RONG VIET SECURITIES

PRELIMINARY 2H2021 OUTLOOK

RONG VIET SECURITIES

RETAIL

ACCELERATING SECULAR TRENDS OF OMNICHANNEL AND MODERN TRADE

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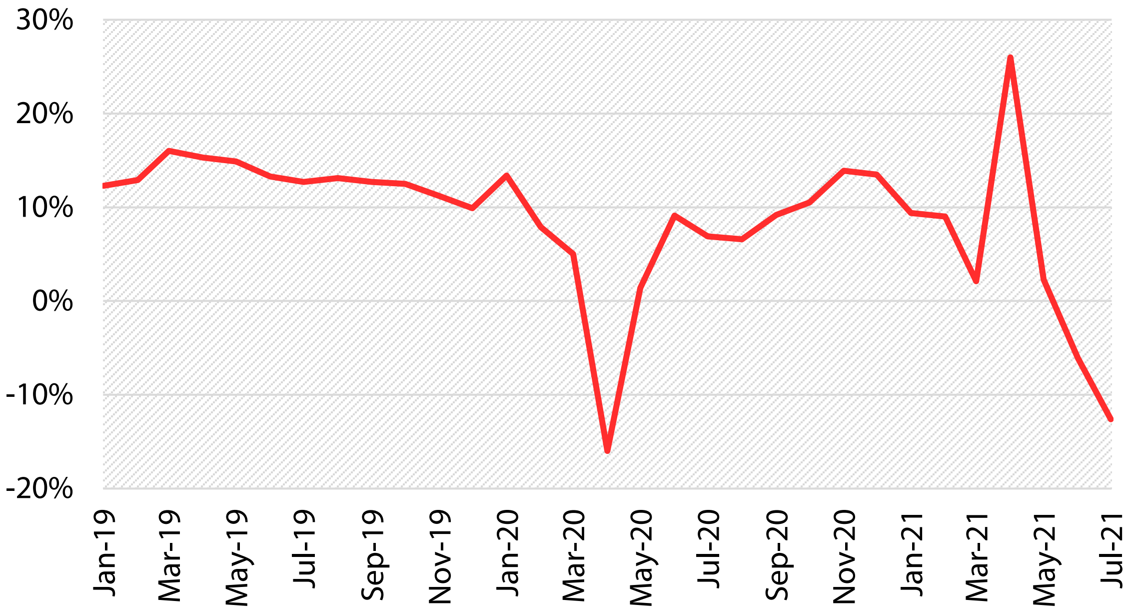
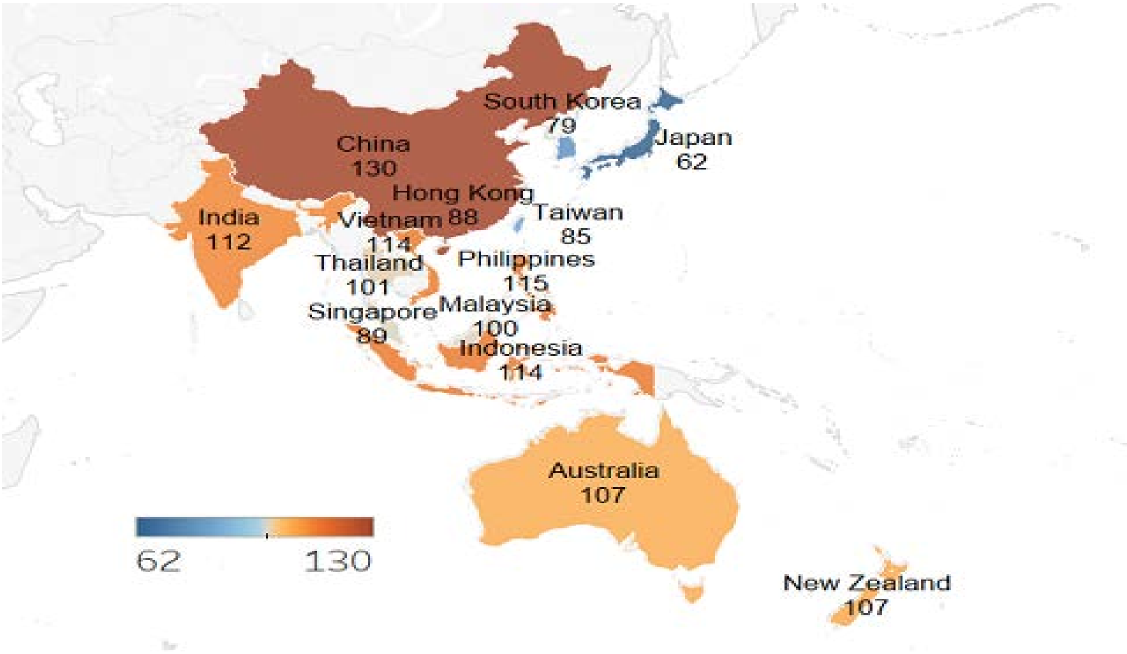
Figure 1: Monthly retail sales of goods in Vietnam (YoY %)



