019, MWG acquired a 49% stake at An Khang Pharmacy, officially joining the pharmaceutical retail market. By the end of 2021, MWG's ownership at this pharmacy chain touched 99% after recognizing the great potential of this retail industry amid rising health awareness among Vietnamese people post-pandemic. MWG initially opened An Khang drug stores next to the BHX chain to take advantage of customer traffic from this chain before deciding to separate the An Khang chain from BHX. An Khang's model is also gradually shaped towards a modern pharmacy.

Up to the present, An Khang has 540 stores, recording a loss of VND306 billion on revenue of VND1,500 billion in 2022. The chain is now making accumulated losses and shows no signs of getting close to the break-even point. As shared by MWG, in 2023, An Khang would not open new stores but focus on optimizing costs, attracting customers, and perfecting the product portfolio, inventory, and logistics systems. As of the end of October 2023, the chain's average revenue per store is VND420 million and is expected to reach VND500 million by the end of this year.

Fig 9. MWG – An Khang store count and profit (stores, VNDbn)



Source: Mobile World Investment, KB Securities Vietnam

Given an OTC drugs market size of only ~USD2.5–3 billion with a CAGR of ~10–11% over the next five years, we assess that the potential of this segment is quite small compared to MWG's scale. Therefore, MWG will not concentrate much on expanding OTC drugs market share. MWG will prioritize large chains such as TGDD, DMX, and BHX with significant revenue and profit contributions, especially in the context of general difficulties of the whole market, heavily affecting sales of MWG's ICT&CE main products. Also, the company temporarily will not focus on smaller chains such as An Khang and AVAkids, unlike FRT which focuses all its resources on developing the Long Chau chain.

Long Chau Pharmacy is not a pioneer but is taking the leading position

In 2007, Long Chau Pharmacy was initially established as a family-run store. By 2017, Long Chau was acquired by FRT, marking FRT's start in the pharmaceutical retail industry. At first, when FRT took over, Long Chau only had four stores in Ho Chi Minh City, and the number has now reached more than 1,600 nationwide. Unlike Pharmacy's convenient pharmacy model, Long Chau Pharmacy operates according to the pharmacy model only providing treatment drugs and health care products, which is appropriate and familiar to most Vietnamese people. We assess that Long Chau has the most suitable development orientation for the pharmaceutical retail industry in Vietnam, specializing in drugs with a diverse product portfolio and a full range of quality drug classes at reasonable prices, meeting the good and cheap criteria of the majority of Vietnamese consumers.

After more than five years since FRT took over, Long Chau currently has more than 1,600 stores leading the entire market, staying far ahead of the competition, with revenue of VND9,596 billion by the end of 2022. In 2023, we forecast the chain will achieve revenue of VND16,216 billion (+69% YoY). With the right direction and focus of FRT's resources, Long Chau is the first pharmaceutical retail chain to reach the break-even point. FRT management said that the average monthly revenue of Long Chau is currently about VND1 billion, and newly opened stores only need about six months to reach the break-even point. Long Chau is also the first chain to set its footprint in rural areas, small towns, and cities. Thanks to the advantages of carrying a diverse product portfolio, including those to cure many chronic diseases that people in rural areas could only purchase in big cities in the past, stores opened in rural markets quickly received the support of the people here. With much lower premises costs than in big cities, Long Chau drug stores soon reached the break-even point thanks to efficient operations.

Regarding future potential, Long Chau has very bright growth potential when the entire chain is profitable and continuously expanding growth while competitors are facing their own problems. In the long term, Long Chau wants to go deeper into the health care ecosystem on a much larger scale. We will go into more detail in the following sections.

Many potential competitors are waiting to enter the market

It is not surprising that there will be many new competitors entering the pharmaceutical retail market, given its great potential. We believe the fact that market share will increasingly concentrate on large chains is inevitable.

Dongwha Pharm (Korea) has just announced that it had signed a contract to buy a 51% stake at Trung Son Pharma, a 140-store chain operating primarily in the Southwest region. With the cooperation with Dongwha Pharm, Trung Son Pharma aspires to expand its store count to 460 by 2026, becoming a formidable competitor to existing pharmacy chains. Regarding business results, in 2022, Trung Son Pharma's revenue surpassed VND1,340 billion, with a CAGR of 46% since 2019 and the average revenue per store approximately equal to Long Chau's.

For the Phano chain, after Masan Group (MSN) acquired this chain and renamed Dr. Win, the group integrated the drug store into WIN stores. Although it does expand massively, thanks to the advantages that come with the development and benefit of Masan's customer base and the Wincommerce chain, this pharmacy chain also has its own playing field. Although it does not compete directly, it will still be a formidable opponent to other pharmacies.

Besides, competitors often overlooked are the small retail stores that have been in the market for a long time. The advantage of these stores is the familiarity with the customer base in the surrounding area, and the owner's pharmacy usually does not have to pay the rent for the premises. However, small pharmacies also have many weaknesses like drugs of unknown origin, poorly diversified portfolio, pharmacists who are not dedicated to consulting and sometimes encounter ethical issues, lack of resources, making it hard to apply technology to sales and unable to meet customers' growing needs, ...

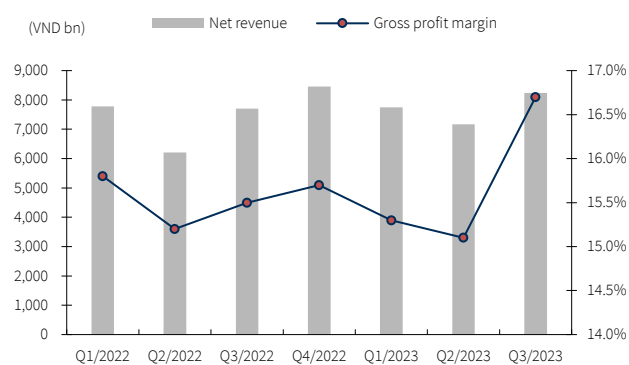
III. Business performance

Table 10. FRT – 3Q22–3Q23 business results

	3Q2022	3Q2023	+/-%YoY	KBSV notes
Revenue (VNDbn)	7,709	8,236	6.8%	
<i>FPT Shop</i>	5,185	4,104	-20.8%	The ICT industry continued to be severely affected by declining purchasing power.
<i>Long Chau</i>	2,554	4,189	64.0%	By continuously new store openings while maintaining operational efficiency, average revenue per store did not change too much, contributing to strong revenue growth.
Gross profit (VNDbn)	1,197	1,371	14.5%	
Gross profit margin (%)	15.5%	16.7%	120bps	The company's gross profit increased slightly due to the contribution from the higher-margin Long Chau Pharmacy chain. The FPT Shop ICT retail chain is in a price competition, resulting in both gross profit and GPM temporarily falling steeply.
Financial income (VNDbn)	45	21	-53.3%	
Financial expenses (VNDbn)	-63	-65	3.2%	
SG&A (VNDbn)	-1,075	-1,326	23.3%	
SG&A/revenue (%)	-13.9%	-16.1%	15.8%	SG&A rose sharply due to the continuous drug store openings, increased staff and premises costs.
Operating income/loss (VNDbn)	103	1	-99.0%	
Other income (VNDbn)	3	0	-100.0%	
PBT (VNDbn)	106	1	-99.1%	
NPAT (VNDbn)	85	-13	N/A	FRT experienced its third consecutive quarter of losses due to the negative impact of weak purchasing power on the FPT Shop chain. It was partly offset by the good performance of Long Chau.

