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FPT Retail (FRT)

1Q earnings down sharply on weak mobile sales

1Q pretax earnings plunge by 42% YoY but still positive 2% sales growth

— 1Q pretax earnings down sharply by 42% YoY to VND47 billion but consolidated revenue managed to post positive 2% growth at VND4,093 billion. The company has yet to release a revenue breakdown or impact from the COVID-19 pandemic but earnings deterioration most likely from weaker mobile phone sales from the chain stores amid weaker disposable income and consumption demand. Moreover, the rapid store expansion of the pharmaceutical chain may have also accelerated this drop earnings performance. FRT did manage to shift customers to the online channel during the outbreak, with online sales of VND1,107 billion (+39% Yoy) or 27% of total revenue.

Sticking to aggressive expansion of the *Long Chau* pharmacy chain

— The *Long Chau* chain of pharmacies reported revenue of VND238 billion in 1Q or 6% of total revenue compared to VND53 billion over the same period last year. Strong topline performance was probably due to a positive pandemic boost on higher demand for health products and flu medications but these items often carry thinner margins. The 1Q earnings breakout for *Long Chau* has not been released yet but the new chain did book a pretax loss of VND28 billion for all of 2019. Total stores in 1Q reached 603 FPT shops and 83 *Long Chau* stores following the opening of 10 new FPT and 13 new *Long Chau* locations during the current quarter. Management remains committed to expanding the *Long Chau* drug store franchise and has already signed 40 contracts for new store openings in 2Q. The company's initial plan was to open 150 new *Long Chau* stores in 2020E.

2020E guidance expected on May 28th & likely to be more cautious due to COVID-19

— Management will most likely need to tone down its outlook for 2020E due to the COVID-19 pandemic and plans to release annual guidance at the annual general shareholders' meeting tentatively scheduled for May 28th. The new business plan may inevitably need to cut the target for new store openings for the *Long Chau* stores to below the original 150 locations and may also delay plans to focus on building the new *FBeauty* cosmetics chain that started in December 2019 with only three stores open in Hanoi at present.

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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