Source: GSO, Rong Viet Securities

Figure 2: Consumer confidence in Asia-Pacific, Q2 2021

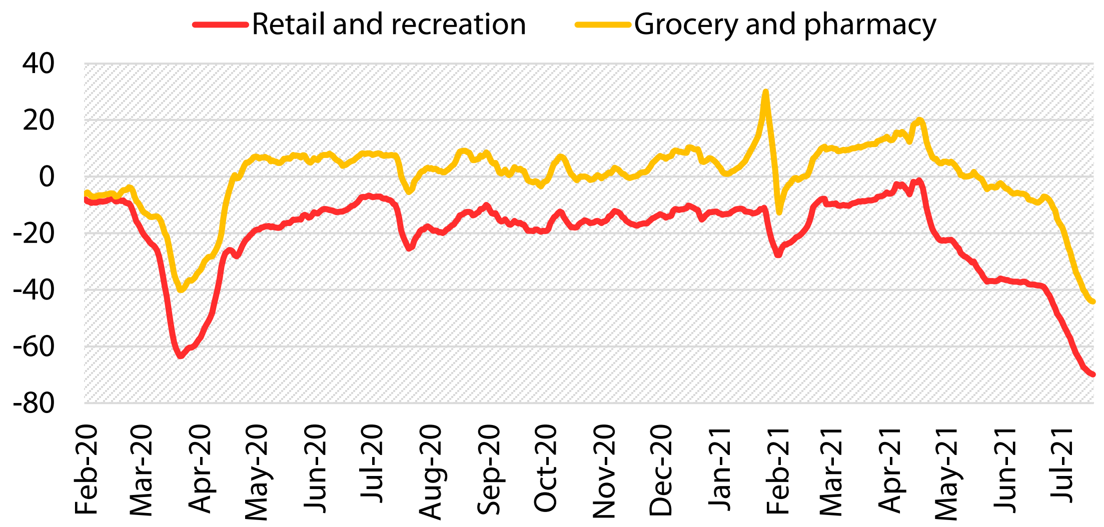


Source: The Conference Board

The most severe social distancing has led Vietnam's retail sales of goods to plummet in recent months. As a results, 7M 2021 growth rate decelerated to 3.6% YoY.

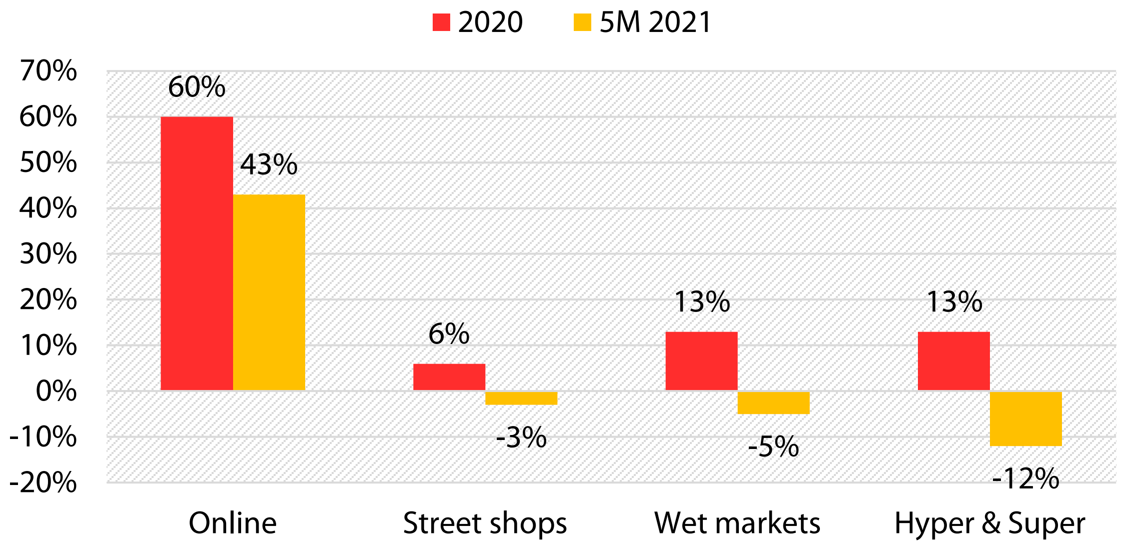
Consumer confidence declined to 114 points in Q2 2021 from 121 in Q4 2021 and 117 in Q1 2021, marking the lowest point in the past four years as job prospects and personal finances deteriorated due to the 4th wave of Covid. However, the fact that the index level was above 100 still indicates optimism among consumers, which could be viewed as a sign of a potential strong rebound of domestic consumption post-covid.

Figure 3: Vietnam mobility trend*



Source: Google Community Mobility Reports; % change relative to the median value of visitors number in the days before the pandemic - five-week period from January 3rd to February 6th, 2020.