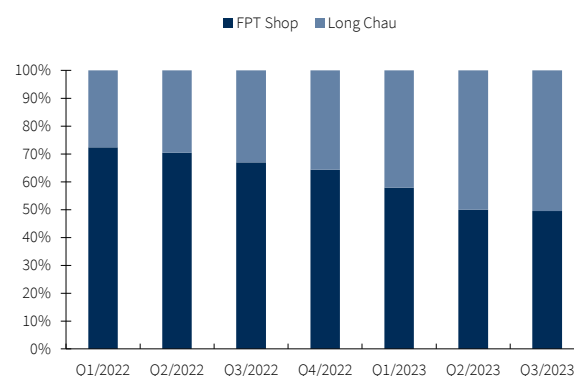
Source: FPT Digital Retail, KB Securities Vietnam

Fig 11. FRT – Net revenue, GPM (VNDbn, %)



Source: FPT Digital Retail, KB Securities Vietnam

Fig 12. FRT – Revenue breakdown (%)



Source: FPT Digital Retail, KB Securities Vietnam

IV. Financial analysis

1. Assets – capital structure

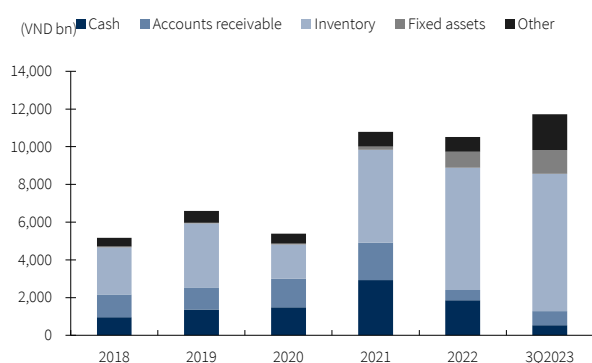
Asset structure

By the end of 3Q23, total assets of FRT gained 18% YoY to VND11,720 billion. Like a typical retailer, FRT mostly has short-term assets (86% of total assets). The remaining are long-term assets, of which fixed assets like costs of repair and layout changes to bring FPT Shop and Long Chau chain into operation account for 11% total assets. The main component of current assets is inventory with a proportion of 72%. The retailer's inventories have been increasing recently as FRT has continuously expanded Long Chau chain that needs a large amount of inventory. Furthermore, Long Chau has the largest number of SKUs on the market, so its inventory accounts for a large proportion.

Capital structure

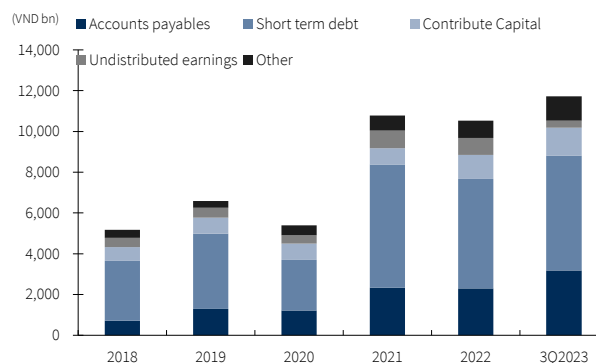
By the end of 3Q23, liabilities accounted for 85% of total capital, while the remaining 15% was equity. All liabilities of FRT are short-term debt, the company currently has no long-term debt. Payables to sellers accounted for 32% of short-term debt, mainly coming from partners providing ICT and pharmaceutical products to FRT such as Apple, Digiworld (DGW), and pharmaceutical companies. Short-term loans accounted for 57% of short-term debt, this item has increased sharply since FRT promoted the opening of the Long Chau chain. This short-term loan mainly funds the working capital needs of the two chains FPT Shop and Long Chau. With collateral being inventory, FRT always borrows at very preferential interest rates from banks. Although the amount of liabilities is quite large and continuously increasing, thanks to the newly opened Long Chau stores achieving high business efficiency and generating profit to pay debts, we think the amount of liabilities is not a risk for FRT. Contributed capital accounted for 76% of equity, and undistributed profits accounted for 19% of equity. The company said it did not intend to issue more shares but only use retained profits and debt.

Fig 13. FRT – Asset structure



Source: FPT Digital Retail, KB Securities Vietnam

Fig 14. FRT – Capital structure



Source: FPT Digital Retail, KB Securities Vietnam

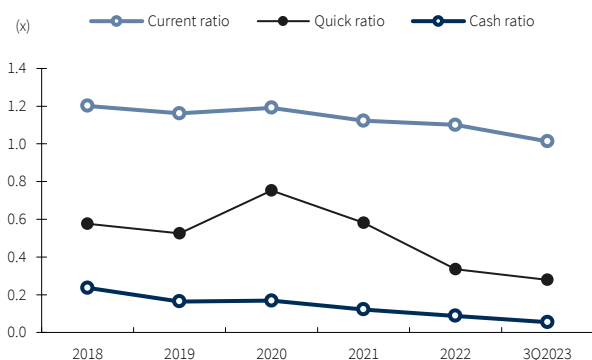
2. Liquidity

By the end of 3Q23, the current liquidity ratio of FRT reached 1.0x, slightly declining from 1.1–1.2x in previous years due to the company's strong promotion. Short-term loans both finance inventory and fixed assets (short-term debt increased more strongly than short-term assets). The quick payment and instant payment indexes reached 0.3 and 0.1x respectively, which is lower than previous years since the company promoted the expansion of the Long Chau chain that needed a large amount of inventory.

