Vietnam Retail

A primer look



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Contents

I. Basic Knowledge About Vietnam Retail Industry

II. Potential Of Vietnam Retail Industry

III. Popular Sub-sectors of Vietnam Retail Industry

IV. Leading Companies

I. BASIC KNOWLEDGE ABOUT VIETNAM RETAIL INDUSTRY

BASIC KNOWLEDGE ABOUT VIETNAM RETAIL INDUSTRY

TYPES OF DISTRIBUTION CHANNELS

Vietnam Retail Industry



Familiar place to shop with well development for years

Emerged in recent years

Physical Channel





Retail Store & Wet market



Catalog Station

MWG, PNJ, VIC, FRT, Saigon Co.op

VIC, PNJ

93% of total market share

Virtual Channel





Online Retailing



Television Home shopping

Tiki, Lazada, Sendo

Saigon Co.op

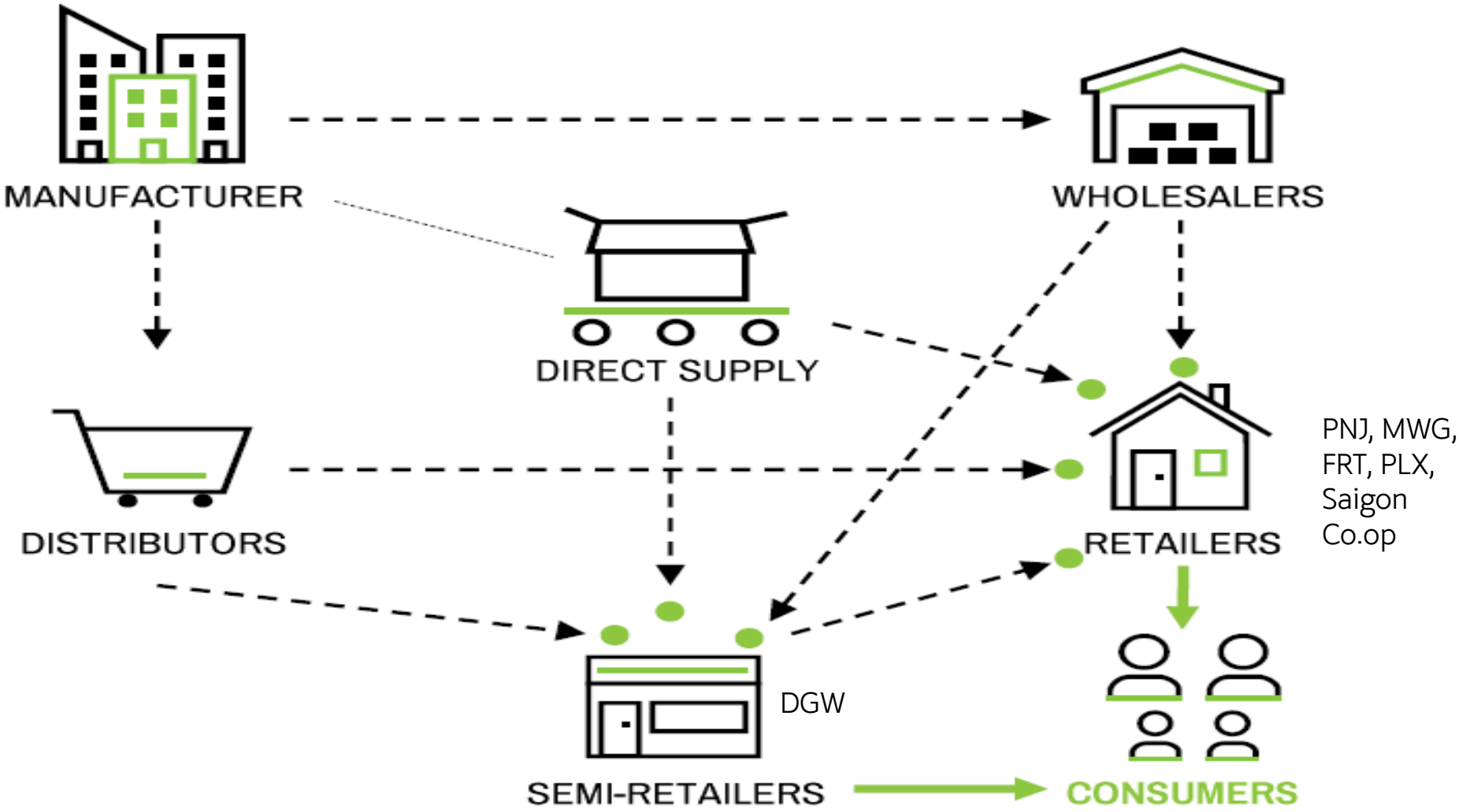
7% of total market share

Omni Channel



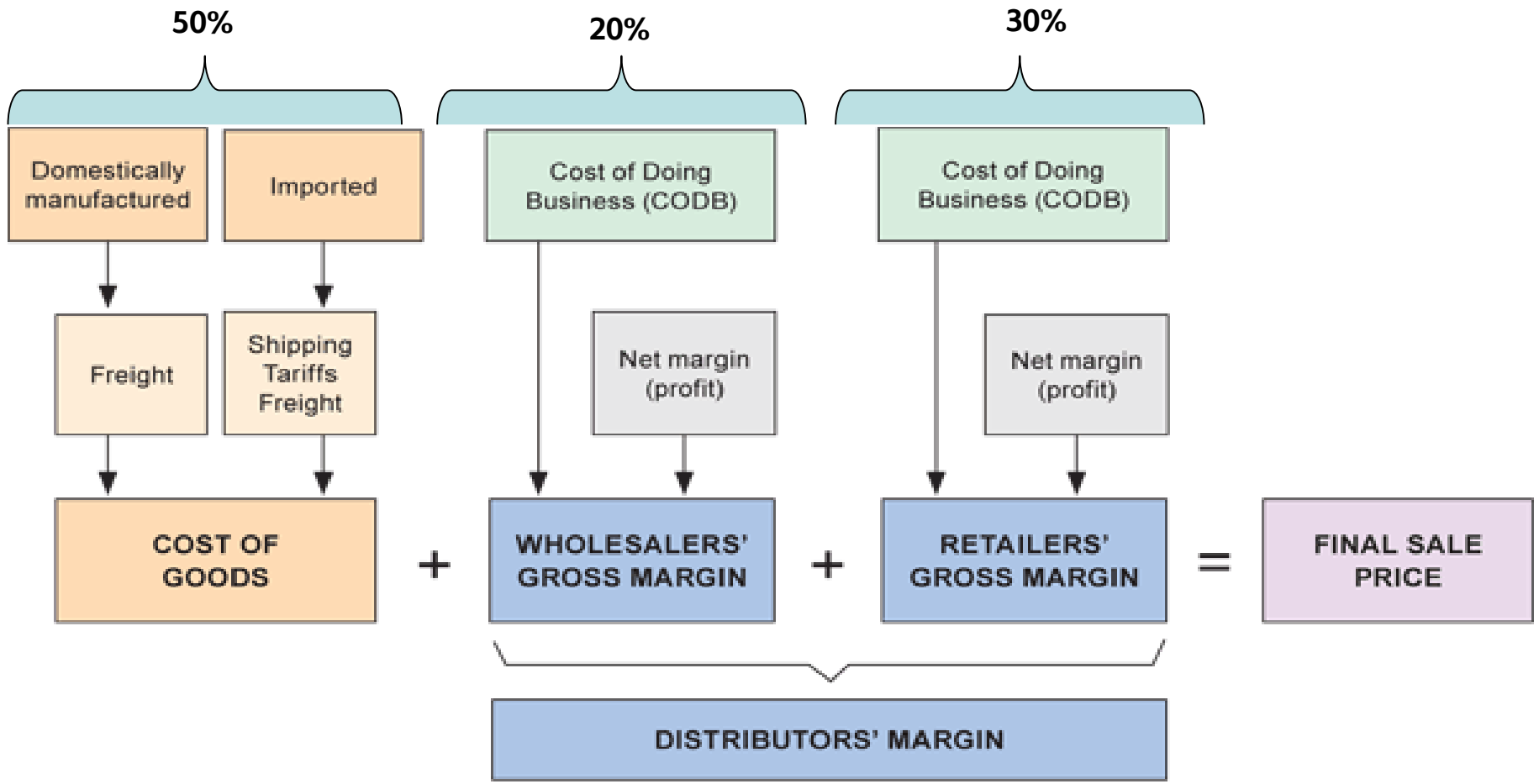
BASIC KNOWLEDGE ABOUT VIETNAM RETAIL INDUSTRY

VALUE CHAIN



BASIC KNOWLEDGE ABOUT VIETNAM RETAIL INDUSTRY

VALUE CHAIN

