

Retail

Christmas is coming to town

Non-rated

Strong bounce of revenue in 3Q22 yoy but backward qoq

Revenue of ICT/Jewelry/Automobile/Airport retailers in 3Q22 respectively surged by 35.3%/700%/176%/700% yoy driven by the recover from extreme closure during the lockdown in 3Q21. However, lower demand due to inflation slightly dragged the revenue of ICT/Jewelry/Automobile in 3Q22 down by 2%/11%/2% qoq. The airport retailers enjoyed the high footfall from domestic tourists during National Independent Day holiday and welcomed international tourists from the reopening routes to important markets, which led to an increase of revenue in both terms of yearly and quarterly basis (by 40% qoq).

ICT retailers' gross margin fell yoy; others moved inversely

Due to high demand and scarce input of ICT products during the lock-down period, gross margin (GM) of ICT retailers fell 1.5%p yoy to 21.1% in 3Q22. In the inverse trend, GM of automobile and airport retailers went up by 5%p/26.3%p yoy to 8.5%/52% in 3Q22, thanks to the recovery of earning stream that cover up rental and staff costs, combined with lower input prices compared to the restrained import during COVID-19.

High SG&A expenses squeeze the NPATMI margin qoq

NPATMI margins of ICT and Jewelry retailers declined by 0.5%p qoq and 0.9%p qoq to 2.4% and 3.5% respectively, mostly driven by the high marketing expenses in 3Q22. Automobile retailers' high expenses for warehouse expansion and business association led to NPATMI margin decline of 0.4%p qoq to 2.2%. On the other hand, airport retailers witnessed a fall of NPATMI margin by 14.6%p qoq to 8.1% mostly due to staff costs hike.

Largest sale season ahead but revenue might fall yoy

Retailers and retail lessors are hectic preparing for the largest sale season in the year, including the Single Day 11/11, Black Friday 25/11 and Christmas 24/12. Jewelry retailers can favor the 4Q22F for (1) the Wedding season from Sep 2022 to Feb 2023F, and (2) the variable, affordable and modern collections launched in 3Q22 for youngsters welcoming year-end holidays. ICT retailers' revenue are also optimistic about the sale contribution of iPhone 14 series and FMCG products pre-Tet holiday. Hence, we expect an improvement of both revenue and NPATMI on the quarterly basis, while GM slightly fell due to the intense discount program. However, as the ICT, FMCG and Jewelry retailers witnessed an abnormally high pent-up demand in 4Q21, we estimate a noticeable decrease of these retailers' revenue on the yearly basis.

Ngoc Pham

ngoc.pt@kisvn.vn

In this report, we analyze the specific retailers in ICT, personal goods, automobile and airport retailers.

1. Strong bounce of revenue in 3Q22 yoy but backward qoq

1.1 ICT retailers' NPATMI was flattish qoq while revenue remained stable

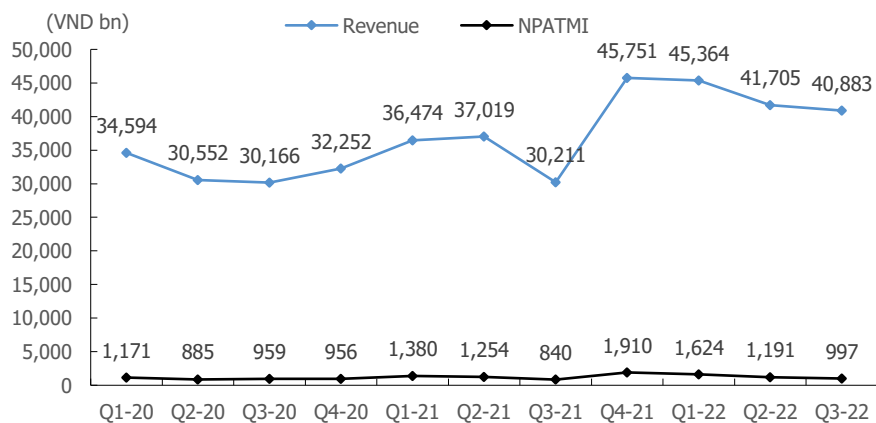
Table 1. Aggregated earnings of 4 listed ICT retailers (VND bn, %)

	3Q21	2Q22	3Q22	YoY	QoQ
Revenue	30,211	41,705	40,883	35.3	(2.0)
NPATMI	840	1,191	997	18.7	(16.3)

