

FPT Retail (FRT)

Long Chau expanded, FPT Shop contracted

At the end of Jul, FRT released the 2Q24 performance report. Here are some notable updates.

FPT Shop's sales improved despite mass store closure ...

- In 2Q24, FRT reported a revenue of VND9,327bn (+29.2% yoy; 108% of our forecast). In which:
 - o Long Chau's sales surged to VND5,987bn (+65.6% yoy) thanks to the rapid store expansion. In 2Q24, LC owned 1,706 pharmacies (+119 stores qoq; aligning with the year target of 400 stores), while An Khang closed 45 pharmacies. In addition, LC opened 36 new vaccine centers, increasing the total number to 87 vaccine centers. LC's sales per store remained stable at VND1.2bn.
 - o FPT Shop's sales inched down to VND3,340bn (-7.4% yoy), improving compared to the previous quarters since sales per store rose to VND 1.7bn (SSSG: +15.5% yoy). In 2Q24, FPT Shop's number of stores declined to about 642 stores (-101 stores qoq; continuing the closure since 4Q23). We also witnessed a similar trend within ICT-CE chains of MWG with the total of 116 stores closed (Figure 4).
- In 3Q24F, we expect that LC would continue to be the sales driver with about 100 new pharmacies and 25 vaccine centers per quarter thereby maintaining their leading position in the healthcare segment.
- In addition, we expect FPT Shop's sales would continue to get better, driven by (1) sales of laptops in the "Back to School" season and (2) higher consumer spending amid the better economic outlook.

	2019A	2020A	2021A	2022A	2023A
Sales (VND bn)	16,634	14,661	22,495	30,166	31,850
chg. (% YoY)	8.7	(11.9)	53.4	34.1	5.6
Operating profit (VND bn)	273	14	546	474	(297)
Net profit (VND bn)	204	10	444	398	(329)
EPS (VND)	2,612	266	5,618	3,295	(2,537)
chg. (% YoY)	(47.3)	(89.8)	2012.0	(41.3)	NA
EBITDA (VND bn)	414	143	690	832	224
PE (x)	7.4	101.1	17.6	24.2	NA
EV/EBITDA (x)	2.1	0.5	2.2	2.2	0.5
PB (x)	1.2	2.1	4.7	4.0	8.6
ROE (%)	17.7	2.0	30.9	21.3	(18.3)
Dividend yield (%)	4.4	3.2	NA	0.4	0.7

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

12M rating **NON-RATED**

12M TP

Up/Downside

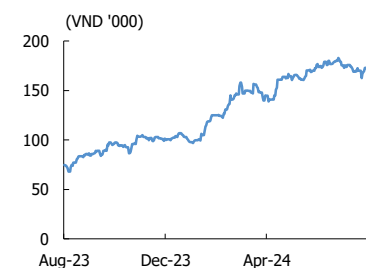
Stock Data

VNIndex (12 Aug, pt)	1,230
Stock price (12 Aug, VND)	173,800
Market cap (USD mn)	944
Shares outstanding (mn)	136
52-Week high/low (VND)	183,000/68,200
6M avg. daily turnover (USD mn)	4.36
Free float / Foreign ownership (%)	46.0/36.5
Major shareholders (%)	
FPT	46.5
CTBC Vietnam Equity	4.9
Vof Investment Limited	4.8

Performance

	1M	6M	12M
Absolute (%)	(1.0)	39.2	132.0
Relative to VNIndex (%p)	2.9	35.6	130.3

Stock price trend



Source: Bloomberg

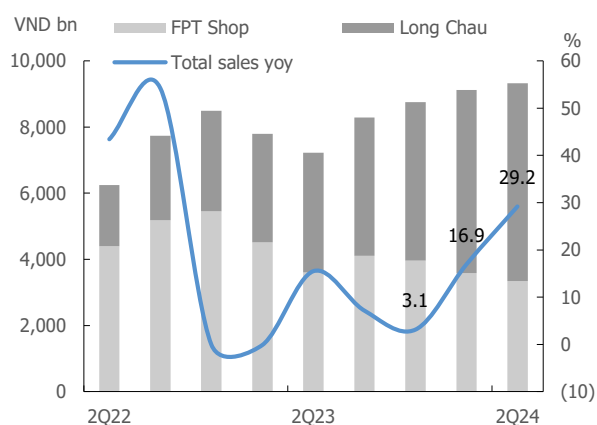
Research Department

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... while after-tax loss was higher due to one-off expenses.

