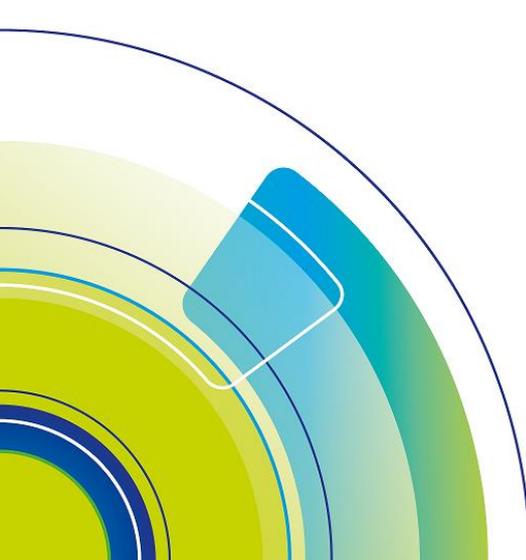




# FRT Update- NEUTRAL

February 10, 2025

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## Company Update

Recommendation

**NEUTRAL**

HSX: FRT

Retail

Target price (VND) **185,000**

Current price (VND) **188,000**

Expected share price return -1.6%

Expected dividend yield 0.3%

Expected total return **-1.3%**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	0.7	1.6	10.8	50.7
Relative	0.4	-0.7	9.3	42.4

Source: Bloomberg



## Ownership

FPT Corp.	46.5%
CTBC VN EQ Fund	4.9%
Norges Bank	3.0%

## Stock Statistics

7-Feb-25

Bloomberg code

FRT VN

52-week range (VND) 121,700-209,400

Shares O/S (m) 136

Mkt cap (VND bn) 25,464

Mkt cap (USD m) 996

Foreign room left (%) 13.3

Est. free float (m) 45.3

3m avg daily vol (shrs) 538,803

VND/USD 25,560

Index: VNIndex / HNX 1269.88/228.6

## FPT DIGITAL RETAIL JSC (FRT VN)

The company generated 26% YoY revenue growth and VND527bn of EBT (from a loss in 2023) in 2024, in line with our projections. Long Chau sustained its role as the mainstay of the company, though the FPT Shop chain saw some improvements. We slightly revise 2025 EAT projection down by 4% due to a higher-than-expected effective tax rate. Our target price by the end of 2025 is VND185,000/share, 4% lower than the prior update. Rating **NEUTRAL**.

FRT announced net revenue of VND11,448bn (+31.7% YoY) and EBT of VND169bn (vs. a loss YoY) in 4Q2024. On a cumulative basis, (unaudited) net revenue rose by 25.9% YoY to VND40,104bn and EBT achieved VND527bn in 2024 (2023: -VND294bn).

The FPT Shop chain, capturing 38% of FRT's sales, returned to profit with EBT of VND169bn (2023: -VND475bn), on the back of financial profit and a better operating result. Nevertheless, its revenue contracted by 6.5% YoY (including 6.5% YoY growth in 4Q) to VND15,126bn in 2024, with 634 stores (-121 YoY) in operation at the end of the year.

The Long Chau chain (LC) continued to prop up the company's revenue and earnings growth. Accounting for 62% of FRT's sales (including negligible contribution of vaccination centers), we estimate the chain delivered 59.5% YoY growth in revenue to VND24,978bn, bolstered by robust network expansion, and 98.2% YoY in EBT to VND358bn in 2024. At YE2024, there were 1,943 pharmacies (+446 YoY) and 126 vaccination centers (+116 YoY) in operation.

The company's gross margin widened to 18.9% in 2024 (2023: 16.2%), fueled by a rebound in FPT Shop's margin. The net debt to equity ratio improved albeit still high at 299% vs. 372% in 2023.

For 2025, we project that the company may generate VND46,649bn of net revenue (+16.3% YoY) and EBT of VND710bn (+34.7% YoY). Our target price for FRT by the end of 2025 is VND185,000/shr, equivalent to a total return of -1.3%.

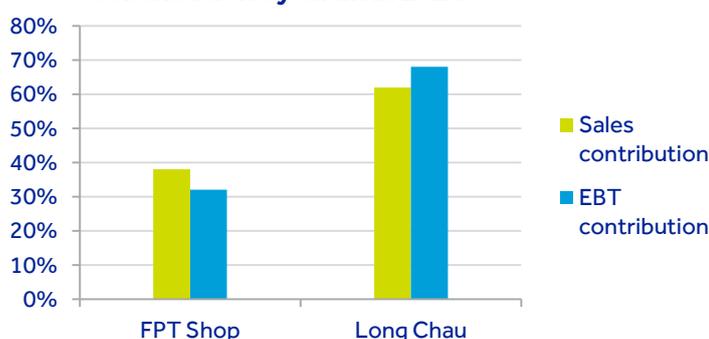
	2023	2024U	2025F	2026F	2027F
Net Sales (VNDbn)	31,850	40,104	46,649	52,238	56,498
Growth	5.6%	25.9%	16.3%	12.0%	8.2%
EBITDA (VNDbn)	159	1,019	1,257	1,403	1,509
EBITDA margin	0.5%	2.5%	2.7%	2.7%	2.7%
EBT (VNDbn)	(294)	527	710	813	908
Growth	n/a	n/a	34.7%	14.6%	11.7%
NPATMI (VNDbn)	(346)	317	485	523	574
Growth	n/a	n/a	52.7%	7.9%	9.8%
EPS (bonus-adjusted, VND)	(2,537)	2,330	3,559	3,840	4,216
Growth	n/a	n/a	52.7%	7.9%	9.8%
ROE	-19.2%	18.1%	22.9%	20.5%	18.9%
ROA	-2.9%	2.2%	3.0%	3.1%	3.4%
Net debt/EBITDA (times)	37.6	5.6	4.7	4.2	3.5
EV/EBITDA (times)	197.6	30.7	24.9	22.3	20.8
EV/sales (times)	1.0	0.8	0.7	0.6	0.6
PER (times)	-74.1	80.7	52.8	49.0	44.6
PBR (times)	16.0	13.4	11.0	9.2	7.8
DPS (VND)	-	-	500	500	500
Dividend yield	0.0%	0.0%	0.3%	0.3%	0.3%

### Long Chau sustained its momentum, driving the overall performance

FRT reported net revenue growth of 25.9% YoY to VND40,104bn and EBT achieved VND527bn in 2024, a reversal from a loss of VND294bn in 2023. Long Chau continued to be the key driver and earner for this performance.

FRT's business results	2024	2023	YoY growth	Key drivers
Net revenue (VNDbn)	40,104	31,850	25.9%	- Long Chau maintained vigorous revenue growth.
EBT (VNDbn)	527	-294	n/a	- FPT Shop generated operating profit (instead of a loss YoY, thanks to a recovery in gross margin) whilst Long Chau heightened its performance. - Net financial expense declined by 30.7% YoY thanks to lower interest expense.

Contribution by chain in 2024



Source: FRT; ACBS

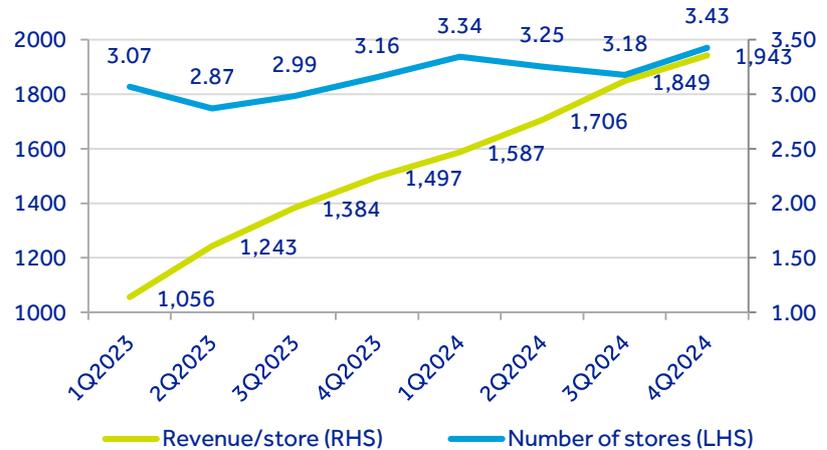
Long Chau delivered vibrant revenue growth of 59.5% YoY in 2024, fostered by robust network expansion. Contribution from the vaccination business, which entered the expansion phase from early 2024, was humble; however, detailed performance was not disclosed. We estimate the average sales/store/quarter of the pharmacy chain elevated to VND3.2-3.3bn in the first three quarters and reach VND3.4bn in 4Q2024, up by c.10% YoY irrespective of an increased number of stores. At the end of 2024, Long Chau had 1,943 pharmacies (+446 YoY) and 126 (+116 YoY) in operation.

We estimate Long Chau's EBT at VND358bn in 2024, jumping by 98.2% YoY. Gross margin was 22.2%, slightly lower than the level of 22.5% in 2023, while the improved SG&A expenses to net revenue ratio displayed better efficiency.

Long Chau's results	4Q2024	2024
Revenue (VNDbn)	7,225	24,978
YoY revenue growth	52.9%	59.5%
EBT (VNDbn)	151	358
YoY EBT growth	n/a	98.2%
Gross margin		22.2%
SG&A expenses to net revenue		19.6%
Number of stores (as of YE2024; including vaccination centers)		2,069
+/- stores from YE2023		562

Source: FRT; ACBS

### Long Chau pharmacy's revenue/store by quarter



Source: FRT; ACBS

### FPT Shop's profitability strengthened

FPT Shop experienced a slide of 6.5% YoY in revenue, to VND15,126bn, in 2024. Nevertheless, the chain witnessed a narrowing decline over quarters in the year and a reversal to revenue growth of 6.5% YoY in 4Q2024. At YE2024, there were 634 stores in operation, down 121 stores YoY due to the closure of underperforming stores to fortify efficiency.

Despite shaky revenue growth, FPT Shop generated VND169bn of EBT in 2024, instead of a loss of VND475bn in 2023. The result was attributed to a restoration of operating profit (compared to a loss YoY), thanks to a widened gross margin, and a dividend amount of VND224bn from Long Chau Pharmaceutical JSC.

FPT Shop's results	2024	2023	YoY growth
Revenue (VNDbn)	15,126	16,185	-6.5%
Financial profit (VND)	168	-212	n/a
EBT (VNDbn)	169	-475	n/a
Gross margin	13.4%	10.1%	
SG&A expenses to net revenue	13.3%	12.6%	
Number of stores (as of YE2024)	634		
+/- stores from YE2023	-121		

Source: FRT; ACBS

### Earnings forecast for 2025

We expect that **FPT Shop** may continue to achieve more improvements in its business results in 2025, underpinned by better consumer spending and demand for NFC-integrated mobile phones and transforming from 2G phones to 4G/5G phones. The chain's revenue is projected at VND16,338bn (+8% YoY) in 2025.

**Long Chau** will keep broadening the store network and remains FRT's pillar. We expect the chain may deliver revenue growth of 21.4% YoY in 2025 assuming 300 new stores to be opened (including vaccination centers).

We assume that Long Chau's overall gross margin in 2024 may maintain in 2025. Although the gross margin still has potential to broaden further, we do not assume a sharp pattern of improvement considering the company's target of an affordable/low

selling price strategy to expand the customer base. In sum, Long Chau's EBT is projected at VND392bn (+9.5% YoY) in 2025 with an assumption that the dividend to the parent company will be similar to 2024.

### Valuation

Our projections for FRT's net revenue and EBT are VND46,649bn (+16.3% YoY) and VND710bn (+34.7% YoY), respectively. **Our target price for FRT by the end of 2025, using the DCF and EV/Sales methods, is VND185,000/share.**

<b>FRT FINANCIALS MODEL</b>	Price (VND):	188,000	Target (VND):	185,000	Mkt cap (VND bn):	25,464
(VND bn except where stated)	2023	2024U	2025F	2026F	2027F	
<b>Total Net Sales</b>	<b>31,850</b>	<b>40,104</b>	<b>46,649</b>	<b>52,238</b>	<b>56,498</b>	
<i>Sales growth (%)</i>	<i>5.6%</i>	<i>25.9%</i>	<i>16.3%</i>	<i>12.0%</i>	<i>8.2%</i>	
CoGS	26,688	32,521	37,738	42,131	45,499	
Selling expenses ex-dep'n	3,966	5,244	6,196	7,097	7,764	
G&A expenses ex-dep'n	1,047	1,331	1,468	1,617	1,737	
Financial revenues	18	11	11	11	11	
Financial expenses	7	0	0	0	0	
<b>EBITDA</b>	<b>159</b>	<b>1,019</b>	<b>1,257</b>	<b>1,403</b>	<b>1,509</b>	
<i>EBITDA margin (%)</i>	<i>0.5%</i>	<i>2.5%</i>	<i>2.7%</i>	<i>2.7%</i>	<i>2.7%</i>	
Depreciation	233	318	349	386	400	
<b>Operating profit</b>	<b>-74</b>	<b>700</b>	<b>908</b>	<b>1,017</b>	<b>1,109</b>	
<i>Operating profit margin (%)</i>	<i>-0.2%</i>	<i>1.7%</i>	<i>1.9%</i>	<i>1.9%</i>	<i>2.0%</i>	
Other profits/losses	2	(16)	4	4	4	
Profits/Losses from associates	-	-	-	-	-	
Net interest expense	222	157	203	209	206	
<i>as % of avg net debt</i>	<i>4.7%</i>	<i>2.7%</i>	<i>3.5%</i>	<i>3.5%</i>	<i>3.7%</i>	
<i>Interest cover (x)</i>	<i>-0.3</i>	<i>4.5</i>	<i>4.5</i>	<i>4.9</i>	<i>5.4</i>	
EBT	-294	527	710	813	908	
Tax	35	119	122	163	182	
<i>Effective tax rate (%)</i>	<i>-11.8%</i>	<i>21.8%</i>	<i>17.4%</i>	<i>20.1%</i>	<i>20.1%</i>	
Minority interest	16	91	102	127	152	
<b>NPATMI</b>	<b>-346</b>	<b>317</b>	<b>485</b>	<b>523</b>	<b>574</b>	
Cash earnings	-113	636	834	909	974	
Total number of shares	136,242,389	136,242,389	136,242,389	136,242,389	136,242,389	
<b>EPS (VND) (after treasury shares)</b>	<b>-2,537</b>	<b>2,330</b>	<b>3,559</b>	<b>3,840</b>	<b>4,216</b>	
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	
<b>Adjusted EPS (VND)</b>	<b>-2,537</b>	<b>2,330</b>	<b>3,559</b>	<b>3,840</b>	<b>4,216</b>	
<i>EPS growth (%)</i>	<i>n/a</i>	<i>n/a</i>	<i>52.7%</i>	<i>7.9%</i>	<i>9.8%</i>	

KEY CASHFLOW AND BS ITEMS	2023	2024U	2025F	2026F	2027F
Increase in working capital	1,680	189	922	777	552
Capex	705	490	320	320	48
Change in investment in affiliates	-	-	-	-	-
Other cashflow items	4	283	283	283	283
<b>Free cash flow</b>	<b>-2,494</b>	<b>240</b>	<b>-125</b>	<b>95</b>	<b>656</b>
Share issues	58	52	-	-	-
Dividends paid	59	54	68	68	68
Increase in net debt	2,495	-237	194	-27	-588
<b>Net debt, end of year</b>	<b>5,953</b>	<b>5,717</b>	<b>5,910</b>	<b>5,884</b>	<b>5,295</b>
<b>Shareholders' equity</b>	<b>1,599</b>	<b>1,912</b>	<b>2,329</b>	<b>2,784</b>	<b>3,290</b>
BVPS (VND)	11,738	14,033	17,091	20,431	24,147
<i>Net debt/equity (%)</i>	<i>372.3%</i>	<i>299.0%</i>	<i>253.8%</i>	<i>211.4%</i>	<i>161.0%</i>
<i>Net debt/EBITDA (x)</i>	<i>37.6</i>	<i>5.6</i>	<i>4.7</i>	<i>4.2</i>	<i>3.5</i>
<b>Total assets</b>	<b>13,098</b>	<b>15,832</b>	<b>16,443</b>	<b>16,871</b>	<b>16,789</b>

KEY RETURN AND VALUATION RATIOS	2023	2024U	2025F	2026F	2027F
<i>ROE</i>	<i>-19.2%</i>	<i>18.1%</i>	<i>22.9%</i>	<i>20.5%</i>	<i>18.9%</i>
<i>ROA</i>	<i>-2.9%</i>	<i>2.2%</i>	<i>3.0%</i>	<i>3.1%</i>	<i>3.4%</i>
<i>ROIC</i>	<i>-2.6%</i>	<i>5.8%</i>	<i>8.2%</i>	<i>8.2%</i>	<i>8.6%</i>
<i>WACC</i>	<i>6.0%</i>	<i>5.2%</i>	<i>6.0%</i>	<i>6.5%</i>	<i>7.2%</i>
<i>EVA</i>	<i>-8.5%</i>	<i>0.7%</i>	<i>2.2%</i>	<i>1.7%</i>	<i>1.3%</i>
<i>PER (x)</i>	<i>-74.1</i>	<i>80.7</i>	<i>52.8</i>	<i>49.0</i>	<i>44.6</i>
<i>EV/EBITDA (x)</i>	<i>197.6</i>	<i>30.7</i>	<i>24.9</i>	<i>22.3</i>	<i>20.8</i>
<i>EV/FCF (x)</i>	<i>-12.6</i>	<i>130.7</i>	<i>-249.8</i>	<i>331.1</i>	<i>46.7</i>
<i>PBR (x)</i>	<i>16.0</i>	<i>13.4</i>	<i>11.0</i>	<i>9.2</i>	<i>7.8</i>
<i>PSR (x)</i>	<i>0.8</i>	<i>0.6</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>
<i>EV/sales (x)</i>	<i>1.0</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>
<i>PEG (x, 3 yr prospective)</i>	<i>0.7</i>	<i>-1.8</i>	<i>2.3</i>	<i>5.3</i>	<i>4.6</i>
<i>Dividend yield</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.3%</i>	<i>0.3%</i>	<i>0.3%</i>

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**OUTPERFORM:** prospective 12 month VND total return (including dividends) will be 10% to 20%.

**NEUTRAL:** prospective 12 month VND total return (including dividends) will be -10% to 10%.

**UNDERPERFORM:** prospective 12 month VND total return (including dividends) will be will be -20% to -10%.

**SELL:** prospective 12 month VND total return (including dividends) will be lower than -20%.

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