RETAIL

OPPORTUNITIES LIE IN NEW FRAGMENTED MARKETS

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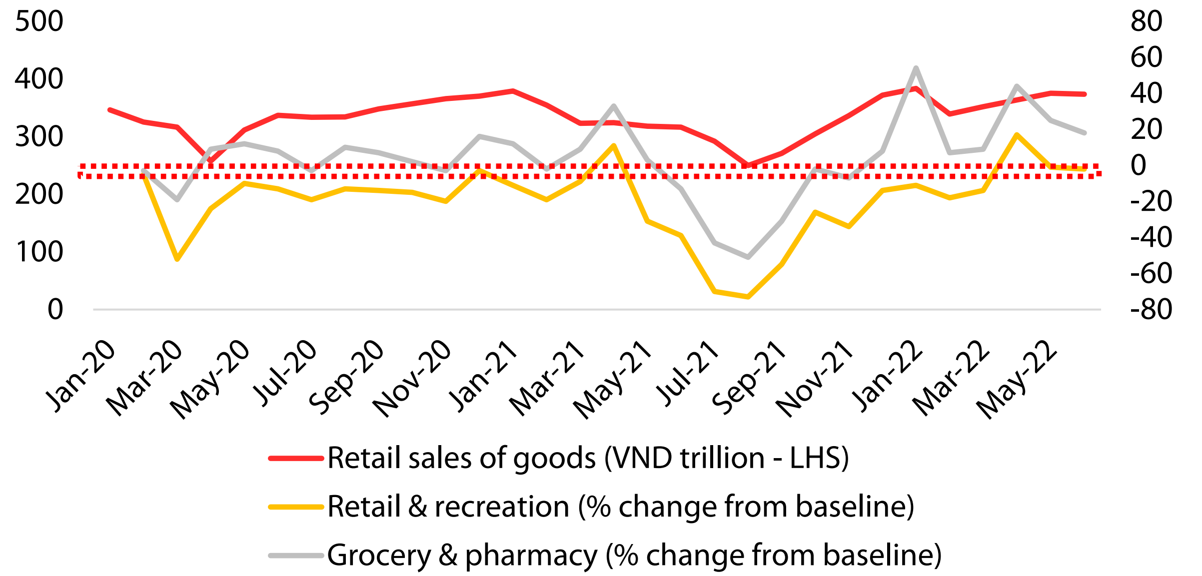
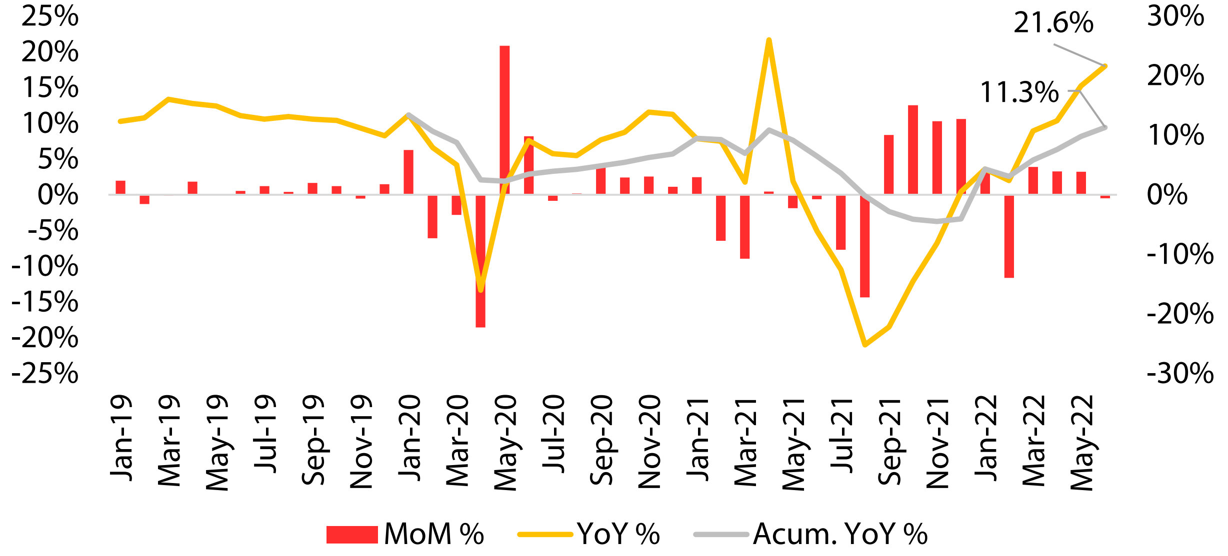
RETAIL SALES OF GOODS JUMPED BY 11.3% YoY IN 6M 2022

Figure 1: Mobility trends have fully recovered



Source: GSO, Google Mobility report, Rong Viet Securities

Figure 2: Growth of retail sales of goods

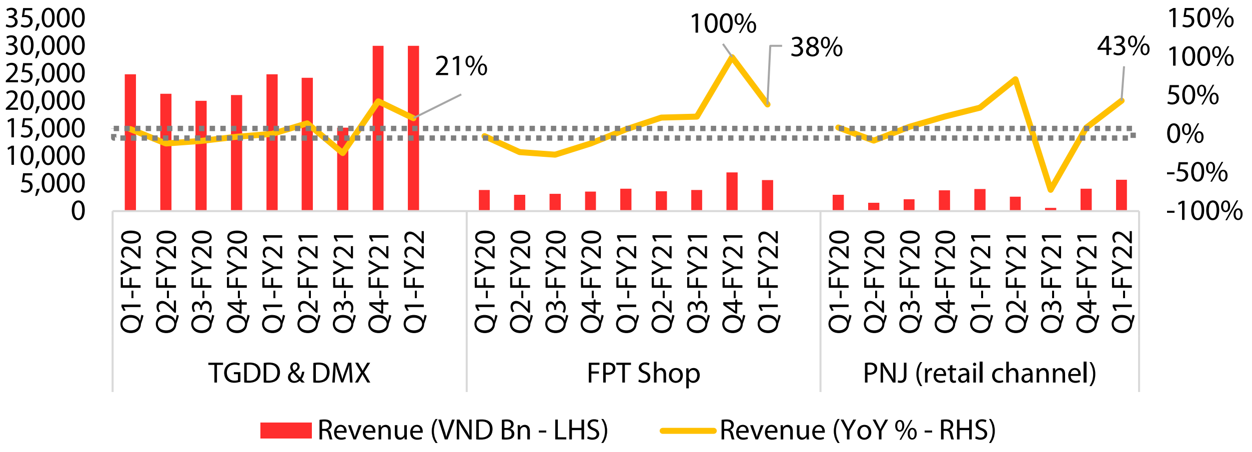


Source: GSO, Rong Viet Securities

- Visits to grocery markets and drugstores have recovered well above pre-covid level since Dec 2021 while visits to retail and recreation places, though were weighed on by the last wave of Covid in early 2022, hovered around pre-Covid level.
- These positive mobility trends, along with resilient demand and low base in 2021, have largely fueled the growth of retail sales of goods in recent months.
- However, MoM growth of retail sales of goods started to flat in June.

CONSUMER DURABLES: SALES GROWTH VARIED ON DIFFERENT DYNAMIC

Figure 3: ICT retailers saw revenue peaked in Q4-2021 while jewelry retailer PNJ continued to see improvement in Q1-2022



Source: Companies filings, Rong Viet Securities

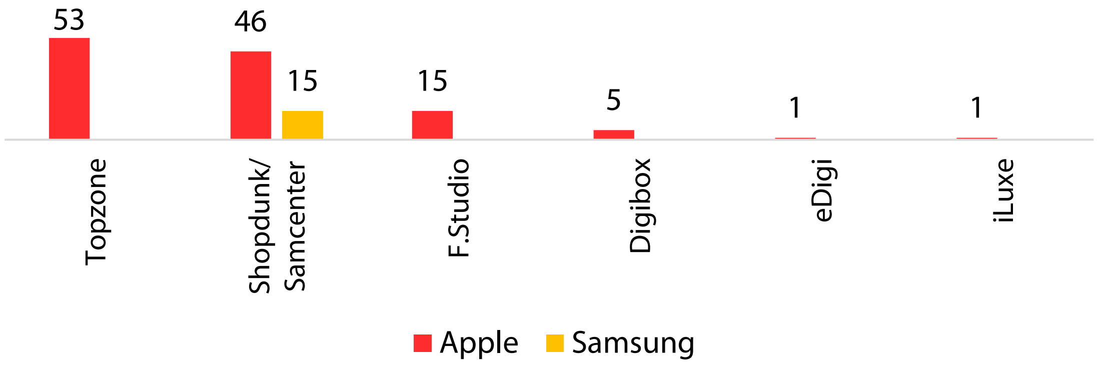
- ICT retailers like TGDD and FPT Shop saw strong SSSG in early months of 2022. Q1-2022 SSSG of TGDD&DMX and FPT Shop are 9% and ~20% (est.).
- Main ICT categories like laptops, tablets, mobile phones (Apple iPhones) saw double-digit growth in Q1-2022 but started to cool down in Q2-2022, as evidenced by distributors' sales.
- PNJ posted robust growth in retail sales in 5M-2022, mostly driven by high SSSG given low net openings YTD.

