



RMIT VIETNAM
RESEARCH
CHALLENGE

RESEARCH REPORT

Prepared by

RRC⁷⁹
REAL RICH CHILDREN GROUP

Vo Thanh Quang, RMIT University Vietnam
Nguyen Phan Hong Ngoc, RMIT University Vietnam
Pham Song Nam Phuong, RMIT University Vietnam
Nguyen Pham Thanh Ngan, Foreign Trade University

TABLE OF CONTENTS

EXECUTIVE SUMMARY

BUSINESS DESCRIPTION

Overview and key superb aspects

Business model

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

INDUSTRY OVERVIEW

Macroeconomic overview

Stepping into “the new normal”

Inflation spurs as Russia-Ukraine war prolonged

Rate hikes are likely to occur

Industry overview

Rebounce of the industry?

Consumers’ spending habits change after Covid

E-commerce becomes a star!

Chips shortage is to last beyond 2022

COMPETITIVE POSITIONING

Apple Premium Reseller and Xiaomi ecosystem

Pricing advantages and Top 3 Investor Relationship Award

A pioneer in digital transformation

CORPORATE GOVERNANCE

2020 – Year of revenue decline despite management efforts

FRT's board of directors

Shareholding structure of FRT

INVESTMENT SUMMARY

Expectation of retail industry in general and ICT segment particularly to be saturated in the next few years

FPT Pharmaceutical retail chain facing headwinds during declining world economy post-Covid

FINANCIAL ANALYSIS

Liquidity

Imbalanced equity structure put the company's liquidity into the red zone: the debt is not well covered.

Operational efficiency

Profitability

Red flags await FPT Retail

“All fall down”

VALUATION

Free Cash Flow to the Firm (FCFF)

Relative Valuation (P/E)

INVESTMENT RISK

APPENDICES

REFERENCES

RECOMMENDATION:

SELL

HOSE: FRT OVERVIEW

Current Price	VND 126,200
Target Price	VND 84,809
Downside	33.36%
Market Cap	11,531,342
Shares Out	78,981,792
1-Year High	160.4
1-Year Low	25.4
P/E	25.98

VALUATION

FCFF (50%)	VND 76,717
P/E (50%)	VND 91,460
Target Price	VND 84,809
Downside	33.36%
Rating	OVERVALUE

FRT Ratios:

P/E:	25.98
ROE	27.32%
ROA	8.99%
ROS	3.19%

POSSIBLE HEADWIND FOR THE GIANT

We recommend a **SELL** position of FPT Retail Company, listed on HOSE exchange with ticker FRT. By using the discounting cash flow model FCFF and P/E with 50% weight on each method, we determine the target value of FRT would approximate **84,809 VND/share (-33.36% compared to current price)**. With difficulties in terms of economy, inflation, and geopolitics, FRT might face some headwinds in the short and mid term despite noticeable growth in 2021.

1 Digital transformation development and competitors emergence .

Overall, FRT has performed very well under the era of digital transformation, particularly throughout the pre-Covid and Covid periods. Namely, FRT has partnered with FPT software to transform Long Chau into a modern, digital pharmacy chain, with the goal of becoming the best drug seller of high-quality medicines and services domestically. In the recent general meeting of shareholders 2022, FRT revealed plans to encroach the market of mobile virtual network operator (MVNO). FRT believes that by pursuing this strategy would help them to take advantage of partnerships and relationships with major carriers such as Mobifone, Viettel, Vinafone, etc., thereby attracting more customers as well as increasing interaction level with them. However, digital transformation has become a megatrend in the retail industry where smaller-scale organizations in the ICT retail segment such as CellphoneS, HNam Mobile, etc., have been expanding and doing exceptionally well in a short time. Pharmacy chains such as Pharmarcity also steps in the digitization game. These fierce competitors might be FRT's wary!

2. Diminishing interest of healthcare in the “New Normal” lifestyle.

In the annual meeting on 15th April, FRT announced the plan of opening at least 300 new pharmacies in 2022. However, given the condition of the “new normal” lifestyle, we do not expect the tendency of purchasing medicine and Monulpiravir - (COVID-19 treatment) which Long Chau pharmacy gained the authority to sell in 2021 would continue to increase. Although the care for health is always a necessity, the extension of Long Chau will charge FRT a huge operating and managing cost.

KEY FINANCIAL METRICS	2018	2019	2020	2021	2022F
Net profit margin	2.27%	1.23%	0.07%	1.96%	0.78%
Earning growth rate	19.96%	-41.38%	-94.99%	4244.82%	15.00%
Interest coverage (%)	554.45%	305.65%	125.01%	519.08%	236.19%
ROA	7.69%	3.62%	0.41%	5.49%	5.55%
ROE	35.57%	17.47%	1.97%	30.56%	35.52%
Inventory turnover	6.24	4.91	4.81	5.66	5.59
D/E	3.64	4.15	3.40	5.42	5.80

BUSINESS DESCRIPTION

Market share break down in ICT segment

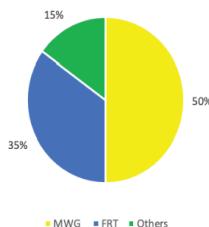


Figure 1: Market share break down in ICT (Source: Team estimate)

Overview and key superb aspects

A high position on the retail market and a significant development in 2021: FPT Retail, founded in 2012 and listed on HoSE in April 2018 (HoSE: FRT), is Vietnam's second best-seller in the mobile device and electronic technology retail market, operating two retail chains: FPTShop and F-Studio as well as a subsidiary FPT pharma (FPT Long Chau), with 630 stores across 63 provinces (by April 2022). By the end of 2021, FRT became the biggest laptop retailer in Vietnam, with 35% of the market share. FPT Retail raised its sales from VND15,889 billion to VND16.988 billion in the last four years, with 2018A-2021A CAGRs of 15.18% and 52.83% respectively. FRT's net profit increased 58 times YoY & 7 times QoQ in 4Q of 2021, owing to increased demand for laptops and pharmaceuticals during the pandemic. At the end of 2021, FRT has 647 FPT Shop outlets and 400 Long Chau Pharmacy stores.

The Company Actual Strategy Plan in 2022: (1) Continuing to expand the FPTShop chain and laptop hub: This year, FRT aims to raise the revenue growth and the profit before tax by 20% to VND 27,000bn and by 30% to VND 72bn respectively. (2) FRT expects to experiment with developing PC Gaming selling points to complete the ecosystem for dedicated computers. (3) Open 300 more Pharmacies nationwide, invest in Logistics system and have 50 more products with exclusive brand names Long Chau. (4) Investment in technology: A contract with FPT software last year is expected to strengthen the digital transformation process, bringing a smart experience to customers.

Business model

FPT Retail has a direct-to-customer (B2C) business strategy, which means it sells directly to customers. The business has two primary market segments: (1) Informatics Equipment, Mobile Phones, and FPT Shop Components, and (2) Long Chau Pharmacy's Pharmaceutical Business.

FPTShop and F.Studio: Revenue from FPT shops climbed by 38% to VND 18,500 billion in 2021. In 2021, revenue from the laptop category climbed by more than 2.2 times, reaching VND 5,700 billion with a market share of 35%.

Long Chau Pharmacy: In 2021, Long Chau Pharmacy generated VND 3,977 billion - 18 percent of FPT Retail's income. As one of the top companies in digital transformation, besides locating local shops throughout the country, FRT focuses on selling online to minimize distribution cost and effect from Covid-19: In terms of structure, 2021's online revenue was VND 6,285 billion, rising 21% from 2020 and accounting for 28% of the company's overall consolidated revenue.

ENVIRONMENT, SOCIAL AND GOVERNANCE

FPT Retail has driven its responsibilities toward society for over 11 years. FRT actively generates programs cooperating with the local authorities to donate thousands of tablets, wireless network systems, and learning applications for students with limited conditions to study virtually in accordance with the recent pandemic outbreak. Throughout the outbreak, FRT subsidizes 10 billion VND for epidemic prevention with monetary support, COVID-19 treatment combos, medical equipment, and necessities for people across Vietnam. Long Chau's commitment to the authenticity of medicine is hardened through these combo COVID-19 treatments which are verified by the Government and the traits of FPT Long Chau help consumers place more trust and appreciation in the brand. (Appendix L)

Concerning the environmental-aligning plan, FPT Retail frequently trains employees and managers on how to optimize the energy consumption such as setting up an automatic time for air conditioners or widening the window to utilize the natural lighting. Since FPT Shop owes hundreds of domestic stores, therefore the consumption has to be materially reckoned. FRT acknowledges the importance of greenery, FRT Green is established according to that wish. The brand has never failed or been fined for destructing, conversely, been rewarded for its contribution to both society and the environment with perfect CSR framework.

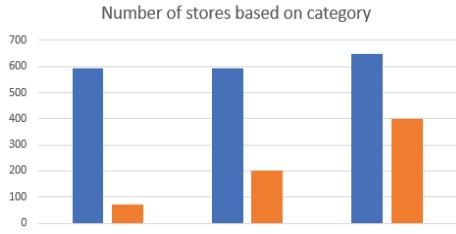


Figure 2: FRT's number of stores (Source: Company data)

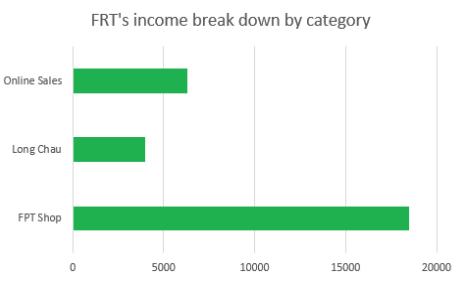


Figure 3: FRT's income break down by category (Source: Company data)

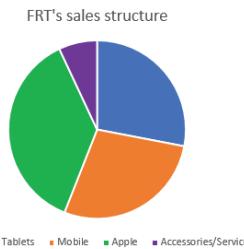


Figure 4: FRT's sale structure (Source: Company data)

INDUSRY OVERVIEW & COMPETITIVE POSITIONING

MACROECONOMIC OVERVIEW:

Brent Oil Futures 104.48 +2.02 (+1.97%)

