Dec 2023

FPT DIGITAL RETAIL - JSC (HSX: FRT)

Brighter picture in 2024F by tremendous Long Chau prospects

(VND bn)	Q3-FY23	Q2-FY23	+/- qoq	Q3-FY22	+/- yoy
Net revenue	8,236	7,170	14.9%	7,709	6.8%
PAT	-215	-13	N.a	85	N.a
EBIT	45	-135	N.a	121	N.a
EBIT margin	0.55%	-1.9%	244 bps	1.57%	-130 bps

Source: FRT, RongViet Securities

Q3-FY23 – Reducing net loss by the over-expected performance of both FPT Shop and Long Chau

Q3-FY23's revenue came at VND 8,236 bn (USD 345 mn, +14.9% YoY, +6.8% QoQ). The improvement came from both FPT Shop & Long Chau. In particular, the back-to-school season aided FPT Shop's net sales to reach the growth of -20.8% YoY and +13.8% QoQ, respectively. In the meantime, Long Chau maintained its operational efficiency on each store (sales/store/month ~ VND 1bn) despite the fast pace of opening new stores this year (+584 new stores YoY). Long Chau's net sales gained the growth of +63.7% YoY and +15.9% QoQ, respectively.

Gross margin rose up by +154 bps QoQ to 16.7%, driven by (1) the higher revenue contribution from Laptops & Tablets segments than that of iPhone product and (2) the easing of the ICT price war in Q3-2023. Meanwhile, the efficiency of Long Chau's cost management partly contributed to the constant QoQ of FRT's SG&A exp/sales. As a result, FRT narrowed its net loss to VND -13 bn from VND -215 bn in Q2-2023.

Q4 and FY23 – Maintaining the trend of recovery in both revenue and net profit

FPT Shop's net revenue will recover by 5% QoQ, mainly driven by the rebounce of ICT demand in the end-year season and the sales of iPhone 15 – the prevailing product in Q4-2023. In addition, Long Chau will achieve the net revenue improved by +7.7% QoQ due to the continuous increase of new stores and keep the sales/store/month stable at ~VND 1 bn.

As such, Q4 net revenue and NPAT will be VND 8,761 bn (USD 367 mn) and VND 18 bn (USD 0.74 mn), respectively. For FY23, we anticipate that FRT will report a net revenue of VND 31,192 bn (USD 1,336 mn, +6% YoY) and a loss of VND 227 bn (or USD -10 mn). The correspondent EPS is VND -1,917.

In FY24, Long Chau will still be key driver. We remain confident that Long Chau's net revenue will grow by +44.0% YoY due to (1) deeper penetration into tier-2 and -3 provinces with 400-500 new stores and (2) sales/store/month maintaining the solid base (~VND 1-1.1 bn). Given that ICT purchasing power to be normalized in H2-2024, we are enthusiastic about FPT Shop's net revenue will grow at a better pace of +7.9% YoY.

For FY24, we expect FRT to report a net revenue of VND 39,993 bn (USD 1,673 mn, +25% YoY) and a net profit of VND 307 bn (USD 12.8 mn). The correspondent EPS is VND 2,593.

Valuation and recommendation

Due to weak consumer spending, we believe that the company's ICT segment will still experience difficulties in the next six months. Meanwhile, we expect that Long Chau can generate profit large enough to offset the loss of ICT segment given (1) there is room to gain market share in Vietnam pharmacy retail, (2) the advantage of scale allows the chain to optimize cost per store and compete with traditional pharmacy stores & other modern retail chains as well. Therefore, we expect FRT to achieve a turnaround in 2024 from its net loss in 2023. Using the sum-of-the-parts method, we revise up the target price of FRT by 73% to VND112,800 per share, mainly due to the revaluation of Long Chau's intrinsic value. The stock price, however, has recovered quite fast following the better-than-expected performance of Long Chau in 2023. We believe that the rally of the stock has fully reflected the bright outlook of chain in 2024. Therefore, we recommend investors to monitor the stock's price movement and accumulate on the stock in the deep correction sessions.

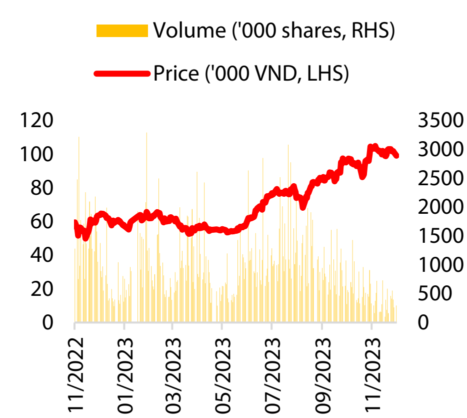
ACCUMULATE +12%

Target price (VND)	112,800
Current market price (VND)	100,600

Stock Info	
Sector	Retail
Market Cap (VND billion)	13,502
Current Shares O/S	136
Avg. Daily Volume (in 20 sessions)	811,663
Free float (%)	55
52 weeks High	106,900
52 weeks Low	53,043
Beta	1.5

	FY2022	Current
EPS	3,295	-1,104
EPS Growth (%)	-12	N.a
P/E	20.3	N.a
P/B	4.0	7.9
EV/EBITDA	17.4	43.4
ROE (%)	19.4	-8.3

Price performance



Major Shareholders (%)	
FPT Corp.	46.5
Foreign ownership room (%)	32.6

Hung Nguyen

(084) 028- 6299 2006

hung.nb@vdsc.com.vn

Exhibit 1: Q3-2023 Results

(VND Bn)	Q3-FY23	Q2-FY23	+/-(qoq)	Q3-FY22	+/-(yoy)
Net revenue	8,236	7,200	14%	7,753	+7%
Gross profit	1,371	1,084	26%	1,197	+15%
SG&A	-1,326	-1,219	+9%	-1,075	+23%
Operating income	1	-202	N.a	103	-99%
EBITDA	107	-114	N.a	123	-13%
EBIT	45	-135	N.a	121	-63%
Financial expenses	-65	-76	-14%	-63	3%
- Interest Expenses	*-63*	*-73*	*-14%*	*-60*	*5%*
Dep. and amortization	62	21	195%	2	3000%
Non-recurring items (*)					
Extraordinary items (*)					
PBT	1	-200	N.a	106	-99%
PAT-MI	-21	-219	N.a	85	N.a
(*) Adjusted PAT-MI	-21	-219	N.a	85	N.a

Source: FRT, RongViet Securities

Exhibit 2: Q3-2023 Performance Analysis

Particulars	Q3-FY23	Q2-FY23	+/-(qoq)	Q3-FY22	+/-(yoy)
Profitability Ratios (%)					
Gross Margin	16.7%	15.1%	160 bps	15.5%	120 bps
EBITDA Margin	1.3%	-1.6%	290 bps	1.6%	-30 bps
EBIT Margin	0.6%	-1.9%	250 bps	1.6%	-100 bps
Net Margin	-0.3%	-3.0%	270 bps	1.1%	-140 bps
Adjusted Net Margin	-0.3%	-3%	270 bps	1.1%	-140 bps
Turnover (x)					
-Inventories	3.8	4.0	-0.2	4.8	-1.0
-Receivables	44.9	56.0	-11.1	33.4	11.5
-Payables	9.5	10.8	-1.3	11.9	-2.4
Leverage (%)					
Total Debt/ Equity	314.5%	237.3%	77.2 pps	252.5%	62.0 pps

Source: RongViet Securities

Exhibit 3: Q4-2023 Performance Forecast

Particulars (VND Bn)	Q4-FY23	+/- qoq	+/- yoy
Revenue	8,761	6.4%	3.6%
Gross profit	1,477	7.7%	11.0%
EBIT	50	10.0%	-68.0%
NPAT-MI	18	N.a	-81.0%

Source: RongViet Securities

Q4-2023 assumptions:

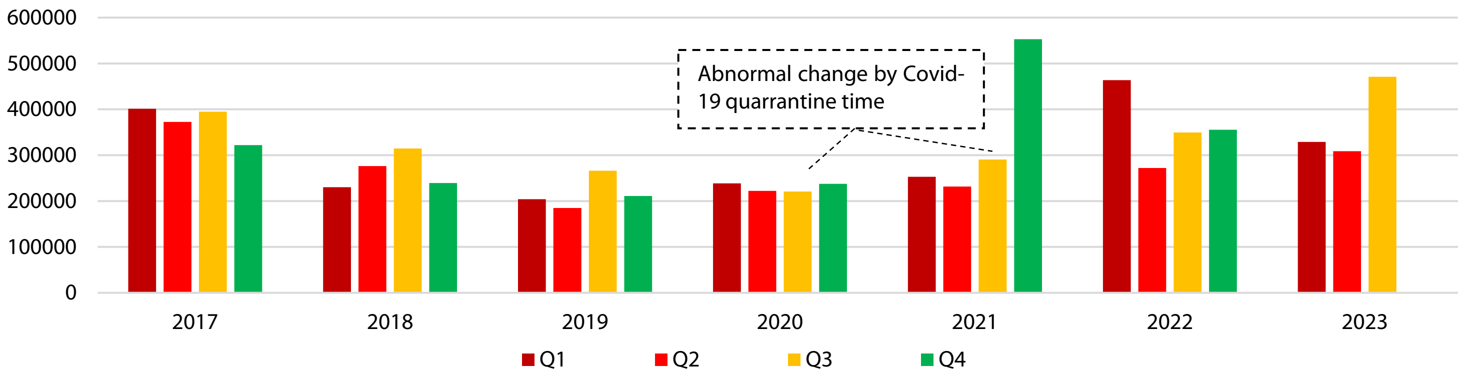
- FPT Shop's net revenue will improve by -21.0% YoY and 5.0% QoQ, Long Chau's net revenue will grow +48.3% YoY and 7.7% QoQ driven by store expansion.
- FPT Shop's gross margin to level up 20.5 bps QoQ due to continuous softening of ICT price wars, while Long Chau's GPM and NPM to remain at 9M-2023 levels.
- Long Chau will make a net profit of VND 96 bn (or USD 4 mn) while FPT will incur a net loss of VND -48 bn (or USD 2 mn).

Q3-FY23 – Net loss narrowed owing to the better-than-expected performance of both FPT Shop and Long Chau

FPT Shop – Back-to-school season served as the main driver for the ICT chain's improvement in both sales & profitability .

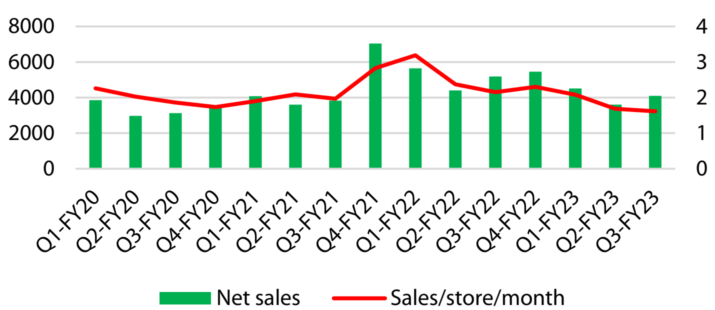
In Q3-2023, FPT Shop's net revenue recorded VND 4,104 bn (or USD 173 mn), grew 13.8% QoQ and -20.8% YoY, and narrowed its net loss to VND69 bn compared to the loss of VND252 bn in Q2-2023 (Figure 4). This was all due to the impressive sales figures of Laptops & Tablets segments. Demands for these products often surged in Q3 – peak back-to-school season (Figure 1). Besides, as Laptops & Tablets had a higher gross margin than the iPhone line, FPT Shop's profitability improved (Figure 3). Nonetheless, FPT Shop's results have been on the low base as the macro headwinds still erode disposable income, which in turn limited discretionary spending (Figure 2). The company closed nine stores in Q3-2023 and 16 stores in 9M-2023, declining its total number of existing stores to 791.

Figure 1: Quarterly laptop & tablet sales value in Vietnam (VND bn)



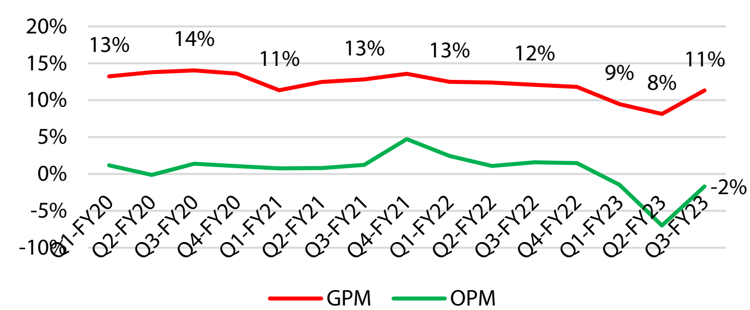
Source: GFK, RongViet Securities

Figure 2: FPT Shop's net revenue (VND bn, LHS) & sales/store/month (VND bn, RHS)



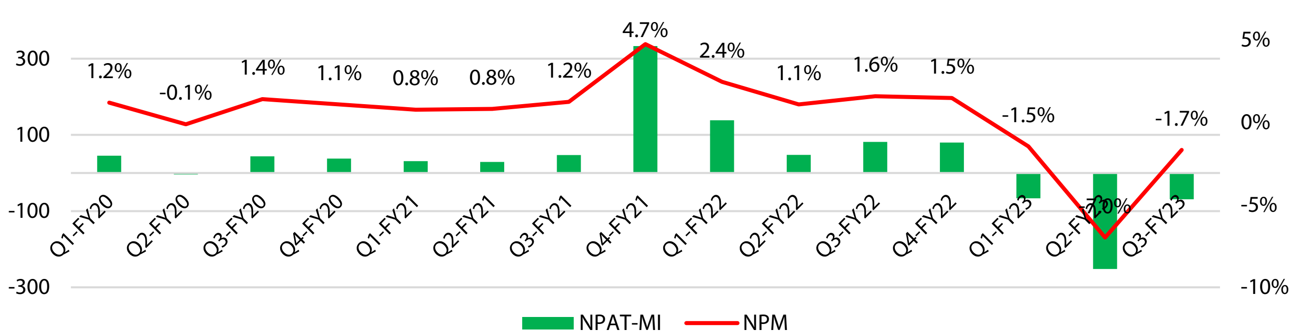
Source: FRT, RongViet Securities

Figure 3: FPT Shop's gross margin & operating margin (%)



Source: FRT, RongViet Securities

Figure 4: FPT Shop's net profit (VND bn, LHS) and net margin (%, RHS)

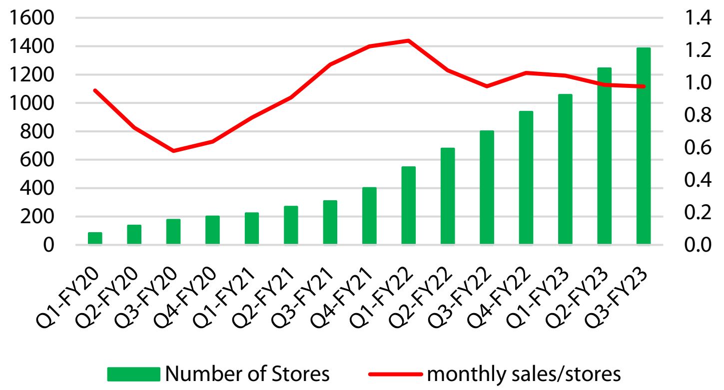


Source: FRT, RongViet Securities

Long Chau – the operational efficiency is proved quarter-by-quarter while keeping the aggressive store expansion.