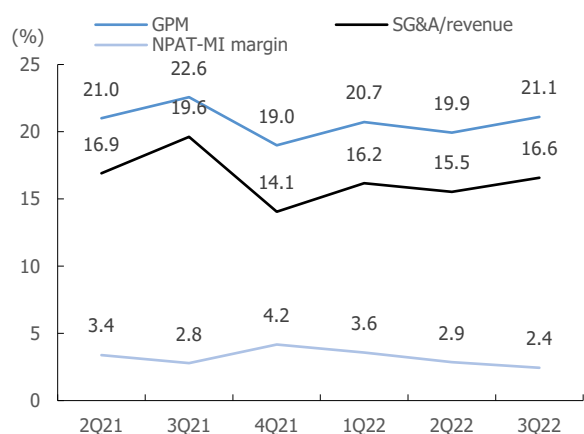
Source: Company data, KIS

Based on our data collected from 4 listed companies in ICT retailing sector, revenue slightly decreased by 2% qoq mainly driven by decreased prices of ICT products, meanwhile, revenue surged 35.3% yoy thanks to the expansion of ICT physical stores, as compared to the closure during the lockdown in 3Q21. High demand for laptop in the back-to-school increased GPM of ICT retailers in 3Q22 by 1.2%p qoq to 21.1%, mostly contributed by MWG's sharply rose GPM. MWG had a higher and faster grown GPM than other players thanks to better product mix with larger proportion of household equipment than other players. NPATMI went up 18.7% yoy in 3Q22 thanks to the thicker GPM. In contrast, bullish SG&A expenses, including restructuring expenses of MWG's BHX chain, combined with high advertising expenses for back-to-school in 3Q22 and iPhone4 series arrived Vietnam in Oct 2022 resulted in the NPATMI fell of 16% qoq to VND997bn in 3Q22, led to NPATMI margin drop of 0.5%p qoq to 2.4%.

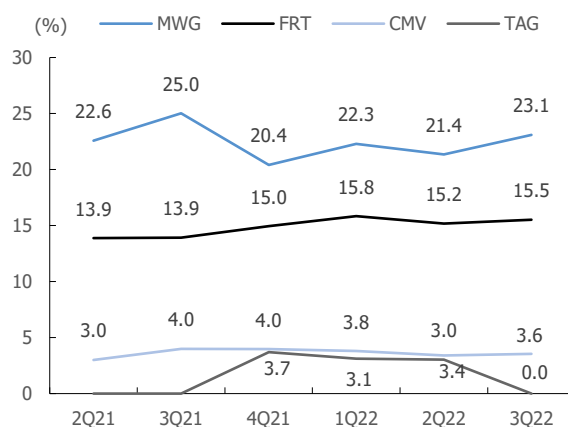
Figure 1. Flatten NPATMI due to high expenses



