

**RETAIL SECTOR REPORT**

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Gloomy sales in the 1st haft due to weak demand**MAIN CONTENT**

The retail industry faced many obstacles in the first half of the year due to the decline in people's disposable income outlook.

The unfavorable economic conditions affect domestic consumption in 1H. Accordingly, sales of essential goods such as food maintained the increasing trend well while sales of non-essential items increased only slightly.

The business of retail chains is gloomy:

- Departmental and pharmaceutical chains: continue to expand the number of stores.
- ICT retail chain: faced difficulties in the first half of the year due to a decrease in demand for ICT products due to falling income pressure and demand for personal computers was not as high as 2 years of lockdown ago.

BUSINESS EXPECTATION

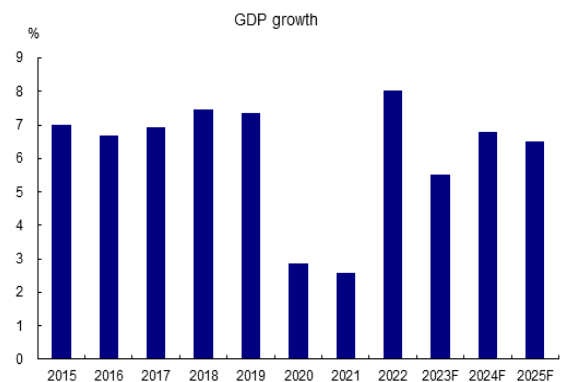
We believe that the retail market will continue to face difficulties in the second half of the year. However, there will be a recovery compared to the first 2 quarters. ICT chains can improve business results as back-to-school season approaches. The launch of new products lines from Apple, Samsung is the driving force to boost sales.

In 2023, most retail businesses such as MWG and PNJ have come up with prudent business plans with low growth targets in terms of revenue and profit.

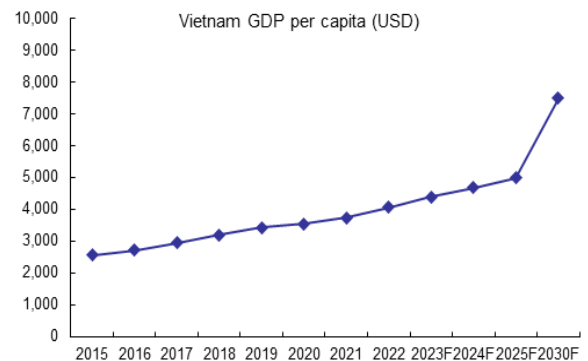
In the long term, Vietnam's retail market remains a fertile ground for businesses thanks to its young population structure, rising incomes and good macroeconomic prospects.

Watch-list: MWG, PNJ, FRT, PET, DGW.

Vietnam GDP growth



Income Outlook



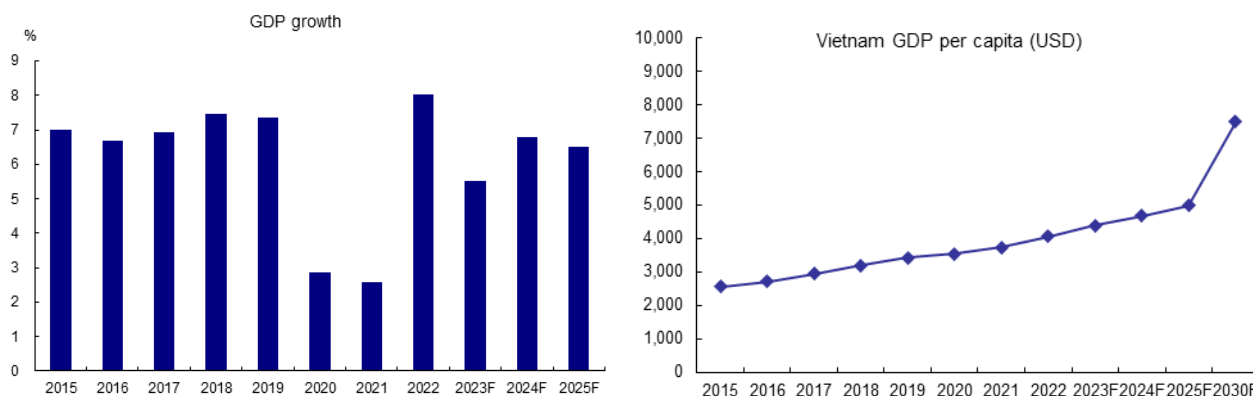
Sources: GSO, Guotai Junan (VN)

PART I: VIETNAM MACRO OVERVIEW

Vietnam's economy in the first half of the year recorded a low GDP growth rate of 3.7%, of which retail sales maintained double-digit growth and was the main driving force supporting economic growth in the first half of 2023.