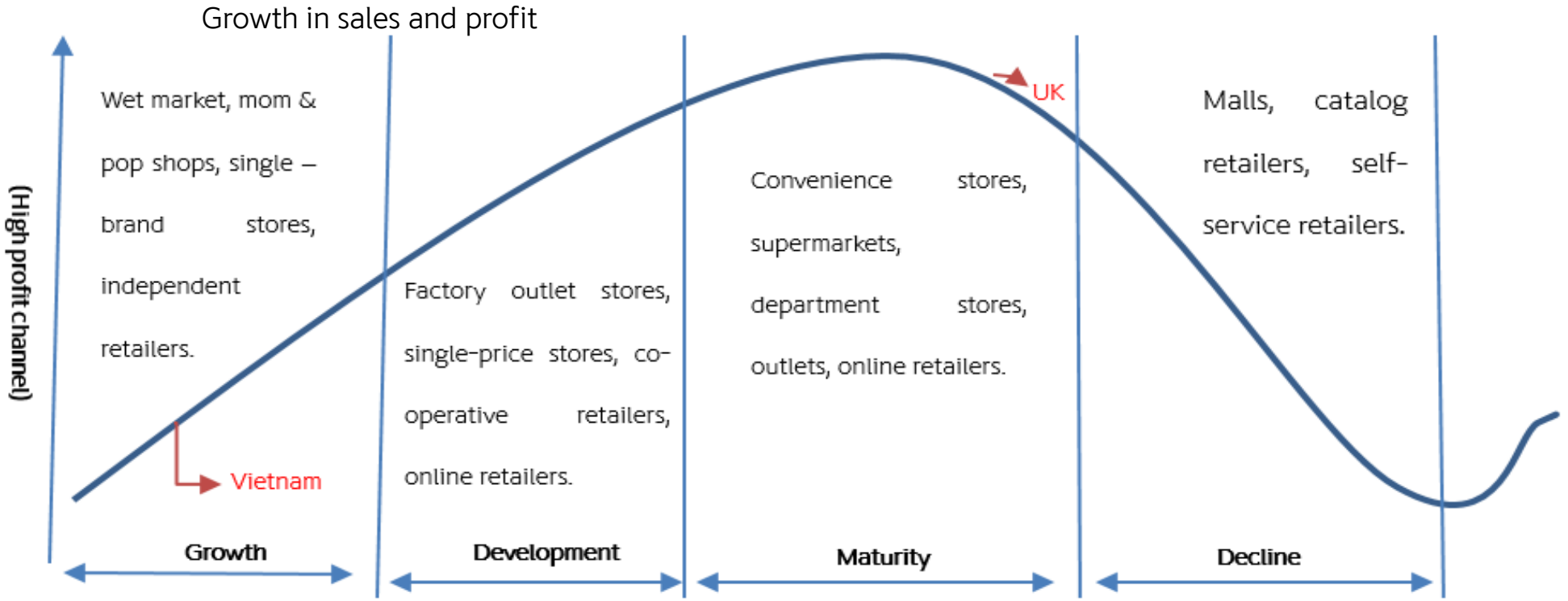


Source: RBA

II. POTENTIAL OF VIETNAM RETAIL INDUSTRY

POTENTIAL OF VIETNAM RETAIL INDUSTRY

LIFE CYCLE OF RETAIL INDUSTRY

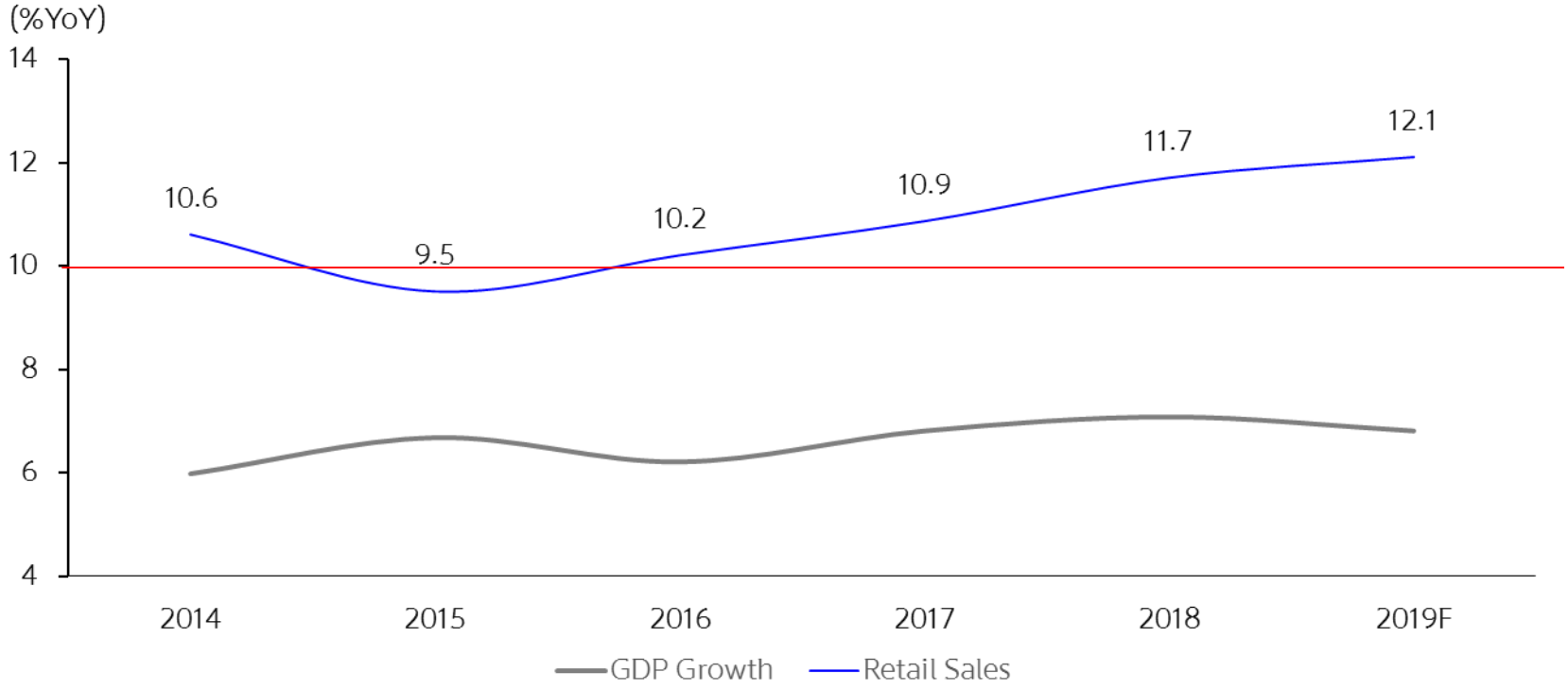


FUTURE TRENDS:

- The conversion from traditional format to new formats (modern stores or online retail) of retail stores.
- The rise of the number of new stores to grab the market share of wet market.
- The M&A wave “Big fish eat small fish”.
- The co-operation between retailers.
- The diversification in product portfolio.

POTENTIAL OF VIETNAM RETAIL INDUSTRY

Vietnam Retail Sales – Always higher than GDP growth



SUPPORTING FACTORS FOR THE UPTREND OF VIETNAM RETAIL SALES:

- Young population demographic structure, accounting for 56% of total Vietnam population in 2018.
- Disposable income forecast to keep the growth rate at 10%YoY in the period of 2020 – 2023, reaching ~USD160mn in 2023, mentioned by BMI.
- Increasing urbanization rate, 38% in 2018 and expected to be 40% in 2020.