Figure 4: Different store network expansion strategy

TGDD & DMX	FPT Shop	PNJ
topzone Premium Reseller 50 by June (+40 YTD)	FPT Shop.com.vn ~730 by June (+12% YTD)	PNJ 13 net openings
Điện máy XANH Supermini 906 by May (+13% YTD)	FPT Shop.com.vn Laptop center ~150 by June (~x2 YTD)	STYLE By PNJ +2 Standalone 26 Shop-in-Shop

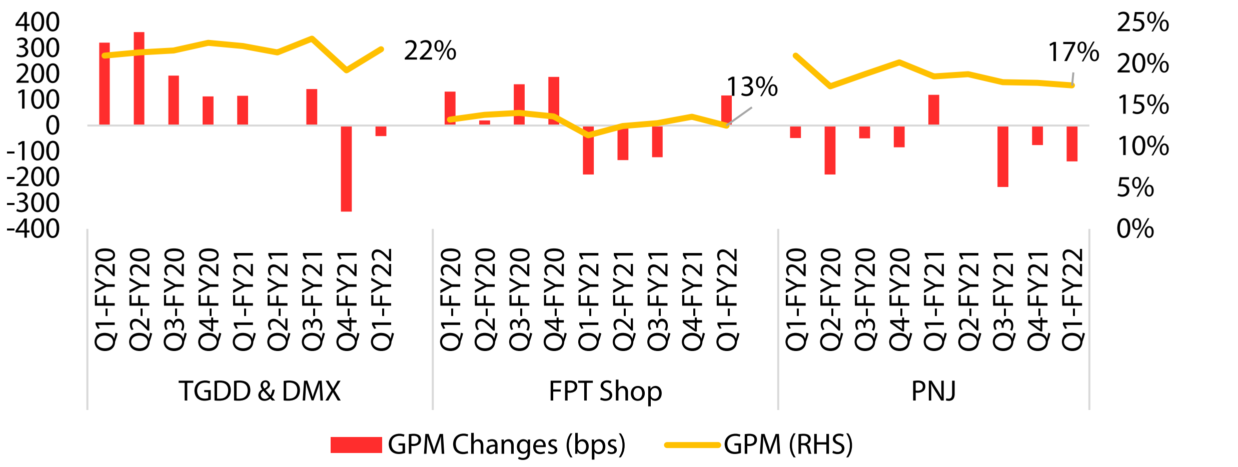
Source: Companies filings, Rong Viet Securities

Figure: Leading players are aggressive in brand store opening



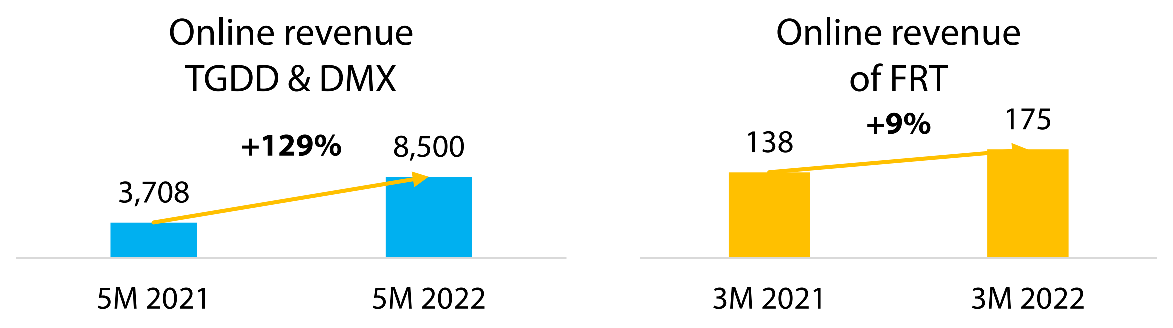
Source: Rong Viet Securities

Figure 5: Listed consumer durables retailers' GPM



Source: Companies filings, Rong Viet Securities

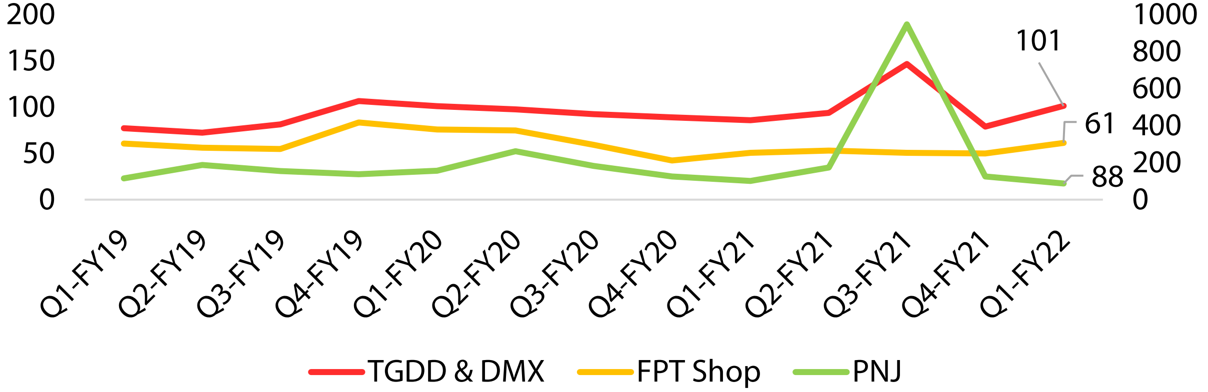
Figure 6: MWG ramps up online channel with different price policies



Source: Companies filings, Rong Viet Securities

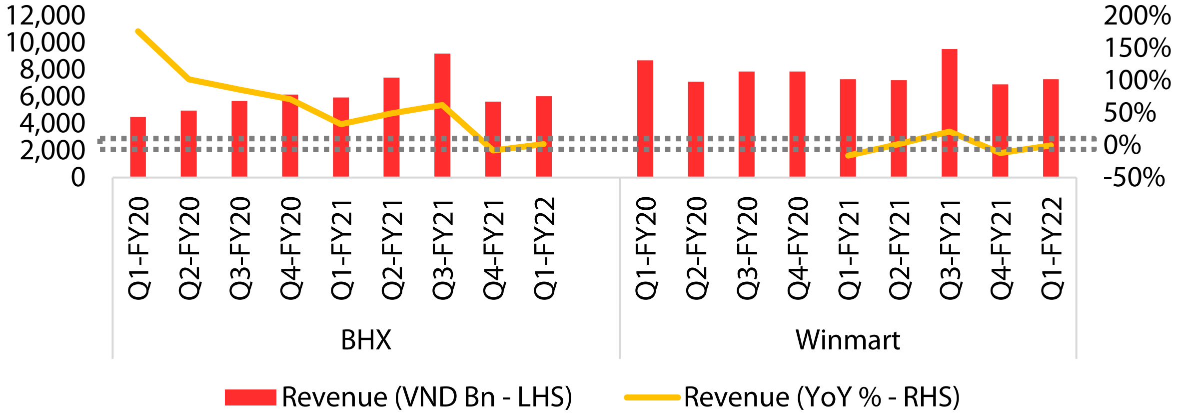
- GPMs changes were largely driven by product mix:
  - MWG's plan to boost online sales and larger contribution from Apple products caused a slight decline in GPM;
  - FRT's robust sales of laptop in Q1-2022 helped improve GPM but still hovering around historical average.
  - PNJ saw GPM contracting in recent quarters mostly due to high gold bar contribution.
- Given strong sales, DOH of most retailers stay at reasonable level in Q1-2022 but the increasing of food and fuel prices may take a toll on non-discretionary spending in 2H-2022, which could be a pressure on profit margins.

Figure 7: DOH of most retailers stay at reasonable level in Q1-2022



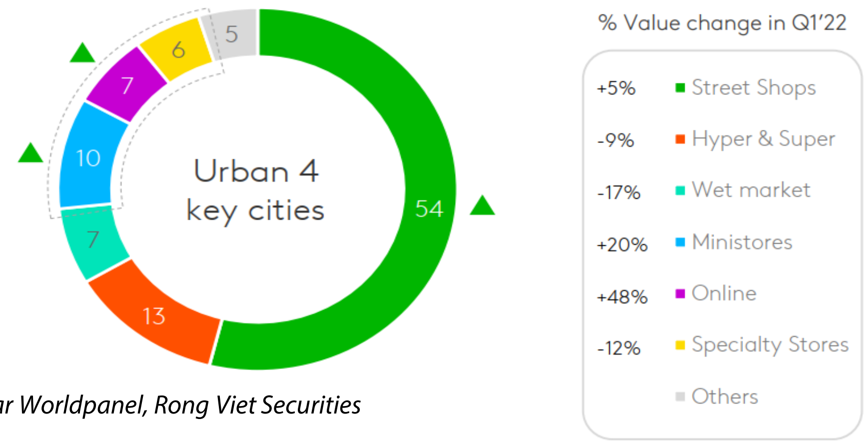
Source: Companies filings, Rong Viet Securities