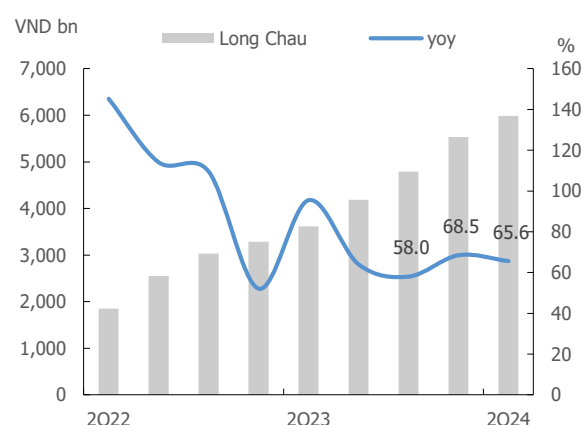
- In 2Q24, FRT's gross margin (GM) rose to 19.4% (+440 bps yoy; -40 bps qoq). LC's GM maintained at 22.9% (+30 bps YTD; -140 bps qoq) even though having a rapid increase in store number. FPT Shop's GM improved to 13.8% (+240 bps YTD; +40 bps qoq) thanks to (1) a higher contribution of consumer electronic products and home appliances and (2) easing price competition.
- In 2Q24, FRT reported NPAT of VND48bn (turnaround from -VND215bn in 2Q23; 113% of our forecast). In which:
 - o LC continued to be the key driver with NPAT of VND110bn (+197.5% yoy).
 - o FPT Shop posted an after-tax loss of VND62bn (1Q24: -VND51bn; 2Q23: -VND252bn). It was because (1) one-off expenses of about VND24bn from stores closing and (2) sales was not strong enough to cover fixed costs.
- In 3Q24F, we expect FRT's NPAT would be higher due to (1) FPT Shop after-tax loss would contract and (2) LC would make a larger contribution.

Figure 1. FRT's revenue grew strongly in 2Q24, driven by LC's expansion and FPT Shop's recovery



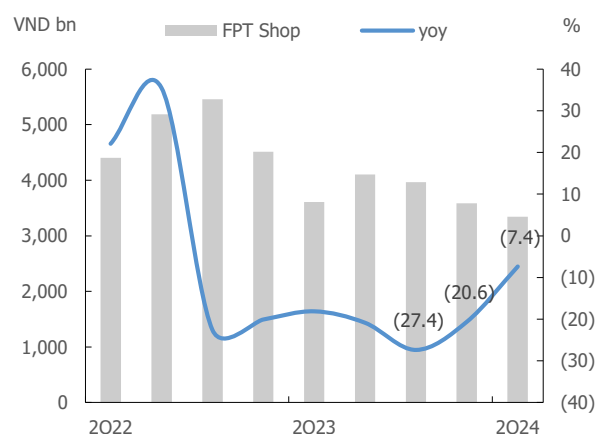
Source: Company data, KISVN

Figure 2. Sales of LC grew thanks to pharmacies and vaccine centers expansion



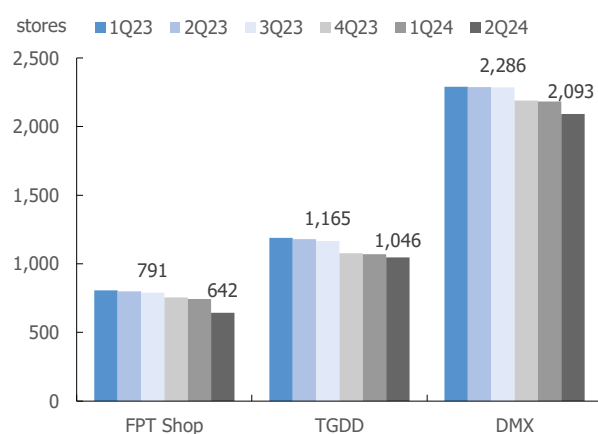
Source: Company data, KISVN

Figure 3. Sales growth of FPT Shop improved compared to previous quarters



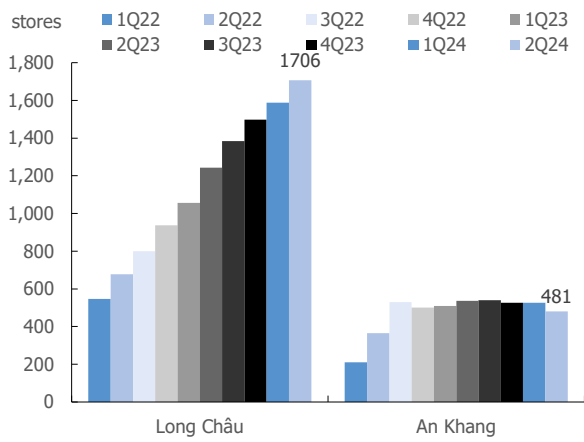
Source: Company data, KISVN

Figure 4. ICT-CE chains experienced a trend of mass closures



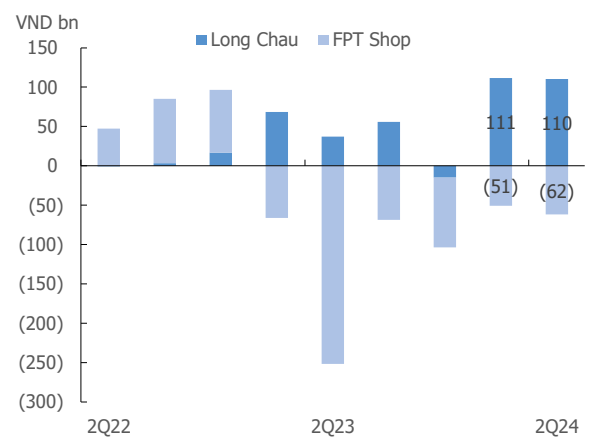
Source: Company data, KISVN

Figure 5. Long Chau expanded while MWG's An Khang contracted



Source: Company data, KISVN

Figure 6. LC drove NPAT, while FPT Shop's after-tax loss was higher due to one-off expenses



Source: Company data, KISVN

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