Source: Company data, KIS

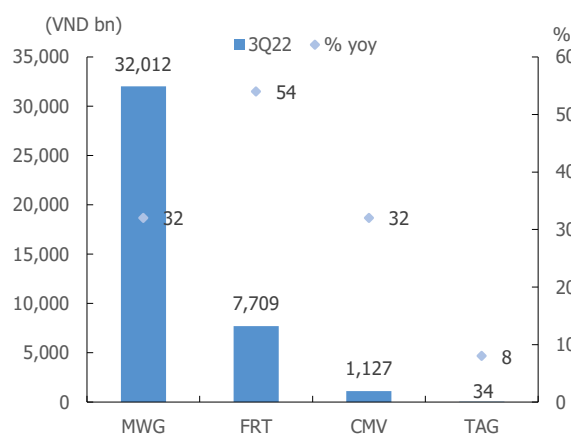
Figure 2. ICT – performance indicators

Source: Company data, Fiinpro

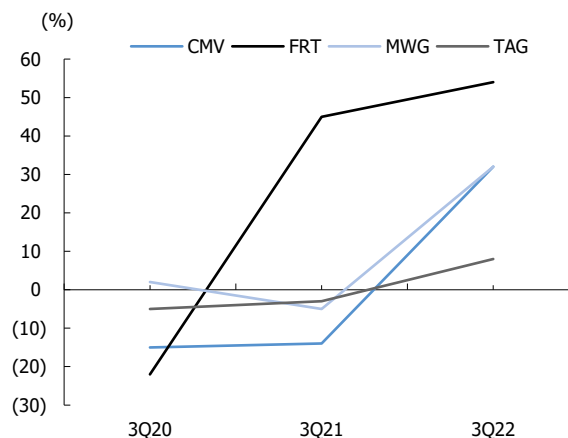
Figure 3. ICT – GM by company

Source: Company data, Fiinpro

MWG contributed the largest proportion with a revenue of VND32tn, the second runner-up was FRT with the revenue of VND7.7tn in 3Q22. FRT accelerated its revenue growth by 54% yoy, remarkably faster than other competitors MWG and CMV at 32% yoy, as the positive result of recovered ICT chains after unlock-down. In Nov 2022, FRT approved additional investment in Long Chau from VND225bn to VND450bn, accounting to 89.83% of Long Chau's total ownership. Long Chau has reached 800 stores while Pharmacy declined from 1,148 stores to 1,073 stores at the end of 3Q22.

Figure 4. ICT revenue

Source: Company data, Fiinpro

Figure 5. ICT – revenue yoy growth rate

Source: Company data, Fiinpro

1.2 Jewelry retailers made a profit in 3Q22

Table 2. Aggregated earnings of 3 listed personal goods retailers (VND bn, %)

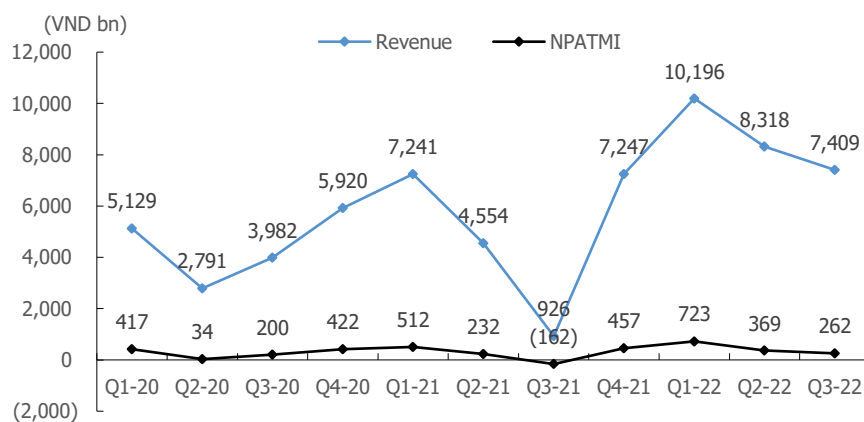
	3Q21	2Q22	3Q22	YoY	QoQ
Revenue	926	8,318	7,409	700.1	(10.9)
NPATMI	(162)	369	262	N/A	(29.0)

Source: Company data, KIS

Aggregating 4 listed personal goods retailers, their performance in 3Q22 was stellar on the yearly basis. The revenue in 3Q22 rocketed 700% yoy due to the sluggish base in 3Q21. According to the World Gold Council, Vietnamese's Gold Demand was established to total 12 tonnes, including 8 tonnes of gold coins and bars and 4 tonnes of jewelry, trebled that of 3Q21. However, inflation

pressure led to lower demand of jewelry that dragged the revenue in 3Q22 to decrease by 11% qoq. The retailers posted positive NPAT-MI of VND262bn in 3Q22 compared to the loss of VND162bn in 3Q21.

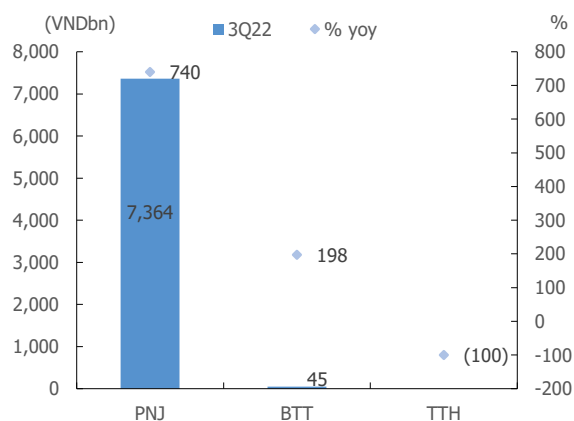
Figure 6. Rising revenue growth in 3Q22 yoy, compared to the lockdown period