Figure 8: Revenue growth decelerated as wet markets reopened



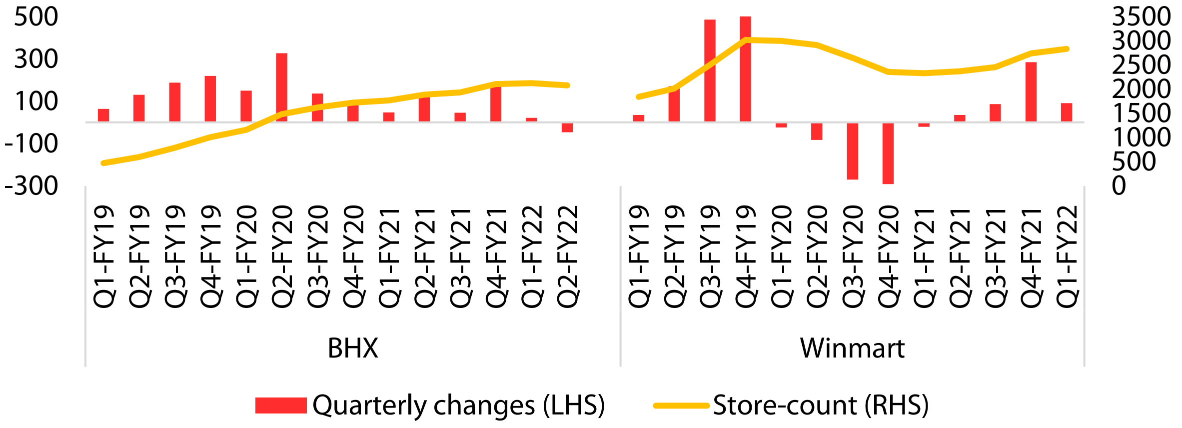
Source: Companies filings, Rong Viet Securities

Figure 9: 10% of FMCG spending in four major cities are from ministores



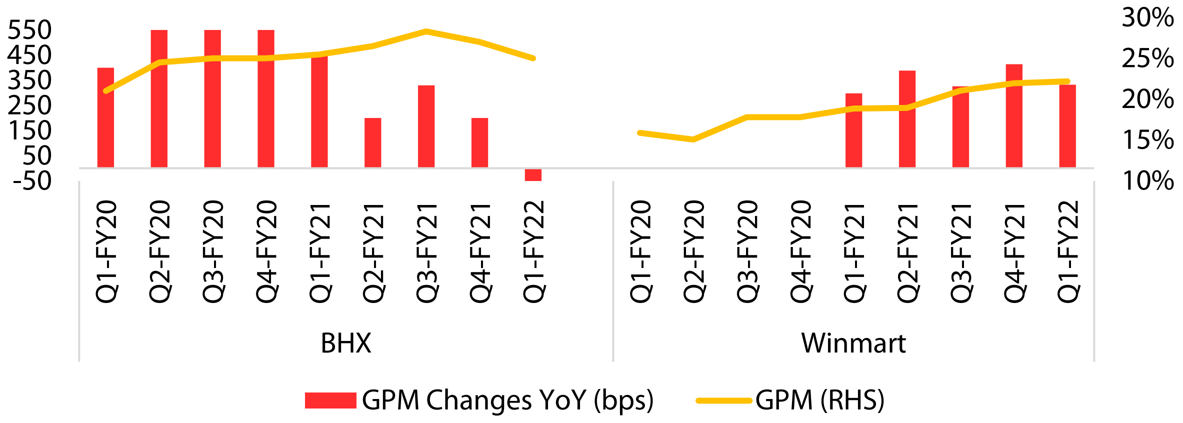
Source: Kantar Worldpanel, Rong Viet Securities

Figure 10: Leading grocers' store-count plateaued



Source: Companies filings, Rong Viet Securities

Figure 11: Divergent GPM trend

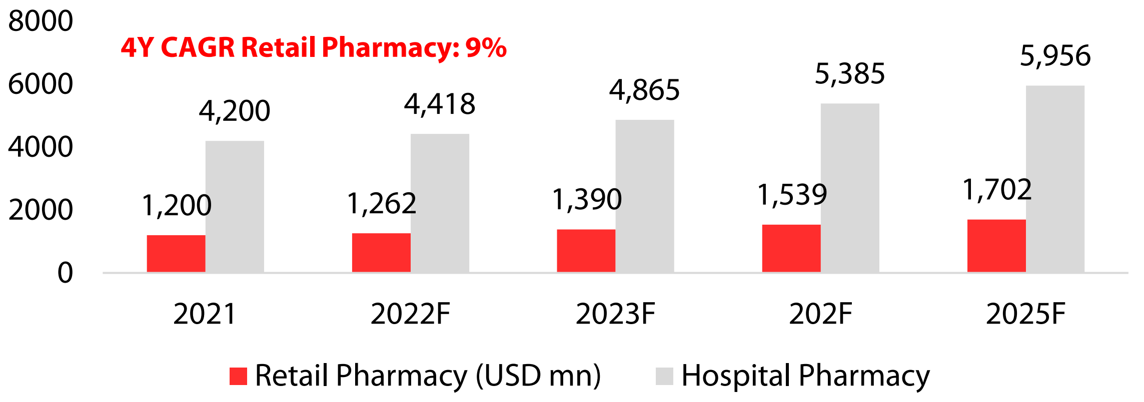


Source: Companies filings, Rong Viet Securities

EXPANDING FOOTPRINTS IN POTENTIAL MARKETS: PHARMACY

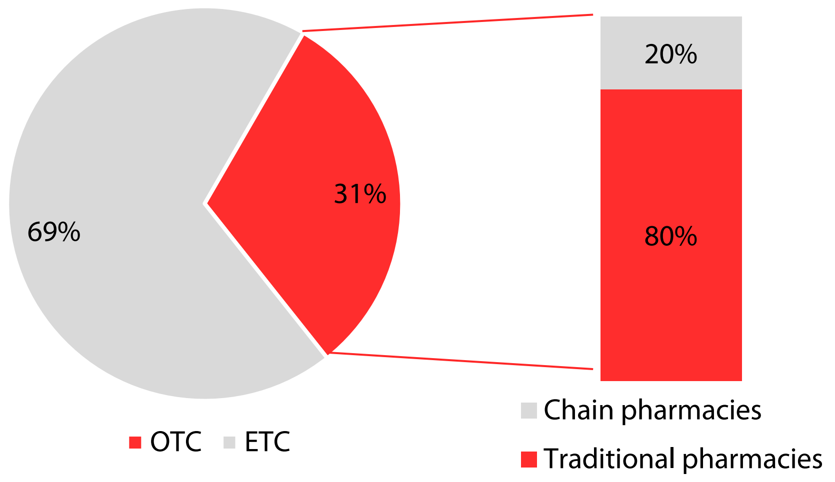
- **The market is highly fragmented**: Mom & pop drugstores still dominate the market with 95% of the stores (~ 50 thousand) and 80% of the OTC revenue.
- **Pharmacists can influence patients' purchase**, which provides a huge opportunity for chain pharmacies to control a favorable product mix.
- **Chain pharmacies are in an expanding race after new funding**: Pharmacity nearly doubled capital to USD 40 mn in Jan 2022. MWG topped up USD 22 mn more to raise An Khang capital to USD 35mn in Apr 2022. Long Chau's capital stays only at USD 11mn, with the last raising round dated back to Jul 2021.