Meanwhile, inflation has shown a cooling signal.

Vietnam Macro Outlook



Sources: GSO, Guotai Junan (VN)

Total sales of goods in first 5 months (VND bn)

	2023				2022		5M sales growth yoy
	M4	Acc. 4M	M5	Acc. 5M	M5	Acc. 5M	
	1	2	3	4	5	6	9=4/6
Total sales of goods	403,972	1,584,275	409,339	1,993,614	368,944	1,800,331	110.74
- Food	141,740	563,355	142,014	705,369	122,612	615,738	114.56
- Garment products	19,618	79,343	19,953	99,296	17,515	89,400	111.07
- Household appliances	41,216	163,220	42,570	205,790	37,929	196,412	104.77
- Cultural & educational items	4,576	17,413	4,571	21,984	4,195	21,577	101.88
- Vehicles (exempt for auto, incl. accessories)	20,319	79,126	20,531	99,657	19,454	95,674	104.16

Sources: MOIT, Guotai Junan (VN)

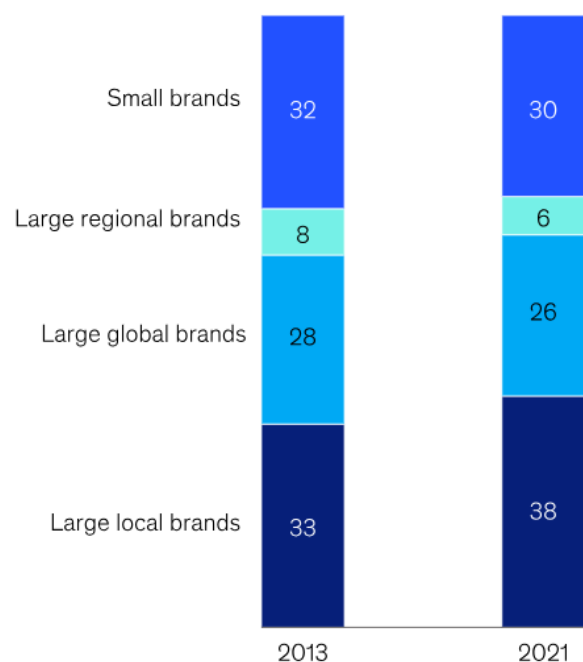
The unfavorable economic conditions affect domestic consumption in 1H. Accordingly, sales of essential goods such as food maintained the increasing trend well while sales of non-essential items increased only slightly (in fact, the volume may have decreased after adjusting for inflation factor).

RETAIL TREND

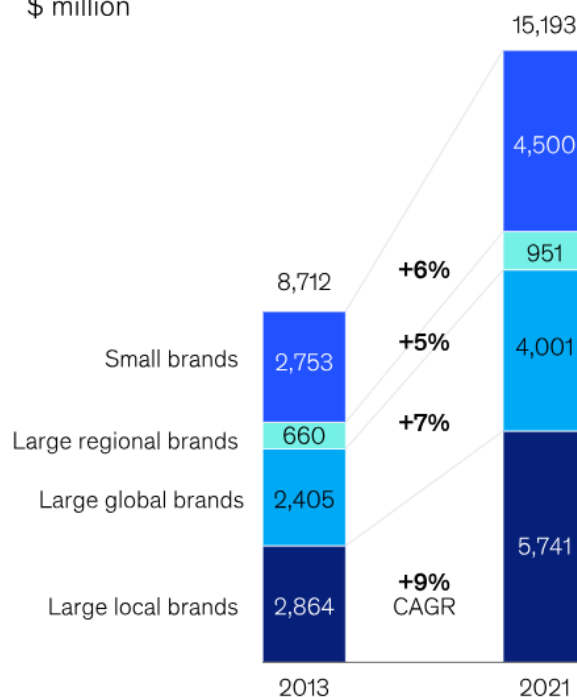
Stable macro environment, young & growing population structure, middle class increase and the long-term income growth are the main factors supporting the Vietnam's retail industry.

Spending on large Vietnamese brands has increased significantly since 2013.