Source: Company data, KIS

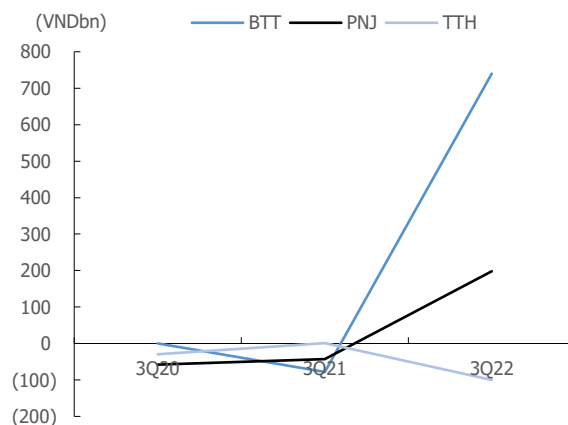
PNJ strengthened the key player role with VND7.3tn in 3Q22, spiked 740% yoy, as the business was gloomiest with 80% of its stores were closed in 3Q21 during COVID-19 expansion. GPM of personal goods retailers in 3Q22 decreased by 0.3%p yoy and 0.5%p qoq, attributable to a larger contribution of gold bars revenue with low margin amid inflation and change of retailed product's mix. Higher GPM of BTT than other players was mainly attributed to high proportion of leasing in revenue, which has the higher GPM rate than retails and other operating business. Narrowed GPM and high marketing expenses ingested NPATMI margin by 0.9%p qoq to 3.5% in 3Q22. In 3Q22, PNJ has launched several new collections preparing to the Vietnamese Women's Day on Oct 20th and year-end sale season.

Figure 7. Personal goods - revenue

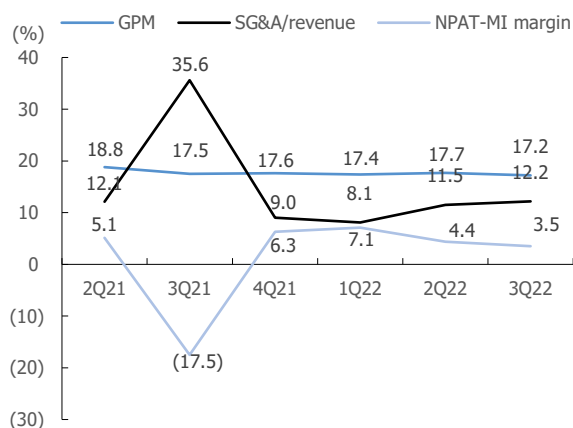


Source: Company data, Finpro

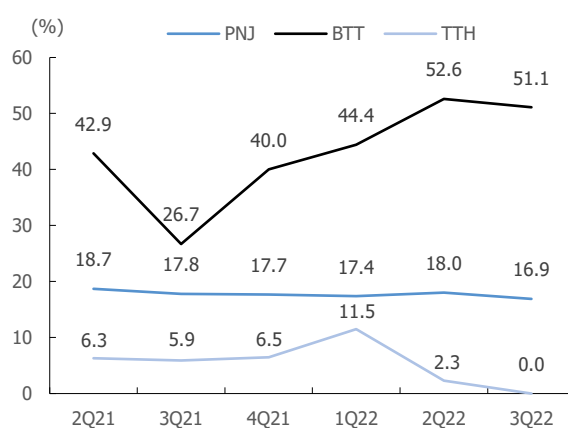
Figure 8. Personal goods - revenue yoy growth rate



Source: Company data, Finpro

Figure 9. Personal goods – performance indicators

Source: Company data, Finpro

Figure 10. Personal goods – GPM by company

Source: Company data, Finpro

Per Savills, commercial centers in HCMC's CBD enjoyed nearly 92% occupancy in 3Q22, +1%p qoq. Uptown shopping malls and retail space were also crowded with occupancy rates of 94% and 89%, respectively, according to CBRE Vietnam. Inquiries for renting retail space increased sharply, with potential tenants specializing in home appliances (25%), F&B services (22%), and fashion and accessories (17%).

Rents also climbed up in 3Q22. The average rent on the ground floor of shopping centers in the downtown area was USD185-250/sqm/month, excluding VAT and service fees, up 52% yoy, and that in other areas around USD38/sqm/month. Savills Vietnam stated that international retail brands would continue to expand in Vietnam thanks to robust domestic consumption growth. Japanese and Korean brands made up 22% of retail space in shopping centers in 9M22.