Figure 12: Retail pharmacy market is currently USD 1.2 bn



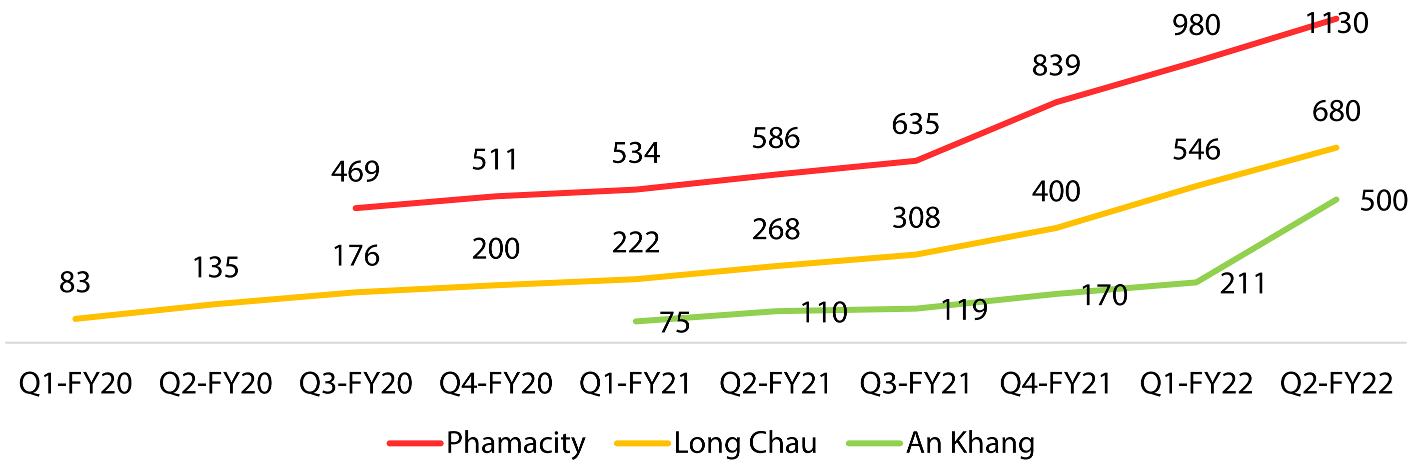
Source: IQVIA

Figure 13: Traditional pharmacies dominate the market



Source: Pharmacity

Figure 14: Chain pharmacies are growing fast with support from fresh funding



Source: Pharmacity.vn, Companies filings Rong Viet Securities

EXPANDING FOOTPRINTS IN POTENTIAL MARKETS: MATERNITY & BABY

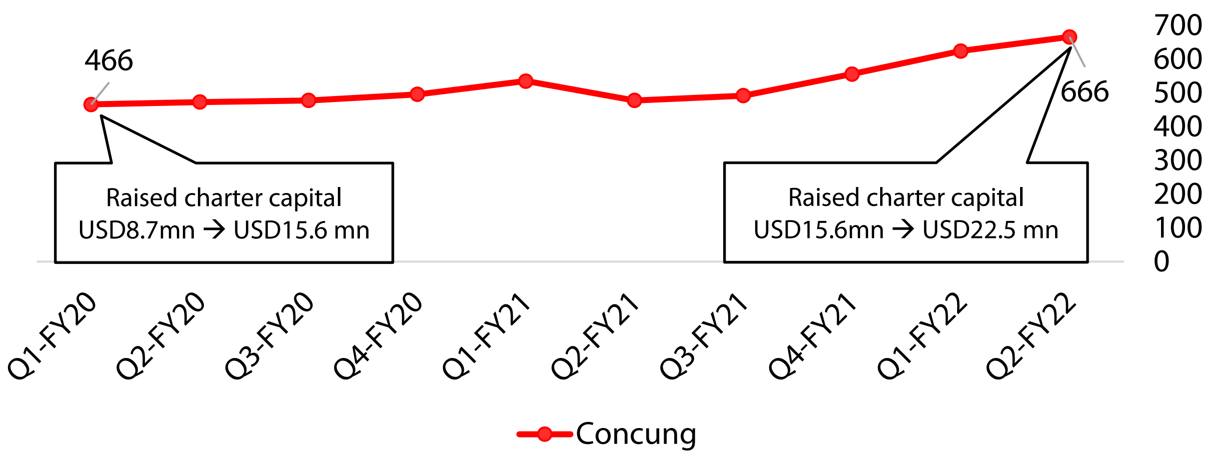
- Mom and baby product market size is enormous, estimated at USD 7 Bn, due to a large population of target customers.
- Around 1.6 million newborns per annum plus 7.9 mn babies and toddlers within the ages of 0-4 years old. Annual newborns could deliver at least 15% growth p.a for the market.
- Consumer shopping habits have been shifting from traditional models like markets and supermarkets to store chains specializing in mother and baby products.

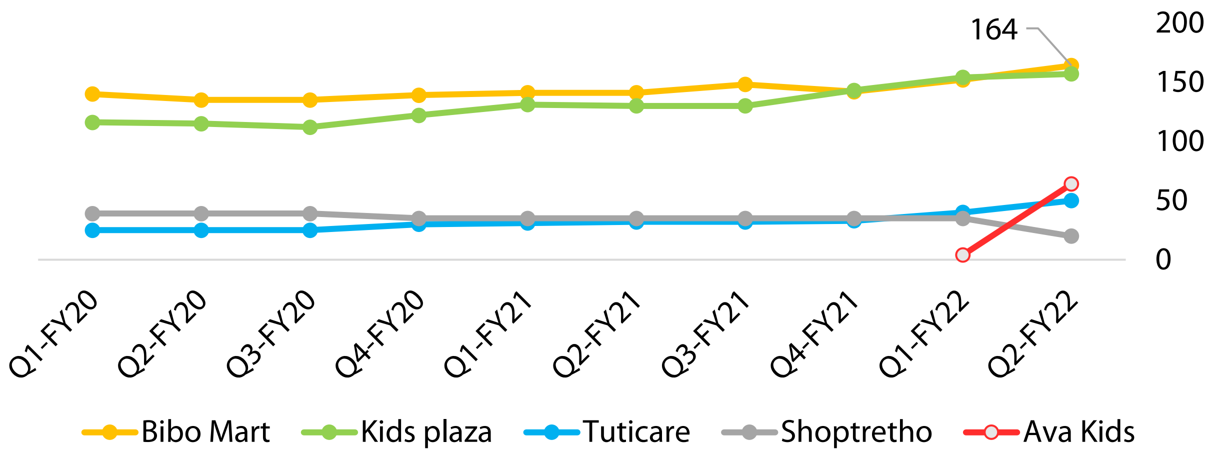
Table 1: Mom&Baby chain comparison

Chain	Curr. Charter capital (VND bn)	Curr. Store-count	Monthly website traffic	Category rank of website
Concung	VND 518 bn	655	519k	15
Bibo Mart	VND 106 bn	164	290k	34
Shoptretho	VND 62 bn	20	81k	6
Kids Plaza	VND 25 bn	156	734k	14
TutiCare	VND 9.5bn	50	74k	110
AvaKids	n.a	67	378k	n.a

Source: MPI, Rong Viet Securities

Figure 15: Concung is creating a large gap with other retailers in terms of store-count



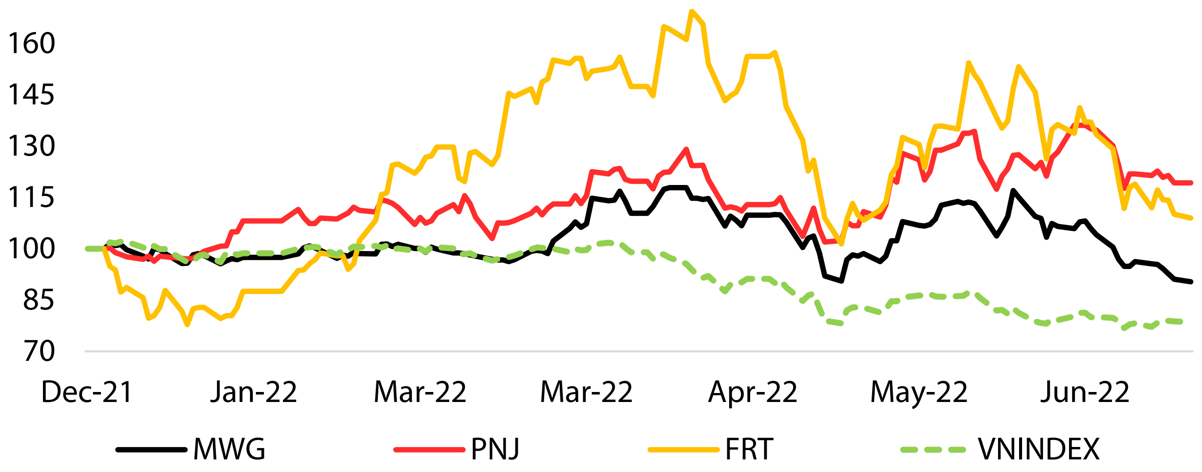


Source: MPI, Concung.com

Source: Companies' websites, Rong Viet Securities

ALL RETAILERS OUTPERFORMED THE VN INDEX IN 1H-2022

Figure 16: Retailers' stock prices performance



- PNJ: Strong earnings growth in 5M 2022 of 47% YoY (retail sales remained high even in off-peak months of Apr and May) and fund inflow of ETF VN Diamond underpinned share price's YTD outperformance.
- FRT: Share price soared in Q1-2022 on the back of strong profit result, which was bolstered by robust demand for laptop and positive PBT from Long Chau Pharmacy, but then corrected due to concern over decelerated growth in upcoming quarters.
- MWG: We attribute the underperformance vs other two retailers to weak results of BHX.

Figure 17: MWG P/E

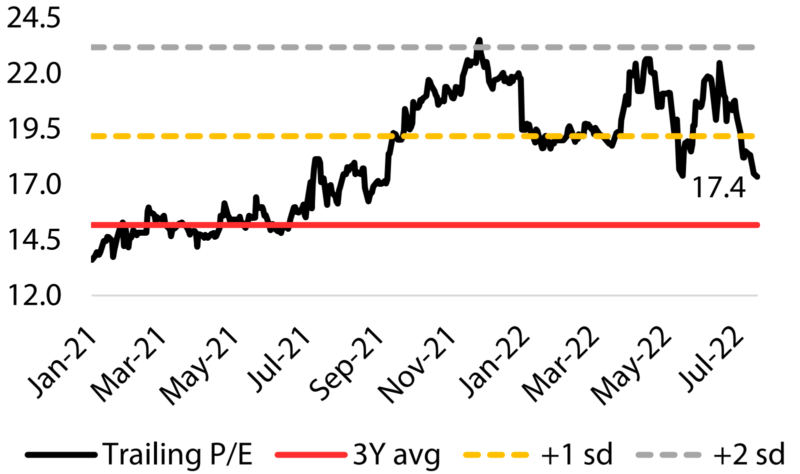


Figure 18: PNJ P/E

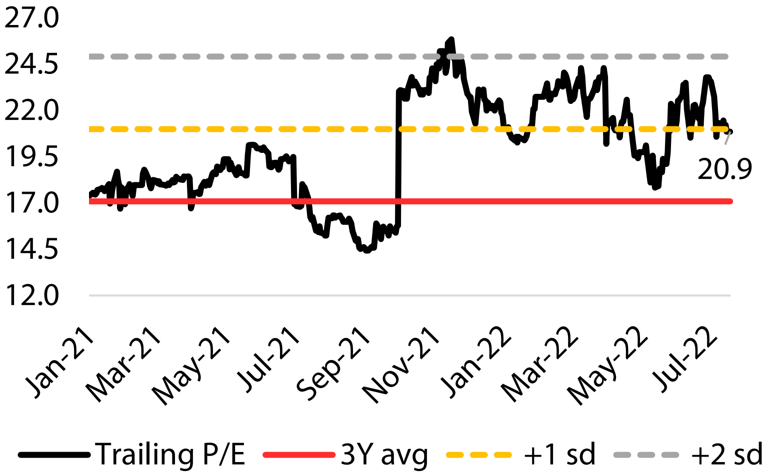
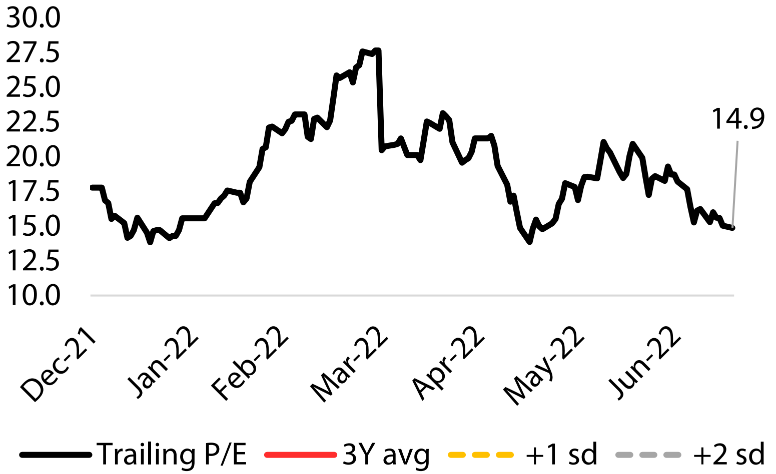