Packaged food brand mix in Vietnam, % share



Packaged food brand mix in Vietnam, \$ million

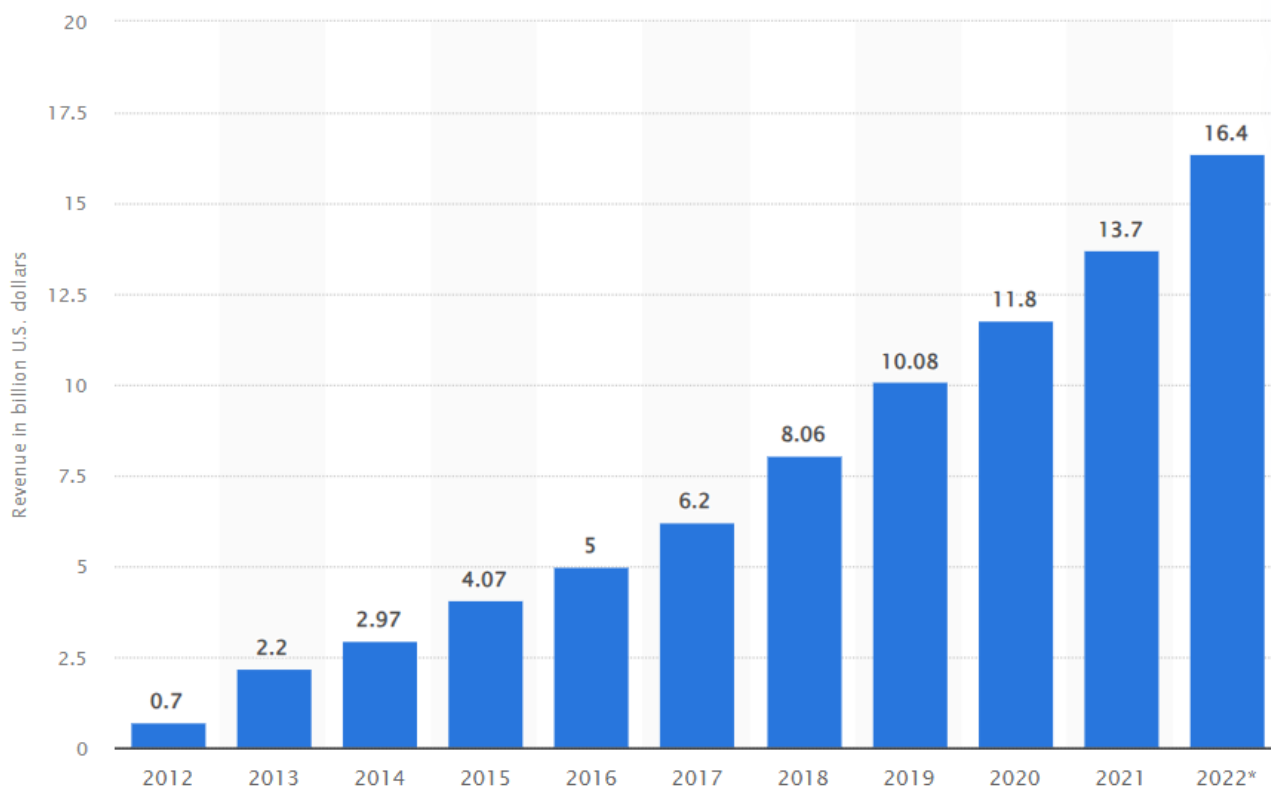


Source: Euromonitor; McKinsey COVID-19 Consumer Pulse Survey, Aug 2022 (Australia, China, India, Indonesia, Japan, and South Korea) and McKinsey Vietnam Consumer Pulse Survey, Dec 2022 (Vietnam)

The current trend- Multi-channel sales

The trend of e-commerce is on the throne, Vietnamese retail businesses are catching up with this trend and accelerating online sales, but the proportion of this segment is still modest. Sales growth depends on both online channels and increasing the number of brick-and-mortar stores (retail chain expansion).