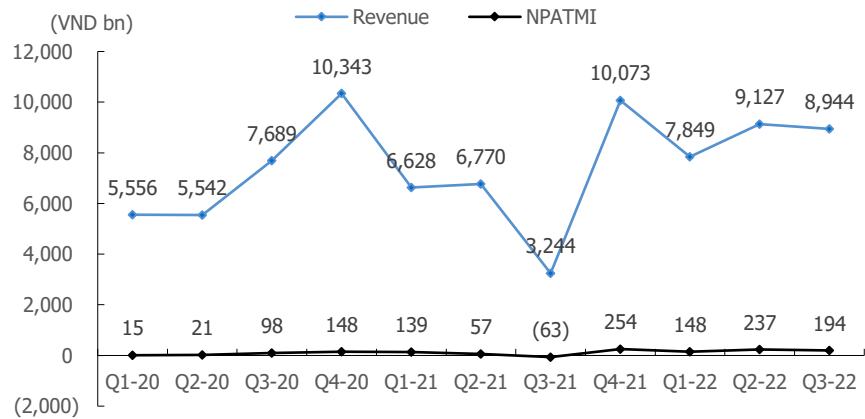
1.3 Automobile retailers remained high revenue in 3Q22

Table 3. Aggregated earnings of 4 listed Automobile retailers (VND bn, %)

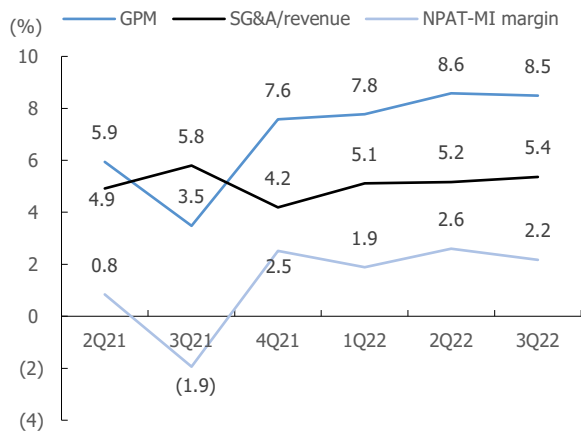
	3Q21	2Q22	3Q22	YoY	QoQ
Revenue	3,244	9,127	8,944	175.7	(2.0)
NPATMI	(63)	237	194	N/A	(18.1)

Source: Company data, KIS

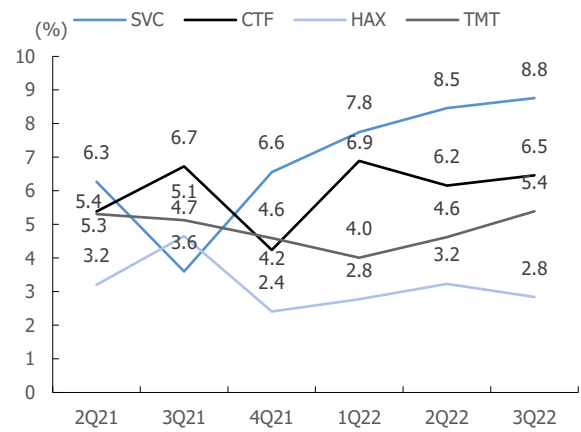
Based on our data collected from 4 listed automobile companies, despite the Ghost month in Aug 2022, automobile retailers witnessed an incredible improvement with a revenue spike of 176% yoy to VND8.9bn, compared to the low base in 3Q21. In the inverse trend, the GPM of the automobile industry in 3Q22 declined by 1%p qoq, resulting from lower inventory prices thanks to smooth import routes. However, GPM increased from 3.5% in 3Q21 to 8.5% in 3Q22 thanks to the recovery of merchandise in 2022 and unlock-down social status that enabled utilizing showroom rental and staff costs. NPATMI was positive VND194bn in 3Q22 compared to the loss of VND63bn in 3Q21, however, automobile retailers' NPATMI declined by 18% qoq to VND194bn as SG&A expenses of automobile companies surged 21%-42% qoq mainly attributable to climbing warehouse rental and business association costs.