Figure 19: FRT P/E



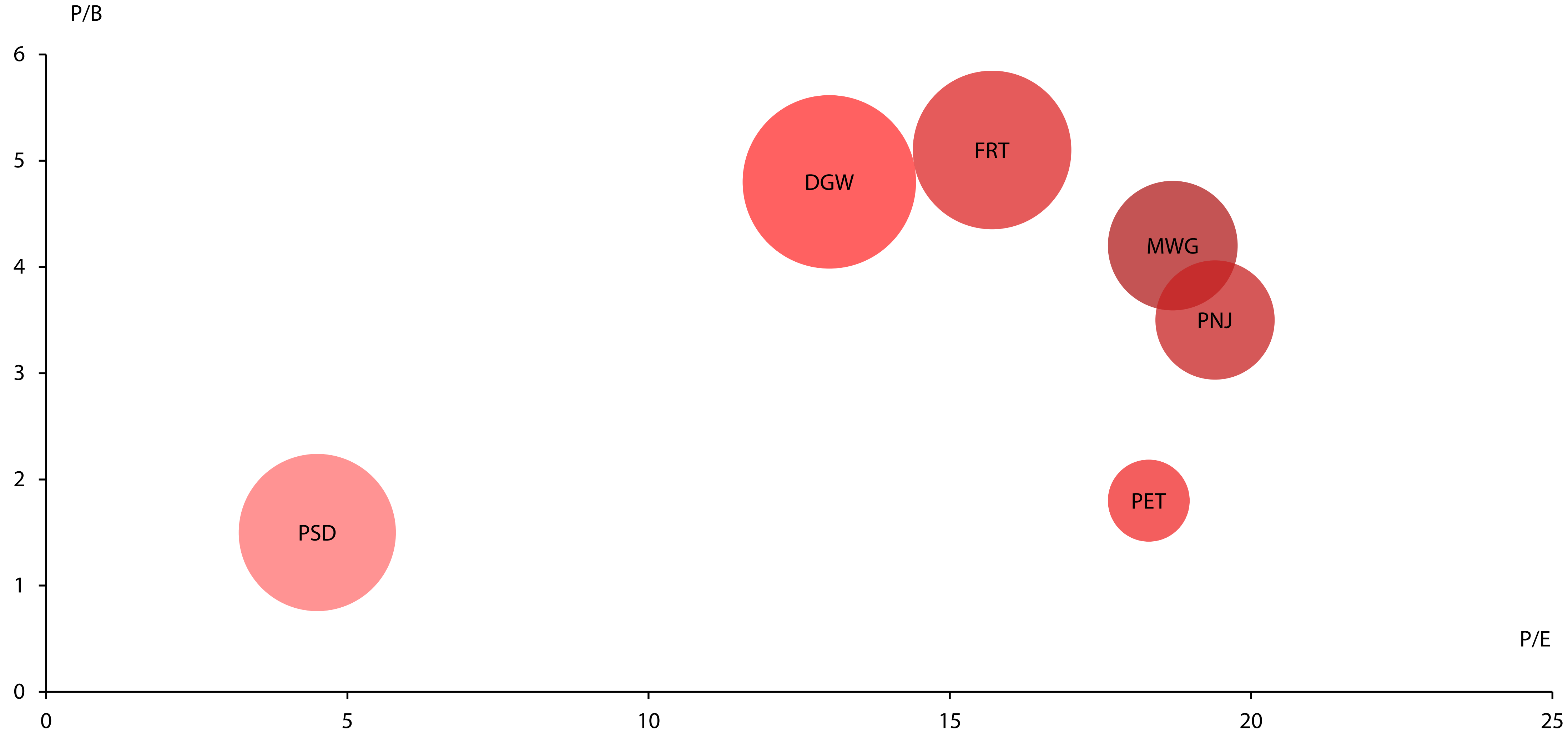
Source: Bloomberg, Rong Viet Securities

INDUSTRY COMPARABLE (TTM)

Ticker	Market cap (VND bn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
MWG	93,092	83,200	13.76	20.63	7.50	4.81	10.78	3.75	8.70	24.22	0.79	18.93	4.16
PNJ	28,236	143,900	22.04	4.50	7.60	7.30	1.26	5.29	13.69	19.89	1.03	21.95	3.45
FRT	9,312	96,900	67.61	1150.94	0.00	0.00	792.45	2.16	6.70	38.21	0.42	15.68	5.08
PET	3,346	N/A	16.34	74.23	3.02	2.91	34.15	1.36	3.51	14.40	0.00	13.17	1.83
DGW	10,241	N/A	40.02	98.98	3.56	3.53	96.24	3.30	16.29	43.99	0.88	13.95	4.77
PSD	724	N/A	4.83	108.27	2.51	2.48	110.44	1.80	7.27	35.61	6.36	4.53	1.45

Source: Fiinpro, Rong Viet Securities. Share price as of August 10th, 2022.

PE, PB & ROE (TTM)

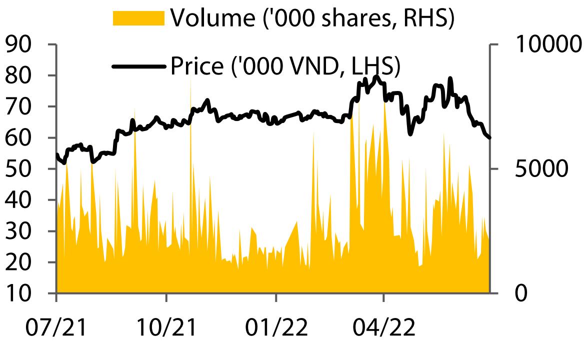


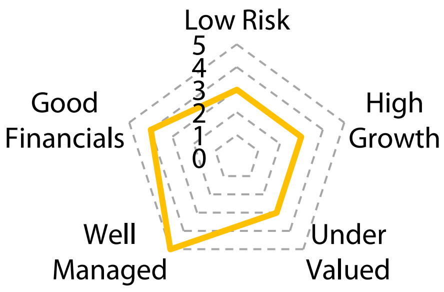
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

EARNINGS GROWTH TO RELY ON TGDD & DMX

HSX: MWG

<BUY: +31%> **<MP: 63,600>** **<TP: 83,200>**





STOCK INFO

Sector	Retail
Market Cap ($ mn)	3,869.7
Current Shares O/S (mn shares)	90,164.5
3M Avg. Volume (K)	3,379
3M Avg. Trading Value ($ mn)	24.1
Remaining foreign room (%)	0.1
52-week range ('000 VND)	51.9-79.6

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	122,958	137,462	169,939
NPATMI VND bn)	4,899	6,120	9,407
ROA (%)	7.8%	8.7%	12.3%
ROE (%)	24.1%	19.3%	24.1%
EPS (VND)	6,870	4,171	6,317
Book Value (VND)	28,562	21,642	26,262
Cash dividend (VND)	1,500	1,500	1,500
P/E (x)	11.5	14.7	9.7
P/B (x)	2.8	2.8	2.3

INVESTMENT RATIONALES

We expect Bach Hoa Xanh to deliver some improvements in terms of sales and profitability post-restructuring phase. The chain is strategically restructuring its business model: lowering SKUs per store, simplifying store format and renovate layouts. Also, stores that don't meet certain sales and profitability levels will be closed. These changes have prompted more than 300 stores closures in June and July. We think that closing phase will extend for another one-two months and expect to see clearer results of the restructuring process in late of Q3, followed by some improvements in profitability in Q4.

The continued ramp up DMS and Topzone stores will bolster TGDD & DMX earnings growth. We project that 2022F/23F NPAT of TGDD & DMX will grow at 31% YoY / 23% YoY.

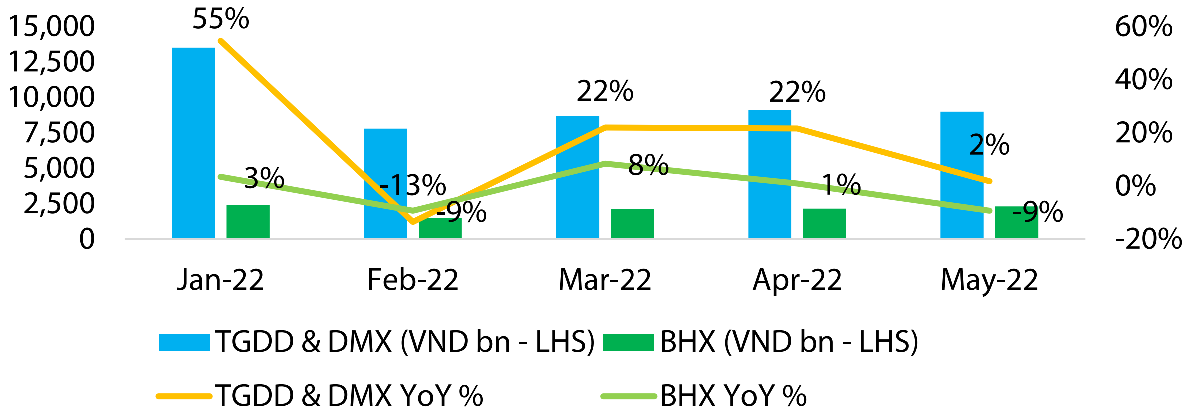
New chains (An Khang and AVA Kids) seem largely potential but will need some time for meaningful contribution.