Figure 4: FMCG value changes by channel



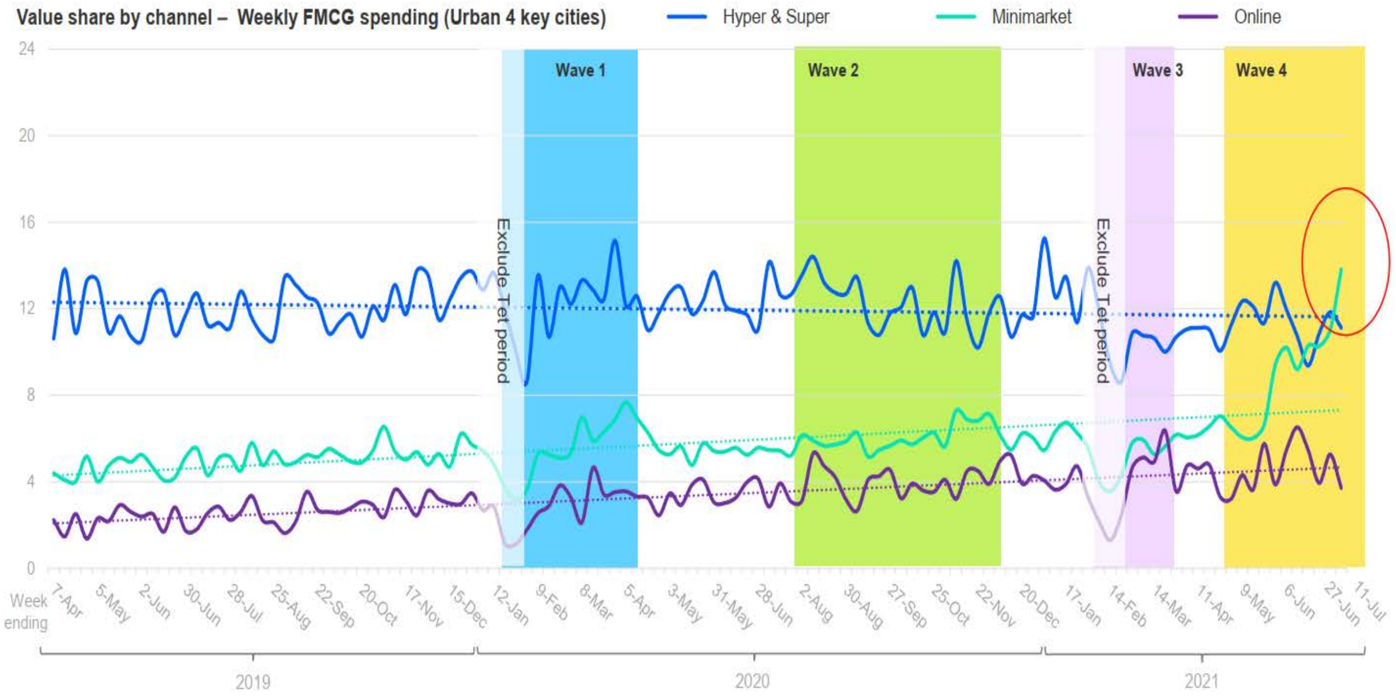
Source: Kantar Worldpanel, Rong Viet Securities

The current lockdown is the most stringent as we observe that mobility flows significantly declined during July, which is even lower than the lockdown last year in April. As of Aug 3rd, Google's data showed retail and recreation movements fell 71% below pre-COVID baseline while traffic to grocery and pharmacy were 44% lower.

As a result, this has accelerated online shopping demand. In fact, 1H2020 has seen many retailers' online revenue soaring. MWG's Online revenue in June increased by 30% MoM and surged by 67% compared to the average level in 4M 2021. In the first six months of the year, the number of BHX minimarket's online bills and online sales soared by 5x and 4.5x YoY.

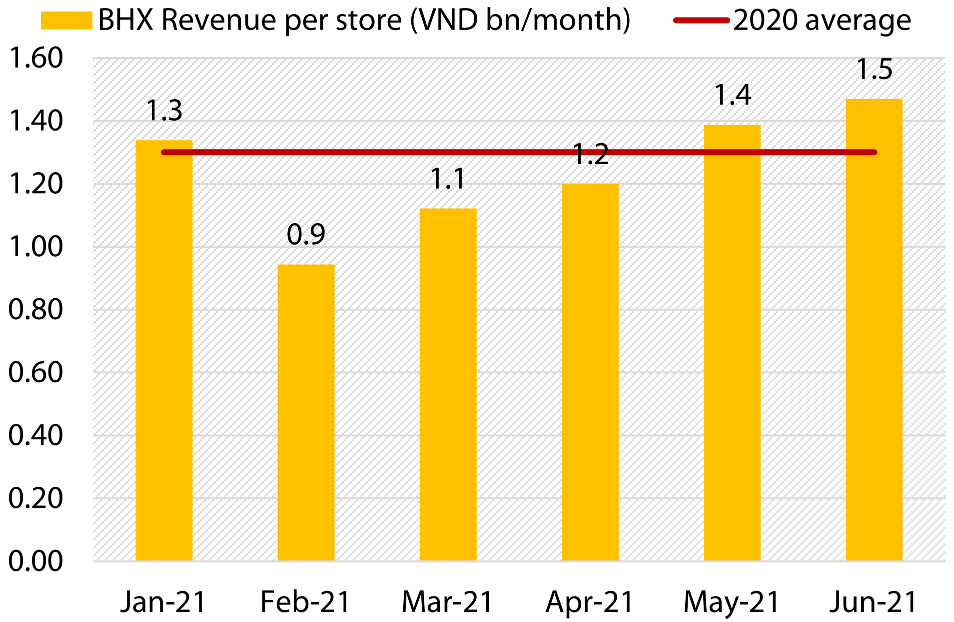
Modern Trade Thrived After The Wet Market Ban In HCMC