Figure 11. Revenue growth in 3Q22 thanks to recovered import sources

Source: Company data, KIS

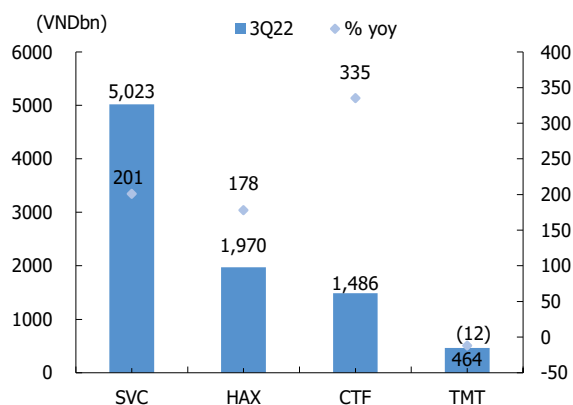
Figure 12. Automobile – performance indicators

Source: Company data, Finpro

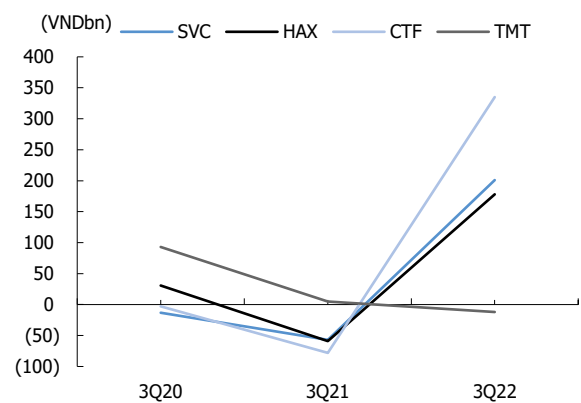
Figure 13. Automobile – GPM by company

Source: Company data, Finpro

Among the top listed automobile retailers, the leader SVC remained high in revenue at VND5tn in 3Q22, followed by HAX and CTF with revenue of around VND1.9tn and VND1.5tn respectively. Considerably, CTF's revenue boomed in 3Q22, up 335% yoy, higher than the growth of SVC by 201% and HAX by 178% yoy.

Figure 14. Automobile - revenue

Source: Company data, Finpro

Figure 15. Automobile – revenue yoy growth rate

Source: Company data, Finpro

1.4 Airport retailers enjoyed the holiday and routes reopening

Table 4. Aggregated earnings of 2 listed airport retailers (VND bn, %)

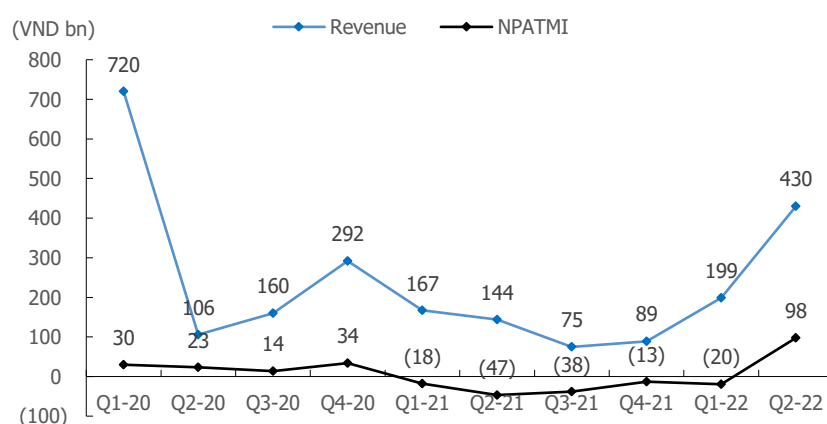
	3Q21	2Q22	3Q22	YoY	QoQ
Revenue	75	430	600	700.0	39.5
NPATMI	(38)	98	48	N/A	(51.0)