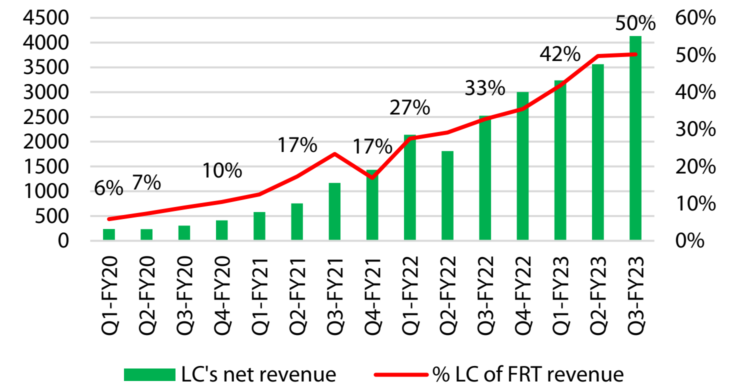
In Q3-2023, Long Chau's sales/store/month maintained steady at VND 0.98 bn despite ramping up its store expansion (447 new stores) in 9M-2023 (Figure 5). It aided Long Chau's net sales reached the growth of +15.9% QoQ and +63.7% YoY to VND 4,132 bn (or USD 173 mn), accounting for 50% of FRT's net revenue (Figure 6). In addition, its gross margin was almost unchanged, together with the enhancement of operational optimization, resulted inits net margin improving by +22 bps QoQ. (Figure 7).

Figure 5: Long Chau's number of stores (stores, LHS) & sales/store/month (VND bn, RHS)



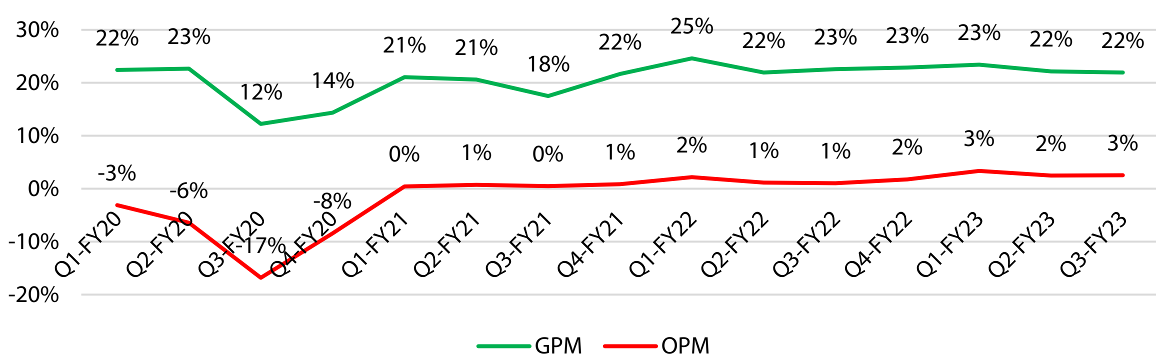
Source: FRT, RongViet Securities

Figure 6: Long Chau (LC)'s net revenue (VND bn, LHS) & LC's contribution to FRT revenue (%, RHS)



Source: FRT, RongViet Securities

Figure 7: Long Chau's gross margin & operating margin (%)



Source: FRT, RongViet Securities

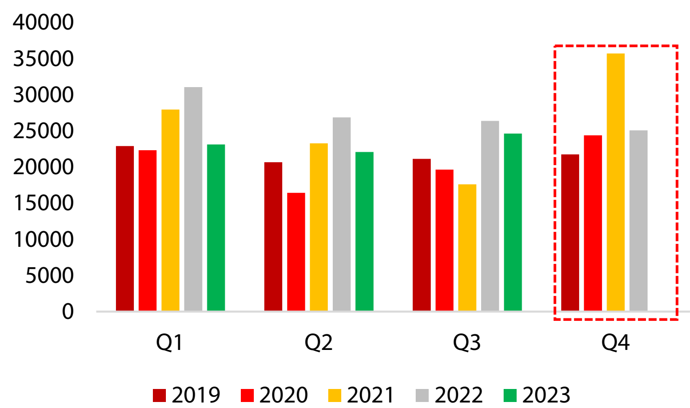
Q4 & FY23 outlook

Q4-FY23: Keep the trend of QoQ recovery in both revenue and net profit.

We project that FPT Shop's net revenue & profit before tax will reach VND 4,309 (USD 180 mn) (+5.0% QoQ, -21.0% YoY) and VND -41 bn (USD -1,7 mn) (less than VND -71 bn of last quarter), respectively, due to:

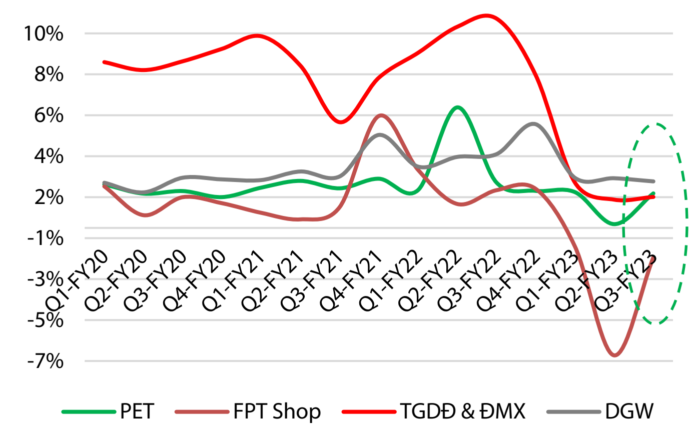
- We expect the QoQ consecutive recovery of FPT Shop's sales by Q4 – annual golden season (Figure 8) for consumption combined with the redundant supply of iPhone 15 (not stuck in China factories like the previous season of iPhone 14). However, due to the persistently low purchasing power for ICT products, this recovery will be limited.
- The slight improvement of ICT operating profit margin of retailers like TGDĐ & ĐMX, FPT Shop chains in Q3 is the first signal to put an end to a "price war" in Q4-2023 (Figure 9), resulting in our forecast of enhancing of FPT Shop's net margin QoQ, but be still on the low base.

Figure 8: Quarterly smartphone sales value in Vietnam (VND bn)



Source: GFK, RongViet Securities

Figure 9: ICT operating margin (%)



Source: PET, FRT, MWG, DGW, RongViet Securities

Regarding Long Chau, we believe that its net revenue & profit before tax will reach VND 4,452 (USD 186 mn) (+7.7% QoQ, +48.3% YoY) and VND 82 bn (USD 186 mn) (+171.% QoQ, +392.5% YoY), respectively, attributed to:

- Long Chau maintains its new stores openning capacity of +500 stores/year, which means it will continue to open more 120 stores in Q4-2023, mainly focusing on tier-2 and -3 provinces. On the back of the solid launching pad, we expect Long Chau to keep its monthly sales per store of ~ VND 1 bn.
- Meanwhile, we think that this chain will maintain its gross margin (21-22%) and net margin (1-1.5%) in Q4-2023 based on its cost optimization proven in the last 5 quarters.

FY23: The contrasting landscape of FPT Shop and Long Chau.

Despite the one prosperous year of Long Chau chain in terms of the store expansion & its system operating efficiency (monthly sales per stores & cost structure), but the terrible performance of FPT Shop in the context of the low ICT demand & the pricing wars surged in Q2-2023, it pushes FRT's overall results in FY23 to the bleak picture. We forecast FRT's 2023F consolidated net revenue and NPAT-MI will be VND 31,920 bn (USD 1,336 mn) (+6% YoY) and VND -227 bn (USD -10 mn), respectively.

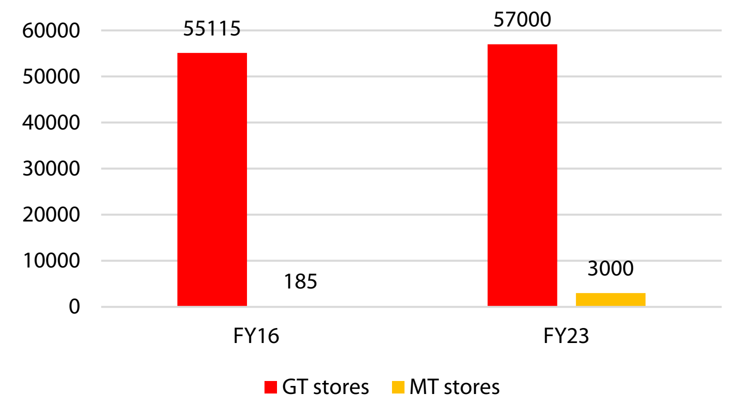
FY24 outlook

Long Chau pharmacy chain – huge headroom to expand and improve profitability.