3. Operational efficiency

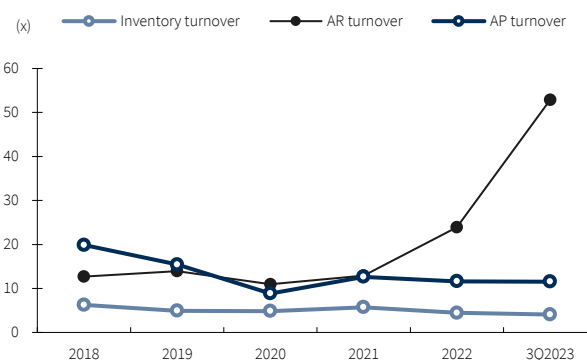
At the end of 3Q23, inventory turnover decreased to 4.1x. The reasons are (1) ICT products have difficulty in purchasing power, causing the turnover of the FPT Shop chain to slow down; and (2) the Long Chau chain is continuously expanding, so the amount of inventory increases sharply. Receivable turnover spiked to 53x, the highest in recent years, because the retailer has completely recovered receivables from short-term loans with FPT Group. Other receivables of FRT are quite small, mainly from insignificant individual customers, so the receivable turnover of the company is always high and has no risks. Payables turnover modestly fell to 11.5x, showing that the company is negotiating better with suppliers on payment time.

Fig 15. FRT – Liquidity ratio (x)



Source: FPT Digital Retail, KB Securities Vietnam

Fig 16. FRT – Operational efficiency (x)

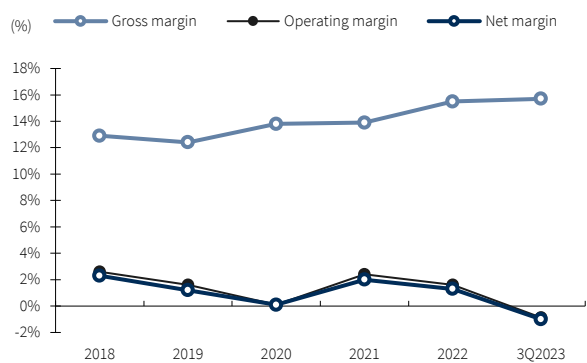


Source: FPT Digital Retail, KB Securities Vietnam

4. Profitability

Recent unfavorable factors on the general market such as declining purchasing power and the price war made FRT record steel falls in profits and even losses. GPM continuously improved thanks to the greater profit contribution from the Long Chau chain, but operating profit margin and net profit margin both decreased sharply compared to the previous year. Regarding capital use efficiency, due to negative profits, FRT's ROE and ROA were also negative and decreased sharply compared to the previous period. It is expected that when purchasing power returns, and the price war will be less intense, FRT will generate profits and bring profits to normal.

Fig 17. FRT - Profit margins (%)



Source: FPT Digital Retail, KB Securities Vietnam

Fig 18. FRT - ROE & ROA (%)



Source: FPT Digital Retail, KB Securities Vietnam

V. Investment catalysts

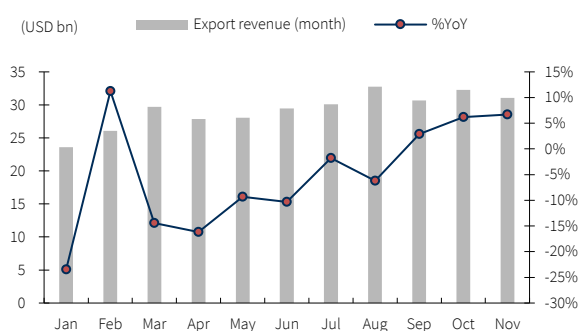
Macroeconomic indicators are recovering

1. Improved macroeconomic conditions & retail market support growth

The macroeconomic situation is showing some positive signs, which bodes well for the recovery of purchasing power.

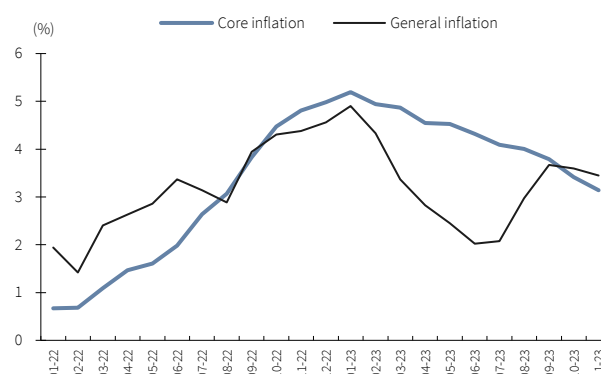
- (1) Recovering exports: Exports are important to Vietnam economy, contributing a significant proportion to the GDP structure. When the economies of the main export markets such as the US and EU slow down, exports are hit hard, thereby limiting the number of jobs for people and lowering income. Accumulated in the first 11 months of 2023, export turnover reached USD322.6 billion, down 5.8% YoY. However, November turnover gained 6.7% YoY. Recent months have also recorded positive growth over the same period last year after many months of decline. This shows that export turnover has recovered and is expected to benefit the economy.
- (2) Cooling inflation: Inflation developments will have a significant impact on central banks cutting interest rates to stimulate the economy. In Vietnam, inflation has shown clear signs of cooling down since the beginning of the year. Headline inflation has cooled down from a peak of 4.9% at the beginning of the year to 2% at times and is currently fluctuating between 3.4–3.6%. Meanwhile, inflation in the US has also slowed down from the peak of 9% to only 3.2% in November. The Fed also forecast there would be three rate cuts in 2024, which is seen as a positive signal for the economy as inflation signs are becoming more positive.

Fig 19. Vietnam – Export turnover in 2023 (VNDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 20. Vietnam – CPI (%)



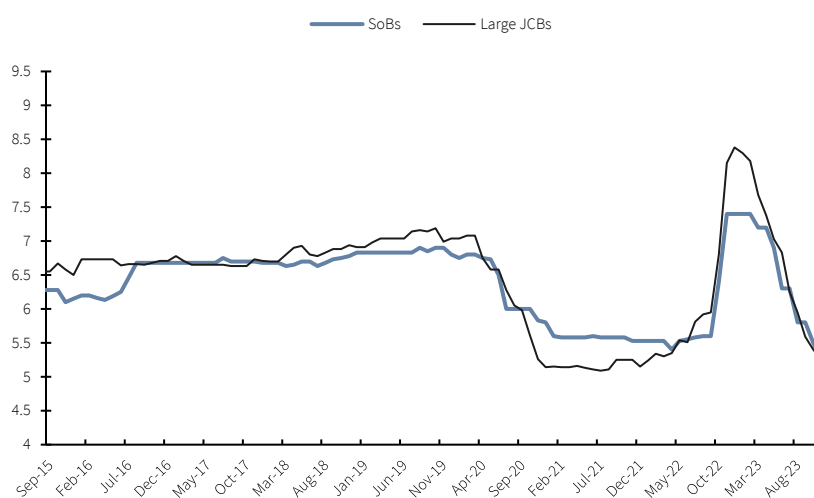
Source: General Statistics Office, KB Securities Vietnam

- (3) Decreasing interest rates (which will need more time to take effect on the economy): After the continuous policy rate cuts of the SBV, commercial banks also reduced their deposit interest rates to many-year lows. Lending interest rates have also begun to cool down, but it will take more time for the economy to absorb this amount of loan capital. With the current

difficulties of the economy, commodity consumption has decreased, so businesses do not expand production but only maintain moderate operations. In addition, banks are worried about non-performing loans, so credit growth is still quite low despite lower lending interest rates. It is expected that after the directives from the SBV to banks on opening up capital flows, credit growth will return, and the economy will begin to absorb capital flows to promote growth.