B2C E-Commerce Sale in Vietnam



Sources: Statista

2030 internet economy GMV (\$B)

● 2021 ● 2030 high case ● 2030 base case



Sources: Bain Analysis

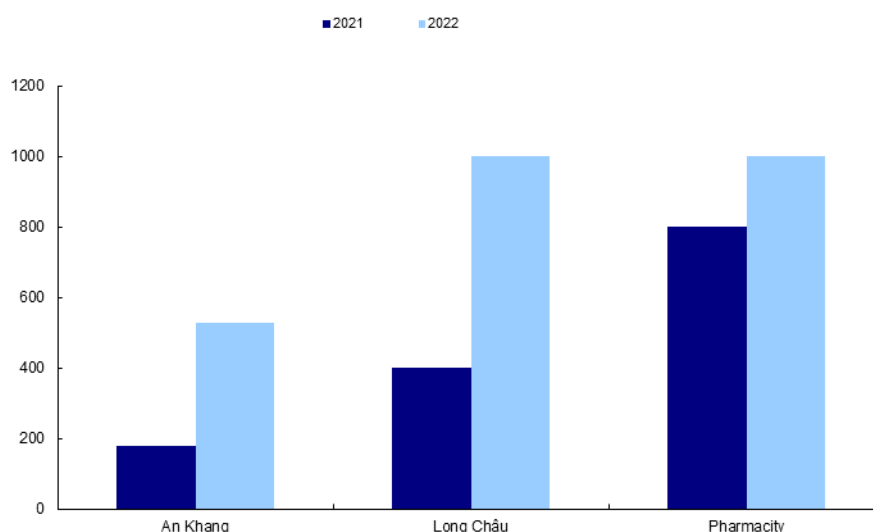
(*) GMV: Gross Merchandise Value

E-commerce sales have grown at an average rate of 20% over the past 5 years.

According to data from the Vietnam E-commerce Association, the number of e-commerce transactions accounts for 8.5% of the total retail sales of goods and services in Vietnam in 2022. In terms of sales value, the proportion of retail sales through online channels/total retail sales increase from 6.7% in 2021 to 7.2% in 2022.

However, expanding market share through increasing the number of stores is an indispensable strategy for retail chains, especially newly opened or featured chains. The most typical example is the expansion strategy of pharmaceutical chains in the past 5 years with the appearance of An Khang, Long Chau or Pharmacy chains.

3 largest pharma chain in Vietnam-number of stores



Sources: companies, GTJASVN

On the other hand, more saturated markets such as mobile phone and electronics retail chains have had a big shift to online sales.

PART II: RETAIL STOCKS BUSINESS

Most of the sales of retail businesses in the market faced difficulties in the first half of the year

The market for digital products, typically mobile phones, recorded dismal sales. According to a report from GfK, mobile phone sales in the first 2 months of 2023 reached 2.5 million units, down 30%yoy. Meanwhile, the market grew by an average of 5%-15% in the previous period.

In the second quarter, the strategy of boosting sales by competing on price took place in many phone retail chains.

Quarterly sales of retail stocks

Ticker	Q1/2020	Q2/2020	Q3/2020	Q4/2020	Q1/2021	Q2/2021	Q3/2021	Q4/2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	Q1/2023
FRT	4,141	3,247	3,459	3,958	4,692	4,382	5,020	8,527	7,813	6,237	7,736	8,491	7,787
DGW	2,357	2,556	3,655	4,112	5,063	4,346	3,868	8,073	7,104	4,825	5,942	4,268	3,942
MWG	29,674	26,593	26,022	27,513	31,156	31,983	24,505	36,497	36,819	34,703	32,322	30,878	27,335
PET	2,882	2,548	4,426	4,272	4,309	3,474	3,993	6,126	4,939	3,530	4,632	4,819	4,317
PNJ	5,047	2,770	3,962	5,903	7,235	4,514	890	7,176	10,229	8,143	7,443	8,396	9,890

Sources: Fiinpro, Guotai Junan (VN)

PNJ, which represents the largest gold & jewelry retail chain in Vietnam, cannot avoid the influence of the decline in domestic purchasing power. In the first 5 months of the year, PNJ recorded net revenue of VND 14,281 billion (down 8.4% yoy) and profit after tax of VND 970 billion (down 3.5% yoy). In which, retail jewelry revenue in the first 5 months of 2023 decreased by 8.7% compared to the same period in 2022, due to the market's unrecovered purchasing power. Wholesale jewelry revenue in the first 5 months of the year decreased by 27% compared to the same period in 2022 due to the declining demand, and PNJ's corporate customers reduced their orders.

BUSINESS EXPECTATION

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In 2023, most retail businesses such as MWG and PNJ have come up with prudent business plans with low growth targets in terms of revenue and profit.