Long Chau has a lot of advantages to expand its market share in both general-trade (GT) & modern-trade (MT) channels in the pharmacy retail market, specifically:

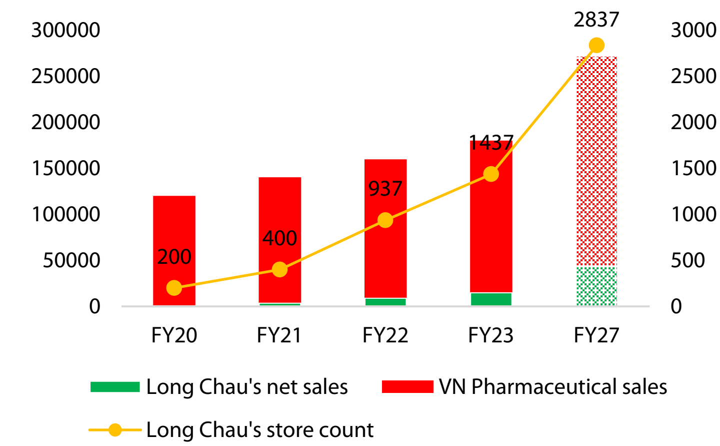
- GT channel: Long Chau will maintain its fast pace of opening new stores (400-500 stores/year) over the next 2 years, mainly focusing on tier-2 and -3 provinces. Long Chau's market coverage rate in these provinces remains low due to the dominance of traditional pharmacy stores (Figure 10). As Vietnamese consumers have changed their habit of purchasing medicine from GT channel to MT channel, creating a favorable condition for Long Chau's market share to quickly increase (Figure 11). In addition, given Long Chau's competitive advantages over traditional pharmacy stores (Exhibit 4) and the fragmented nature of Vietnam's pharmacy market, we suppose that this chain will inch up its market share massively over the next 3 years.

Figure 10: Total number pharmacy store by channel (store)



Source: IQVIA, MWG, RongViet Securities

Figure 11: VN Pharmaceutical sales (VND bn, LHS) and Long Chau's market share (%, RHS)



*Source: BMI Q2-2023, FRT, RongViet Securities; *FY27 data: analyst assumption*

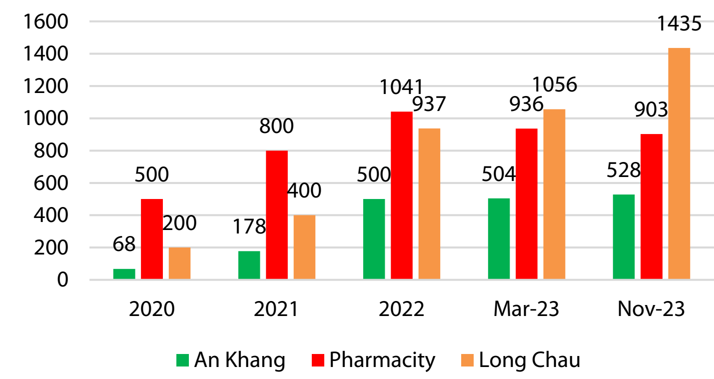
Exhibit 4: The comparison of Long Chau and traditional pharmacy store models

Factor	Long Chau pharmacy chain	Traditional pharmacy store model
Fixed price	Cheaper fixed price than the general market by its strategy and its scale of economics aided Long Chau gained more favorable input price from suppliers.	
Total number of stores	1,384 stores	Over 60,000 stores (geographical advantages)
Monthly sales/store	~ VND 1 bn	~ VND 0.2-0.4 bn
Medicine SKUs	Over 4,000 medicine SKUs in both the OTC & ETC markets (evenly contained the rare and expensive types of medicine used to treat chronic diseases such as cancer, liver and kidney disease, and cardiovascular disease,... which are frequently requested by customers). Long Chau not only sets price lower than that of traditional pharmacy stores but also offers installment service to customers.	1,000 – 2,000 medicine SKUs only in OTC market (almost contained the basic types of medicine)
Inventories	Long Chau's inventories per store (~VND 2.6 bn) is higher than traditional model due to the strategy: always refill enough medicine 24/24.	
Online platform	Long Chau's online platform (consisting of an app and a website) allows end-users to place orders, and on-site delivery service is always available. Customers only need to send the prescription for Prescription Drug, and Long Chau will consult them on all issues surrounding their disease, such as the situation, appropriate types of medicine, and so on. All of these services are either free or have a small fee. Long Chau can thus attract more customers away from their traditional stores.	
Consulting service quality	The amount of training time to launch a new official retail staff is 6-10 months with a full range of knowledge as one expertise pharmacist. All staffs graduated from pharmacy university/college.	Most pharmacy store's licensed representatives are only named as a guise, almost selling/consulting activities aretaken responsibility by retail staffswith little expertise. Staff training that is hands-on.

Source: FRT, RongViet Securities compilation

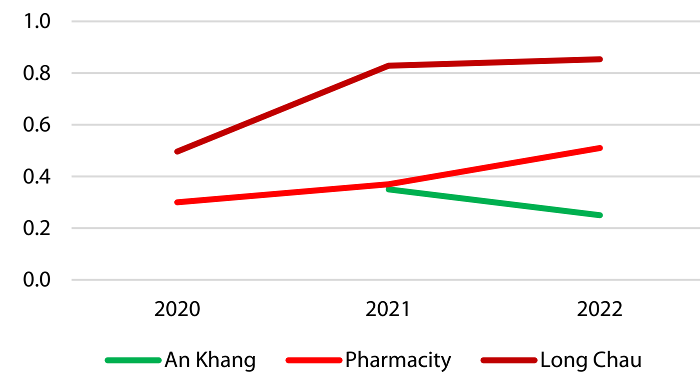
- MT channel: Compared to other modern pharmacy chains such as Pharmacity, AnKhang and so on, Long Chau operated more efficiently. It attributed to the proper price & product strategy heads for customers as the center as depicted (Exhibit 4). After 6 years from establishment, Long Chau dominated in all MT channel as a leader of all store count, total number of medicine SKUs, sales/store/month performance (12, 13 and 14 figures). We anticipate that Long Chau will maintain its dominance in the next 05 years, but have little room to grow its market share in MT channel. According to FRT, Long Chau currently accounts for 55-60% market share in this market.