RISKS TO OUR CALL

- Softer demand for discretionary items to decelerate growth of TGDD and DMX chains which are key profit contributors.
- Sales per BHX store to recover better-than-expected.
- The private placement of BHX (est. timeline: Q4-2022 to Q1-2022) could imply higher-than-expected valuation for BHX, leading to an upward rerating of MWG.

5M 2022 REVIEW: TGDD & DMX ARE STILL DOING WELL

Figure 1: ICT revenue slightly softened in May



Source: MWG, Rong Viet Securities

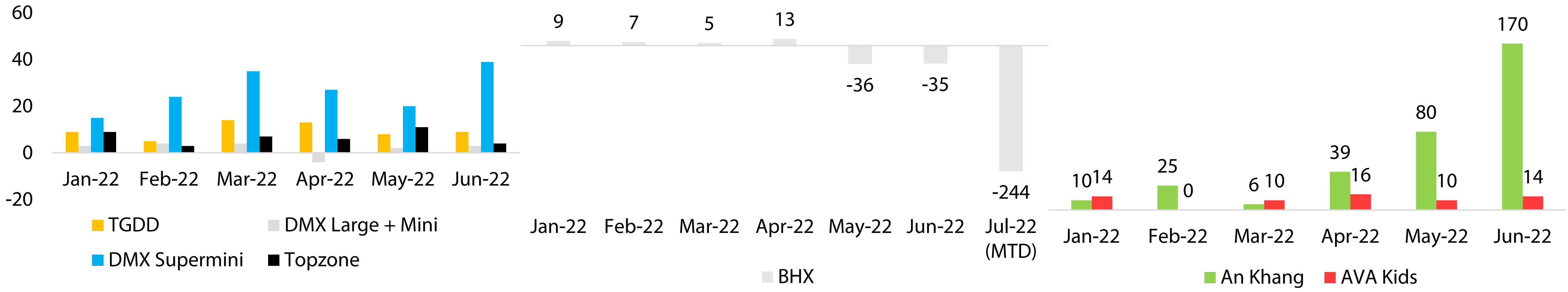
TGDD & DMX

- New openings of Topzone and DMX Supermini (DMS) and Q1-2022 SSSG of 8%, bolstered by smart phones and laptops, are growth drivers for sales.
- Sales in May should see some cool down due to normalized demand for ICT products.

BHX

- Still struggle in improving monthly sales per store, which hovers around VND 1 bn in three months after Tet.

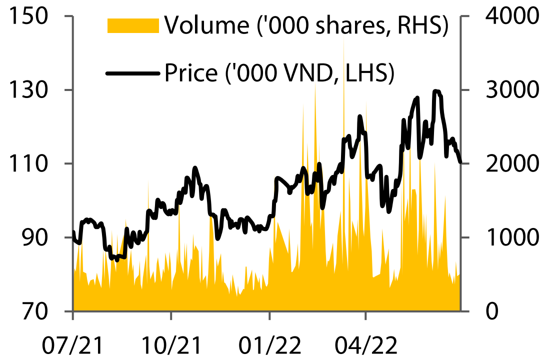
Figure 2: Proactive in expanding footprint in potential markets

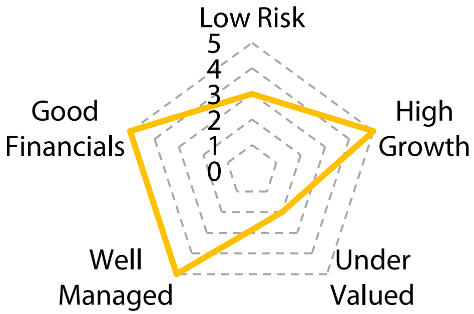


Source: Company's websites, Rong Viet Securities

RETAIL SALES ARE TAKING OFF

BUY: 24% **<MP: 116,500>** **<TP: 143,900>**





STOCK INFO

Sector	Retail
Market Cap ($ mn)	1,179.6
Current Shares O/S (mn shares)	27,484.4
3M Avg. Volume (K)	975
3M Avg. Trading Value ($ mn)	11.4
Remaining foreign room (%)	0.0
52-week range ('000 VND)	83.9-129.5

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	19,547	28,869	32,141
NPATMI VND bn)	1,029	1,749	1,919
ROA (%)	9.7%	13.1%	13.5%
ROE (%)	20.5%	19.6%	19.0%
EPS (VND)	4,521	7,208	7,303
Book Value (VND)	22,061	36,746	38,396
Cash dividend (VND)	2,000	2,000	2,000
P/E (x)	21.1	15.6	15.4
P/B (x)	3.6	3.1	2.9

INVESTMENT RATIONALES

Resilient demand for fashion jewelry bodes well for strong net profit growth in 2022F. The surprise result of retail channel, with an estimated YTD SSSG ranging 35%-40%, indicates that PNJ has successfully leverage its leading position in terms of store network amid resilient demand for fashion jewelry post-covid. Moreover, we believe that PNJ is making good use of new capital from recent private placement to carry out effective marketing campaigns and promotional activities.

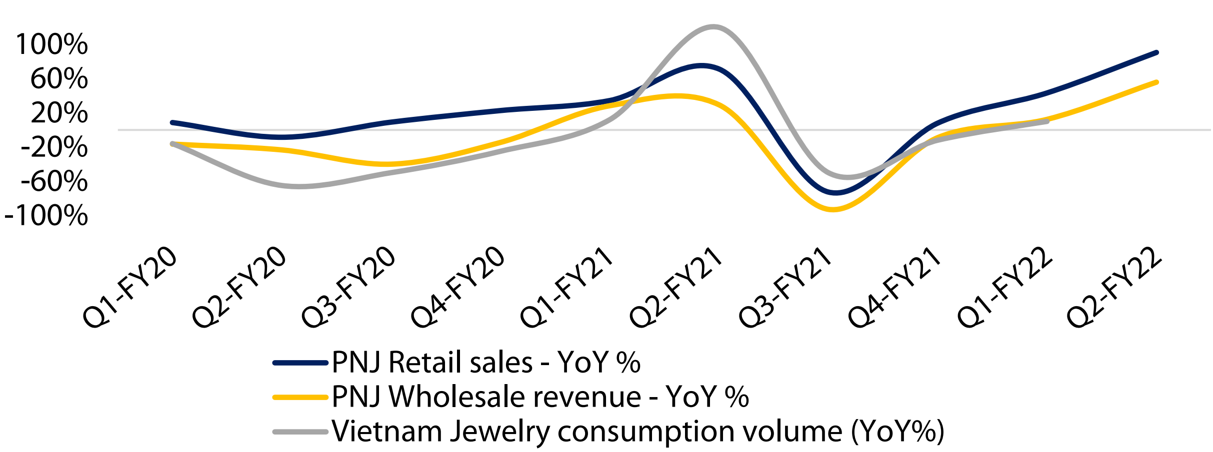
Recent results are showing a positive signal for 2H 2022 earnings outlook. 2022F retail sales are projected at VND17,326 billion (+53% YoY) and we expect to see a surge of 70% YoY in net profit in 2022F.

We expect the increased pace of opening to bolster net profit growth going forward, making current valuation (2022F P/E of 15.6x) investable. We incorporate annual new opening assumption of 35-40 store per annum in the next three years, and expect SSSG to maintain at 10% in the same period. Projected 3Y CAGR of NPAT over 2022F-2025F period stay at 18.1%.

RISKS TO OUR CALL

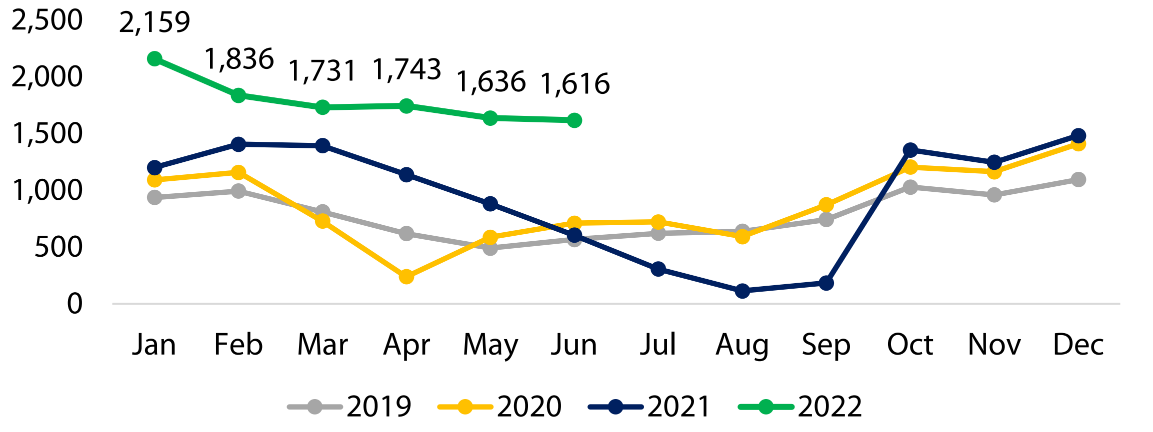
- Higher-than-expected inflation to erode fashion jewelry spending.