Figure 5: FMCG sales in minimarket are surging*



*Source: Kantar Worldpanel; *Ho Chi Minh City, Ha Noi, Da Nang and Can Tho*

Figure 6: BHX sales per store soared amid the lockdown

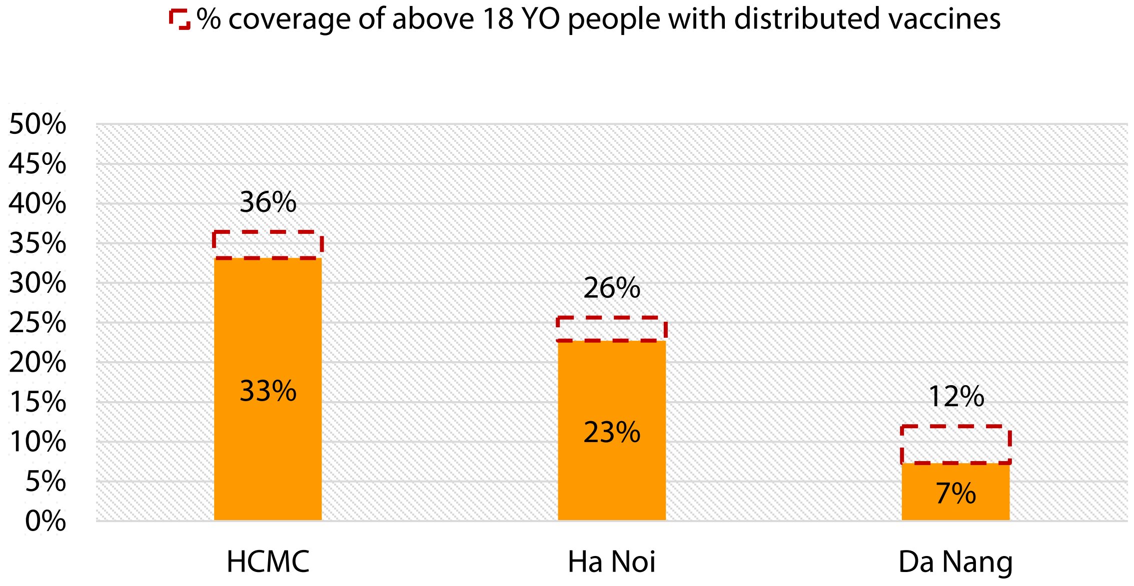


Source: MWG, Rong Viet Securities

Following the wet markets ban from June 20th and the application of Directive 16 from the 2nd week of July in HCMC, FMCG spending in minimarkets jumped up dramatically.

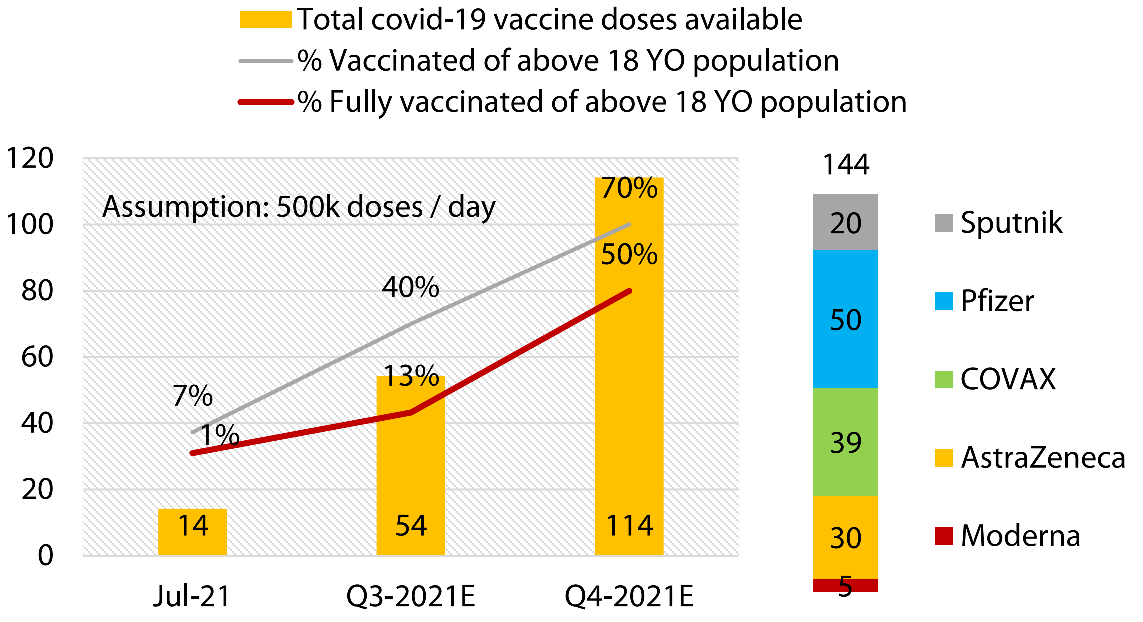
In late July and early August, many other markets in HCMC were also given the greenlight to reopen after they had fortified their COVID-19 safety regulations. As of Aug 3rd, an estimated 33 out of 237 traditional markets in HCMC have been up and running.

Figure 7: Share of partly vaccinated people (from 18 YO) in key urban cities as of August 8th, 2021