Figure 12: Pharmacy retailer's total number of stores (store)



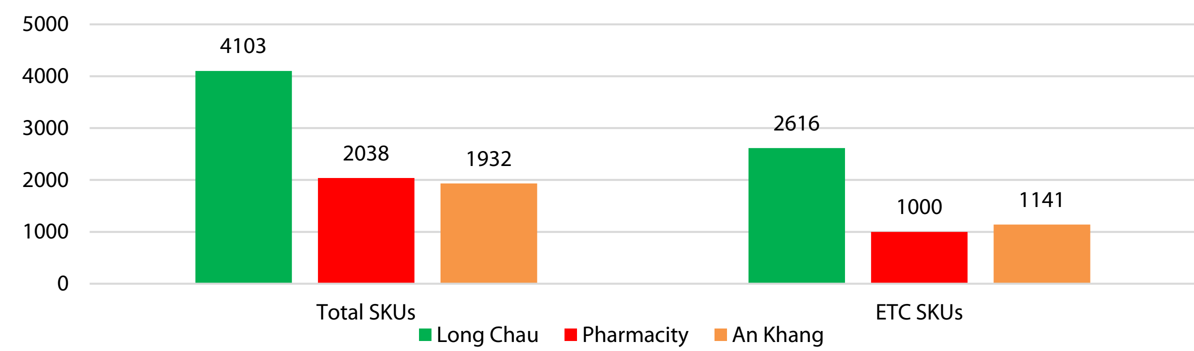
Source: Pharmacy retailers website, RongViet Securities

Figure 13: Monthly pharmacy retailer's sales/store (VND bn)



Source: Pharmacy retailers, RongViet Securities

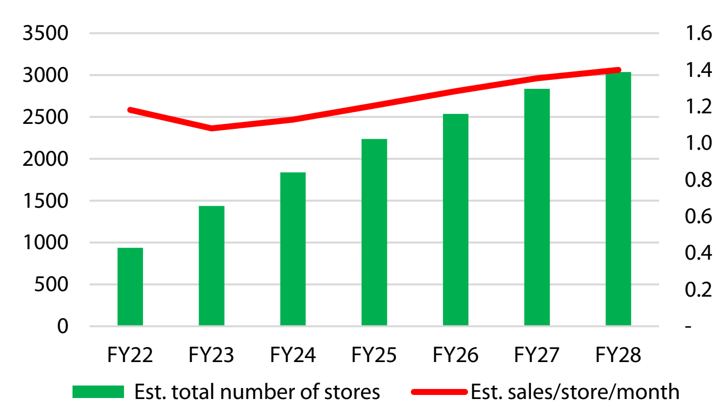
Figure 14: Long Chau is outstanding against other pharmacy retailers in terms of total SKUs in both OTC & ETC market (SKU)



Source: RongViet Securities compilation

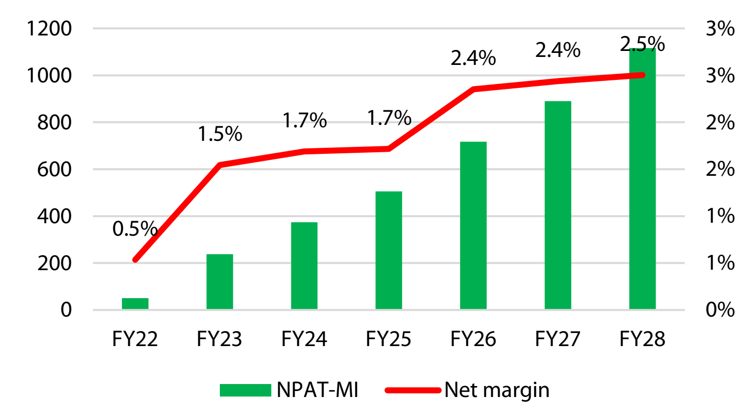
Therefore, we project Long Chau's net sales to reach a 5Y-CAGR (2024-2028F) of +17.3% given (1) aggressive store expansion and (2) SSSG 3.0-4.5% each annum due to larger coverage from northern to southern (Figure 15). It is along with its higher gross margin (owing to the bigger power to supplier aided Long Chau to gain lower input price) and its cost optimization, supports its better net margin of 1.5-2.5% in FY24-28. (Figure 16).

Figure 15: Long Chau's est. total number of stores (stores, LHS) & est. sales/store/month (VND bn, RHS)



Source: FRT, RongViet Securities

Figure 16: Long Chau's est. NPAT-MI (VND bn, LHS) & est. net margin (%, RHS)



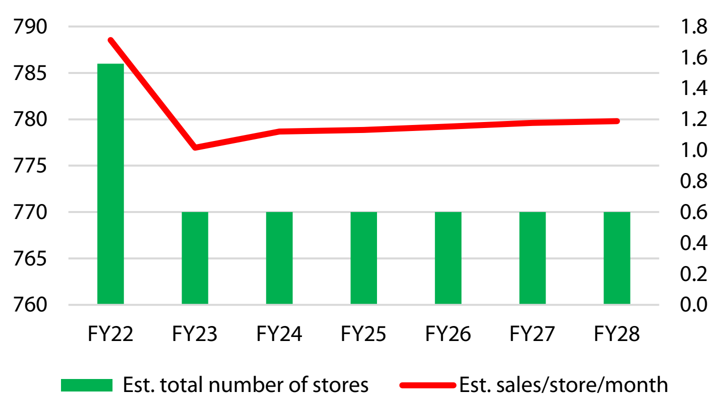
Source: FRT, RongViet Securities

FPT Shop – signs of profit-bottoming have appeared but only expects to recover modestly in 2024F

A consumer traffic on each FPT Shop store is anticipated to recover in 2024F, driven by macroeconomic policies that are gradually pervading the economy (lower interest rate, basic salary enhancement). Nonetheless, we project that FPT Shop will rebound at a modest rate, as evidence by itssales growth of +7.9% YoY to VND 17,840 bn (or USD 746 mn) in 2024F. The main reason is that we have seen the worse-than-expected recovery of ICT demand in Q3-2023, given the slowdown in global macroeconomy . As a result, we project FPT Shop's net sales get 5Y CAGR (2024-2028F) of +6.7% by (1) no store expansion and (2) SSSG 1-3% per annum due to ICT saturation & fierce competition in this sector. (Figure 17)

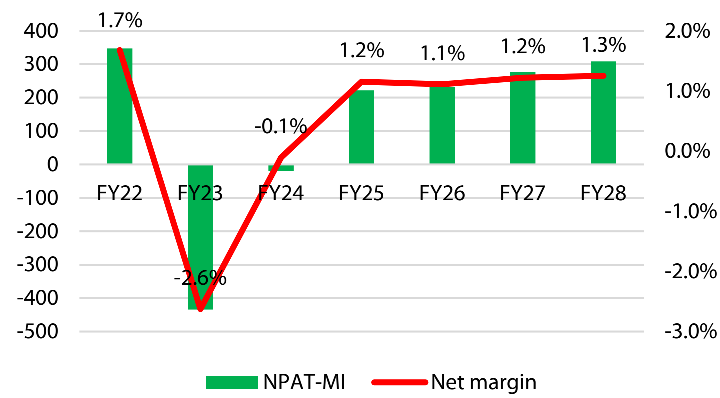
We suppose that FPT Shop will improve its gross margin in 2024F to 11.0% (+80 bps YoY) owing to (1) raising contribution of other smartphone brand products & home appliance vs. iPhone product and (2) softening of ICT price wars. We expect the destocking procedure & ICT price wars will end from Q1-2024, which is a key driver for FPT Shop to reduce its S&GA exp/Sales to 10.7% (-175 bps YoY), supporting its net margin to improve by +252 bps YoY to -0.1%. (Figure 18)

Figure 17: FPT Shop's est. total number of stores (stores, LHS) & est. sales/store/month (VND bn, RHS)



Source: FRT, RongViet Securities

Figure 18: FPT Shop's est. NPAT-MI (VND bn, LHS) & est. net margin (%, RHS)



Source: FRT, RongViet Securities

Exhibit 5: FY23-FY24F forecast (VND bn)