In the long term, Vietnam's retail market remains a fertile ground for businesses thanks to its young population structure, rising incomes and good macroeconomic prospects.

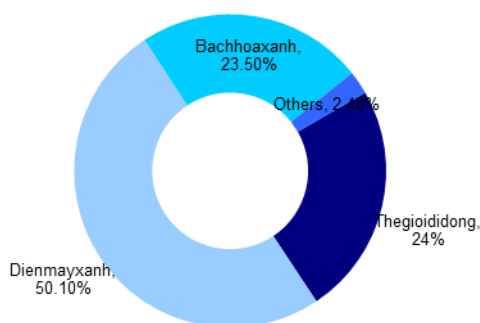
PART III: RETAIL STOCK WATCH-LIST

MWG_ Target a stable sales in 2023

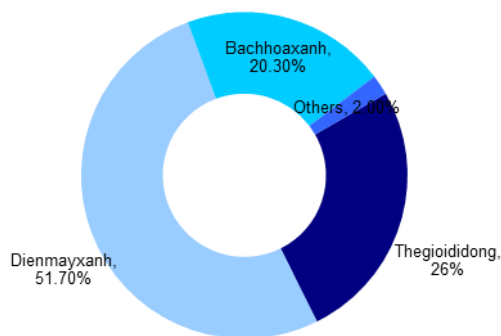
MWG là tên tuổi nổi bật nhất trên thị trường bán lẻ ICT tại Việt Nam với 2 chuỗi Thế Giới Di Động và Bách Hóa Xanh. Trong những năm gần đây, đối diện với thực trạng thị trường phân phối điện thoại bão hòa, MWG đa dạng hóa mô hình kinh doanh của mình bằng cách mở rộng chuỗi bán lẻ đồ điện tử gia dụng, song song với đó là sự ra mắt của hệ thống bán lẻ “Bách Hóa Xanh” và chuỗi dược phẩm An Khang. MWG is the most prominent name in the ICT retail market in Vietnam with 2 chains The Gioi Di Dong and Bach Hoa Xanh. In recent years, facing the saturated market, MWG has diversified its business model by expanding the retail chain of home electronics, along with the launch of the minimarket chain named "Bach Hoa Xanh" and the pharmaceutical chain named "An Khang".

Sales/store/month	
	(VND bn)
Thegioididong	2.00
Dienmayxanh	2.01
Bachhoaxanh	1.27

Revenue structure 4M2023

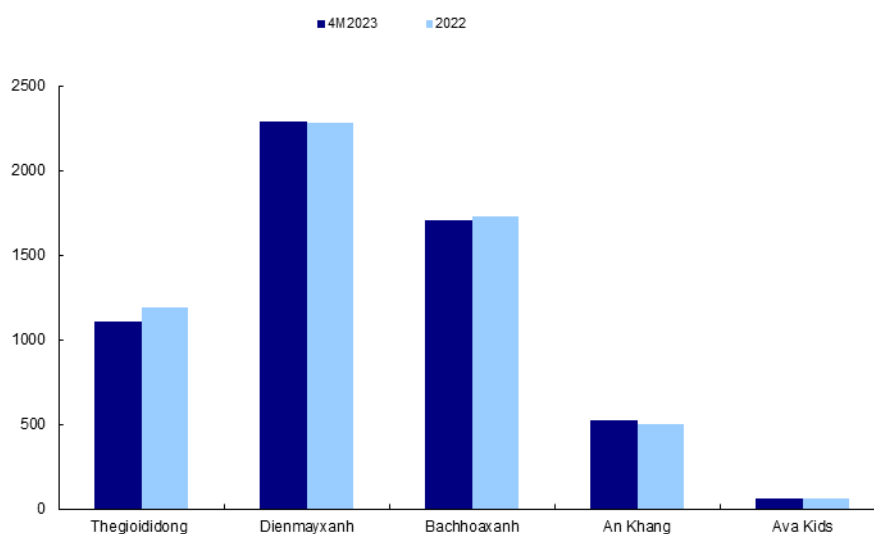


Revenue structure 2022



Sources: MWG, Guotai Junan (VN)

Number of stores



Sources: MWG, GTJASVN

With the above strategy, there has been a shift in the proportion of revenue among MWG's segments. The proportion of revenue from ICT products - phones and electronics decreased slightly while the proportion of department stores (essential goods) increased.

However, MWG is still struggling in its transformation plan when sales of old chains face difficulties due to the gloomy domestic market and the efficiency of new chains has not met expectations. Bach Hoa Xanh has not yet reached the break-even point while An Khang chain has not had many outstanding features compared to its neighbor FRT with the chain "Long Chau".

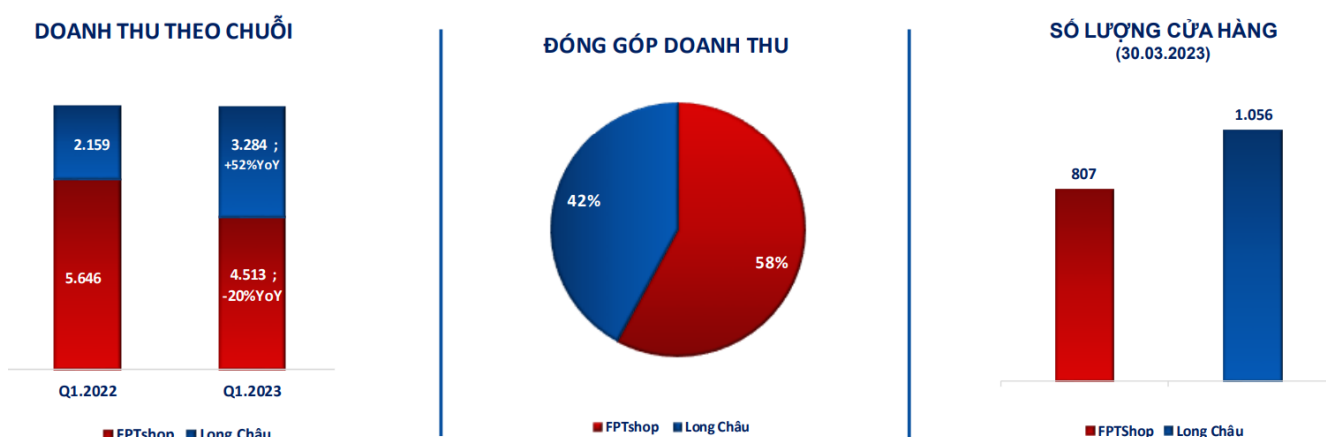
In 2023, MWG sets a revenue target of VND 135,000 billion, an increase of 1%yoy, a profit target of VND 4,200 billion, an increase of 2%.

FRT- Long Chau becomes a growth fulcrum

FRT owns a long-standing ICT retail chain called FPT Shop. However, the business picture of the enterprise really has a turning point with the breakthrough of the Long Chau pharmaceutical retail chain in the past 2 years.

In the first quarter of 2023, FPT Shop chain's revenue reached VND 4,513 billion, down 20%yoy. On the other hands, Long Chau chain again recorded a revenue of VND 3,284 billion, up 52% yoy, equivalent to a revenue of more than VND 36 billion/day. The average revenue of each Long Chau store is 1.1 billion VND/store.

Business overview of FRT in Q1/2023



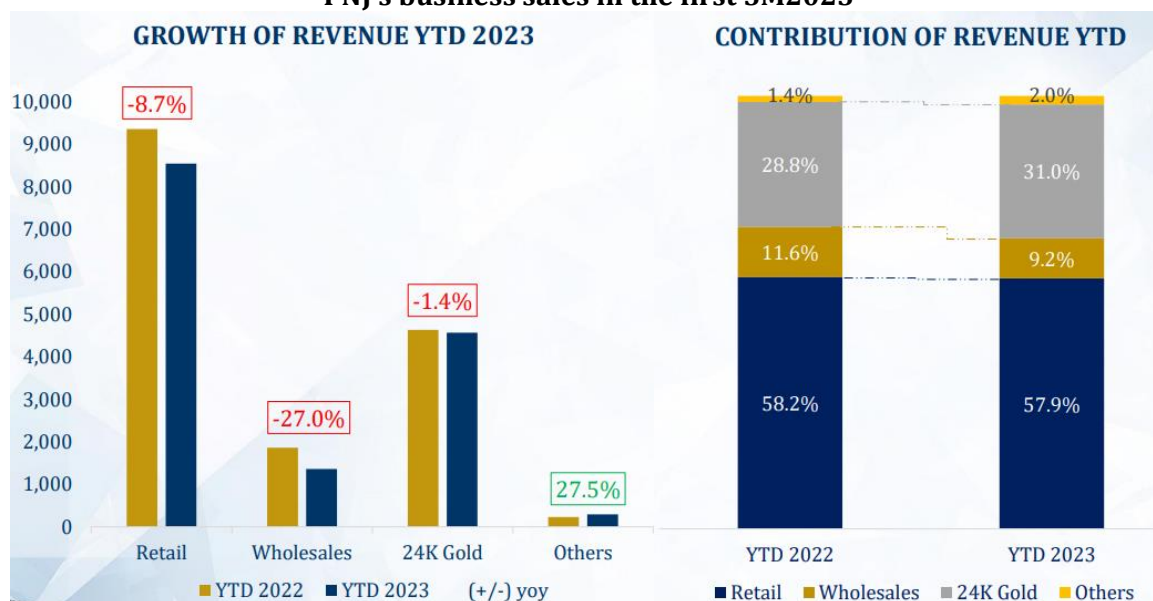
Sources: FRT

In 2023, FRT plans to achieve revenue of VND 34,000 billion, up 13%, PBT of VND 240 billion, down 51% yoy due to the impact of reduced profit from FPT Shop chain.

As for the Long Chau chain, FRT plans to continue to open more stores, bringing the total number of stores to 1,400-1,500 in 2023. Therefore, Long Chau will surpass Pharmacity to become the largest pharma retail chain in Vietnam.

PNJ-A dismal first haft sales

PNJ's business sales in the first 5M2023



Sources: PNJ IR

Preliminary in the first 5 months, PNJ recorded revenue of 14,281 billion dong, down 8.3%yoy and profit of 970 billion dong, down 3.5%yoy.

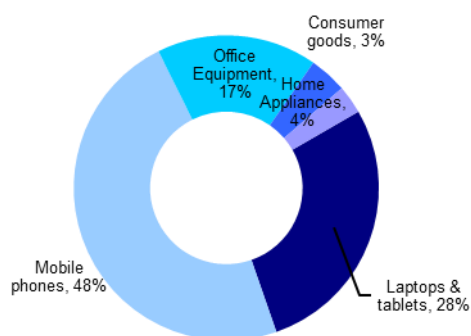
We believe that a declining earnings outlook is a key factor affecting PNJ's gold and jewelry buying trend this year. Therefore, GTJA Vietnam believes that PNJ's sales will continue to stay in low-lying areas in the next 2 quarters until sales recovering at the end of 2023 and the beginning of 2024, which is the peak of the wedding and high demand season.

In 2023, PNJ sets out a business plan to grow revenue and PAT by 5% and 7% respectively compared to 2022. Business results for the first 5 months of the year show that the business targets of the business are also following close to the plan.

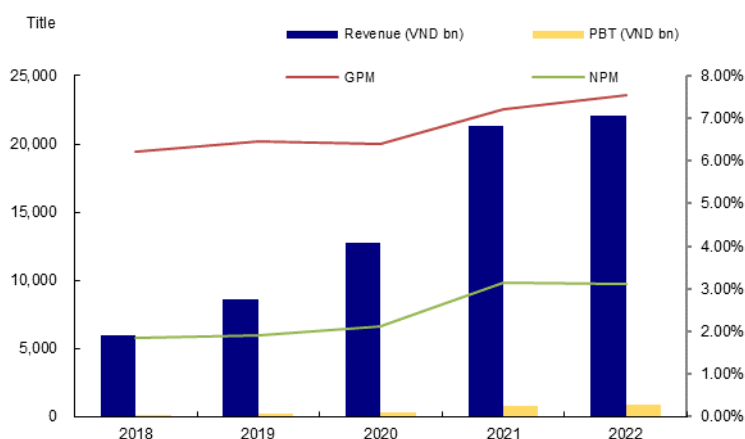
In this report, we also want to mention 2 stocks, DGW and PET, which are mainly operating in the field of ICT (B2B) distribution. Although they do not directly own retail chains, we believe that technology spending trends and long-term business prospects benefiting from the recovery of the industry will be the driving force for growth for these two companies.

DGW_Digiworld JSC

Revenue structure Q1/2023



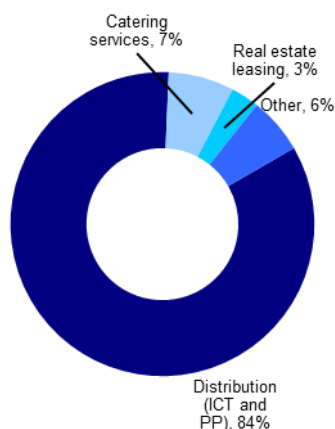
Revenue and profit



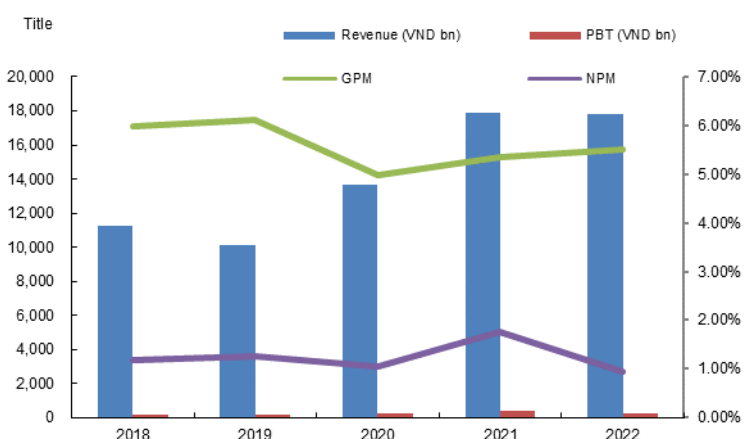
Sources: DGW, Guotai Junan (VN)

PET_PETROSETCO

Revenue structure Q1/2023



Revenue and profit



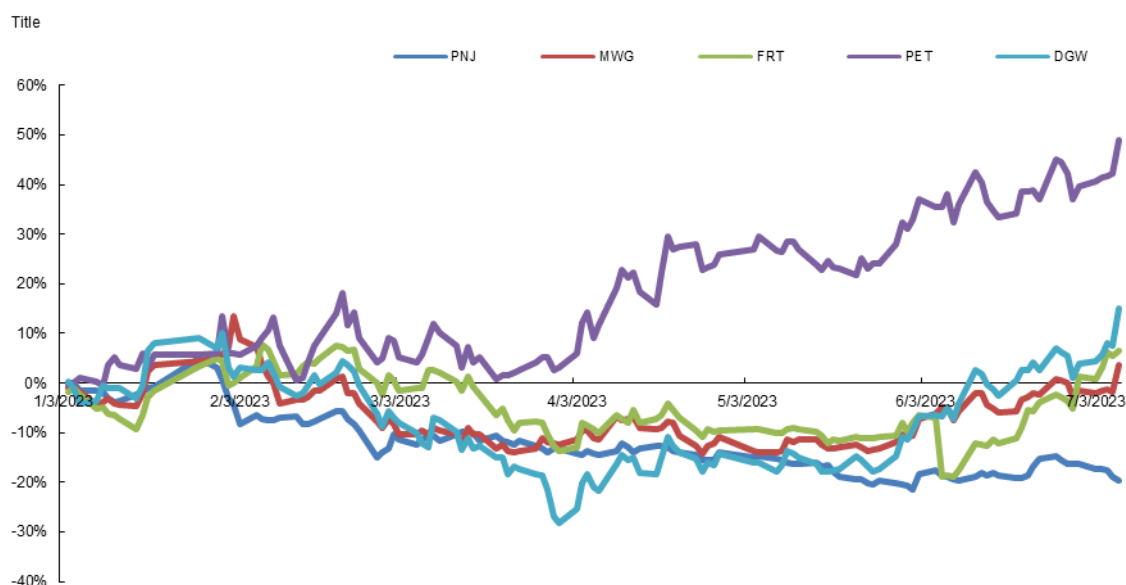
Sources: PET, Guotai Junan (VN)



Key indicators

Ticker	Exchange	Market cap (VND bn)	Revenue 2022 (VND bn)	PBT 2022 (VND bn)	P/E	P/B	P/S	EPS TTM (VND)	EPS 2022 (VND)
MWG	HOSE	66,567	134,722	6,056	24.88	2.78	0.54	1,829	2,801
PNJ	HOSE	23,550	34,211	2,312	13.38	2.56	0.7	5,368	6,988
DGW	HOSE	7,685	22,107	862	13.69	3.06	0.4	3,359	4,189
FRT	HOSE	10,245	30,277	486	46.42	5.11	0.34	1,620	3,295
PET	HOSE	2,900	17,774	213	29.12	1.5	0.17	1,008	1,221

Stock performance in 1H2023



Sources: Fiinpro, Guotai Junan (VN)

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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Retail

Sector Report