Source: National Center for Covid-19 Control, Rong Viet Securities

Figure 8: Estimated Vietnam Covid-19 vaccine rates and doses



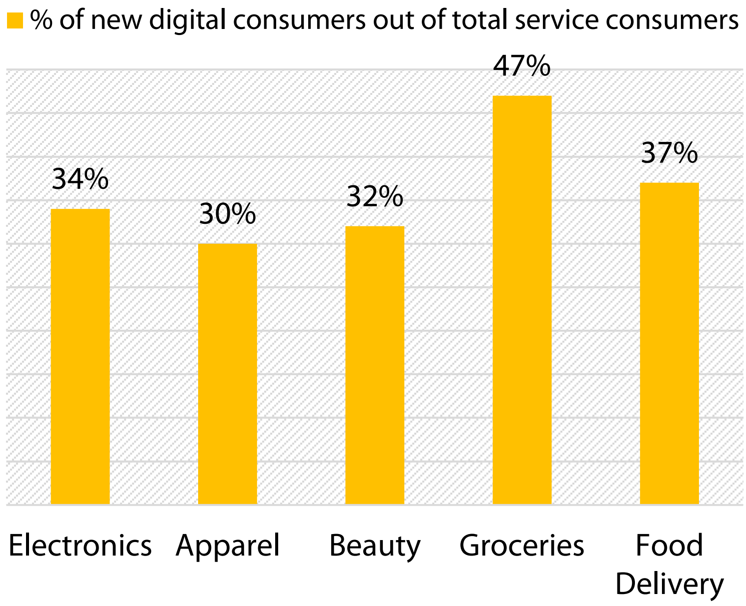
Source: MoH, Rong Viet Securities

Recovery in consumer spending relies on the vaccination progress. This will lead the government to gradually lift restrictions, which will boost consumer confidence and retail sales. We expect the current stringent restrictions to gradually ease towards the end of Q3 2021 as the vaccination rate increases.

The retail industry should experience a robust rebound when the lockdown is lifted thanks to "Revenge shopping" – a phenomenon driven by the pent-up demand in China and Europe – and promtional campaigns.

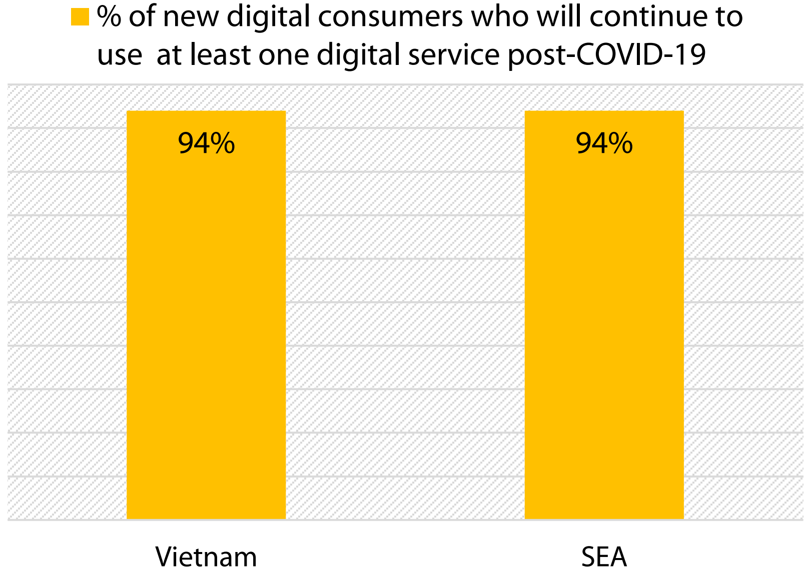
Retail Trend: Accelerated Omnichannel Adoption

Figure 9: Groceries benefited most from the influx of new digital consumers in SEA



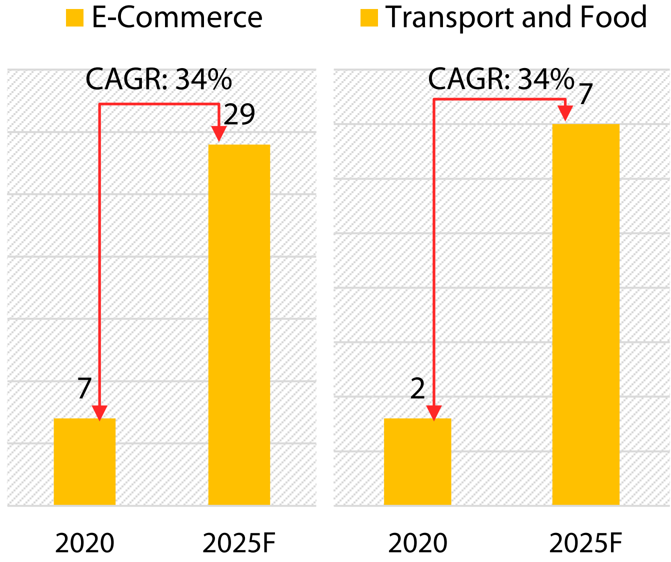
Source: Google, Temasek, Bain & Company

Figure 10: 9 in 10 new digital consumers intend to continue using digital services



Source: Google, Temasek, Bain & Company

Figure 11: Vietnam GMV value by sector (USD Bn)