VND bn	FY22A	FY23F	FY24F	FY23F/FY22A	FY24F/FY23F	Key assumptions on FY23
Net revenue	**30,166**	**31,920**	**39,993**	**5.8%**	**25.3%**	
ICT	20,689	16,531	17,840	-20.1%	7.9%	- Projected SSSG of -25% YoY in FY23; - Store count will be unchanged YoY.
Long Chau	9,477	15,389	22,153	62.4%	44.0%	- SSSG of +4.5% YoY with 500 new stores in FY23.
COGS	-25,463	-26,802	-33,090	5.3%	23.5%	
Gross profit	**4,703**	**5,118**	**6,903**	**8.8%**	**34.9%**	
ICT	2,523	1,686	1,962	-33.2%	16.4%	
Long Chau	2,180	3,432	4,940	57.4%	44.0%	
Selling expenses	-3,259	-4,036	-5,007	23.9%	24.0%	- Selling expenses/Sales will reach 12.6% in FY23 increasing by +180 bps YoY due to weak ICT demand.
G&A expenses	-887	-1,053	-1,288	18.8%	22.3%	- G&A expenses/Sales is anticipated to reach 3.3%, up by +36 bps YoY.
EBIT	**557**	**28**	**607**	**-94.9%**	**2054.9%**	
Financial income	174	101	98	-42.1%	-2.9%	
Financial expenses	-256	-291	-257	13.8%	-11.9%	- Higher amount of loan outstanding and borrowing rates than 2022 leads to a surge in financial expenses.
Other income/expenses	12	0	0	-1	N.a	
Gain/(loss) from joint ventures	0	0	0	N.a	N.a	
PBT	**486**	**-162**	**449**	**-133.4%**	**-376.2%**	
Tax expenses	-88	-34	-94	-61.0%	172.8%	
Minority interests	8	30	48	280.0%	57.4%	
NPAT-MI	**390**	**-227**	**307**	**-158.2%**	**-235.3%**	
EPS (VND/share)	3,302	-1,917	2,593	N.a	N.a	
EBITDA	564	56	630	-90.1%	1032.2%	
Gross margin	15.60%	16.03%	17.26%	43 bps	123 bps	
ICT's GPM	12.20%	10.20%	11.00%	-200 bps	80 bps	- GPM declines by 200 bps YoY due to fierce price competition from the end of Q1-2023.
Long Chau's GPM	23.0%	22.3%	22.3%	-70 bps	0 bps	- GPM declines by 70 bps due to low-price strategy combined with aggressive store expansion aimed at enhancing its market share.
SG&A/Revenue	13.70%	15.95%	15.74%	225 bps	-20 bps	
EBIT margin	1.80%	0.09%	1.52%	-171 bps	143 bps	
Net margin	1.30%	-0.71%	0.77%	-201 bps	148 bps	

Source: RongViet Securities

Valuation

For Long Chau, we combined FCFF valuation model (50%) and multiples comparison (50%) with an applied P/S of 0.6x which is higher than the 2022 P/S. Our new target price for Long Chau chain is VND 97,850, which is 73% higher than the latest target price (VND 56,400) on June-2023. Based on some changes in our assumptions:

- Change in earnings forecasts which is mentioned in Exhibit 6;
- We believe that Long Chau will get the advantage of scale given the company keeps expanding its stores. Therefore, we decrease est. SG&A exp/net sales ratio from 20.5% (in our old forecast) to 19.1-19.7% for FY23-27. In the most recent five consecutive quarters, the company has managed the ratio well despite aggressive store expansion;
- We change our assumptions about the store count in next 5 years. In detail, the total store count of this chain will reach over 2,800 stores instead of over 2,100 stores (in our old forecast) by the end of FY27. It can be attributed to the FRT's fast moving to dominate the pharmacy retail market in tier-2, -3 provinces and the FRT strategies shared in the latest meeting;
- We use FY24 sales per share instead of FY23 sales per share in our old forecast for Long Chau's multiple valuation method. We also enhance target FY24 P/S from 0.5x to 0.6x by the brighter picture of revenue & profit aspects in Long Chau chain.

In the valuation of FPT Shop, we deploy the DCF methodology to evaluate this chain (5Y FCFF with WACC of 10.4%, terminal growth of 2.0%). Our new target price for FPT Shop chain is VND 15,000/share, which is lower by 23% compared to the latest target price (VND 19,500) on June-2023. Based on some changes of our assumptions:

- Change in earnings forecasts which is mentioned in Exhibit 6;
- We forecast for the growth of ICT products (Smartphone, Laptop, Accessories) will be more decelerated with 5-10%/year compared to our old forecast of 11-25%/year. It is due to the saturated ICT market and fierce competition. Hence, we change our outlook about the prospects of FPT Shop, as of which, its store count will not increase in the next 5 years & its SSSG will get +1-4%/year.

Exhibit 6: Changes in FY24 income statement forecast

Unit: VND Bn	Old	New	% Change	Comments
Net revenue	**39,267**	**39,993**	**1.8%**	
FPT Shop	18,891	17,840	-5.6%	*We revised down net sales due to stop opening new stores and lowering SSSG compared to our old forecast*
Long Chau	20,376	22,153	8.7%	*We revised up net sales under more aggressive store expansion plan & higher SSSG compared to our old forecast*
Gross profit	**6,765**	**6,903**	**2.0%**	
Gross margin	*17.2%*	*17.3%*	*10 bps*	
SG&A expenses	**6,066**	**6,295**	**+3.8%**	
SG&A/Sales	*15.4%*	*15.7%*	*+30 bps*	
EBIT	**699**	**607**	**-13.2%**	
NPAT-MI	**331**	**307**	**-7.3%**	
EPS (VND)	**2,798**	**2,593**	**-7.3%**	

Source: RongViet Securities

In summary, we use the sum-of-the-parts method to evaluate FRT stock. Our fair value estimate for FRT arrives at **VND 112,800 per share** which will bring a 12-month expected return of 12.1% as of closing price on December 18th 2023. (Exhibit 7).

We suppose that Long Chau chain is the perquisite of FRT business model's growth and its stock price's upward trend, which is mainly decided by 1) its store expansion ability (400-500 stores/year), 2) its monthly sales per store (above VND 1.1-1.2 bn), 3) its average SSSG of 3-4.5%/year, and 4) sustainable cost- effective optimization, including: COGS, SG&A expenses. We recommend investors to frequently follow these factors to take suitable actions for FRT stock.

Exhibit 7: FRT's valuation summary

Unit: VND Bn	Valuation approach	% Contribution	Value per share
FPT Shop	5Y FCFF (WACC: 10.6%, g: 2.0%)	100%	15,000
Long Chau	10Y FCFF (WACC: 10.6%, g: 2.0%)	50%	83,500
	P/S @ 0.6x 2024F SPS	50%	112,195
Target price (VND)			**112,800**
Current market price (VND) (12/18/2023)			100,600
Total stock return			**12.1%**
TP / 2024F EPS			43.5
TP / 2025F EPS			20.2

Source: Rong Viet Securities

Exhibit 8: Pharmaceutical chain's regional peers

Company name	Country	Mkt cap (USD bn)	ROE (%)	ROA (%)	TTM Sales growth (%)	TTM EPS growth (%)	GPM (%)	NPM (%)	TTM P/E (x)	TTM P/S (x)
Apollo Hospital	India	9.4	13.9	5.9	13.3	-22.4	48.3	4.9	97.2	4.7
Yifeng Pharmacy	China	5.3	16.5	7.0	26.4	41.6	39.5	6.4	26.4	1.7
Welcia Holdings	Japan	3.6	11.7	4.8	10.4	-6.2	30.5	2.4	17.1	0.4
DaShenLin Pharma	China	4.1	20.0	6.5	25.7	40.7	37.8	4.9	23.2	1.3
Tsuruha Holdings	Japan	4.1	9.6	4.9	6.9	21.8	30.2	2.6	21.2	0.6
Laobaixing Pharma	China	2.4	13.7	4.3	23.4	17.9	31.9	3.9	20.5	0.8
Medplus Health	India	1.2	3.4	1.8	20.6	-51.2	34.9	1.1	211.7	2.2
Shanghai No 1	China	0.4	13.7	6.1	1.5	43.8	20.5	5.4	33.3	1.2
MedFirst	Taiwan	0.1	3.8	0.7	2.7	-71.0	30.5	2.4	106.6	0.5
AVERAGE		**3.4**	**11.8**	**4.7**	**14.5**	**1.7**	**33.8**	**3.8**	**61.9**	**1.5**
MEDIAN		**3.6**	**13.7**	**4.9**	**13.3**	**17.9**	**31.9**	**3.9**	**26.4**	**1.2**
Long Chau	Vietnam		39.0	4.1	76.2	15.4	22.5	1.3		