Fig 21. Vietnam banks – Deposit interest rates in 2019–2023 (%)

Deposit interest rates saw sharp declines as in Covid-19 period

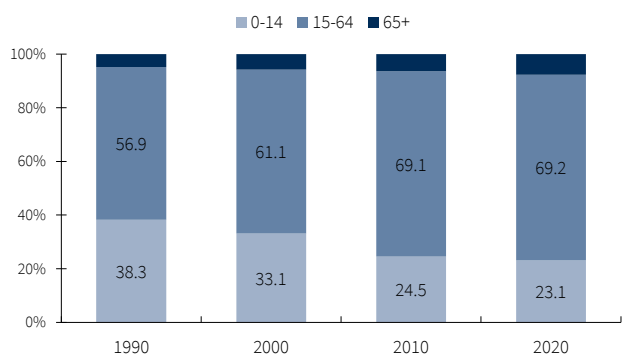


Source: State Bank of Vietnam, KB Securities Vietnam

The retail industry in Vietnam still has much room for growth

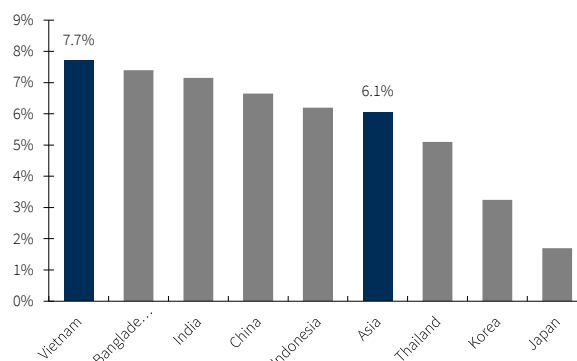
The retail industry is forecast to maintain double-digit growth in the coming years thanks to (1) golden population structure with nearly 70% of the population in the working age (15–64 years old), an age with high consumer spending; (2) high urbanization rate in Vietnam, which is forecast to be the highest (2.3%/year) in Southeast Asia by 2030; and (3) the strong development of modern trade and e-commerce (the inevitable trend of the retail industry will be for stores to develop in a chain model to take advantage of scale). Accordingly, Vietnam consumer spending should grow the fastest in Asia, promoting the development of the retail industry.

Fig 22. Vietnam – Population structure in 1990–2020



Source: General Statistics Office, KB Securities Vietnam

Fig 23. Asia – Top consumer spending countries in 2021–2030



Source: HSBC, KB Securities Vietnam

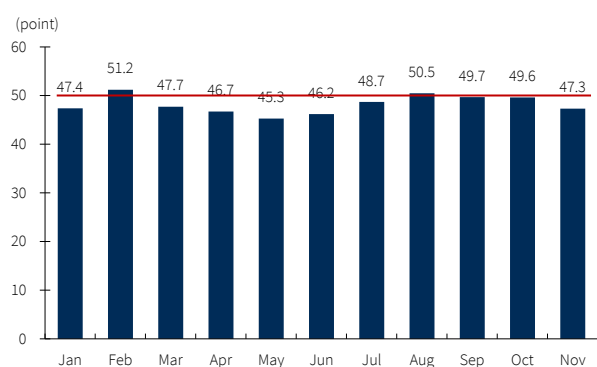
The ICT industry has bottomed out

2. Rebounding ICT demand in 2H24

In the first half of 2023, purchasing power sharply declined, especially for non-essential products such as ICT. The main reason is the slowing domestic and international economy. Many businesses have narrowed their production scale, leading to a significant increase in the unemployment rate and a decrease in the people's income.

Looking at the ICT revenue growth of the leading ICT enterprises such as MWG, FRT, and DGW, we can see that the business results experienced steep falls in 1H23. It is expected that purchasing power for ICT products had bottomed out in 1H23 and gradually recovered. However, the recovery speed will be quite slow.

Fig 24. Vietnam – PMI in 2023 (point)



Source: General Statistics Office, KB Securities Vietnam

Fig 25. FRT, DGW, MWG – ICT revenue growth



Source: Digiworld, Mobileworld, FPT Digital Retail, KB Securities Vietnam

The demand for ICT products should rebound from 2H24

KBSV forecasts that ICT demand will bounce back from 2H24, based on the following factors:

- (1) Economic rebound: The economic situation is expected to be better after the Fed's signals of lowering interest rates, and purchasing power should also go back to normal levels from 2H24. Lower interest rates not only stimulate the economy but also help revive the installment buying and selling activities of ICT products. At its peak, revenue from installment payments accounted for a big proportion of the total revenue of ICT chains (40% for MWG and 20% for FRT).
- (2) Smartphone and laptop replacement cycle: The average lifespan of ICT products is about three to four years. Consumers tend to pass their old devices and buy new ones when they show signs of obsolescence and new models are released. 2020–2022 was a boom time for ICT products when the demand for learning and working online surged during the Covid lockdowns. Based on the replacement cycle, it is forecast that from 2H24, the need to replace phone and laptop products will begin to increase again as people's income improves.

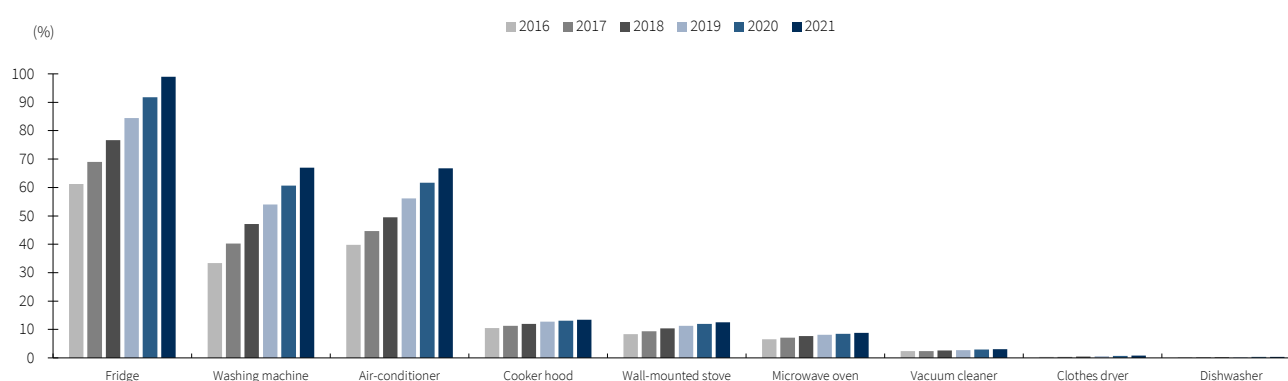
- (3) 2G/3G switch off: According to the roadmap, the Ministry of Information and Communications will stop 2G network between December 2023 to September 2024. By August 2023, there were about 23 million 2G mobile subscribers left. After stopping 2G services, these phones will have to be completely replaced with other phone lines. This is an opportunity for smartphone retailers, especially chains with large coverage in rural areas such as FPT Shop and Thegioididong.