Source: Company data, KIS

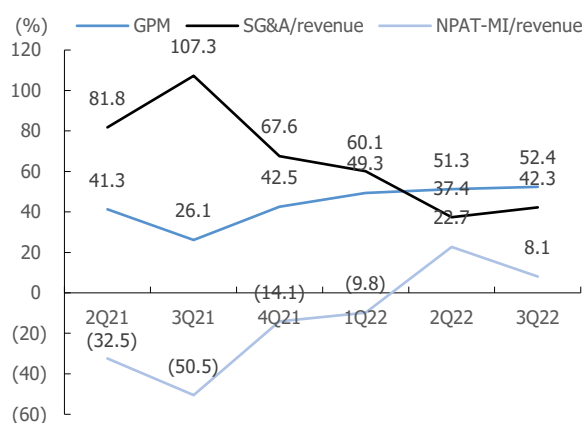
Based on our data collected from 2 listed airport retailers, their performance remained to recover in 3Q22. The revenue peaked 700% yoy to VND600bn due to the extreme COVID-19 social distance policy in 3Q21. On the quarterly basis, the revenue also jumped up by 40% qoq, mainly driven by the reopening of flight routes to important markets including Korea & Japan. The airport retailers also enjoyed the high footfall from domestic tourists during National Independent Day holiday.

GPM of airport retailers remained highly positive in 3Q22 thanks to a rebounded number of international tourists. Quarterly, GPM also increased by 1.1%p qoq, benefiting from the high demand during the 2-9 holiday. Despite of increasing GPM, Airport retailers witnessed a positive NPATMI of VND48bn in 3Q22, compared to the loss of VND38bn in 3Q21 due to the lockdown status. NPATMI dropped 51% qoq and NPATMI margin dropped from 22.7% in 2Q22 to 8.1% in 3Q22 because SG&A expenses surged (+58% qoq) at a higher speed than the revenue rise (+40% qoq), largely contributed by surging staff costs and outsource expenses.

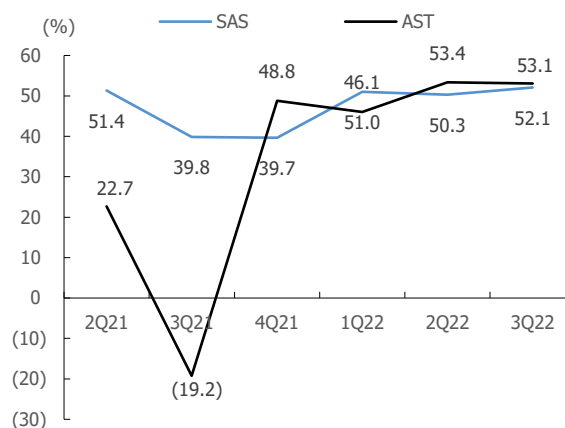
Figure 16. Revenue growth in 3Q22 due to reopening of more routes



Source: Company data, KIS

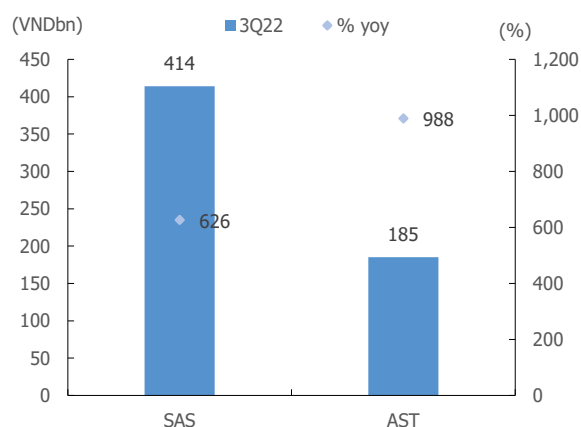
Figure 17. Airport – performance indicators

Source: Company data, Finpro

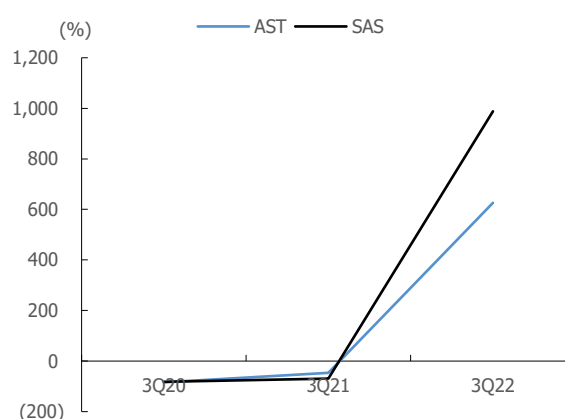
Figure 18. Airport – GPM by company

Source: Company data, Finpro

Comparing the two listed airport retailers in 3Q22, the revenue of SAS was VND414bn, which kept doubling that of AST (VND185bn). Revenue of SAS and AST surged by 626% and 988% yoy respectively in 3Q22, remaining recovering from disruption in COVID-19 pandemic.