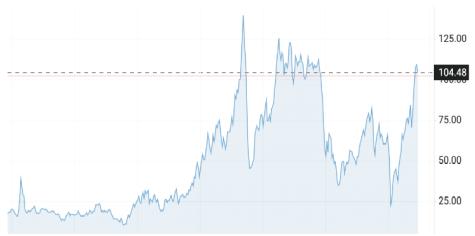


Figure 5: Brent Oil Futures price (Source: Investing.com)

Crude Oil WTI Futures 101.83 +2.07 (+2.07%)



Figure 6: Crude Oil WTI Futures price (Source: Investing.com)



Figure 7: Crude Oil WTI Futures price (Source: Investing.com)

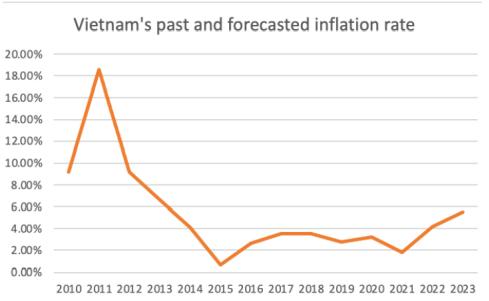


Figure 8: Vietnam forecasted inflation rate (Source: Standard Chartered, Team estimate)

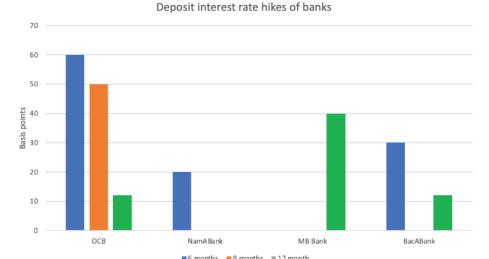


Figure 9: Early 2022 rate hikes for banks (Source: OCB, NamBank, MB Bank, BacABank)

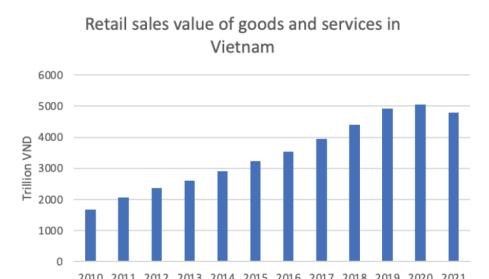


Figure 10: Retail sales value of good & services in Vietnam (Source: General Statistics Office of Vietnam, Statista)

Stepping into “the new normal”: Earlier this year, The Government issued the Resolution No. 11/NQ-CP, delivering the program of socio-economic recovery and development post-Covid context. Additionally, they also implemented National Assembly’s Resolution No. 43/2022/QH15 on fiscal and monetary policies to support the mentioned program. According to Prime Minister Pham Minh Chinh, the program with a scale of VND 350,000 billion (approximately 4% of GDP) would focus solely on key tasks of reopening the economy in association with economic development as well as investing in health care, and disease prevention. With that being said, the program is no doubt one of the largest economic packages ever to stimulate the production recovery and activities of Vietnam's industries, especially important ones.

Inflation spurs as Russia-Ukraine war prolonged: With Covid-19 difficulties have not yet been settled, recent tension in Europe has led to further stagnation of the supply chain worldwide and huge surges of commodities prices domestically and internationally, especially the energy sector. Evidently, Brent Crude oil futures and WTI Crude oil futures have hit \$100 a barrel, the highest level since 2014, and still seems to continue the momentum.

In Vietnam, energy prices also flared up as gasoline and diesel oil all approaching the VND 30,000 level. All and all, this upsurge causes the price of goods to keep increasing due to expensive logistics costs, hence, entails the inflation rate to rise significantly. Specifically, the consumer price index (CPI) has risen sharply from the one year low of 1.42% to 2.64% in just two months, breaking the downward trend created in 2021. Overall, we suspect that under the context of continually soaring inflation, more or less, would greatly affect the Vietnamese economy. As Vietnam is a heavy import, export dependent country, rising inflation means rising expenses, which narrows down enterprises' profits. At the same time, it decreases consumers' purchasing power as commodities prices level up. These two aggregated effects would lead to a slowing down of the economy.

Rate hikes are likely to occur: Deposit interest rates have inched up quite substantially compared to the average level in 2021, with around 4.2-5.7%/year for short-term deposits of 6-12 months, and 5.3-6.5%/year for long-term deposits of 13-24 months. Namely, banks such as Orient Commercial Joint Stock Bank (OCB) increased its online savings rate by up to 60 bps/year for 6-month term, 50 bps/year for 9-month term and 20 bps/year for 12-month term; Nam A Commercial Joint Stock Bank (NamABank) also increased by 20 bps/year for 6-month term; Military Commercial Joint Stock Bank (MB Bank) increased rates by 40 bps/year for 12-month deposit; Bac A Commercial Joint Stock Bank (BacABank) increased by 30 bps/year for 6-month deposits and 10 bps/year for 12-month one. Additionally, interbank rates also rose considerably starting early 2022 due to the return of capital and liquidity needs when reopening the economy post pandemic. Considering all the mentioned factors, we prospect that lending rates would eventually be raised from now till year end as deposit rates are surging. The scenario of rate reduction is very unlikely as rates have almost bottomed out to support businesses during Covid and cannot be reduced anymore. In addition, inflation also aids in the efforts of rate hikes from banks. Henceforth, enterprises should be cautious

INDUSTRY OVERVIEW:

Rebounce of the industry?: According to Statista, the total sales revenue of the retail industry have dropped by a significant 5.6% in 2021, falling from VND 5059.85 trillion in 2020 to VND 4789.5 trillion. This broke the growth momentum of retail sales that has been kept for over ten years. However, the picture seems to be brighter in 2022 when first quarter revenue of the industry witnessed a recovery of 4.4% over the same period last year. In which, revenue mainly focuses on retailing consumer goods, especially in essential ones such as victuals and consumables. Evidently, sales of this category surged by a huge 11%. But even so, General Statistics suspects that increases in these sectors are only due to rising prices when fuel charges are topping. This poses questions on whether the industry is at a healthy recovering state post-Covid or if it is still facing difficulties amid energy crisis caused by geopolitical tension.



Figure 11: Quarterly total retail sales and growth rates (Source: General Statistics Office of Vietnam, Team estimate)

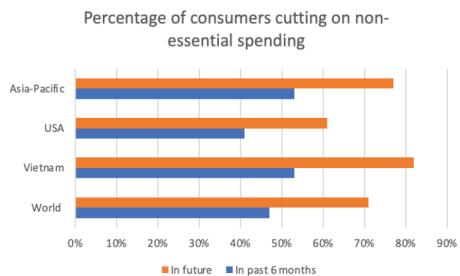


Figure 11: Percentage of consumers cutting on non-essential spending (Source: YouGov)

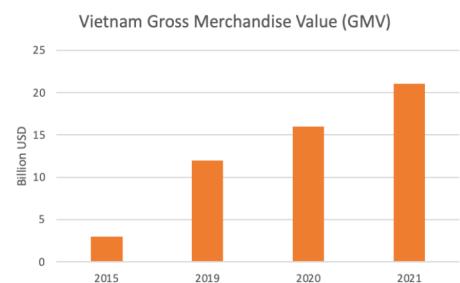


Figure 12: Vietnam Gross Merchandise Value (GMV) (Source: SSI, e-Economy SEA)

Consumers' spending habits change after Covid: Based on the latest research from YouGov, the pandemic has changed the personal finance landscape in Vietnam substantially. Specifically, consumers have become more cautious about their short-term spending habits as well as their long-term financial plans. In addition, falling incomes and social distancing throughout 2021 keep the average individuals' annual spending low because citizens prioritize only the essentials and food. A survey shows that the percentage of consumers who cut on non-essential spending in Vietnam has reached more than 50% in the first 6 months of 2021, which is higher than the world average. As the Covid pandemic has somewhat subsided but still leaves behind heavy financial losses for many individuals, we believe that consumers are now becoming more aware of their financial spending. Henceforth, high-end or expensive expenditures are not likely to be favorable.

E-commerce becomes a star! E-commerce has recently become a highlight for consumers around the world due to social distancing during Covid period. According to a report by SSI, Vietnam's total Gross Merchandise Value (GMV) has risen 31% to \$21 billion in 2021. Moreover, E-commerce continues to show stronger growth momentum as consumers are switching from offline to online channels amid social distancing and after that. This increases the trend of going largely online in the long term. By seeing and grasping the opportunities with the e-commerce market very well, in addition with stringent social distancing context in 2021, large retail chains with nationwide networks such as FPT Digital Retail JSC and Mobile World JSC have made notable efforts to develop their e-commerce platforms. This has helped large retailers to still be profitable despite difficult Covid times in 2021. Therefore, our team's vision for e-commerce is optimistic as it would transform the retail industry into an easy, highly accessible and convenient channel for purchasing and selling online. High adoption of e-commerce in Vietnam could simply be considered one of the main driving forces for the industry development.

Chips shortage is to last beyond 2022: With China's outbreak and implementation of Zero-Covid policy as an effort to reduce disease risks, the chip manufacturing supply chain has once again been disrupted. Meanwhile, demand for ICT is still somewhat growing in 2022, albeit at a slower rate since people are working offline again and Covid has been mostly contained in Vietnam. Hence, we expect one-digit growth rate of the ICT segment in 2022 .

COMPETITIVE POSITIONING

Apple Premium Reseller and Xiaomi ecosystem

TopZone is a recently prominent chain specializing in selling Apple products (MWG's branch). However, TopZone is only qualified as Apple Authorized Reseller (AAR), meanwhile, FPT Shop now becomes Apple Premium Reseller (APR) with more stringent requirements such as better display and larger gross area. With credible market share - 35%, FPT draws attention to another technology giant: Xiaomi, which accounts for 12.7% of the domestic smartphone market share and 70.9% YOY growth from the IDC report). Xiaomi signed an agreement to release its ecosystem with FPT Shop, making FPT Retail a dominant in smartphone market.

Pricing advantages and Top 3 Investor Relationship Award

FPT Retail gains an effective pricing advantage of having the earliest source import from FPT Group. Unlike SME vendors, FPT attracts customers through diverse pleasing sales policies with a 0% interest rate and effortless, professional procedures. FPT retail has occupied a substantial market share and had enough resources, thereby having the earliest arrival. Additionally, FPT Retail is chosen to be top 3 companies out of 728 rivals with perfect investor relationships in 2021. FPT Retail is the exclusive retailer in the podium, whereas its major rival MWG has been eliminated thanks to extraordinary and transparent performance, FPT has dividend payout up to 40%.

