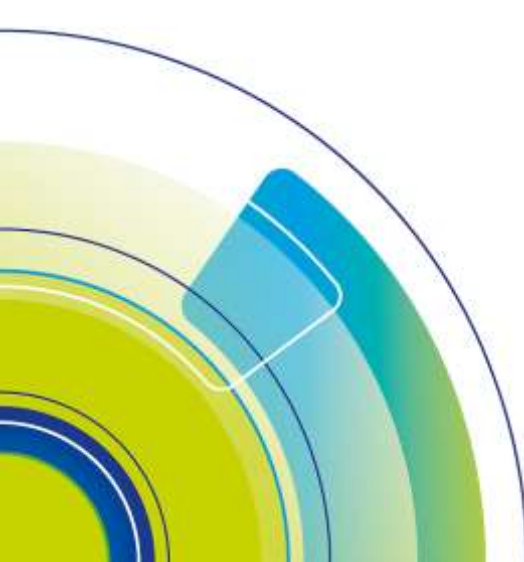




FRT Flash note – N/A

April 19, 2024



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AGM Flash note

Recommendation

N/A

HSX: FRT

Retail

Target price (VND)

N/A

Market price (VND)

141,000

Expected share price return

N/A

Expected dividend yield

0%

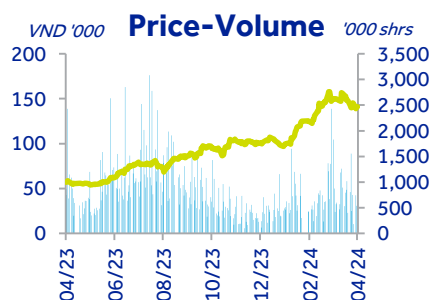
Expected total return

N/A

Stock performance (%)

	YTD	1M	3M	12M
Absolute	30.7	-4.1	41.7	149.4
Relative	26.3	1.5	38.9	134.4

Source: Bloomberg



Ownership

FPT Corp.	46.5%
Dragon Capital	11.0%

Stock Statistics

17-Apr-2024

Bloomberg code	FRT VN
52-week range (VND)	53,652 – 162,100
Shares O/S (m)	136
Mkt cap (VND bn)	19,060
Mkt cap (USD m)	755
Foreign room left (%)	13.3
Est. free float (%)	48.2
3m avg daily vol (shrs)	742,721
VND/USD	25,473
Index: VNIndex / HNX	1177.96/222.93

FPT DIGITAL RETAIL JSC (FRT VN)

FRT held the AGM 2024 on April 17 with key information as below:

- **2024 business plan:** net revenue of VND37,000bn (+17% YoY), driven by Long Chau, and EBT VND125bn, much lower than our earnings projection despite little difference in revenue.
- **The FPT Shop chain is set to generate flat revenue in 2024.** FRT does not expect a substantial rebound in consumer spending this year given that the macroeconomic outlook is still challenging. FPT Shop will continue to review its store network (755 stores at YE2023) and may close more underperforming stores (after closing a net number of 31 stores in 2023) to heighten efficiency. Fostering online sales remains a crucial target, with expected growth of 30% YoY this year.
- **The Long Chau pharmacy chain, which has enlarged its contribution to 50% of FRT's revenue, is set to extend double-digit revenue growth, to VND21,300bn.** The chain will continue to sustain its strength in prescription drugs, enhance pharmacists' competence, and broaden the store network with 400 new stores expected in 2024 (YE2023: 1,497, covering 63 provinces and cities).
- **Long Chau vaccination centers enter the expansion phase** from 10 centers in 2023, opening 100 new centers in 2024. However, 50% of this target was fulfilled by the end of 1Q2024.
- **FPT Long Chau Pharma JSC plans to implement private placement of 10% stake at maximum** to finance expansion of Long Chau's vaccination centers and healthcare services. Details have yet been released.
- **Preliminary business results in 1Q2024:** revenue growth was 17% YoY and EBT was about VND80bn.
- **The company does not plan to pay cash dividend in 2023 and 2024** given negative results in 2023 and a challenging outlook in 2024. This move also serves expansion of Long Chau's vaccination centers and healthcare services.

Quick comment: The stock price increased by 36.9% from our latest update and exceeded our target price. We are updating our projections and may suggest a new target price in the next report.

	2022	2023
Net Sales (VNDbn)	30,166	31,850
<i>Growth</i>	34.1%	5.6%
EBITDA (VNDbn)	673	159
<i>EBITDA margin</i>	2.2%	0.5%
Net Profit (VNDbn)	390	(346)
<i>Growth</i>	-12.0%	-188.5%
EPS (bonus-adjusted, VND)	2,865	(2,537)
<i>Growth</i>	-12.0%	-188.5%
ROE	21.3%	-19.2%
Net debt/EBITDA (times)	5.1	37.6
EV/EBITDA (times)	37.4	158.7
EV/Sales (times)	0.8	0.8
PER (times)	49.2	(55.6)
PBR (times)	8.3	12.0
DPS (VND)	500	-
Dividend yield (%)	0.4%	0.0%

Key theme: expand Long Chau's ecosystem

- In addition to ICT products, an increase in contribution of home appliances and consumer electronics products (from the current level of less than 5% of the chain's revenue) is projected in 2024. At the end of 2023, these products were present in 700 FPT Shop stores. They are aimed to take advantage of store traffic, increase store revenue and strengthen FPT Shop's gross profit margin. FPT Shop's gross margin is set to improve by 2 percentage points in 2024 thanks to a focus on high-margin products and softer price war pressure.
- The recently launched mobile virtual network (with the prefix 0775) is expected to help FRT interact with customers more frequently and support Long Chau's healthcare services.
- **Long Chau vaccination centers enter the expansion phase**, tapping into the potential vaccination market in Vietnam. After completing the trial phase for this business model (with 10 centers opened in 2023), FRT plans to open 100 Long Chau vaccination centers in 2024. The company completed c.50% of this target at the end of 1Q2024, suggesting a higher-than-projected new store number for the whole year. The majority of Long Chau vaccination centers' customers has been the Long Chau pharmacy chain's so far. The centers' gross margin is believed to be similar to that of the pharmacy chain's; however, further details about the breakeven point is currently not available as it depends on enhancement of gross margin, the network scale and bargaining power, according to the company.
- Beside the pharmaceutical retail business, **Long Chau aims to introduce more services to participate in various fields of the healthcare ecosystem**, motivated by similar models of start-ups and famous players in the world (e.g. One medical of Amazon, SignifyHealth of CVS, Walmart Health of Walmart, Ping An, etc.). The company's management believes that the Long Chau pharmacy chain's technology, wide network, large customer base are advantages facilitating development of these services, especially Long Chau vaccination centers in comparison with competitors.
- **Others services scheduled to be introduced this year** include Long Chau 24/7 (an at-home healthcare platform, tentatively going into operation in early 4Q2024) and drug guarantee (i.e customers that own insurance cards issued by insurance companies can buy drugs at Long Chau stores without payment). Two fields of the healthcare ecosystem that FRT has yet planned to participate are therapy and diagnose.

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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