Figure 1: Retail channel continued to outperform vs industry



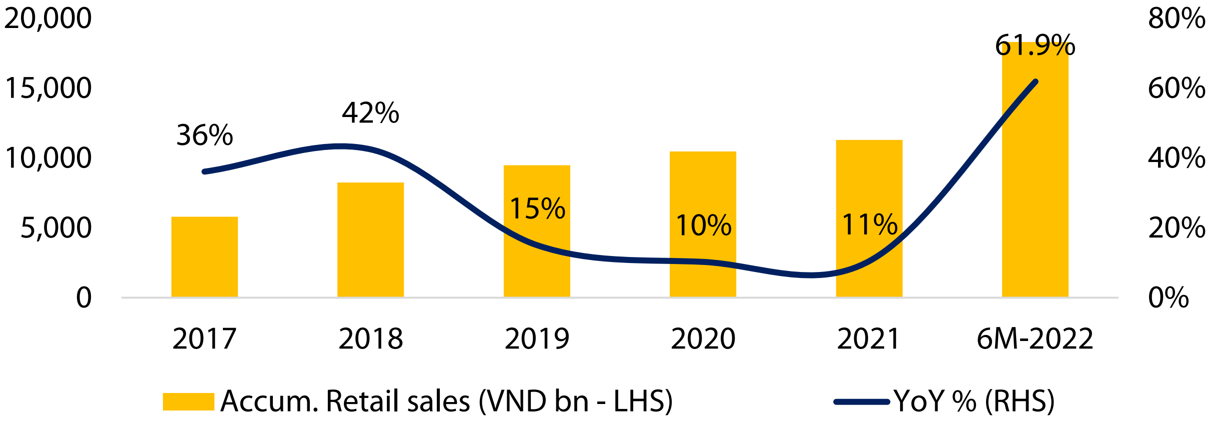
Source: PNJ, Rong Viet Securities

Figure 2: Monthly retail sales maintained at all-time high level



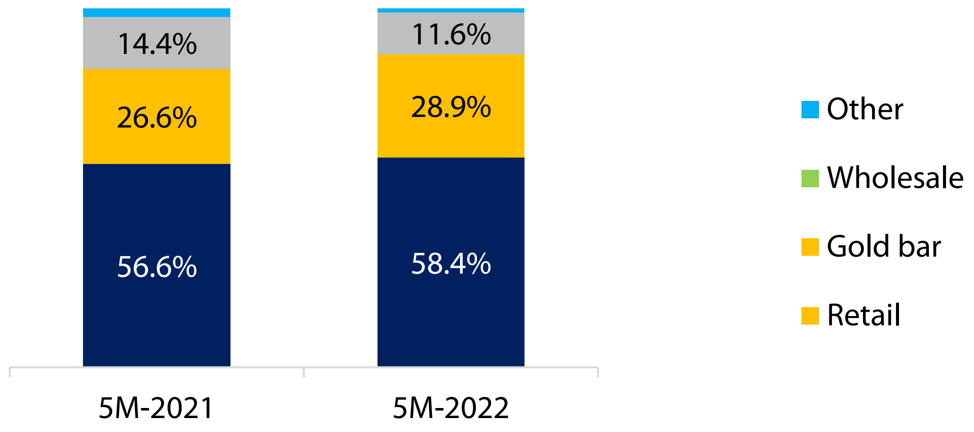
Source: PNJ, Rong Viet Securities

Figure 3: Accumulated retail sales showed strong growth



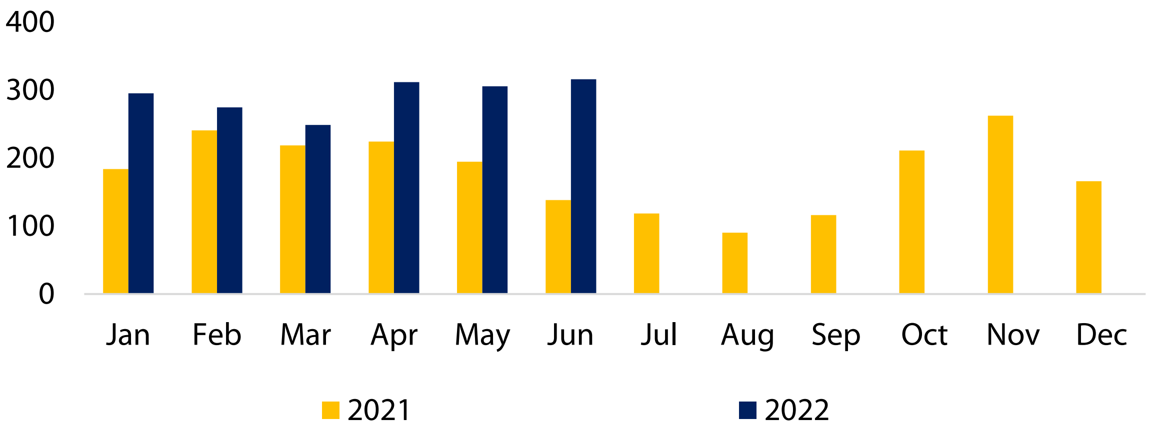
Source: PNJ, Rong Viet Securities

Figure 4: Revenue structure by product in 5M 2022



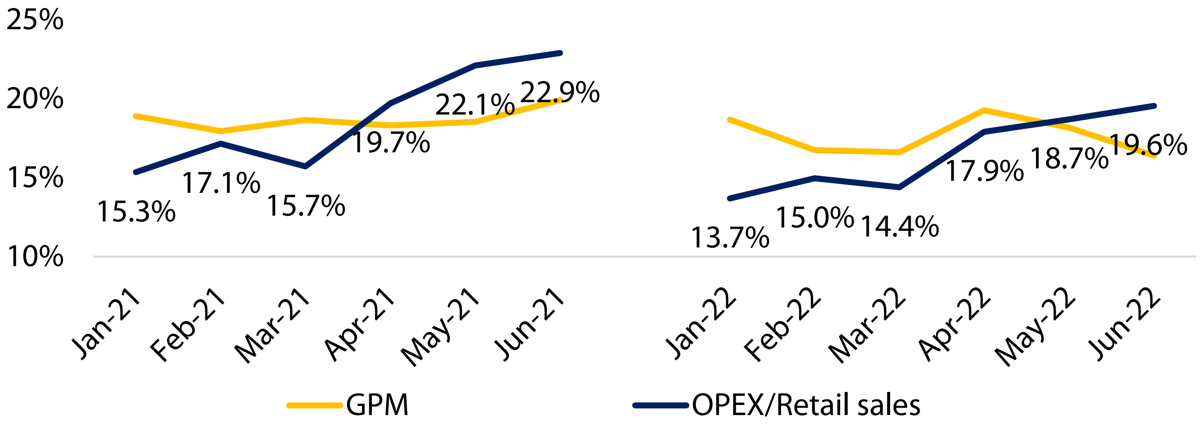
Source: PNJ, Rong Viet Securities

Figure: 6M-2022 OPEX is increasing fast at 35% YoY …



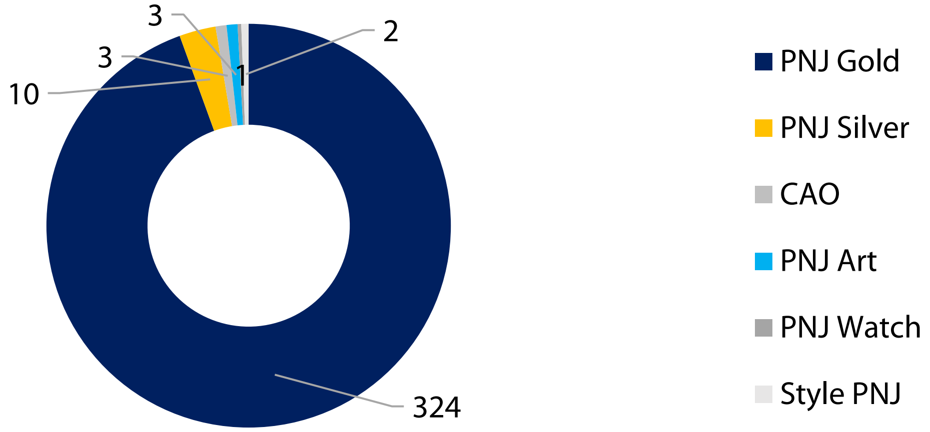
Source: PNJ, Rong Viet Securities

Figure: …but OPEX/retail sales lowered, expanding EBIT margin



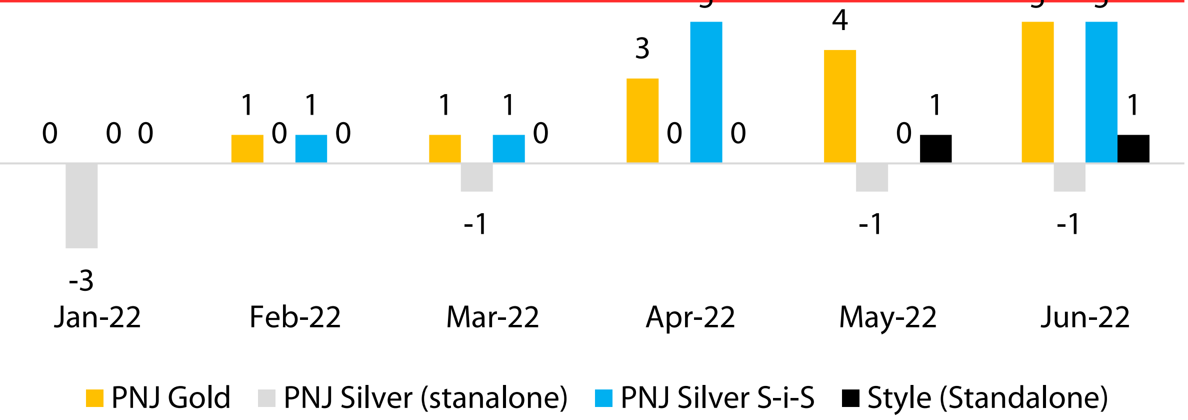
Source: PNJ, Rong Viet Securities

Figure: Store count by format



Source: PNJ, Rong Viet Securities

Figure: Restructuring PNJ Silver and speeding up gold stores opening

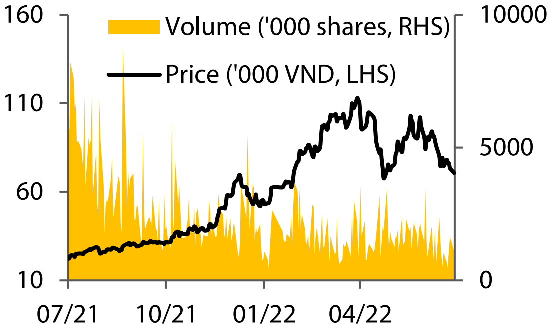


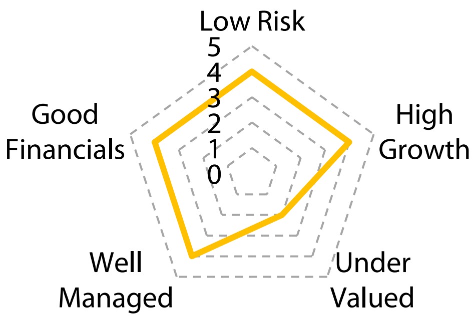
Source: PNJ, Rong Viet Securities

LONG CHAU TO BE A KEY PROFIT GROWTH DRIVER

HSX: FRT

<BUY: +23%> **<MP: 78,600>** **<TP: 96,900>**





STOCK INFO

Sector	Retail
Market Cap ($ mn)	383.9
Current Shares O/S (mn shares)	8,944.7
3M Avg. Volume (K)	1,570
3M Avg. Trading Value ($ mn)	13.7
Remaining foreign room (%)	30.3
52-week range ('000 VND)	22.3-112.8

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	22,495	29,368	34,990
NPATMI VND bn)	444	649	795
ROA (%)	4.1%	6.2%	7.1%
ROE (%)	26.7%	24.3%	23.4%
EPS (VND)	5,618	5,478	6,709
Book Value (VND)	21,045	22,508	28,717
Cash dividend (VND)	500	500	1,000
P/E (x)	17.8	13.8	11.3
P/B (x)	4.7	3.4	2.6

INVESTMENT RATIONALES

Though smartphones and laptop sales should cool down in 2H 2022, low base in 2021 still bolster strong profit growth in 2H 2022.

- Though demand for key product categories namely laptops and smartphones is likely to reduce compared to the peak in Q1-2022, we expect new iPhone 14 with new design and demand for laptops in Back-to-school to be supportive for the 2H-2022.
- We expect PBT growth of FPT Shop to be 25% / 19% for 2022F/23F.

Contribution from Long Chau Pharmacy is increasingly meaningful for long-term earnings outlook.

- The headroom for consolidation is significant given extremely fragmented nature of retail market for medicines and supplements imply.
- The increased competition from other emerging chain pharmacies could be challenging, but we don't expect this to largely impact Long Chau earnings growth.
- Projected PBT of Long Chau Pharmacy for 2022F/23F stays VND 113 bn (+2932 % YoY) / VND 159 bn (+67% YoY). Projected 2023F PBT of Long Chau accounts for nearly 20% of consolidated PBT.

RISKS TO OUR CALL

- Softer demand for discretionary items to decelerate growth of FPT Shop.

REVIEW: BOTH CHAINS POST STRONG RESULTS

Figure 1: FPT Shop quarterly results

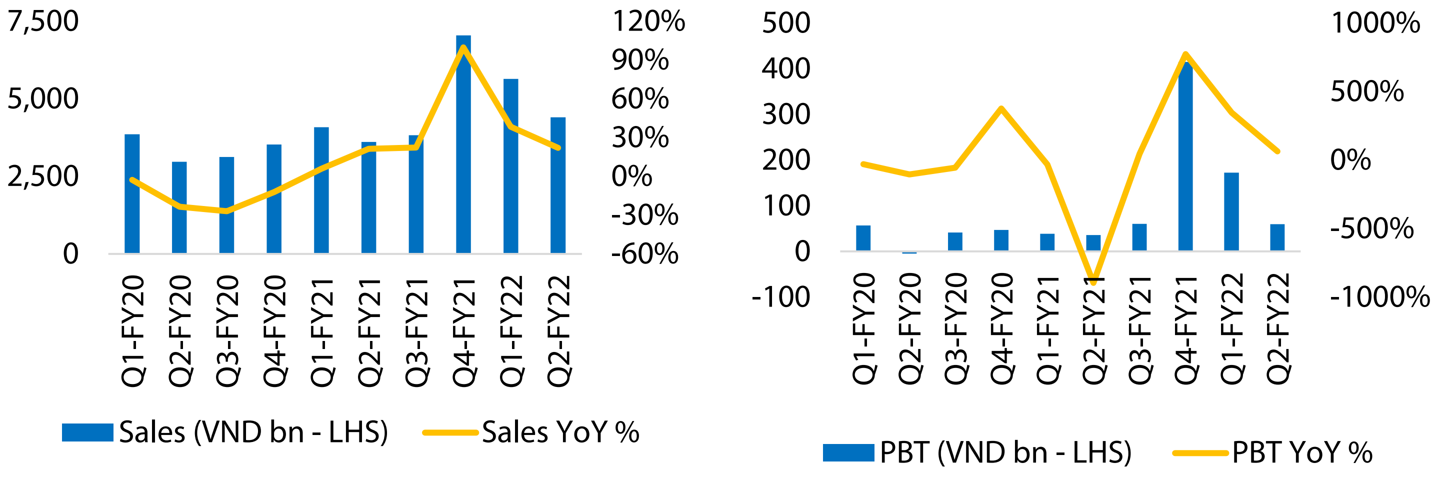
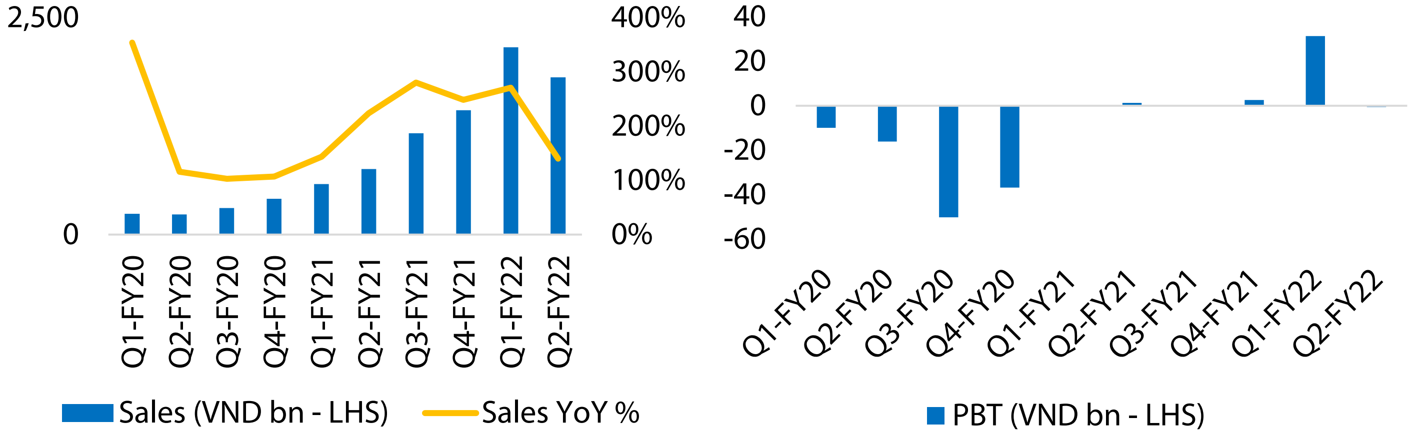


Figure 2: Long Chau quarterly results



Source: FRT, Rong Viet Securities, Q2-2022 results are estimated

FPT shop

- Around 80 new FPT Shops and 80 laptop centers were opened in 6M.
- Ramping up laptop centers strongly boosted revenue growth in Q1-2022. Laptop sales reached VND 1.4 trillion (+74% YoY), accounting for 25% total FPT shop sales, but decreasing by 40% from the peak level in Q4-2021.
- We expect laptop smartphones sales to continue cool down in Q2-2022 due to low season and normalized demand for laptop. Q2-2022 sales/PBT are estimated at VND 4.6 trillion (+29% YoY)/VND 140 bn (+286% YoY), resulting in 6M-2022 PBT growth of 317% YoY.

Long Chau

- We believe that Long Chau sales will improve in Q2-2022 given around 140 stores were opened in the period. Sales per store and GPM should normalize after the last outbreak in Q1-2022.
- Since a large bonus was recorded in Q1-2022, we expect PBT to further improve in 2H 2022 .

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