FRT entered the home appliance market

In 2022, the company tested household goods sales and recorded positive results. At the recent annual general meeting of shareholders, the management said that the new segment household goods contributed 2.5% of total revenue from FPT Shop chain with a quite high GPM of 20–25%. The company expects that in the next three years, this segment will contribute 15% of the total revenue of the FPT Shop chain.

With an estimated market size of USD12.5–13 billion, the average growth of about 10%/year will be a fertile market for retailers. However, this market is now occupied by chains such as Dienmayxanh and Mediamart. We assess that this move by FRT will help them take advantage of the scale of FPT Shop to capture a part of the market, finding growth motivation when the ICT industry is no longer fertile. Although the home appliance market is saturated, there are also new product categories that are expected to have great growth in the coming years such as dishwashers and robot vacuum cleaners.

Fig 26. Vietnam – Households owning household items over the years (%)



Source: Euromonitor, KB Securities Vietnam

The model is suitable and fully meets needs of customers

3. Long Chau as a long-term growth driver

Long Chau fully meets the needs of customers when purchasing medicine:

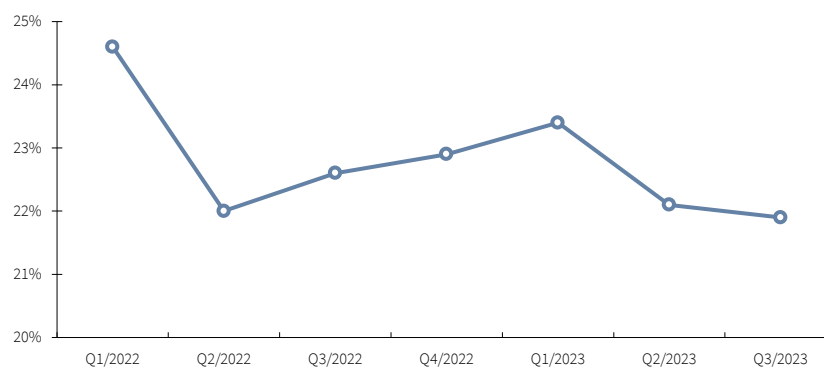
- (1) Quality & quantity: With a large chain model, Long Chau imports medical products directly from pharmaceutical companies. All products are genuine and of clear origin, building trust in customers. This is a big advantage compared to small pharmacies that retail medicine of unknown origin. Regarding the quantity of medicine, Long Chau owns a very large number of SKUs, six or seven times more than small pharmacies and three to three

times more than other pharmacy chains. This allows Long Chau to fully meet the increasing demand for medicine. Long Chau also owns many special medicines to treat many chronic diseases that people previously had to buy in big cities, so when it expands to rural areas, Long Chau was supported by many customers.

- (2) Reasonable price: Thanks to (1) the advantage of scale to be able to buy in large quantities and (2) direct relationships with large companies in the pharmaceutical and medical equipment industry, Long Chau can provide medicine for reasonable prices. Therefore, Long Chau fairly competes with small pharmacies while still maintaining a superior profit margin (22–25%) compared to small drugstores (only about 10%).

Fig 27. FRT – GPM of Long Chau chain (%)

GPM of Long Chau maintains stable at around 22–25%



Source: FPT Digital Retail, KB Securities Vietnam

- (3) Pharmacy consulting services: For retail chains, people who have direct contact with customers (for Long Chau are pharmacists) are of great interest to companies and need to be trained to bring the best experience to customers. Long Chau built a specialized pharmacist training center to train pharmacists with high expertise and consistent quality, ensuring the following criteria: Right medicine, right dose, right method, and right price.

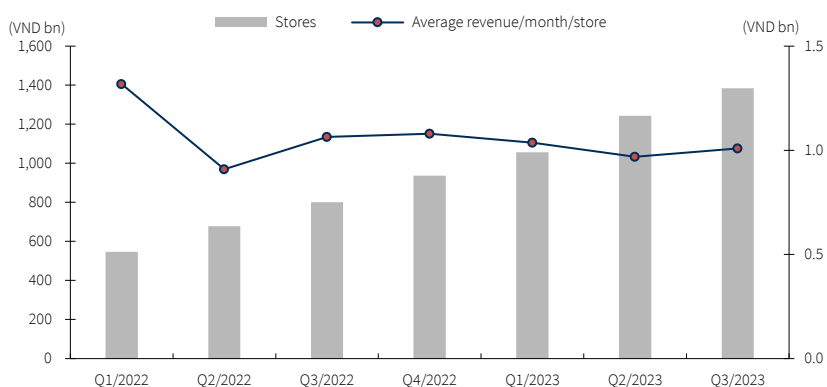
Long Chau has the characteristics of a successful retail model

We think Long Chau has the right model with the characteristics of successful retail chains such as MWG and PNJ.

- (1) Long Chau has found the formula for success. MWG is a large store model in central locations, focusing on customer experience, while PNJ is a pioneer in gold jewelry retailing. FRT Long Chau is a pharmacy model with enough medicine and reasonable prices. With the successful formula, the chains will quickly break even, thereby continuously expanding and replicating the model and leaving their competitors far behind.
- (2) The number of stores is increasing but still maintains business efficiency. For retail chains, when opening too many new stores, they may attract customers from old stores and new stores will also need time to have a

stable number of customers to bring in stable revenue. For the Long Chau chain, despite continuous launches of new stores, the average sales per store have not changed too much. The management said that newly opened Long Chau stores quickly attracted customers from small pharmacies thanks to their strong brand, fully meeting people's needs for medicine. Although the new store attracts customers from the old store, in general, the business performance of the chain does not fluctuate too much, as shown in the stable average sales per store.