A pioneer in digital transformation

FPT retail entered the pharmaceutical industry with the M&A procedure with Long Chau store chain in 2018. The firm soon realized the heat from this industry and throughout the pandemic outbreak, FPT Long Chau accelerated the digitization process thanks to the partnership with FPT software, thereby exceeding their recognition with top 1 ranking mobile application in the medicinal field. FPT Long Chau has left MWG and Pharmacity behind with 21000 recommendations on App store versus An Khang application with 16 recommendations and 803 for Pharmacity. Additionally, FPT Shop puts Artificial Technology into practice and has replaced 60% workload and served 65,258 customers maximizing customer experience and satisfaction.

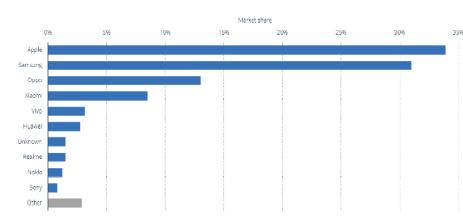


Figure 13: Market share of mobile vendors in Vietnam 2021 (Source: Statista)

Vietnam Smartphone Market, Top 5 Company Shipments, Market Share, and YOY Growth, 2021 (shipments in millions)				
Company	2021 Shipments	2021 Market Share	2020 Shipments	2020 Market Share
1. Samsung	5.3	33.3%	4.2	29.3%
2. OPPO	2.8	17.5%	2.7	19.1%
3. Xiaomi	2.0	12.7%	1.2	8.3%
4. vivo	1.9	11.7%	1.4	10.1%
5. Apple	1.4	8.9%	0.9	6.0%
Others	2.5	15.9%	3.9	27.1%
Total	15.9	100.0%	14.2	100.0%

Source: IDC Quarterly Mobile Phone Tracker, 2021Q4

Figure 14: Vietnam smartphone market, market share and YOY growth 2021 (Source: IDC report)

CORPORATE GOVERNANCE



Figure 15: FRT's corporate governance history
(Source: Company data)

Shareholding structure of FRT

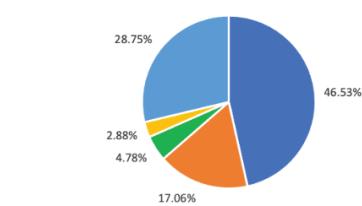


Figure 16: FRT's shareholding structure
(Source: Company data)

2020 – Year of revenue decline despite management efforts: Due to the strong impact of the Covid-19 epidemic, the company faced many difficulties and challenges due to the decline in the overall market. Revenue in 2020 decreased by 12% compared to 2019 leading to a significant decrease in pre-tax profit compared to 2019, reaching VND 28 billion. However, the Board of Directors promptly supervised and implemented the business strategies very well to ensure the company's business operations were stable and the company's finances improved. Specifically, the employment and employee welfare of all employees are guaranteed right during the epidemic period. Good corporate governance is demonstrated by ensuring work progress and management ability. However, this year marks the milestone of declining revenue after many years of operation.

FRT's board of directors is composed of 5 people who are early members of FPT corporation parent company as well as FRT. They are all well experienced with average 10 years and over in the retailing industry. Notably, Ms. Nguyen Bach Diep, who is Chairman of the Board of Directors of FRT, is holding many achievements as well as key positions in management such as: Director of FIS 13 of FPT Information System Company, Deputy General Director of FPT Mobile, Director of FPT Telecom in the South, General Director of FPT Retail. Hence, we could say that she is a passionate, enthusiastic, and talented person who could lead FRT through hardships.

Shareholding structure of FRT consists mostly of institutional investors. Evidently, 46.53% of shares are currently held by the parent company - FPT Corporation. This is considered to be good because the parent company and its subsidiaries are usually closely linked to each other as the parent one is providing constant capital as well as network helps for the smaller enterprises to effectively operate. 17.05% of FRT is owned by Housing Development And Trading Company Limited (HDT); 4.78% owned by VOF Investment Limited; 2.88% owned by Amersham Industries Limited and the rest is for retail investors. Overall, shareholding structure of FRT is somewhat good as more than 50% shares are owned by institutions, who are having long-term vision for the

INVESTMENT SUMMARY

We recommend a **SELL** position of FPT Retail Company, listed on HOSE exchange with ticker FRT. By using the discounting cash flow model FCFF and P/E with 50% weight on each method, we determine the target value of FRT would approximate **84,809 VND/share (down 33.36% compared to current price)**. With difficulties in terms of economy, inflation, and geopolitics, FRT might face some headwinds in the short and mid-term despite noticeable growth in 2021. Some key highlights are reported below:

1. Expectation of retail industry in general and ICT segment particularly to be saturated in the next few years.

By the end of 2021, FPT Digital Retail Joint Stock Company recorded an impressive revenue growth of 53% and pre-tax profits growth of 1850% compared to the same period previous year. However, the rising momentum is likely to be halted in 2022 since (1) the global economy faces obstacles of geopolitical and inflation. Specifically, USD and EUR have hit record-high inflation rates of 8.5% and 7.5% respectively, which raises the overall consumer prices. Meanwhile, FRT's main business revenue is still ICT and tech products imported from western brands. This leads to potential higher mark up prices, thus lowering demand for high-end expenditures. (2) Risk of semiconductor chip shortage is expected to last beyond 2022 in addition to China's current lockdown preventing manufacture inhibits the growth of the ICT segment.

2. More strength and capabilities FPT Pharmaceutical retail chain for to enchant investors

FPT Long Chau store chain's expansion in 2020 witnessed divestment and impatience from investors. As proof, Dragon Capital Fund sold FRT stock in the session at the beginning of December 2020 and was officially deprived of being the major shareholder of FPT with only a 3.12% ownership rate. Since the expansion of FPT Long Chau made a 50-billion-VND loss accounting for a depressing loss of FPT in Q3 2020. This "impossible" move from FPT Long Chau contributed to driving up the operating cost by 21%, and sales expenses increased by 135 billion VND. The owner equity also fell by 40% compared to that of 2017. The company first acquired 5 Long Chau pharmaceutical stores and started operating by September. In Quarter 4 2021, FPT retail ignited the expansion and reckoned the payback period which was approximately 6 months. And (1) until the second quarter of 2022, the company achieves the break-even point and starts making profit. However, the company is planning for another expansion of doubling in size and number of stores. According to FRT's report, it takes at least 6 months to cover all the production cost yet take into account any subsidiary environmental factors. (2) The pandemic outbreak in China is disrupting the already broken supply chain of the retail sector in general and to the Vietnamese pharmaceutical industry, the imported medicine accounts for 50% of the market. Therefore, we are 90% confident to not expect any surge in profit from FPT Long Chau this year.

FINANCIAL ANALYSIS

FRT	2018	2019	2020	2021	2022F	MWG	2018	2019	2020	2021	2022F
LIQUIDITY						LIQUIDITY					
Current ratio (x)	1.2	1.16	1.19	1.12	1.15	Current ratio (x)	1.3	1.23	1.27	1.22	1.25
Quick ratio (x)	0.54	0.39	0.53	0.34	0.52	Quick ratio (x)	0.3	0.17	0.3	0.17	0.46
Cash ratio (x)	0.24	0.16	0.17	0.12	0.9	Cash ratio (x)	0.25	0.11	0.25	0.08	0.07
Debt-to-equity ratio (x)	3.46	4.15	3.4	5.4	4	Debt-to-equity ratio (x)	213	243	1.97	2.09	1.89
Debt-to-assets ratio (x)	0.78	0.81	77	0.84	0.85	Debt-to-assets ratio (x)	0.68	0.71	0.66	0.68	0.64
Interest coverage (%)	554.45%	305.65%	125.01%	519.08%	236.19%	Interest coverage (%)	968%	989%	1011%	1060%	1021%
PROFITABILITY						PROFITABILITY					
Gross profit margin (%)	13.36%	12.69%	13.92%	14.01%	14.45%	Gross profit margin (%)	17.68%	19.07%	22.07%	22.47%	22.34%
Net profit margin (%)	2.27%	1.23%	0.07%	1.98%	0.78%	Net profit margin (%)	3.33%	3.75%	3.61%	3.99%	3.79%
EBIT margin (%)	2.84%	1.67%	0.19%	2.46%	2.95%	EBIT margin (%)	4.38%	4.95%	4.98%	5.26%	5.17%
EBIT (billion VND)	530.45	413.19	142.11	686.37	854.13	EBIT (billion VND)	4,222.74	5,621.58	6,003.74	7,146.01	7,379.56
Return on Assets (%)	7.69%	3.62%	0.41%	5.49%	5.55%	Return on Assets (%)	11.30%	10.98%	8.93%	8.99%	8.63%
Return on Equity (%)	35.57%	17.47%	1.97%	30.56%	35.52%	Return on Equity (%)	38.66%	36.30%	28.36%	27.32%	26.25%
EPS (đ)	4314	2612	266	5618.18	7,947	EPS (đ)	6,941	8,645	8,644	6,870	7,150
EPS growth rate (%)	-39%	-90%	2,012%	41%		EPS growth rate (%)	33.18%	-0.01%	-20.52%	4.08%	
OPERATIONAL EFFICIENCY						OPERATIONAL EFFICIENCY					
Inventory turnover (days)	6.24	4.91	4.81	5.66	5.59	Inventory turnover (days)	4.73	3.76	3.67	3.83	3.69
Return on Sales (%)	2.19%	1.20%	0.07%	1.96%	0.78%	Return on Sales (%)	2.55%	2.82%	3.52%	3.19%	3.20%
Receivables turnover (days)	56.3	62.49	62.77	177.61	235.68	Receivables turnover (days)	96.06	323.42	473.32	423.53	465.19
Payables turnover (days)	12.02	14.57	10.09	10.9	13	Payables turnover (days)	9.12	8.15	8.14	9.12	10.50

Liquidity

IMBALANCED EQUITY STRUCTURE AND RED ZONE LIQUIDITY

After 2020 depression, FPT has gained back the momentum with an increase in profit as well as in assets and liabilities. FPT Retail's payables climbed by 220% YoY, VND9106 billion by the end of 2021. Notably, payables are 5.4 times higher than owner equity leaving the D/E ratio (Debt to Equity) at 3.6 despite the fact that the ratio had fallen from 4.7 in 2017 to 3.6 in 2021. Additionally, despite concerning rising debt, operating cash flow is negative implying FPT Retail has imbalanced the resource allocation leaving more money outflows for production than inflows. Therefore, the debt is poorly covered, and the firm may struggle to finish its financial obligations, as seen by the failing current and quick ratio in 2021. (1.12 and 0.58 respectively). In fact, the firm is under tremendous strain to meet its present responsibilities, since it has VND2335 billion in payables to sellers and VND89 billion in other charges, while having VND4900 billion in inventory. Investors are concerned about the company's liquidity because of the danger of not being able to pay its debts on time. Furthermore, FPT's interest coverage is halved and leading downward trend, therefore, the company is at risk of bankruptcy, while Mobile World Group (MWG) manages the rate stable and high meaning great ability to service its debt over the interest expense.