Figure 19. Airport retail - revenue

Source: Company data, Finpro

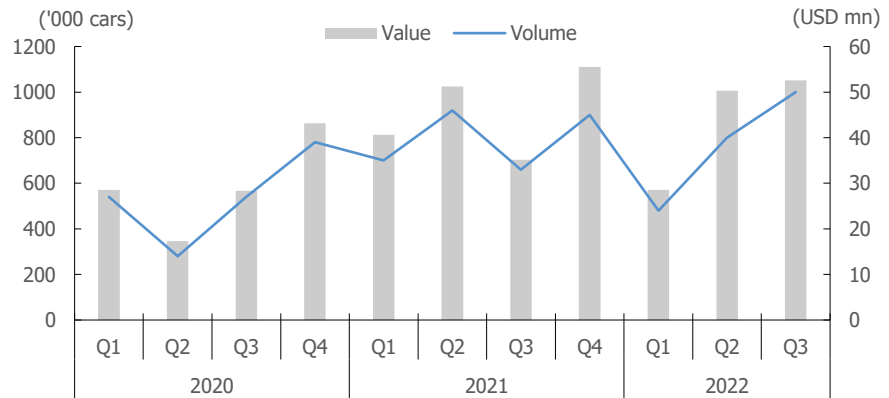
Figure 20. Airport retail – revenue yoy growth rate

Source: Company data, Finpro

2. Largest sale season ahead but revenue might fall yoy

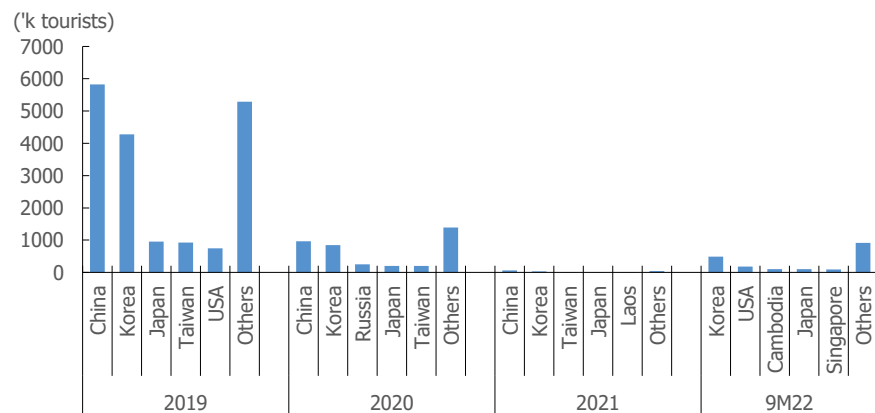
Retailers and retail lessors are hectic preparing for the largest sale season in the year, including the Single Day 11/11, Black Friday 25/11 and Christmas 24/12. However, compared to the pent-up demand in 4Q21, the ICT revenue might slightly fell. Specialty retailers may bet on pharmaceutical products, as the market pie stays fresh and large enough for all the competitors.

Jewelry retailers can also favor the 4Q22F for (1) the Wedding season from Sep 2022 to Feb 2023F, (2) the variable, affordable and modern collections launched in 3Q22 for youngsters welcoming year-end holidays, and (3) the sluggish stock market & frozen real estate market will enable Gold bars to be the preferable investment instrument. General Department of Vietnam Customs reported an increasing volume of imported motor vehicles, however, with more scarce and expensive fuel, not to mention higher borrowing interest rates and gloomy investment markets, we expect a slowing down of automobile consumption in 4Q22F.

Figure 21. The increasing number of imported automobile vehicles in 9M22

Source: General Department of Vietnam Customs, KIS

As the most important customers of Vietnamese tourism, China's flight routes reopening might be a boost to our airport retail performance. However, there are no official announcements and the airport retailers are looking closely toward any updates from the Chinese Government. Fall & Winter in Vietnam are also attractive seasons for Westerners, especially when they are having the longest holiday in the year – Christmas and New Year Eve.

Figure 22. Chinese tourists were the key customers of Vietnam's tourism in 2019

Source: GSO, KIS

■ Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance

- BUY: Expected total return will be 15%p or more
- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ Analyst Certification

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ Important compliance notice

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 11 Nov 2022.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 11 Nov 2022.

Prepared by: Ngoc Pham

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2022 KIS Vietnam Securities Corp. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp.