

December 4th, 2023

RECOMMENDATION

BUY

| | |
|-----------------|-------------|
| Fair price | 117,700 VND |
| Current price | 103,000 VND |
| Upside/downside | 14.0% |

STOCK INFORMATION

| | |
|---------------------------|------------|
| Outstanding shares (mil) | 136.2 |
| Free float (mil) | 74.9 |
| Market cap. (billion VND) | 13,896.72 |
| 3m avg. volume (shares) | 750,196 |
| Foreign ownership (%) | 36.4% |
| First listing date | 17/04/2018 |

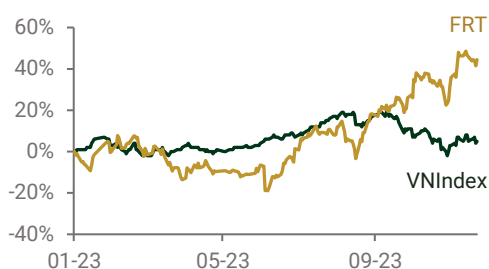
OWNERSHIP

| | |
|---|--------|
| FPT Jsc | 46.53% |
| CTBC Vietnam Equity Fund | 5.12% |
| Vof Investment Limited | 4.78% |
| DC Developing Markets Strategies Public Limited Co. | 1.87% |
| Amersham Industries Limited | 2.88% |

KEY ATTRIBUTES

| | |
|-------------------|---------|
| TTM EPS (VND) | (1.103) |
| BVPS (VND) | 12,499 |
| Debt/Equity (%) | 553% |
| ROA (%) | (1.47%) |
| ROE (%) | (8.08%) |
| P/E | (92.51) |
| P/B | 8.16 |
| Dividend rate (%) | 5% |

PRICE PERFORMANCE



COMPANY PROFILE

Established in 2007, the company operates in the retail distribution of mobile phones, laptops, tablets, accessories, and other electronic products, as well as pharmaceutical distribution.

ANALYST(S)

Nguyễn Minh Trí
tringuyenminh@phs.vn

Long Chau: Dragon with a Jade Orb

- Long Chau's scale is expanding significantly, which could provide a scale advantage.
- The company's ambitions extend beyond pharmaceutical distribution, showing an intention to enter the healthcare sector.
- The successes in expanding the retail chain have not yet been fully reflected in operational performance. The company still carries significant debt and may undergo a capital increase in the future.
- Our recommendation is to BUY with a potential price increase of 14.0%.

Forecast: We estimate that the company's Revenue and Net Profit after tax in 2024 will reach 43,985 Bn.VND (+30.4% YoY) and 305 Bn.VND (Turnaround), driven by the recovery of the ICT market and the continued expansion of Long Chau's business operations. We project that Long Chau will open 400 new stores in 2024, with a same-store sales growth (SSSG) of 1.0%

Investment Highlights:

(1) Economies of Scale: Currently, the pharmaceutical distribution industry in Vietnam is highly fragmented. Expanding the scale to capture market share and increase revenue will bring advantages in terms of scale, competitive pricing, and extended supplier payment terms. Long Chau is currently leading the charge in the store expansion battle.

(2) Multiple advantages from the existing ecosystem: Long Chau's recent steps in opening a new vaccine chain have demonstrated its intention to enter this potential business area through services beyond conventional drug distribution. If the scale of Long Chau's retail chain continues to grow, coupled with the related experiences from the FPT Corporation, the company has the potential to become a key player in this industry.

Valuation & Recommendation: Using the DCF and SOTP methods, we estimate the fair value to be 117,700 VND per share. Therefore, we recommend a BUY with a potential price increase of 14.0%. Our valuation does not yet factor in the potential from the healthcare market.

Investment Risks: (1) Competition Pressure; (2) Deteriorating Purchasing Power; (3) Contingent Liability.

| Financial indicators | 2020 | 2021 | 2022 | 2023F | 2024F |
|------------------------|--------|--------|--------|--------|--------|
| Net Revenue (Bn. VND) | 14,661 | 22,495 | 30,166 | 33,725 | 43,985 |
| NPAT (Bn. VND) | 10 | 444 | 398 | (132) | 305 |
| EBIT margin (%) | 0.5% | 2.2% | 1.8% | -0.1% | 1.2% |
| NPAT margin (%) | 0.2% | 2.0% | 1.3% | -0.4% | 0.7% |
| Book value (VND/share) | 15,512 | 21,262 | 17,298 | 13,669 | 10,934 |
| Cash dividend (%) | 0% | 5% | 5% | 5% | 5% |
| FPT Shop Stores No. | 595 | 647 | 745 | 791 | 831 |
| SSSG (%) | -38.5% | 59.5% | -0.5% | -30.0% | 20.0% |
| Long Chau Stores No. | 200 | 400 | 937 | 1,384 | 1,784 |
| SSSG (%) | -20.0% | 43.4% | 8.3% | 0.0% | 1.0% |