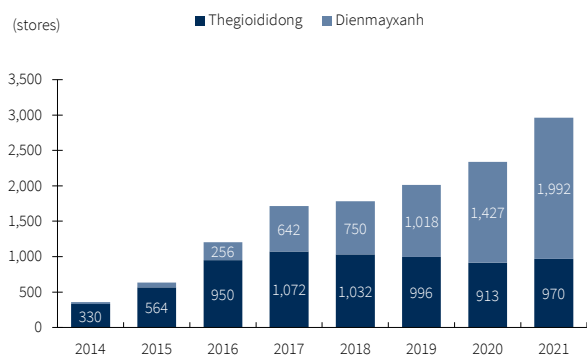
Fig 28. FRT – The number and sales per store of Long Chau drugstores (store, VNDbn)



Source: FPT Digital Retail, KB Securities Vietnam

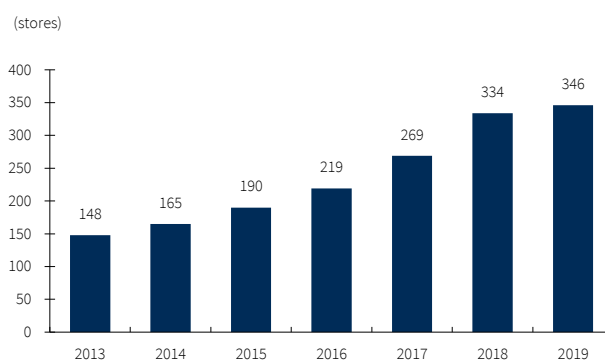
(3) Long Chau can achieve return quickly and continuously open new stores without mobilizing additional capital. The success formula of previous chains was to open stores with a very quick payback rate, from which old stores could continuously rotate to create profits to open new stores, and new stores to repeat the cycle until it completely dominates the market. Most Long Chau stores will break even within six months. Therefore, the chain can continuously rotate capital, old stores generate continuous profits to support the opening of new stores without having to mobilize additional capital from other sources.

Fig 29. MWG – The number of stores at its peak (store)



Source: Mobiworld, KB Securities Vietnam

Fig 30. PNJ – The number of stores at its peak (store)



Source: Phu Nhuan Jewelry, KB Securities Vietnam

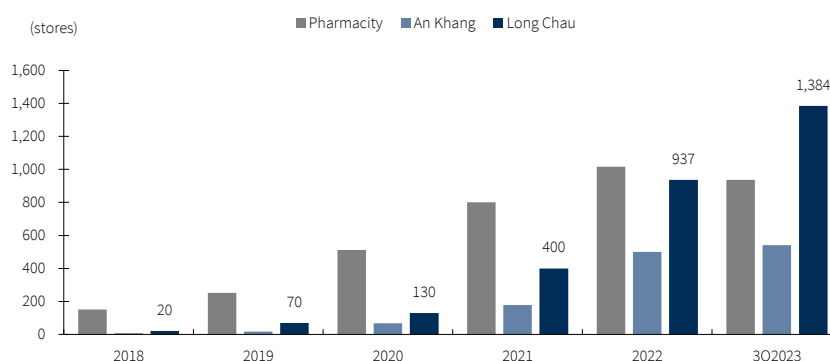
Thanks to finding the successful formula of a pharmacy that fully meets customers' criteria and optimizing costs, Long Chau has reached the break-even point, and new openings are also profitable after only six months. As a result, the chain can continuously launch new ones to take advantage of coverage and scale, leaving behind competitors who are still struggling to reach the break-even point.

Long Chau has strong competitive advantages

Long Chau chain has advantages that help to maintain its market position:

- (1) Large coverage: Coverage for retail chains is very important. It helps increase recognition, making it more convenient for customers to be able to shop anywhere and facilitating the negotiation with suppliers on product prices and payment terms. It can be seen that Long Chau has far exceeded their competitors in terms of coverage.

Fig 32. Vietnam – The number of stores of some medicine retailers



Source: Financial statements of the drugstores, KB Securities Vietnam

- (2) The most modern logistic infrastructure: Logistic is always a problem that needs to be solved for any chain, especially when it needs a sufficient system to meet the growth process. To meet the fast expansion speed and serve a large number of transactions, Long Chau has completed the investment in two large warehouses in the North and South. Accordingly, this pharmacy chain has officially put two GDP and GSP standard warehouses with an area of up to 35,000m² in Me Linh, Hanoi and 45,000m² in Huu Thanh, Long An into operation. FPT Long Chau general warehouse is considered the largest pharmaceutical retail warehouse in Vietnam.

The IMS warehouse management system tracks goods in real time, and the RWM system can manage the entire process from importing goods and preparing goods daily to controlling actual quantities. AI application helps determine effective medicine pick-up routes and suggests the best way to prepare orders, which reduces pick-up time and supports accurate order preparation.

Automated management and logistics optimization between the general warehouse and 1,600 pharmacies nationwide are performed with digitization and AI. This tool is useful in forecasting goods, scheduling and managing supply chains between suppliers and FPT Long Chau, especially when managing a diverse and large general warehouse.

- (3) Support from FPT Corporation: As a large retail chain, the help of technology is indispensable to the business process. As a member of Vietnam's leading technology corporation – FPT, Long Chau chain has great advantages in digital transformation. With strong technical support from FPT Software, FPT Digital, and FPT Telecom, Long Chau has completed comprehensive digital transformation for the entire management and operation of the chain system (from accessing, analyzing, and using data effectively, increasing opportunities to serve customers to managing intelligent logistics, forecasting sales, rotating goods, and enhancing customer experience at every touch point. Thanks to that, more than 1,600 Long Chau stores and nearly 800 FPT Shop stores have been put into operation while still ensuring effective operation and management.

An effective information management system not only helps reduce costs but also creates new opportunities and quickly responds to market changes. In addition, the integration of powerful cloud and digital infrastructure has created a flexible database in the digitalization process, helping FRT's chains develop and meet the challenges of the retail market. In addition, the Long Chau chain and FPT Shop chain also benefit from the FPT ecosystem including customers, employees, FPT university students, and abundant capital.

VI. Risks

Purchasing power recovered more slowly than expected, affecting the ICT industry

The speed of economic recovery and purchasing power have a great influence on the business results of FRT. We are concerned that the economy will recover more slowly than expected and have a negative impact on purchasing power, especially for ICT, the main business segment of the company. In addition, the ICT industry is also near the saturation point, so the growth potential is not much. However, thanks to the pharmaceutical field of Long Chau being less affected by the economy, the level of impact will be undermined when the purchasing power recovers slower than expected.

Prolonged price war affects profits

Since MWG launched a price war to gain market share, the profits of most stores and chains related to ICT have been severely affected. The two largest chains, Thegioididong and FPT Shop, almost completely lost profits. We are concerned that the slow recovery of purchasing power and prolonged price war will continue to squeeze FRT profit.

Increasing competitiveness in the pharmacy retail market

After Dongwha Pharm Group (Korea) acquisition of 51% of Trung Son Pharma shares, it is expected that there will be more competitors jumping in to share the pie of the potential pharmacy retail market. It is impossible not to mention other large chains such as Pharmacity and An Khang, once they find a successful formula, they will continuously expand and compete more strongly with Long Chau.