Operational Efficiency

FPT Retail's inventory increased by 268.52% YoY to VND4975 billion in 2021, which can be attributed to increased demand for laptops for remote working and health supplies during the pandemic. FPT Retail may have been under pressure to fulfill market demand on short notice, resulting in an excess of inventory. In reality, FPT's inventory turnover ratio was 5.17, a low number compared to the retail industry's norm of 10.8 (CSI Market), and this sluggish rate indicates insufficient sales and surplus inventory that might lead to obsolescence. Furthermore, the ROS ratio revealed the same low efficiency in FPT sales over the last five years: constantly under 5%. (compared with MWG).

Profitability

RED FLAGS AWAITS FPT RETAIL

The margins simultaneously witness downturns in the overall trend of 2018-2022A period. Therefore, bad signs of inefficient and ineffective management of FPT Retail are deducted from the metrics fluctuation. (1) Net income is halved from VND347.75bil to VND151bil along with 58.62% of YoY growth in 2018 and been retarded in 2021, 34.02%. (2) Despite an increase in revenue, Net Income (NI) still declines implying exceeding taxes and expenses.

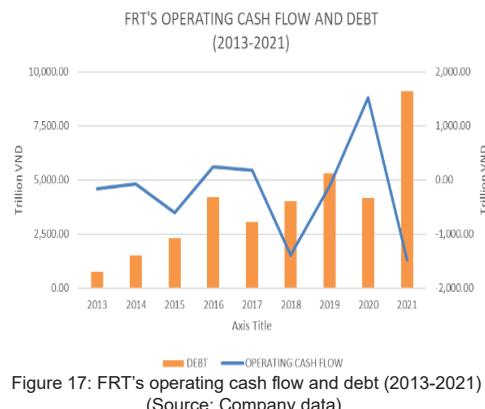


Figure 17: FPT's operating cash flow and debt (2013-2021)
(Source: Company data)

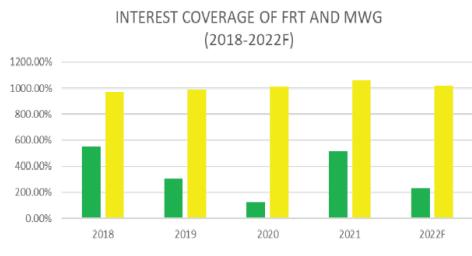


Figure 18: Interest coverage of FPT and MWG (2018-2022F)
(Source: Company data and Team estimate)

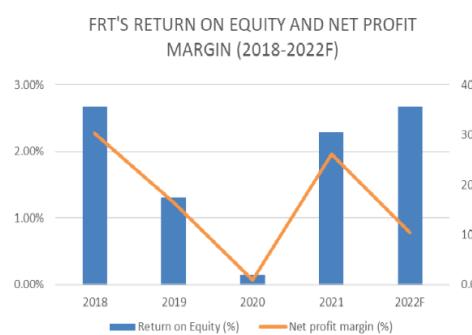


Figure 19: FPT's return on equity (ROE) and net profit margin (NPM) (2018-2022F)
(Source: Company data, Team estimate)

REVENUE GROWTH RATE OF FRT AND MWG (2018-2022F)

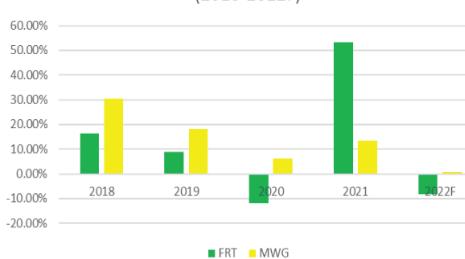


Figure 20: Revenue growth rate of FRT and MWG (2018-Q1/2022) (Source: Company data, Team estimate)

EARNING GROWTH RATE OF FRT AND MWG (2018-Q1/2022)

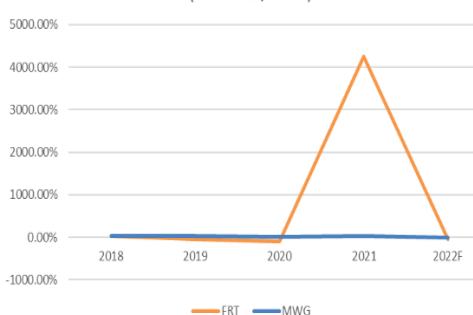


Figure 21: Earning growth rate of FRT and MWG (2018-Q1/2022) (Source: VietCapital Securities, Team estimate)

FRT'S EPS AND EPS GROWTH (2019-2022F)



Figure 22: FRT's EPS and EPS growth rate (2019-2022F) (Source: Company data, Team estimate)

That has driven the earning growth rates negative at a very upset rate -94.99% (2020). In 2021, despite the surging growth rates, FPT Retail closed 88 stores leaving the cost lower such as rentals, utility bills, etc. Therefore, (3) net profit margin (NPM) of FRT is in a red zone with below average ratio and downward trend from 2018 to 2021 (2.27% to 1.96%). This could imply that the exacerbating control of cost structure and the pricing strategies from FPT Retail. In contrast with FRT's major rival, MWG, their NPM overall increases above 3% and keeps climbing, their earning growth rate is all-time positive indicating efficient cost tactics from MWG. These comparisons could help FRT acknowledge their process of profitability of a whole retail chain, it is working inefficiently to make profit for 2022 and forwards desired goals. (4) With EBIT margin falls down pointlessly and hitting the trough in 2020 at 0.19%, FPT Retail is assumed to exacerbate the control of costs and create inadequate money per sale. In 2021, the metric earns back to 3.05% showing the efforts towards controlling the business costs and starts to be profitable, the margin is expected to keep climbing but not surge. However, FRT are still being left behind MWG since its margin is above 5% which is good reflecting to the world benchmark for retail business.

"ALL FALL DOWN"

Embarking on the Earning per share (EPS) and its growth rate would best prescribe approximately following similar pattern of Return-on-Assets ratio (ROA) and Return-on-Equity ratio (ROE) for the unhealthy profitability statement of FRT. (1) EPS decreases gradually from 2018 to 2020 (VND 4,314 to VND 266) when FRT as well as retail industry suffered through harsh times adapting with the first sudden pandemic outbreak. Therefore, the negative growth rates are indicating FRT has been losing money during this aggressive diminish. However thanks to the demand for ICT surges in 2021, EPS rockets again to gain back its position on the market with 2012% growth. However, in the near future, the rate is hindered with only 41% since the wave is over and the industry turns back to normal pace, no breakthrough growth would be further recorded. FPT retail is more decent with EPS compared to MWG. (2) ROA shrinks dramatically from 7.69% to 5.55% (2018-2022F), after first pandemic year, FRT soonly catches the wave of high demand ICT accelerating the ROA to 5.49% by pushing the already digitalization process with online shops and e-commerce platforms. However, when the market bounces back to normal, the company is unable to maximize the use of their assets to turn into profits dragging down its profitability nature below the industry benchmark of more than 7.5% per year and 10% for consecutive 3 years. (3) ROE shares the same pattern with ROA. Onwards 2020, FPT Retail fails to illustrate their experience in reinvesting the contributed capital from investors. Noticeably, in 2021, ROE goes beyond since according to BSC, retail industry recovers from Q3 2020 (Appendix E) and this stimulates the demand for investing in retail sector increases. Together with rising income from laptops and Apple products revenue, equity injection is involved. Unlike mentioned ratio, ROE is the most potentially accelerating one funding from Long Chau drugstore chain since this newly-operating sector gains 3.3% revenue growth for FPT and pharmaceutical industry in general has always profitable to investors.

VALUATION

We used a 50:50 weighted average valuation approach, including two methods: Free Cash Flow to the Firm (50%) and P/E valuation (50%) to derive at a target price of VND84,089 (33.36% downside). All the assumptions made during the valuation process are based on disclosed information, news, as well as FRT's future development plans. We also employed various macro projections that would have effects on the business based on the current global economy and Vietnam's economy.

Free Cash Flow to the Firm Model (FCFF)

Other valuation methods such as RIM or DDM are not practical for valuing FRT in this case. (1) As FRT is a highly leveraged company with changing capital structure, hence, RIM is not applicable because it is mostly used for mature and stable firms only (banks and other financial institutions). (2) DDM only applies for businesses who pay out dividends regularly and on a schedule; FRT is not one of them, thereby hindering the use of the DDM valuation method. As so, FC FF is employed as one of the favorable methods for valuing FRT, which is a highly leveraged and capital-intensive company. Henceforth, our FCFF model suggested an intrinsic value of FRT at VND76,717 per share.

	2022F	2023F	2024F	2025F	2026F	2027F
EBIT	854.13	1,223.40	1,512.50	1,705.38	1,917.34	2,163.10
Working Cap Inv	324.79	251.07	610.26	687.64	774.22	895.04
CAPEX	104.76	60.13	69.84	77.92	86.90	98.49
Depreciation	-2.55	-2.66	-3.22	-3.62	-4.07	-4.71
FCFF	256.30	670.18	533.12	602.36	676.82	741.66

Source: Bloomberg, Team estimate

VALUATION ASSUMPTIONS

Revenue: We forecasted the overall revenue growth of FRT based on its main operating activities segments, including ICT sales from FPT Shop and pharmaceutical sales from Long Chau pharmacy. Sales growth for each of the following mentioned segments was benchmarked using relevant revenue drivers, and then estimated with the average growth of the industry.

Segment	Revenue drivers	Average annual growth
ICT	Technology and telecommunication industry revenue in Vietnam	10.6%
Pharmacy	Value of pharmaceutical sales in Vietnam	11%

Source: Bloomberg, Team estimate

Based on the results of data collected regarding growth rates of relevant revenue drivers, we estimated FRT's revenue to averagely grow at around 10.8% annually compounded from 2022 to 2027. Moreover, considering the strong expansion factor of Long Chau pharmacy, it may possibly lead to further soaring in revenue growth of FRT years to come. But even so, although we believe in the growing momentum of the pharmacy chain, cautions are never superfluous as the company was already having a relatively high growth base in 2021 compared to competitors and industry average. Therefore, we believe that in 2022 and the following years would be a period of stable growth with little volatility. Moreso, factoring in with the retail industry growth mean, which approximately in between 11% to 13% Y-O-Y, as well as high inflation rate worldwide that could affect consumers' demand and indirectly impact sales, hence, total revenue sales are expected to rise by an estimated 12.5% per annum.

Working capital: Net working capital measures the short-term liquidity of a business by subtracting the current assets to the current liabilities of the company. From historical records, it was evidently shown that FRT is a highly short-term capital intensive company with NWC usually accounted for 70% to over 90% of short-term debt loans. Characteristically, (1) FRT is a retail business, thus, heavy investments in current assets such as inventories as well as cash & cash equivalents are crucially necessary. (2) Projected expansion of Long Chau chains also requires FRT to further stock up on medicine inventories as needs and demands for pharmaceutical products rise as citizens become more aware of health. Hence, we postulated that FRT would continue being a NWC intensive company in the projected years period with working capital growing accordingly to the scale of the company and sales. Specifically, we estimated that the working capital turnover in 5-year time would be approximately equal to previous years' mode, between 5.5 and 6. Therefore, with respect to the forecasted working capital turnover and revenue, NWC is then set out to grow correspondingly.

Capital Expenditure (CAPEX): We forecasted FRT's CAPEX by breaking it down into 3 groups: fixed tangible assets, fixed intangible assets and other long-term assets. We expect that investments in fixed tangible and intangible assets would still be ramping up hard in 2022 (but less than 2021) as the company is actively scaling and expanding the number of Long Chau pharmacies domestically. Meanwhile, other long-term assets would also increase but only at a modest rate accordingly with the company's revenue growth. Based on past data, FRT's CAPEX usually ranges averagely at 0.2% - 0.3% of total sales. This is a pretty low number compared to the company's size. Typically, most retail businesses do not require as much resources on fixed assets such as properties or equipment because of industry nature precluding manufacturing or producing. Hence, after considering all determinant factors we concluded (1) in the short run we expect a surge in CAPEX at 0.4% over forecasted 2022F sales because of expansion needs, however (2) in the long run we believe that CAPEX will continue to grow at a stabilized 0.22% over revenue.

Terminal growth rate: We assumed a 4.2% terminal growth based on: (1) inflation rate of Vietnam is expected to be around 3.8% to 4% in 2022; (2) According to World Bank, average GDP growth of Vietnam is forecasted rising to the 5.5% level in 2022, however, we expect a smaller number around 4.5% as Vietnam

Risk-free rate of return	3.2%	Based on 10Y government bonds yield
Adjusted beta	1.19	
Market rate of return	13%	Calculated using VNIndex in a 22-year period
Cost of equity	14.86%	Calculated via CAPM
Tax rate	20%	
After-tax cost of debt	1.16%	
WACC	10.75%	

Relative Valuation (P/E)

We picked out some of FRT's main competitors in domestic Vietnam, which belong to the retail industry that closely resemble FRT's main operating activities. Additionally, we also chose some foreign competitors for comparison. Generally, data shows that FRT is currently trading way higher over domestic and international peers. Evidently, domestic P/E median as well as foreign P/E median is calculated to be equal around 18.25 and 16.71 respectively, which is much lower than FRT's P/E of 25.98. Furthermore, forecasted data from Bloomberg shows that there might be a decline in the retail industry within 2022F, pointed out by the drop in overall median from 17.48 to 16.5. This reflects an overvalue for FRT. Moreover, given the fact that the global economy is facing headwinds as well as rising inflation, this would become a huge obstacle for retail business since costs: goods & logistics may drive up uncontrollably. Hence, we expect a possible downturn scenario for FRT occurring with predicted P/E to be approximately 17 in 2022F, which is slightly higher than the industry median due to high base in 2021. All in all, based on our relative valuation model given the forecasted industry P/E median 16.5x, we came up with a target price for FRT is VND91,460, equal to 27.52% downside.

TICKER	NAME	MARKET CAP	2021 P/E	2022F P/E
MWG	MOBILE WORLD INVESTMENT CORP	107,754,001	21.22	16.38
DGW	DIGIWORLD CORP	10,600	18.25	16.55
PET	PETROVIETNAM GENERAL SERVICES JSC CORP	3,540	16.57	16.45
Domestic median			18.25	16.45
SPVI TB	SPVI PCL	1,765,122	21.2	19.41
3048 JP	BIC CAMERA INC	36,260,300	24.41	19.61
MVID RM	M VIDEO PJSC	12,449,901	16.71	7.29
2730 JP	EDION CORP	21,908,051	9.72	8.91
EXTRA AB	UNITED ELECTRONICS CO	47,703,837	18.8	17.38
MOZN SW	MOBILEZONE HOLDING AG-REG	16,577,501	13.67	11.9
7618 JP	PC DEPOT CORP	2,920,553	15.56	20.88
Foreign median			16.71	17.38
Overall median			17.48	16.5
FRT	FPT DIGITAL RETAIL JSC	11,531,342	25.98	17

Source: Bloomberg, Team estimate

INVESTMENT RISK

Macro environment risk: 2022 shows the return of economic stability, but FRT's predicted revenue is no longer as potential as previous years because of the inflation trend. Due to the disruption of the global supply chain, the sharp increase in logistics costs affects the Vietnamese economy as well as the world. Therefore, Vietnam is facing the risk of imported inflation and the retail industry is also significantly affected. Secondly, the revenue of the Long Chau drugstore chain will not increase as strongly as in the quarters in 2021 because customer demand is not as much as before (post-Covid context), hence, the business might have to suffer more losses.

Inventory risk: Inventory management risk is always an important issue for businesses operating in the retail sector. Inventories of retail businesses almost come from short-term loans, slow-selling inventories will affect interest expenses and total revenue of the business because they have to reduce prices to handle. With the general development trend in the retail industry and the economic situation gradually stabilizing, comparable businesses and other small businesses are starting to return to activity. Therefore, customers have many choices with many different preferential prices. FRT's inventory handling is expected to become more difficult.

Mitigation: (1) actively promote products online to potential customers, (2) carefully consider and analyze the quantity of goods needed for business to avoid stagnation of inventory

Competitive risk: FRT is under competitive pressure with large enterprises such as Mobile World Investment Joint Stock Company (MWG), TVH Import-Export and General Trading Joint Stock Company (Cellphones) and small private enterprises. In addition to the price competition and related incentives, other businesses are doing very well in terms of branding, quality of customer service. Therefore, FRT needs to make efforts to always be the number one retail chain in the mind of customers. In many different ways such as expanding the business scale, supporting community activities or sponsoring scholarships for talents to find potential employees.

Technology risk: Technology risk is one of the inevitable problems for businesses in the retail industry. With the rapid development of information technology, products with new features and designs are constantly updated and lead to a rather short product life cycle. Balancing the costs of keeping inventory as well as updating and promoting new products to customers is a difficult problem in the retail industry.

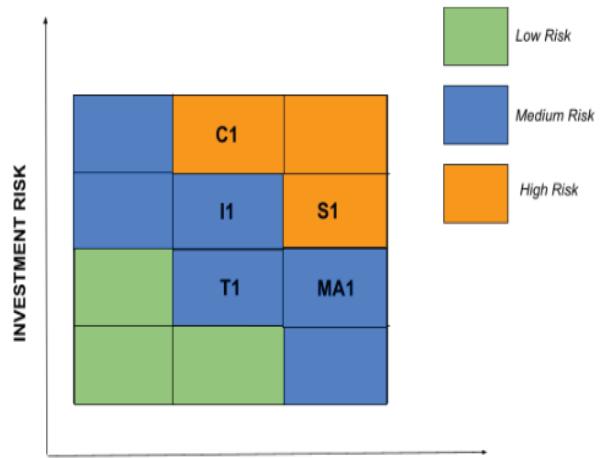


Figure 23: Risk matrix (Source: Team estimate)

Mitigation: (1) thoroughly research the market and customer needs, (2) update new products regularly, (3) take appropriate measures to handle products with short life cycles to avoid inventory stagnation.

Supply risk [S1]: Consumer demand from services to long-term purchases of goods such as electronics, home appliances, clothing... Two years after the pandemic, consumer spending on goods remains high. While explosive retail growth is reflected in record import volumes, there are still issues that plague global logistics and affect retail businesses. First, the cost imbalance and lack of labor in Vietnam make the infrastructure and transportation costs not enough to meet the demand for transporting goods. In addition, political issues affect the supply a lot. Logistics companies need to have alternatives to avoid risks and face global trade partnerships during a sensitive period.