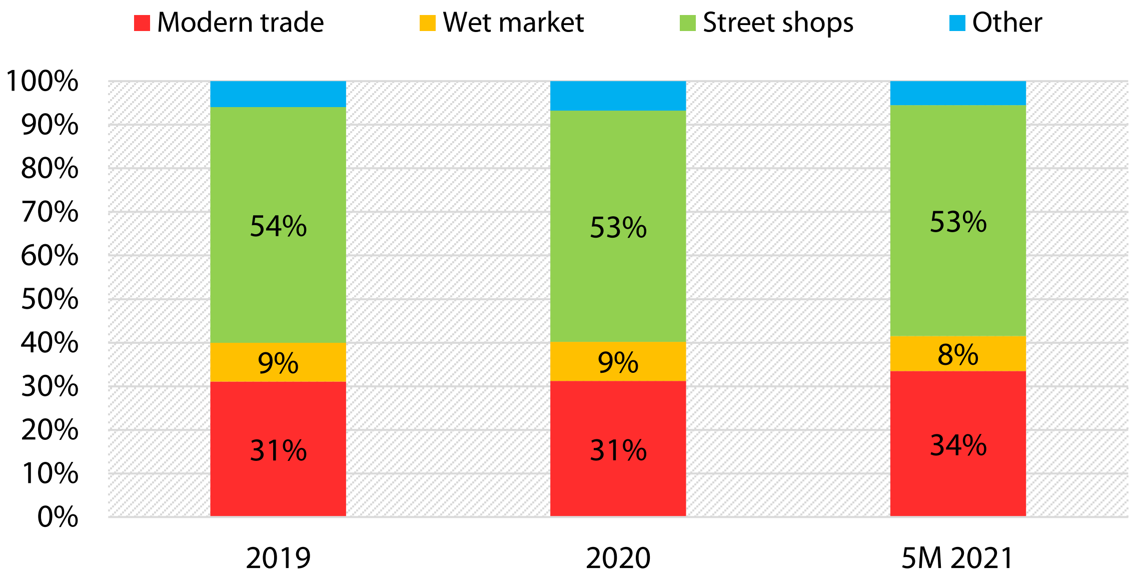


Source: Google, Temasek, Bain & Company

Vietnam has one of the highest online-shopping penetration rates in Asia (50%), bolstered by high internet penetration at 70%. At 5.5% of total retail sales, the e-commerce market was valued at around USD12bn in 2020, up from USD5bn in 2016, per MoIT. The coronavirus has brought about a permanent and massive digital adoption spurt, of which 90% intend to continue their newfound habits post-pandemic.

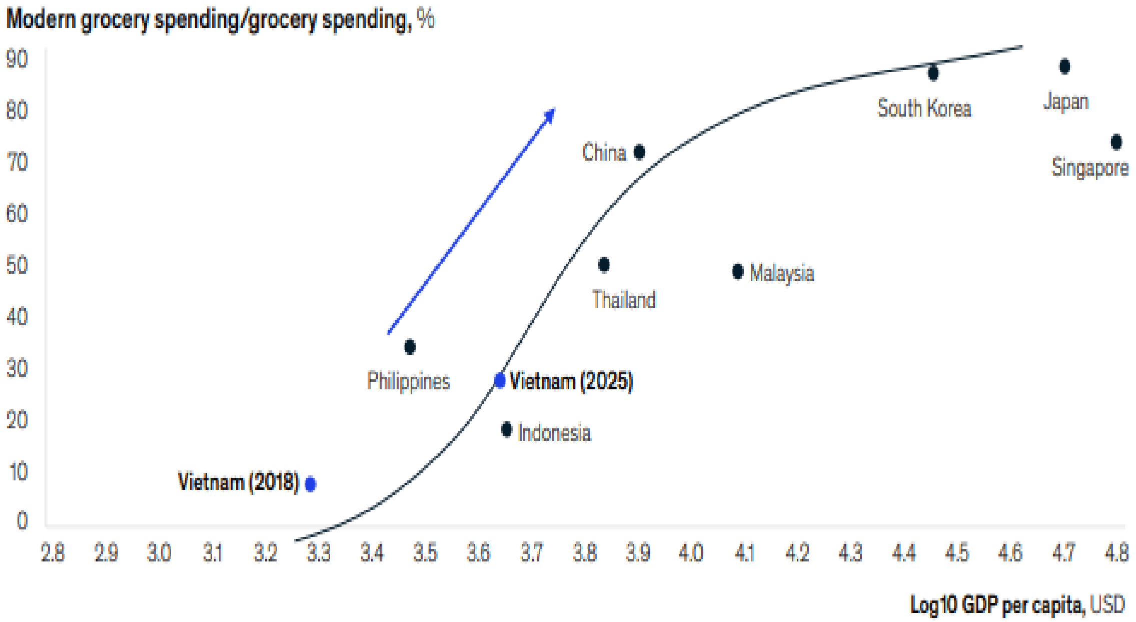
Nonetheless, the majority of customers said that online shopping focuses on small value products or products they have used before. As for products of high value, they will opt to experience the products on premise and then bring them home or order home delivery. According to Nielsen, 66% of Vietnamese will directly see the product at a physical store before placing an order.

Figure 12: FMCG value share by channels in four key urban cities*



*Source: Kantar Worldpanel, Rong Viet Securities; *Ho Chi Minh City, Ha Noi, Da Nang and Can Tho*

Figure 13: Modern segment grocery penetration is expected to further thrive as GDP per capita increases