VII. Forecast & valuation

FRT should record VND32,591 billion in 2023 revenue

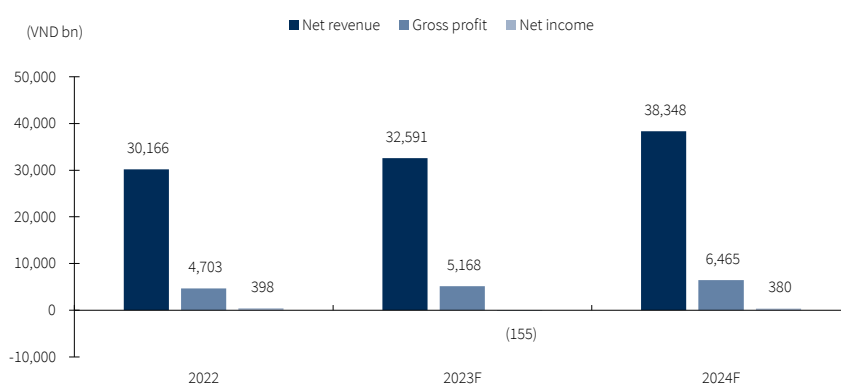
We believe that the business results of FRT have bottomed out. We forecast that in 2023, net revenue of FRT will reach VND32,591 billion (+8% YoY), and GPM will improve by 30bps to 15.9%. It is expected that the company will record a loss of VND155 billion as the price war hit the profits of the FPT Shop chain, while the Long Chau chain continues to operate effectively to offset the decline of the FPT Shop. For 2024, with the expectation of recovery from the ICT industry and the strong growth of Long Chau, FRT should regain impressive growth momentum.

Table 32. FRT – 2023–2024F revenue

	2022	2023F	% YoY	2024F	% YoY	KBSV notes
Revenue (VNDbn)	30,166	32,591	8.0%	38,348	17.7%	Revenue growth mainly comes from the Long Chau chain while the FPT Shop chain continues to face difficulties.
<i>FPT Shop</i>	20,689	16,506	-20.2%	17,560	6.4%	The weakening economy in 2023 exerted heavy impacts on non-essential goods such as ICT products, and the FPT chain should witness a sharp decline in revenue. In 2024, it is forecast that purchasing power will begin to recover at a slow pace, which should benefit the ICT industry.
<i>Long Chau</i>	9,596	16,216	69.0%	20,942	29.1%	Long Chau chain continuously expands and attracts a stable number of customers. Revenue continues to grow strongly.
Gross profit (VNDbn)	4,703	5,168	9.9%	6,465	25.1%	In 2023, GPM of the FPT Shop chain was hit by the price war, but Long Chau strong growth will cushion the profit margin. In 2024, when the price war cools down, Long Chau continues to grow, which will help FRT continue its growth momentum.
Gross profit margin (%)	15.6%	15.9%	30bps	16.9%	100bps	
Financial income (VNDbn)	174	70	-59.7%	118	68.6%	
Financial expenses (VNDbn)	(256)	(289)	12.6%	(280)	-2.9%	
SG&A (VNDbn)	(4,147)	(5,052)	21.8%	(5,829)	15.4%	Due to continuously opening new Long Chau chains, staff salary and premises costs increase, causing SG&A costs to spike but still within the company's control.
SG&A/Revenue (%)	-14%	-16%	-200bps	-15%	100bps	
Operating income (VNDbn)	474	(102)	-122%	473	-564%	
Profit before taxes (VNDbn)	486	(95)	N/A	476	N/A	
Profit after taxes (VNDbn)	398	(155)	N/A	380	N/A	The price war severely affected FRT's profits. In 2024, when the price war cools down, the Long Chau chain continues to grow, which will help FRT's profits return to growth.

Source: FPT Digital Retail, KB Securities Vietnam

Fig 33. FRT – 2022A–2024F performance



Source: FPT Digital Retail, KB Securities Vietnam

Valuation: HOLD recommendation
– target price VND106,000

We used two methods (1) FCFF and (2) comparables to find a reasonable price for FRT stock.

- (1) FCFF: We use the FCFF method in the FCFF enterprise with the assumptions stated below. We found the target price for FRT stock should be VND98,900/share.
- (2) Comparables: We used the target P/S of 0.4x, close to the two-year average P/S of FRT. Two years ago was the time when FRT started accelerating the Long Chau chain, and this chain began to contribute significantly to the total revenue of FRT. Target sales per share for 2024 is VND282,600. We set the target price of FRT stock for this method at VND113,000/share.

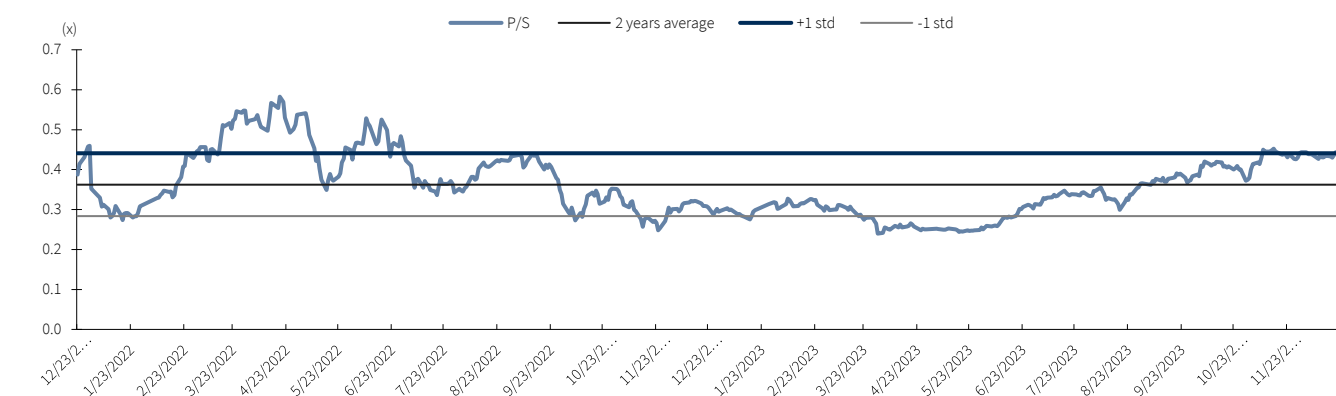
With the proportion used in the valuation model for each method being 50–50, we recommend HOLD for FRT stock, the one-year target price is VND106,000/share, 3% higher than the closing price on December 22, 2023.