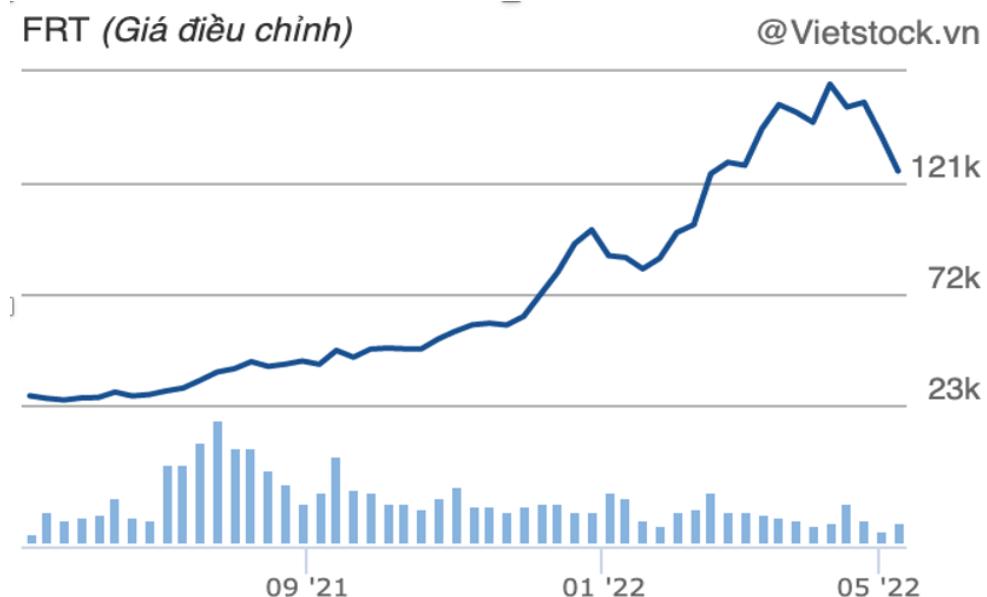
APPENDIX A: Balance Sheet

	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F	2026F	2027F
Current assets	3,509.33	4,815.27	6,173.24	4,960.00	10,221.93	11,516.03	12,864.56	14,495.79	16,333.86	18,403.35	20,795.79
Cash & cash equivalents	638.08	948.38	869.65	701.50	1,105.21	1,245.13	1,390.93	1,567.30	1,766.03	1,989.79	2,248.46
Net short-term investments	0.00	4.14	494.64	788.16	1,820.50	2,050.98	2,291.15	2,581.67	2,909.03	3,277.60	3,703.69
Short-term receivables	1,016.35	1,206.76	1,178.07	1,498.24	1,985.36	2,236.71	2,498.63	2,815.46	3,172.46	3,574.41	4,039.08
Inventories	1,723.48	2,506.22	3,383.54	1,826.72	4,930.36	5,554.54	6,204.98	6,991.77	7,878.33	8,876.51	10,030.46
Other current assets	131.42	149.78	247.33	145.38	380.50	428.67	478.87	539.59	608.01	685.04	774.10
Non-current assets	361.90	352.40	420.53	427.58	564.14	683.57	759.08	847.53	946.42	1,056.94	1,182.73
Long-term receivables	75.68	84.03	105.27	116.40	136.78	154.09	172.13	193.96	218.55	246.24	278.25
Fixed assets	46.33	45.59	48.57	50.63	171.95	241.84	265.63	291.51	319.90	351.04	385.06
Tangible assets	5.49	5.15	6.61	8.71	16.35	22.03	23.98	25.94	28.04	30.30	32.63
Cost of tangible assets	9.32	9.34	11.19	14.16	29.30	36.63	40.29	44.32	48.75	53.63	58.99
Accumulative depreciation of tangible assets	-3.84	-4.19	-4.58	-5.45	-12.96	-14.60	-16.31	-18.38	-20.71	-23.33	-26.36
Intangible assets	40.84	40.44	41.96	41.92	155.61	219.81	241.65	265.57	291.86	320.74	352.43
Cost of intangible assets	44.48	44.48	46.42	46.88	162.79	227.90	250.69	275.76	303.34	333.67	367.04
Accumulative depreciation of intangible assets	-3.64	-4.04	-4.46	-4.96	-7.18	-8.09	-9.04	-10.19	-11.48	-12.93	-14.61
Other non-current assets	239.89	222.78	266.69	260.55	255.32	287.64	321.32	362.06	407.97	459.66	519.42
TOTAL ASSETS	3,871.23	5,167.67	6,593.77	5,387.58	10,786.07	12,199.60	13,623.64	15,343.32	17,280.28	19,460.29	21,978.52

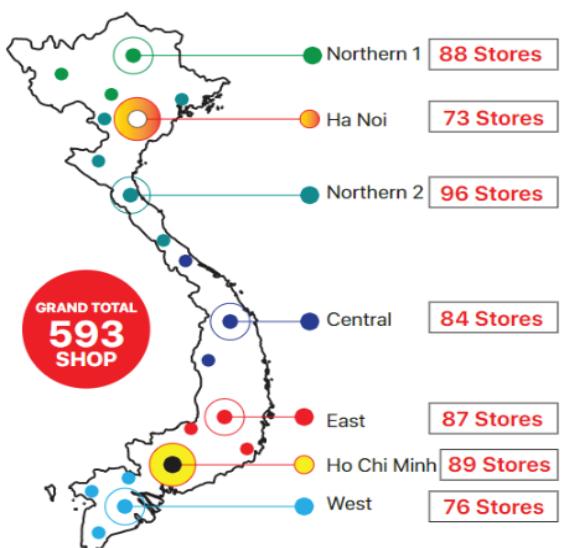
APPENDIX B: Income Statement

	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F	2026F	2027F
Net revenue	13,146.51	15,298.33	16,633.96	14,661.42	22,494.96	25,342.82	28,310.46	31,900.23	35,945.18	40,499.43	45,764.36
COGS	-	-13,254.73	-14,522.90	-12,620.41	-19,343.45	-21,896.20	-24,417.77	-27,434.20	-30,912.85	-34,829.51	-39,357.35
Gross profit	1,816.26	2,043.61	2,111.06	2,041.00	3,151.51	3,446.62	3,892.69	4,466.03	5,032.33	5,669.92	6,407.01
Income from financial activities	54.30	42.87	78.05	70.75	197.58	491.11	553.28	618.07	696.44	784.75	884.18
Financial expenses	-82.02	-100.57	-147.96	-133.81	-146.25	-393.08	-355.81	-375.40	-423.00	-476.63	-537.02
Interest expenses	-78.95	-95.67	-135.18	-113.68	-132.23	-361.63	-327.35	-345.37	-389.16	-438.50	-494.06
Selling expenses	-1,154.04	-1,296.27	-1,419.31	-1,565.74	-2,071.12	-2,407.57	-2,547.94	-2,807.22	-3,163.18	-3,563.95	-4,027.26
Enterprise cost management	-300.25	-286.84	-349.01	-397.88	-585.53	-684.26	-679.45	-765.61	-862.68	-971.99	-1,098.34
Profit/ losses from operating activities	334.24	402.79	272.82	14.32	546.20	452.82	862.77	1,135.87	1,279.91	1,442.10	1,628.57
Sundry income	29.49	34.15	5.33	14.99	9.43	21.04	16.93	17.80	20.95	20.91	22.47
Other expenses	-0.65	-2.16	-0.15	-0.88	-1.48	-1.20	-1.31	-1.13	-1.35	-1.46	-1.46
Gross Sundry Income	28.83	31.99	5.18	14.11	7.94	19.84	17.66	14.59	16.71	17.29	19.46
Pre-tax profit	363.07	434.78	278.00	28.43	554.14	492.50	896.05	1,167.13	1,316.22	1,478.84	1,669.04
Tax	-73.20	-87.03	-74.16	-18.21	-110.24	-98.50	-179.21	-233.43	-263.24	-295.77	-333.81
After-tax profit	289.88	347.75	203.85	10.22	443.90	394.00	716.84	933.70	1,052.98	1,183.07	1,335.23

APPENDIX C: Share Price History



APPENDIX D: FRT'S BRANCH NETWORK



Including 593 stores across 63 provinces and 14 laptop centers in Hanoi, HCMC và other provinces in Vietnam
An official distributor of Apple in Vietnam with 3 levels: APR, AAR and I corner

APPENDIX E: Different Industries Compared to VNIndex in 2022

RETAIL SECTOR AND POSITIVE DEVELOPMENT ALONG WITH VN-INDEX IN 2020



APPENDIX F: Cost of Equity (CAPM)

We are calculating the cost of equity based on Capital Asset Pricing Model (CAPM) formula:

$$E(R_i) = R_f + \text{Beta}(E(R_m) - R_f)$$

In which: $R_f = 3.2\%$; Beta = 1.19; $E(R_m) = 13\%$

We came up with cost of equity of 14.86%, which comprises key attributes collected as below:

Cost of Equity attributes	Methodology
Risk-free rate (R_f)	Risk-free rate is taken via Government 10Y bond yield, which fluctuates between 3% - 3.2% recently due reopening of the economy and rebouncing of the financial market in Vietnam first quarter of 2022
Adjusted beta (β_i)	We are using a beta of 1.28 calculated by Bloomberg and then adjusted by assuming it moves toward market average over time.
Market rate of return $E(R_m)$	Market rate of return 13% is calculated by using the growth rate of VNIndex over a 22-year period. With starting value at around 100 points in 2000 and ending value of 1500 in April 2022. Hence, it over 22 years, the market has returned 1300%, meaning average return is 13%.



Source: Investing.com

APPENDIX G: Board of Directors

Name	Position	Education	Experience & Tenure
Nguyen Bach Diep	Chairwoman	Open University (HCMC)	<ul style="list-style-type: none"> Director of FIS 13 of FPT Information System Company Deputy General Director of FPT Mobile, Director of FPT Telecom in the South Deputy General Director of FPT Retail General Director of FPT <ul style="list-style-type: none"> 2018: Deputy CEO of FPT Telecom 2017: Deputy CEO of FPT Information System 2012 – 2016: Deputy CEO of FPT Telecom 2009 – 2012: Regional Sales Manager, FPT Telecom 2007 – 2009: Deputy Director of Online Data Center, FPT Telecom 2003 – 2007: Head of sales Department, FPT Telecom 2000 – 2002: sales man at FPT Telecom
Hoang Trung Kien	CEO	University of Liberty (Belgium)	<ul style="list-style-type: none"> November 1, 2015: Chief Technology Officer (CTO) of FPT Corporation July 2012 – October 2015: Chief Technology Officer (CTO) of FPT Software 2011-2012: CEO of Smart OSC JSC and Obis JSC 2010-2011: Chief Technology Officer (CTO) of Global Notes Complete, FPT 2008-2009: Chief Technology Officer (CTO) of FPT in Asia – Pacific 2005 – 2007: Held different positions at FPT
Le Hong Viet	Director	University of Sydney (Australia)	<ul style="list-style-type: none"> 2013 – Second Class Labor Medal of FPT Corporation 2008 – Labor Medal 3rd Class 2005 – Advanced personal level FPT
Trinh Hoa Giang	Director	University of Languages and International Studies (Hanoi)	<ul style="list-style-type: none"> 2007: Deputy General Director in charge of technology Member of the Board of Directors of FPT Online 2009: Deputy General Director in charge of technology FPT Telecom 2010: General Director Member of the Board of Directors of FPT Online 2013: Chairman of the Board of Directors of Sen Do Technology Joint Stock Company
Nguyen Dac Viet Dung	Director	Polytechnic University (Hanoi)	

APPENDIX H: Board of Managers

Name	Position	Education	Experience & Tenure
Hoang Trung Kien	CEO	University of Liberty (Belgium)	<ul style="list-style-type: none"> •2018: Deputy CEO of FPT Telecom •2017: Deputy CEO of FPT Information System •2012 – 2016: Deputy CEO of FPT Telecom •2009 – 2012: Regional Sales Manager, FPT Telecom •2007 – 2009: Deputy Director of Online Data Center, FPT Telecom •2003 – 2007: Head of sales Department, FPT Telecom •2000 – 2002: sales man at FPT Telecom
Nguyen Viet Anh	Deputy CEO	<ul style="list-style-type: none"> •Assumption Thailand University •Singapore National University 	<ul style="list-style-type: none"> Major positions in domestic and foreign: •Director of financial analysis of P&G Viet Nam •CFO of P&G Asian Area •Logistic Director of L'oreal Viet Nam •CFO •Sales Director of Nokia Viet Nam •Sales Director of Apple Viet Nam
Pham Duy Hoang Anh	CFO	National Economics University	<ul style="list-style-type: none"> •Leader of Auditing Team in Deloitte company •Analyzing and controlling financial executive in FPT Corporation •IR manager in FPT Corporation

APPENDIX I: Valuation Assumptions

A) VALUATION ASSUMPTIONS

Growth rates for each of the following segments are projected based FRT's historical trend, forecasted revenue growth as well as other determinants that might affect the business in the near future.

Income from financial activities is expected to rise at a 23.87% CAGR during 2021-2027F due to high investment in working capital. FRT stated that most of their financial income come from lending other businesses using short-term assets such as: cash&equivalents and inventories. Hence, as FRT's further plan to scaling and expansion in number of stores, which leads to rising working capital to fund those activities, it is very possible that they would use those short-term assets to leveragely produce more income from it.

Interest expenses would be rising sharply in the next few years as FRT is recently loaning the bank at a very fast rate and heavy amount in order (1) to cover expenses during Covid, (2) to serve as extra resources for expanding the business. Moreover, as banks are raising rates for attracting capital from customers, loan rates are very likely to be increased. Additionally, considering inflation rate factor to be extremely high worldwide as well as in Vietnam, it makes chances for rate hikes to be heighten even more. By all means, we forecasted a 20.72% CAGR 2021-2027F for this segment.

We believe that **COGS** will rise moderately in at least 1-2 years to come at a rate of 86.4% to 86.25% over total sales in 2022F and 2023F respectively. This hypothesis is based on (1) expected inflation of around 4% in 2022F, (2) rising cost of logistics due to stagnance from the Europe war. We do not expect COGS to rise to sharply as FRT is already stocking up a large amount of inventories in 2021.

Fixed tangible and intangible assets are expected to rise by 25% and 40% respectively, which is a little bit higher than historical average. As FRT is opening more stores, investments in long-term assets as such are necessary and predictable.

Short-term loans would be stabilized in the next few years as having a high base and rise in debt in 2021. However, looking at 5-year time, we would still assume that short-term debt continues to rise at a 6.4% CAGR from 2021-2027F.

APPENDIX J: RELATIVE VALUATION

We picked our peers comparing based on these criteria:

For domestic peers: We incorporated the top 3 most popular companies in the retail industry: MWG, DGW and PET that are currently operating in ICT segment – FRT's main activities. These notable names are also having high market capitalization and market share, whom are FRT's biggest competitors domestically.

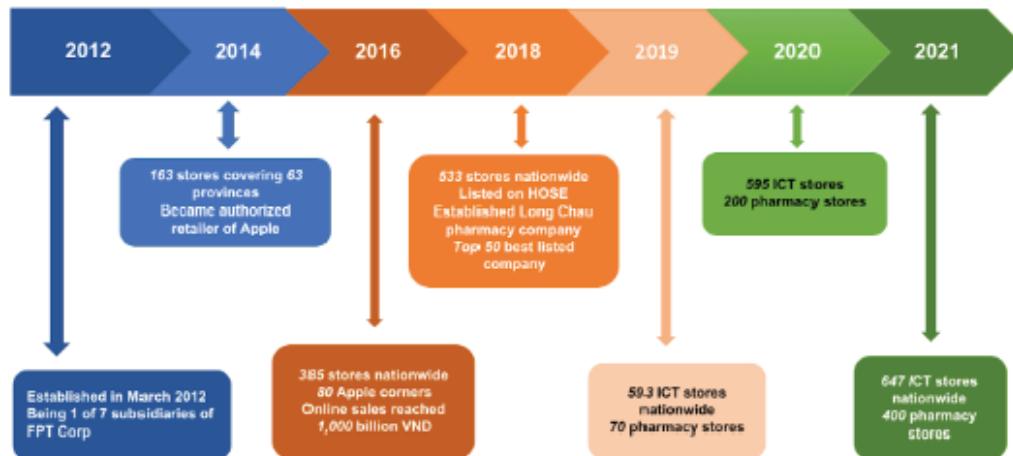
Criteria	Domestic group
Operating activities	Working closely in the ICT segment and closely resemble FRT's main operating activities
Size	Notable and big market share as well as capitalization

For foreign peers: We conducted researches on different retail businesses around the world and then picked out 7 institutions that are following the criteria:

- (1) Size: We filtered out those companies that have market capitalization under VND 50 trillion which is currently operating as retail businesses. Especially, companies who are famous and popular among customers in their native country or international would be favored.
- (2) Product mix: companies that are currently focusing and selling variety of product segments, for example: ICT products, medicines, clothing, etc.

Criteria	Domestic group
Size	Utmost market capitalization of VND 50 trillion or under
Product mix	Selling a variety of product segments

APPENDIX K: FRT KEY MILESTONES



APPENDIX L-1: CORPORATE SOCIAL RESPONSIBILITIES

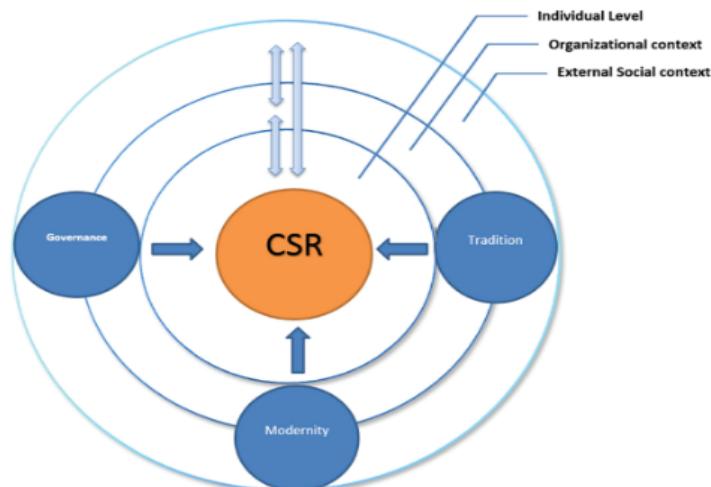


Fig. 1 Conceptual framework on the nature of CSR, adapted from Edwards and Phan (2014) and Athanasopoulou and Selsky (2015). (*) Please note: in comparison to the model of Edwards and Phan (2014), this study used the term 'Governance' instead of 'Party-state' for the universality of the model. Thus, this model may be generally applied as a lens for considering the nature of CSR in other developing countries

APPENDIX L-2: CONFUCIAN VALUES AND CSR CONCEPT IN VIETNAM

Table 1 The relevance between Confucian values and the concept of CSR in Vietnam

Confucian values	Original meaning	The concept of CSR
"Nghia" & "Nhan"	The Confucian virtue of compassion, charity, benevolence, humanity and love for one's fellow human beings	Ethical responsibilities & Philanthropy
"Tinh" & "Nhan"	These values entail going beyond the rules to do good because one has empathy and compassion in one's heart. This also reflects community sentiment (<i>tinh lang nghia xom</i>)	Ethical responsibilities & Philanthropy
"Ly", "Nghia", & "Tin"	The rationality of righteousness and faithfulness	Ethical & Legal responsibilities
"Dieu do"	This virtue refers to moderate one's stance in the interest of social harmony. Relativism, of not being excessive. People who do not know moderation – who are too greedy or too rigid or too assertive bring about their own downfall	Economic & sustainable consumption

Source: International Journal of Corporate Social

According to the Social pillar of FPT Retail, "Ly", "Nghia" & "Tin" are the commitment during the sales consultancy process of every salesperson at FRT. During the pandemic, the enthusiastic support from FPT Long Chau and FPT Shop for medicine packages and free laptops, tablets also emphasize the "Tinh" & "Nhan". Therefore, although there is yet an official scale for CSR or ESG score for FPT Shop (only FPT Corporation is scaled), FPT Shop has a fulfilled CSR framework from 2013 until now. Their main field for CSR practice is education, medicine and their human capital.