Source: Bloomberg, RongViet Securities, as of November 21st, 2023

VND Billion

INCOME STATEMENT	FY2021	FY2022	FY2023F	FY2024F
Revenue	22,495	30,166	31,920	39,993
COGS	19,343	25,463	26,802	33,090
Gross profit	3,152	4,703	5,118	6,903
Selling Expense	2,059	3,259	4,036	5,007
G&A Expense	598	887	1,053	1,288
Finance Income	198	174	101	98
Finance Expense	146	256	291	257
Other profits	8	12	0	0
PBT	554	486	-162	449
Prov. of Tax	110	88	34	94
Minority's Interest	0	8	30	48
PAT to Equity S/H	444	390	-227	307
EBIT	495	557	28	607
EBITDA	499	672	56	630

%

FINANCIAL RATIO	FY2021	FY2022	FY2023F	FY2024F
Growth (%)				
Revenue	53%	34%	6%	25%
Operating Income	533%	35%	-92%	1032%
EBITDA	540%	12%	-95%	2055%
PAT	1695%	-12%	-158%	-235%
Total Assets	99%	-3%	7%	14%
Equity	37%	21%	-14%	18%
Profitability (%)				
Gross margin	14%	16%	16%	17%
EBITDA margin	2%	2%	0%	2%
EBIT margin	2%	2%	0%	2%
Net margin	2%	1%	-1%	1%
ROA	4%	4%	-2%	2%
ROE	27%	19%	-13%	15%
Efficiency				(times)
Receivable Turnover	11.3	49.8	48.8	58.4
Inventory Turnover	3.9	3.9	4.0	4.1
Payable Turnover	6.4	8.4	7.1	7.3
Liquidity				(times)
Current	1.1	1.1	1.0	1.0
Quick	0.6	0.3	0.3	0.3
Finance Structure (%)				
Total Debt/Equity	364%	267%	331%	304%
Current Debt/Equity	364%	267%	331%	304%
Long-term Debt/Equity	0%	0%	0%	0%

VND Billion

BALANCE SHEET	FY2021	FY2022	FY2023F	FY2024F
Cash and cash equivalents	1,105	746	522	569
Short-term investments	1,821	1,119	1,219	1,219
Accounts receivable	1,985	606	654	685
Inventories	4,928	6,521	6,693	7,978
Other current assets	339	430	374	392
Property, plant & equipment	16	85	335	506
Acquired intangible assets	156	172	57	51
Long-term investments	0	0	573	573
Other non-current assets	392	785	785	785
Total assets	10,741	10,464	11,213	12,758
Accounts payable	2,999	3,038	3,751	4,512
Short-term borrowings	6,047	5,363	5,699	6,175
Long-term borrowings	0	0	0	0
Other non-current liabilities	0	0	0	0
Bonus and Welfare fund	15	14	0	0
Technology-science, dev. fund	0	0	0	0
Total liabilities	9,062	8,415	9,450	10,687
Common stock and APIC	790	1,185	1,185	1,185
Treasury stock (enter as -)	0	0	0	0
Retained earnings	872	824	537	844
Other comprehensive income	0	0	0	0
Inv. and Dev. Fund	0	0	0	0
Total equity	1,662	2,008	1,722	2,029
Minority Interest	17	41	41	41

VALUATION RATIO (*)	FY2021	FY2022	FY2023F	FY2024F
EPS (dong)	5,618	3,295	-1,917	2,593
P/E (x)	26.8	20.3	-51.7	38.2
BV (dong)	21,045	16,951	14,534	17,127
P/B (x)	4.7	4.0	7.1	6.0
DPS (dong/cp)	500	500	0	0
Dividend yield (%)	0.8	0.8	0.0	0.0

VALUATION MODEL	Price	Weight	Average
Sum-of-the-parts	112,800	100%	112,800
Target price (VND)			**112,800**

VALUATION HISTORY	Price	Recommendation	Period
December-23	112,800	Accumulate	1 year
June-23	60,500	Reduce	1 year

RESULT UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report. we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information. investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

ABOUT US

RongViet Securities Corporation (RongViet) was established in 2007. licensed to perform the complete range of securities services including brokerage. financial investment. underwriting. financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders. also our strategic partners. are reputable institutions. i.e Eximbank. Viet Dragon Fund Management. etc... Along with a team of the professional and dynamic staffs. RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially. RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy. securities market and investment strategy along with industry and company reports and daily and weekly market reviews.

ANALYSIS & INVESTMENT ADVISORY DEPARTMENT

Lam Nguyen
Head of Research
lam.ntp@vdsc.com.vn
+ 84 28 6299 2006 (1313)

Vu Tran
Senior Manager
vu.thx@vdsc.com.vn
+ 84 28 6299 2006 (1512)
- O&G
- Fertilizer

Tung Do
Manager
tung.dt@vdsc.com.vn
+ 84 28 6299 2006 (1521)
- Aviation
- Logistics
- Market Strategy

An Nguyen
Senior Analyst
an.ntn@vdsc.com.vn
+ 84 28 6299 2006 (1526)
- Food & Beverage
- Retail

Lam Do
Senior Analyst
lam.dt@vdsc.com.vn
+ 84 28 6299 2006 (1524)
- Real Estate
- Construction Materials

Ha My Tran
Senior Consultant
my.tth@vdsc.com.vn
+ 84 28 6299 2006
- Macroeconomics

Hoai Trinh
Analyst
hoai.ttt@vdsc.com.vn
+ 84 28 6299 2006 (1530)
- Utilities
- Textiles

Quan Cao
Analyst
quan.cn@vdsc.com.vn
+ 84 28 6299 2006 (2223)
- Sea ports
- Pharmaceuticals

Hien Le
Analyst
hien.ln@vdsc.com.vn
+ 84 28 6299 2006
- Fishery

Hung Le
Analyst
hung.ltq@vdsc.com.vn
+ 84 28 6299 2006 (1530)
- Industrial RE
- Market Strategy

Luan Pham
Analyst
luan.ph@vdsc.com.vn
+ 84 28 6299 2006
- Macroeconomics

Ngan Le
Analyst
ngan.lk@vdsc.com.vn
+ 84 28 6299 2006 (1524)
- O&G
- Fertilizer

Chinh Nguyen
Analyst
chinh.nd@vdsc.com.vn
+ 84 28 6299 2006 (1530)
- Bank

Hung Nguyen
Analyst
hung.nb@vdsc.com.vn
+ 84 28 6299 2006
- Retail
- Automotive & Spare parts

Bernard Lapointe
Senior Consultant
bernard.lapointe@vdsc.com.vn
+ 84 28 6299 2006

Ha Tran
Assistant
ha.ttn@vdsc.com.vn
+ 84 28 6299 2006 (1526)

Thao Phan
Assistant
thao.ptp@vdsc.com.vn
+ 84 28 6299 2006

DISCLAIMERS

This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Viet Dragon Securities Corp. ("VDSC"), a company authorized to engage in securities activities in Vietnam. VDSC is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither VDSC nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

VDSC may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of VDSC.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by VDSC with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior.

RESEARCH DISCLOSURES

Third Party Research

This is third party research. It was prepared by Rong Viet Securities Corporation (Rong Viet), with headquarters in Ho Chi Minh City, Vietnam. Rong Viet is authorized to engage in securities activities according to its domestic legislation. This research is not a product of Tellimer Markets, Inc., a U.S. registered broker-dealer. Rong Viet has sole control over the contents of this research report. Tellimer Markets, Inc. does not exercise any control over the contents of, or the views expressed in, research reports prepared by Rong Viet.

Rong Viet is not registered as a broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and other "U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Tellimer Markets, Inc., located at 575 Fifth Avenue, 27th Floor, New York, NY 10017. A representative of Tellimer Markets, Inc. is contactable on +1 (212) 551 3480. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Rong Viet. Tellimer Markets, Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

None of the materials provided in this report may be used, reproduced, or transmitted, in any form or by any means, electronic or mechanical, including recording or the use of any information storage and retrieval system, without written permission from.

Rong Viet is the employer of the research analyst(s) responsible for the content of this report and research analysts preparing this report are resident outside the U.S. and are not associated persons of any U.S. regulated broker-dealer. The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Tellimer Markets, Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Tellimer Markets, Inc. or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, and does not expect to receive or intend to seek compensation for investment banking services from the subject company in the next three months. Tellimer Markets, Inc. has never owned any class of equity securities of the subject company. There are no other actual, or potential, material conflicts of interest of Tellimer Markets, Inc. at the time of the publication of this report. As of the publication of this report, Tellimer Markets, Inc. does not make a market in the subject securities.

About Tellimer

Tellimer is a registered trade mark of Exotix Partners LLP. Exotix Partners LLP and its subsidiaries ("Tellimer") provide specialist investment banking services to trading professionals in the wholesale markets. Tellimer draws together liquidity and matches buyers and sellers so that deals can be executed by its customers. Tellimer may at any time, hold a trading position in the securities and financial instruments discussed in this report. Tellimer has procedures in place to identify and manage any potential conflicts of interests that arise in connection with its research. A copy of Tellimer's conflict of interest policy is available at www.tellimer.com/regulatory-information.

Distribution

This report is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Tellimer. Tellimer shall accept no liability whatsoever for the actions of third parties in this respect. This report is for distribution only under such circumstances as may be permitted by applicable law.

This report may not be used to create any financial instruments or products or any indices. Neither Tellimer, nor its members, directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the information herein.

United Kingdom: Distributed by Exotix Partners LLP only to Eligible Counterparties or Professional Clients (as defined in the FCA Handbook). The information herein does not apply to, and should not be relied upon by, Retail Clients (as defined in the FCA Handbook); neither the FCA's protection rules nor compensation scheme may be applied.

UAE: Distributed in the Dubai International Financial Centre by Exotix Partners LLP (Dubai) which is regulated by the Dubai Financial Services Authority ("DFSA"). Material is intended only for persons who meet the criteria for Professional Clients under the Rules of the DFSA and no other person should act upon it.

Other distribution: The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restriction.

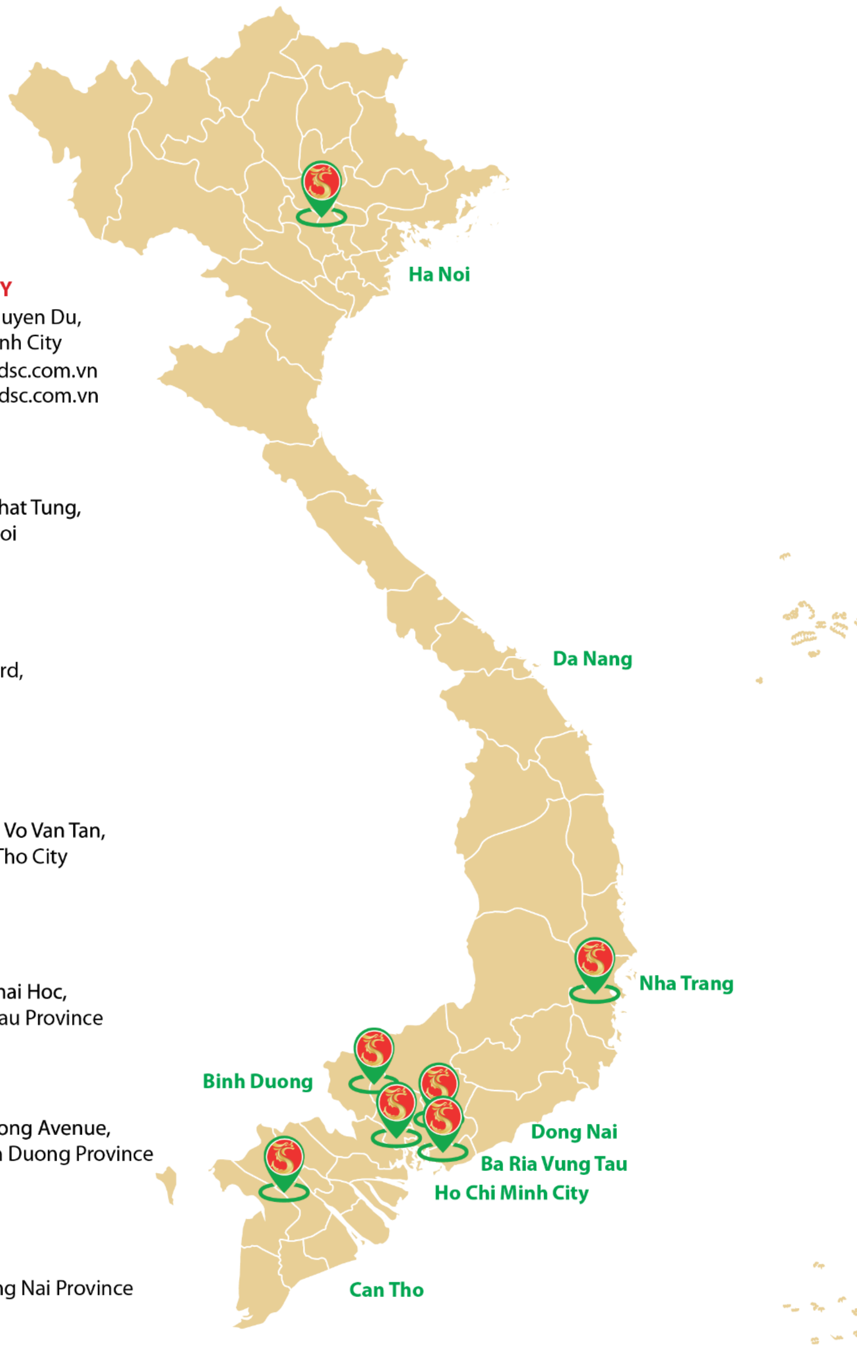
Disclaimers

Tellimer and/or its members, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Tellimer may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups of Tellimer.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Frontier and Emerging Market laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Frontier and Emerging Market securities are often not issued in physical form and registration of ownership may not be subject to a centralised system. Registration of ownership of certain types of securities may not be subject to standardised procedures and may even be effected on an ad hoc basis. The value of investments in Frontier and Emerging Market securities may also be affected by fluctuations in available currency rates and exchange control regulations. Not all of these or other risks associated with the relevant company, market or instrument which are the subject matter of the report are necessarily considered.

OPERATING NETWORK



HEADQUARTER IN HO CHI MINH CITY
Floor 1 - 8, Viet Dragon Tower, 141 Nguyen Du,
Ben Thanh Ward, District 1, Ho Chi Minh City
T (+84) 28 6299 2006 E info@vdsc.com.vn
F (+84) 28 6291 7986 W www.vdsc.com.vn
Tax code 0304734965

HANOI BRANCH
10th floor, Eurowindow Tower, 2 Ton That Tung,
Trung Tu Ward, Dong Da District, Hanoi
T (+84) 24 6288 2006
F (+84) 24 6288 2008

NHA TRANG BRANCH
7th floor, 76 Quang Trung, Loc Tho Ward,
Nha Trang City, Khanh Hoa
T (+84) 25 8382 0006
F (+84) 25 8382 0008

CAN THO BRANCH
8th floor, Sacombank Tower, 95-97-99, Vo Van Tan,
Tan An Ward, Ninh Kieu District, Can Tho City
T (+84) 29 2381 7578
F (+84) 29 2381 8387

VUNG TAU BRANCH
2nd floor, VCCI Building, 155 Nguyen Thai Hoc,
Ward 7, Vung Tau City, Ba Ria – Vung Tau Province
T (+84) 25 4777 2006

BINH DUONG BRANCH
3rd floor, Becamex Tower, 230 Binh Duong Avenue,
Phu Hoa Ward, Thu Dau Mot City, Binh Duong Province
T (+84) 27 4777 2006

DONG NAI BRANCH
8th floor, TTC Plaza, 53-55 Vo Thi Sau,
Quyet Thang Ward, Bien Hoa City, Dong Nai Province
T (+84) 25 1777 2006