Table 34. FRT – FCFF model and assumptions

(VNDbn)	2024F	2025F	2026F	2027F	2028F
NPAT	380	738	1,043	1,347	1,505
Depreciation	291	320	345	344	263
Interest expense x (1-t)	218	233	218	185	163
Capex	-457	-304	-286	-201	-152
Working capital	-410	-225	-39	31	838
FCFF	20	468	1,199	1,117	1,545
Equity cost	12.40%	Present value of terminal value			13,473
Cost of capital	7.00%	Present value of FCFF			4,349
Risk-free rate	5.00%	Cash & equivalents			707
Beta	0.9	Short-term investments			806
Terminal growth	4%	Enterprise value			19,335
Duration	5 years	Net debt			5,854
WACC	11.04%	Equity			13,481
		Outstanding shares			136,242,389
Target price					VND98,900

Source: KB Securities Vietnam

Fig 35. FRT - P/S in 2021-2023 (x)



Source: Bloomberg, KB Securities Vietnam

Table 36. FRT - Final valuation

Method	Forecast price	Weighting
FCFF	98,900	50%
Comparable (P/S)	113,000	50%
Target price		VND106,000

Source: KB Securities Vietnam

FRT – 2021A–2024F financials

Income statement					Balance Sheet				
(VNDbn)	2021	2022	2023F	2024F	(VNDbn)	2021	2022	2023F	2024F
Net sales	22,495	30,166	32,591	38,348	Total assets	10,857	10,524	11,503	12,421
Cost of sales	-19,343	-25,463	-27,423	-31,883	Current assets	10,222	9,327	9,734	10,435
Gross Profit	3,152	4,703	5,168	6,465	Cash & equivalents	1,105	746	452	707
Financial income	198	174	70	118	ST investments	1,821	1,119	1,007	806
Financial expenses	-146	-256	-289	-280	Accounts receivable	1,985	538	654	770
of which: interest expenses	-132	-232	-280	-272	Inventory	4,930	6,484	7,130	7,652
Gain/(loss) from joint ventures	0	0	0	0	Long-term assets	635	1,197	1,769	1,986
Selling expenses	-2,071	-3,259	-4,074	-4,678	LT trade receivables	137	170	180	231
General & admin expenses	-586	-887	-978	-1,150	Fixed assets	635	1,197	1,769	1,986
Operating profit/(loss)	546	474	-102	473	Investment properties	0	2	0	0
Net other income/(expenses)	8	12	7	2	Liabilities	9,107	8,474	9,668	10,341
Pretax profit/(loss)	554	486	-95	476	Current liabilities	9,107	8,474	9,668	10,341
Income tax	-110	-88	-60	-95	Trade accounts payable	2,336	2,307	2,945	3,080
Net profit/(loss)	444	398	-155	380	Advances from customers	54	35	39	43
Minority interests	0	8	25	42	ST borrowings	6,047	5,363	5,854	6,239
Net profit after MI	444	390	-180	339	Long-term liabilities	0	0	0	0
					LT payables	0	0	0	0
					LT borrowings	0	0	0	0
					Other LT liabilities	0	0	0	0
					Shareholders' equity	1,679	2,049	1,835	2,079
					Paid-in capital	790	1,185	1,362	1,362
					Share premium	0	0	0	0
					Undistributed earnings	872	824	406	609
					Reserve & others	1	2	3	4
					Minority interest	17	41	66	108
Operating ratios	2021	2022	2023F	2024F	Key ratio				
Gross profit margin	14.0%	15.6%	15.9%	16.9%	(x, %, VND)	2021A	2022A	2023E	2024E
EBITDA margin	3.4%	2.8%	1.3%	2.7%	Multiple				
EBIT margin	3.1%	2.4%	0.6%	1.9%	P/E	30.9	34.5	(88.4)	36.1
Net Operating margin	2.4%	1.6%	-0.3%	1.2%	P/E diluted	30.9	34.5	(88.4)	36.1
Pre-tax profit margin	2.5%	1.6%	-0.3%	1.2%	P/B	8.2	6.7	7.5	6.6
Net profit margin	2.0%	1.3%	-0.5%	1.0%	P/S	0.6	0.5	0.4	0.4
					P/Tangible Book	65.2	52.9	60.3	53.1
					P/Cash Flow	29.1	(32.3)	(46.4)	53.8
					EV/EBITDA	23.9	21.8	42.0	17.4
					EV/EBIT	26.4	25.3	98.0	24.2
Cash flow statement	2021A	2022A	2023E	2024E	Operating Performance				
Net profit	554	486	-95	476	ROE%	31%	21%	-8%	19%
Plus: depreciation & amort	71	115	246	291	ROA%	5%	4%	-1%	3%
Plus: investing (profit)/loss	-169	-148	0	0	ROIC%	6%	6%	-2%	5%
Interest Expense	132	232	289	280					
Change in working capital	557	680	440	1,047	Financial Structure				
(Inc)/dec - receivables	52	-94	-126	-167	Cash ratio	0.1	0.1	0.0	0.1
(Inc)/dec - inventory	-3,123	-1,550	-646	-522	Quick Ratio	0.6	0.3	0.3	0.3
Inc/(dec) - payables	1,354	-27	703	289	Current Ratio	1.1	1.1	1.0	1.0
Inc/(dec) - advances	-41	-226	-51	-10	LT Debt/Equity	0.0	1.0	2.0	3.0
Other adj for operations	-206	-355	-349	-376	LT Debt/Total assets	0.0	0.0	0.0	0.0
Operating cash flow	-1,407	-1,572	-29	261	ST Debt/Equity	3.6	2.6	3.2	3.0
Purchase of Fixed Assets and long-term assets	-2	-510	-810	-457	ST Debt/Total assets	0.6	0.5	0.5	0.5
Proceeds from disposal of fixed assets	0	0	0	0	ST liabilities/Equity	1.8	1.5	2.1	2.0
Loans granted, purchases of debt instruments	-12,892	-6,940	-1,300	0	ST liabilities/Total asset	0.3	0.3	0.3	0.3
Collection of loans, proceeds from sales of debts instruments	11,185	9,162	1,412	201	Total liabilities/Equity	1.8	1.5	2.1	2.0
Investments in other entities	-121	0	0	0	Total liabilities/Total assets	0.3	0.3	0.3	0.3
Proceed from divestment in other entities	0	0	0	0					
Dividends and interest received	144	159	0	0	Activity Ratio				
Investing cash flow	-1,686	1,870	-698	-255	Account receivable turnover	12.9	23.9	54.6	53.8
Proceeds from issue of shares	10	0	0	0	Inventory turnover	5.7	4.5	4.0	4.3
Payment for share returns and repurchase	0	0	0	0	Account payable turnover	12.6	11.6	10.7	10.8
Proceeds from borrowings	14,977	13,422	15,216	17,711					
Repayment of borrowings	-11,423	-14,106	-14,725	-17,326					
Finance lease principal payments	0	0	0	0					
Dividends paid	0	-39	-59	-136					
Interests, dividends, profits received	0	0	0	0					
Financing cash flow	3,564	-724	432	249					
Net increase in cash & equivalents	471	-425	-296	255					
Cash & equivalents - beginning	702	1,172	747	452					
Cash & equivalents - ending	1,172	747	452	707					

Source: FPT Digital Retail, KB Securities Vietnam

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Investment ratings & definitions

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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