REFERENCES

FRT 2021, Annual Report 2021, company report, FRT, viewed 1 May 2022, <<http://frt.vn/bao-cao-thuong-nien/bctn-nam-2021/bao-cao-thuong-nien-nam-2021/>>

FRT 2020, Annual Report 2020, company report, FRT, viewed 1 May 2022, <http://frt.vn/wp-content/uploads/2021/06/FRT_-2020-Annual-Report-TA.pdf>

FRT 2018, Annual Report 2018, company report, FRT, viewed 1 May 2022, <<http://frt.vn/en/annual-report/annual-report-2018/>>

FRT 2019, Annual Report 2019, company report, FRT, viewed 1 May 2022, <http://frt.vn/en/annual-report/ar-2019/frt_annual-report-2019/>

Ha, T 2021, 'Cảnh báo lạm phát quay trở lại ngay đầu năm 2022', Quang Binh News, 20 November, 30 April 2022, <<https://baquaquangbinh.vn/kinh-te/202111/canh-bao-lam-phat-quay-tro-lai-ngay-dau-nam-2022-2195549/>>

Dang, H 2021, 'Thế Giới Di Động, FPT Shop mất bao nhiêu doanh thu khi Hà Nội giãn cách?', ICT News, 24 July, 30 April 2022, <<https://ictnews.vietnamnet.vn/cuoc-song-so/the-gioi-di-dong-fpt-shop-mat-bao-nhieu-doanh-thu-khi-ha-noi-gian-cach-291172.html>>

Thu, T 2022, '5 yếu tố tác động đến ngành logistics toàn cầu năm 2022', VnExpress, 9 May, viewed 11 May 2022, <<https://vnexpress.net/5-yeu-to-tac-dong-den-nganh-logistics-toan-cau-nam-2022-4460122.html>>

Ly, K 2021, 'FPT Retail lọt Top 3 doanh nghiệp được nhà đầu tư yêu thích nhất 2021', Chung Ta News, 7 December, viewed 29 April 2022, <<https://chungta.vn/kinh-doanh/fpt-retail-lot-top-3-doanh-nghiep-duoc-nha-dau-tu-yeu-thich-nhat-2021-1134015.html>>

FPT AI 2019, 'How FPT Shop maximizes sales and customer satisfaction through AI chatbot', blog, viewed 2 May 2022, <<https://fpt.ai/how-fpt-shop-maximizes-sales-and-customer-satisfaction-through-ai-chatbot>>

Thuy, N 2021, 'Bán lẻ được phẩm: Nóng cuộc đua giữa Thế Giới Di Động và FPT Retail', Nhịp Cau Dau Tu News, 18 November, viewed 28 April 2022, <<https://nhipcaudautu.vn/kinh-doanh/ban-le-duoc-pham-nong-cuoc-dua-giua-the-gioi-di-dong-va-fpt-retail-3342850/>>

Hai, D 2016, 'Thế Giới Di Động, FPT Shop "ngang nhiên" nhập hàng từ hàng, bỏ qua nhà phân phối', CafeF, 12 December, viewed 2 May 2022, <<https://cafef.vn/the-gioi-di-dong-fpt-shop-ngang-nhien-nhap-hang-tu-hang-boqua-nha-phan-phoi-20161212090735863.chn>>

FPT Long Chau 2021, 'Nhà thuốc FPT Long Châu ra mắt ứng dụng website mới và ứng dụng mua thuốc trực tuyến', FPT Retail, 24 October, viewed 1 May 2022, <<https://nhathuoclongchau.com/bai-viet/nha-thuoc-fpt-long-chau-ra-mat-ung-dung-website-moi-va-ung-dung-mua-thuoc-truc-tuyen-49157.html>>

L

ETime 2022, 'Xiaomi Việt Nam bắt tay với Synnex FPT mở rộng phân phối sản phẩm tại Việt Nam', ETime, 19 January, viewed 1 May 2022, <<https://etime.danviet.vn/xiaomi-viet-nam-bat-tay-voi-synnex-fpt-mo-rong-phan-phoi-san-pham-tai-viet-nam-20220119212702827.html>>

FPT Shop 2016, 'FPT Shop trở thành đại lý được Apple ủy quyền chính hãng bán Macbook', FPT Shop, 5 August, viewed 2 May 2022, <<https://ftpshop.com.vn/tin-tuc/tin-khuyen-mai/fpt-shop-tro-thanh-dai-ly-duoc-apple-uy-quyen-chinh-hang-ban-macbook-42074#:~:text=K%E1%BB%83%20t%E1%BB%AB%20th%C3%A1ng%208%2F2016,iPad%2C%20Macbook%20v%C3%A0%20Apple%20Watch.>>

Thanh, K 2019, 'Tiên phong chuyển đổi số, FPT đặt mục tiêu vào Top 50 thế giới', Dau Tu Online News, 30 March, viewed 1 May 2022, <<https://baodautu.vn/tien-phong-chuyen-doi-so-fpt-dat-muc-tieu-va-top-50-the-gioi-d97771.html>>

Tam, D 2022, 'Trường của FPT đón trẻ mồ côi do Covid-19', VnExpress, 8 February, viewed 29 April 2022, <<https://vnexpress.net/truong-cua-fpt-don-tre-mo-coi-do-covid-19-4425266.html?fbclid=IwAR30cA2Y9SHHNACI132PRoyXDKmIODmucWwmUbPzoPxAuB0oTSpW8K9iTcg>>

NDH 2021, 'Đằng sau đà tăng phi mã của cổ phiếu FPT Retail: Nhà thuốc Long Châu từ lỗ trăm tỷ đã có lãi', NDH News, 28 August, viewed 28 April 2022, <<https://ndh.vn/ketqua-kinhdoanh/dang-sau-da-tang-phi-ma-cua-co-phieu-fpt-retail-nha-thuoc-long-chau-tu-lo-tram-ty-da-co-lai-1298425.html>>

Lam, C 2022, 'Kinh tế Việt Nam trước xung đột Nga - Ukraine và động thái của Fed', Viet Stock, 13 April, viewed 4 May 2022, <<https://vietstock.vn/2022/04/kinh-te-viet-nam-truoc-xung-dot-nga-ukraine-va-dong-thai-cua-fed-761-951934.htm>>

LNDH 2021, 'Đằng sau đà tăng phi mã của cổ phiếu FPT Retail: Nhà thuốc Long Châu từ lỗ trăm tỷ đã có lãi', NDH News, 28 August, viewed 28 April 2022, <<https://ndh.vn/ketqua-kinhdoanh/dang-sau-da-tang-phi-ma-cua-co-phieu-fpt-retail-nha-thuoc-long-chau-tu-lo-tram-ty-da-co-lai-1298425.html>>

Kien, T 2022, 'Việt Nam mở cửa nền kinh tế gắn với đầu tư nâng cao năng lực y tế, phòng chống dịch bệnh', TP HCM Portal, 21 February, viewed 12 May 2022, <<https://www.hcmcpv.org.vn/tin-tuc/viet-nam-mo-cua-nen-kinh-te-gan-voi-dau-tu-nang-cao-nang-luc-y-te-phong-chong-dich-benh-1491890963>>

Hai, N 2022, 'Lãi suất liên ngân hàng tăng mạnh sau Tết nguyên đán', Financial & Monetary Review, 16 February, viewed 2 May 2022, <<https://thitruongtaichinhthiente.vn/lai-suat-lien-ngan-hang-tang-manh-sau-tet-nguyen-dan-39271.html>>

Investing 2022, Vietnam Consumer Price Index (CPI) YoY, Investing.com, viewed 29 April 2022, <<https://www.investing.com/economic-calendar/vietnamese-cpi-1851>>

Trading Economics 2022, Vietnam Three Month Interbank Rate, Trading Economics, viewed 29 April 2022, <<https://tradingeconomics.com/vietnam/interbank-rate>>

am, M 2020, ‘Được lỗ kéo giảm lợi nhuận mảng bán lẻ FRT’, Khoa hoc & Doi Song News, 17 August, viewed 1 May 2022, <<https://khoaahocdoi-song.vn/duoc-lo-keo-giam-loi-nhuan-mang-ban-le-frt-148098.html>>

Dat, T 2021, ‘Người Việt thay đổi lớn thói quen chi tiêu trong năm 2021’, VnExpress, 26 December, viewed 1 May 2022, <<https://vnexpress.net/nguoiviet-thaydoi-lon-thoi-quen-chi-tieu-trong-nam-2021-4407625.html>>

CSI 2020, Vietnam Retail Report, company report, CSI, viewed 1 May 2022, <[https://www.vncsi.com.vn/data/data/anhphunh/files/Ba%CC%81o%20-%20ca%CC%81o%20Nga%CC%80nh%20Ba%CC%81n%20le%CC%89%20\(9%202020\).pdf](https://www.vncsi.com.vn/data/data/anhphunh/files/Ba%CC%81o%20-%20ca%CC%81o%20Nga%CC%80nh%20Ba%CC%81n%20le%CC%89%20(9%202020).pdf)>

Dat, N 2022, ‘Standard Chartered sees Vietnam inflation higher than central bank forecast’, 13 April, viewed 29 April 2022, <<https://e.vnexpress.net/news/business/data-speaks/standard-chartered-sees-vietnam-inflation-higher-than-central-bank-forecast-4450760.html#:~:text=Standard%20Chartered%20sees%20Vietnam%20inflation%20higher%20than%20central%20bank%20forecast,-By%20Dat%20Nguyen&text=Standard%20Chartered%20Bank%20expects%20inflation,situation%20and%20higher%20commodity%20prices>>

Investing 2022, Crude Oil WTI Futures - Jun 22 (CLM2), Investing.com, viewed 29 April 2022, <<https://www.investing.com/commodities/crude-oil>>

Investing 2022, Brent Oil Futures - Jul 22 (LCON2), Investing.com, viewed 29 April 2022, <<https://www.investing.com/commodities/brent-oil>>

Chung Ta 2021, ‘FPT Retail bắt tay FPT Software chuyển đổi số đưa Long Châu trở thành nhà thuốc số 1 Việt Nam’, Chung Ta News, 29 November, viewed 1 May 2022, <<https://chungta.vn/chuyen-doi-so/fpt-retail-bat-tay-fpt-software-chuyen-doi-so-dua-long-chau-tro-thanh-nha-thuoc-so-1-viet-nam-1133961.html>>

Phuong, T 2022, ‘Lại lo lãi suất cho vay tăng’, Nguoi Lao Dong, 25 March, viewed 1 May 2022, <<https://nld.com.vn/kinh-te/lai-lo-lai-suất-cho-vay-tăng-20220324195612629.htm>>

Hien, T 2022, ‘Tổng mức bán lẻ hàng hóa, doanh thu dịch vụ tiêu dùng quý 1 tăng 4,4%’, Vietnam, 6 April, viewed 29 April 2022, <<https://www.vietnamplus.vn/tong-muc-ban-le-hang-hoa-doanh-thu-dich-vu-tieu-dung-quy-1-tang-44/782239.vnp>>

Thuy, T 2022, ‘Lãi suất đồng loạt tăng cao, nguy cơ gây đổ mục tiêu lớn’, VietnamNet, 10 April, viewed 29 April 2022, <<https://vietnamnet.vn/lai-suất-tăng-cao-dieu-827632.html>>