Source: World Bank, EIU

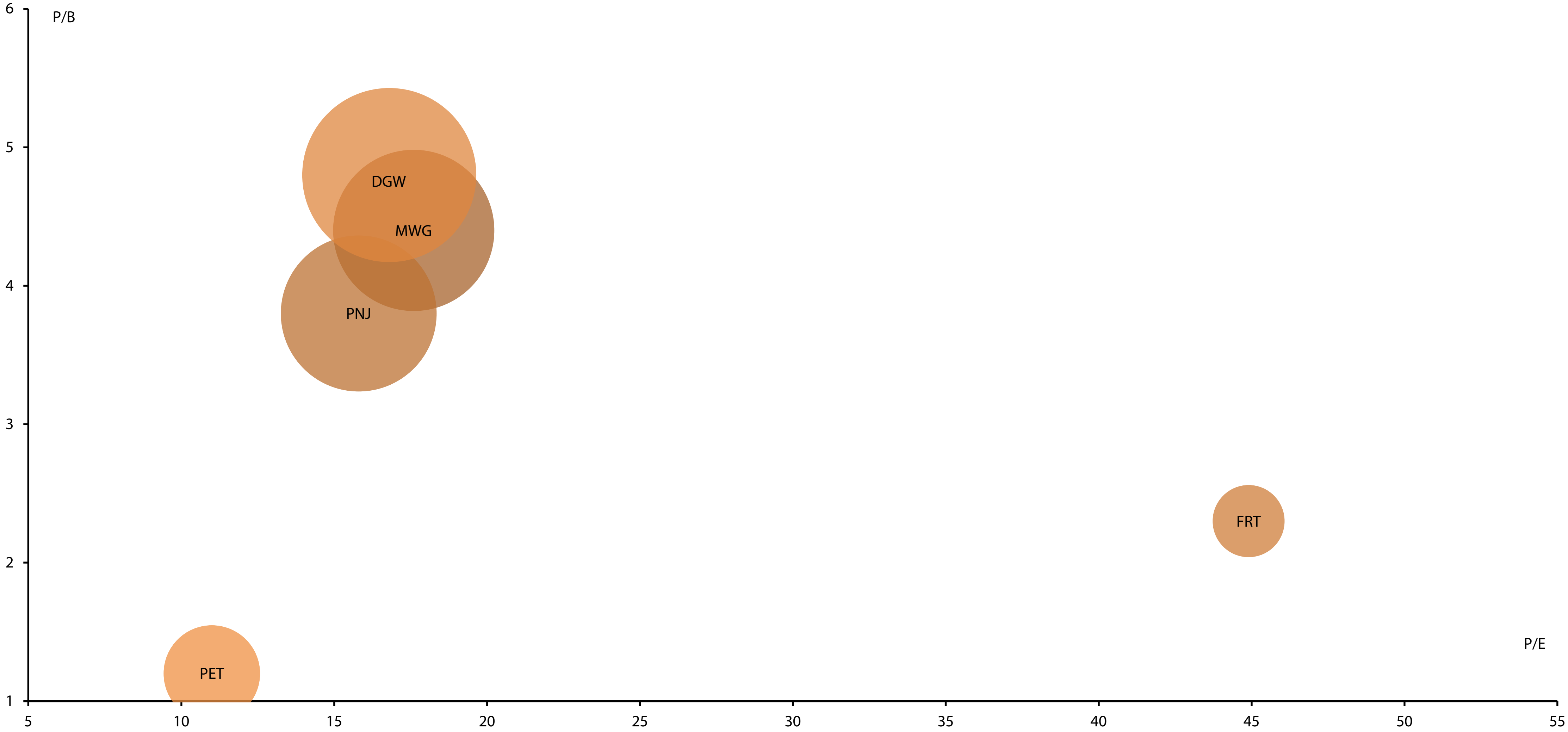
During the Covid-19 pandemic, the market has witnessed a trend of shifting from street stores to minimarkets. Although traditional sales channels are not replaceable, the modernization trend will persist in the future as customers' expectations for consumption will increase: customers will prioritize experience at locations with safe, clean spaces that can meet all needs without having to move to many places to reduce public contact.

Going forward, we expect modern trade to see its share soaring on the back of higher disposable income.

Ticker	Market cap (VND vn)	Target price (VND)	TTM Sales Growth (% YoY)	TTM EBITDA Growth (% YoY)	TTM EBITDA Margin (%)	TTM Operating Income Margin (%)	TTM Net Income Growth (% YoY)	TTM Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
MWG	80,748.6	222,600	6.3%	10.1%	7.1%	4.8%	13.4%	3.9%	9.3%	27.0%	0.9%	17.6	4.4
PNJ	21,736.2	106,800	22.2%	19.9%	8.9%	8.5%	27.7%	6.4%	16.1%	25.3%	2.0%	15.8	3.8
FRT	2,985.5	N/A	11.8%	-26.2%	0.4%	0.3%	443.4%	0.3%	1.0%	5.3%	0.0%	44.9	2.3
DGW	6,607.9	N/A	34.6%	48.5%	2.5%	2.5%	51.4%	2.3%	12.6%	31.5%	0.7%	16.8	4.7
PET	1,792.6	N/A	16.4%	18.7%	2.2%	1.8%	38.5%	1.2%	2.6%	9.7%	4.6%	11.0	1.2

Source: Bloomberg, Rong Viet Securities. Share price as of Aug 2nd, 2021.

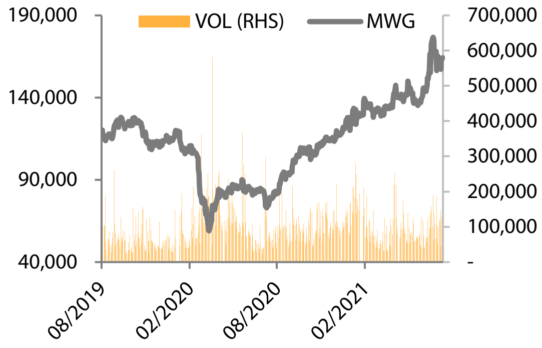
PE, PB AND ROE (TTM)

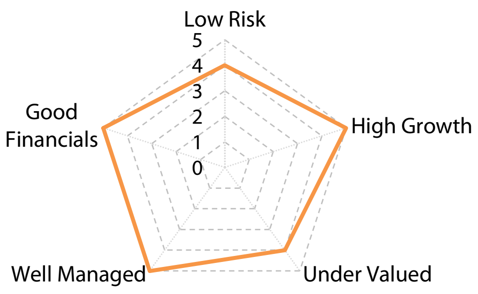


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of Aug 2nd, 2021.

SOLID GROWTH AHEAD

<BUY: 32%> **<MP: 169,900>** **<TP: 222,600>**





STOCK INFO

Sector	Consumer Services
Market Cap (VND Bn)	80,748.6
Current Shares O/S (mn shares)	475.3
3M Avg. Volume (K)	1,393.0
3M Avg. Trading Value (VND Bn)	218.4
Remaining foreign room (%)	0.0
52-week range (VND)	74,500 - 176,600

FINANCIALS	2020A	2021F	2022F
Revenue	108,546	120,332	145,972
NPATMI	3,918	4,190	6,688
ROA (%)	8.5%	8.5%	12.4%
ROE (%)	25.3%	21.9%	26.6%
EPS (VND)	8,654	8,812	13,654
Book Value (VND)	34,177	40,170	51,368
Cash dividend (VND)	1,500	1,500	1,500
P/E (x) (*)	13.8	15.7	10.1
P/B (x) (*)	3.5	3.4	2.7

INVESTMENT RATIONALES

BHX is rapidly progressing toward profitability, which acts as a major catalyst for the stock price. The pandemic has accelerated the grocery modern retail adoption among consumers. We believe this shifting trend will persist even when the social distancing ends on the back of the outperformance vs traditional trade channel in terms of convenience, safety and cleanliness, while in the long-run, the trend will be bolstered by the increasing disposable income. We expect this to gradually drive BHX's revenue per store. Besides, we believe BHX's growing scale, enhanced product mix, cost optimization initiatives will further improve its operating profit margin, bringing the chain toward positive NPAT in 2022F before posting a 3Y CAGR of 44% over the 2022F-25F period.

The super-mini DMX (DMS) format will lessen the implications of the pandemic on smartphone and consumer electronics in the short-term while providing a solid growth in the next few years. We believe the DMS format will see its revenue contribution to the chain growing in the next few years (7%/15%/22% in 2021F/22F/23F). With its advantages of operating costs and favorable mix of home appliances products, we project that the two chains will post a 17% profit CAGR over the next four years.

Projected NPAT CAGR during 2022F-25F of 31% makes MWG's 2021F/22F PER of 15.7x/10.1x looks really compelling.

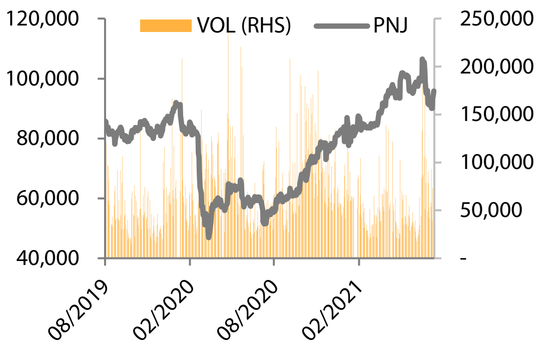
RISKS TO OUR CALL

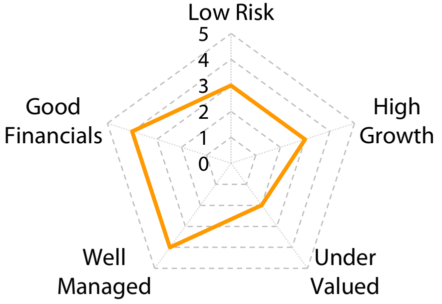
- Prolonged social distancing under Directive 16 and weaker-than-expected consumer spending on non-essential products.
- Slower-than-expected BHX store openings.

STRONGER POSITION POST PANDEMIC

HSX: PNJ

<ACCUMULATE: 13%> **<MP: 95,800>** **<TP: 106,800>**





STOCK INFO

Sector	Consumer Goods
Market Cap (VND Bn)	21,736.2
Current Shares O/S (mn shares)	227.4
3M Avg. Volume (K)	765.1
3M Avg. Trading Value (VND Bn)	75.3
Remaining foreign room (%)	0.0
52-week range (VND)	51,600 - 106,500

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue	17,511	20,640	24,134
NPATMI	1,069	1,205	1,467
ROA (%)	12.6%	16.1%	15.2%
ROE (%)	25.2%	24.6%	25.3%
EPS (VND)	4,698	5,255	6,319
Book Value (VND)	18,675	21,357	24,928
Cash dividend (VND)	2,000	2,000	2,000
P/E (x) (*)	17.9	18.2	15.2
P/B (x) (*)	3.7	4.5	3.8

INVESTMENT RATIONALES

The largest jewelry retailer in Vietnam will see its market share getting even bigger when the pandemic ends. We estimate its market share in the fashion gold jewelry market temporarily surged over 70% last year. Although its share has stepped back to around 60% in 1H 2021 as some smaller retailers' have resumed operations, the market share has still moved upward in the last few years, making it the undisputed leader of the market. And while the pandemic will surely weigh on the jewelry market in the near term, we expect the impact to be disproportionate: smaller rivals will struggle more due to being financially weaker than the big names. This which will eventually cement PNJ's leadership and allow the company to be in a better position to capitalize on demand recovery in the longer term.

PNJ's strategy to further tap into a more affordable market segment, including rebranding its silver products lineup to Style by PNJ and co-operating with Pandora, will lessen the impact of the pandemic on retail sales in the near future.

The prospective private Investment will provide capital for technology and new factory investment, which will further strengthen PNJ's competitive edge post pandemic. We expect the technology investment will enhance its inventory management and effective promotion campaign through better customer analytics.

RISKS TO OUR CALL

- Protracted social distancing period that likely leads to weaker-than-expected jewelry demand.
- Slower-than-expected store openings.

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