III. POPULAR SUB-SECTORS OF VIETNAM RETAIL INDUSTRY

POPULAR SUB-SECTORS OF VIETNAM RETAIL INDUSTRY



Information & Communication Technology (ICT)



Consumer Goods

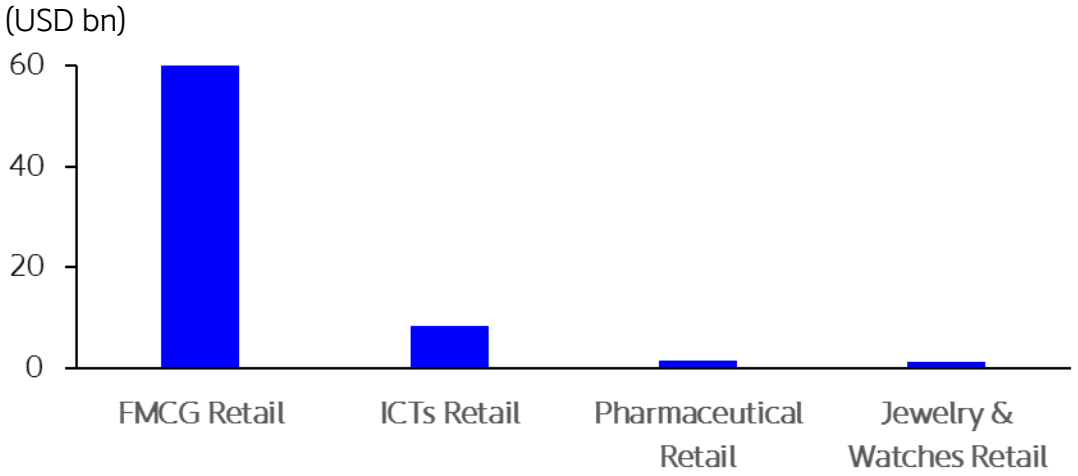


Jewelry



Pharmaceutical

VIETNAM RETAIL MARKETSIZE (2018)



POPULAR SUB-SECTORS OF VIETNAM RETAIL INDUSTRY

INFORMATION & COMMUNICATION TECHNOLOGY (ICT) RETAIL

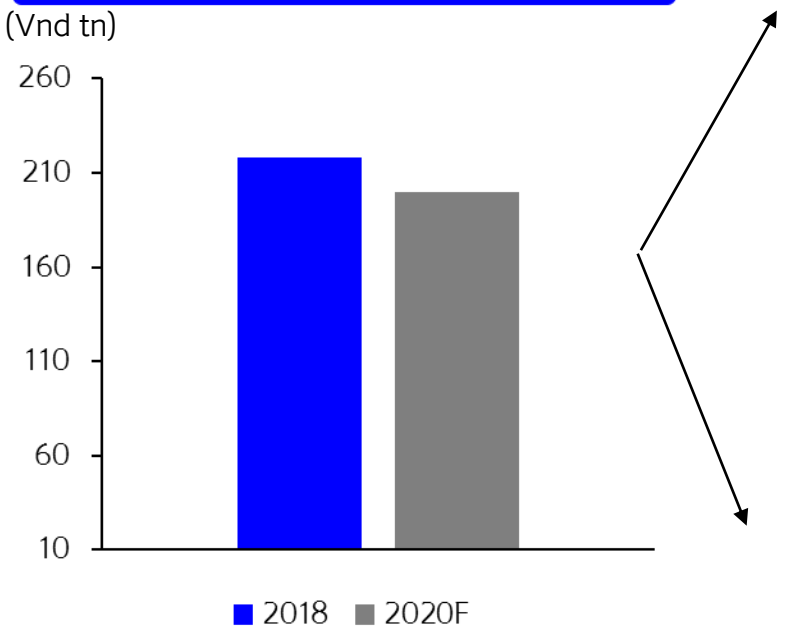
Sub-sectors	Key Players	No. of Stores	Kind of Distribution Channel	Competition Status
ICT	Mobile World Group *Thegioididong* *Dien May Xanh*	1,812 *1,021* *791*	Physical stores.	High and the race is only for rich players.
	FPT Retail (FPT Shop Chain)	542	Physical stores.	
	Viettel Store	311	Physical stores.	
	Media Mart	105	Physical stores.	
	Digiworld	1,600 points of sales	Distribute products through other retailers, including physical and virtual channels.	

POPULAR SUB-SECTORS OF VIETNAM RETAIL INDUSTRY

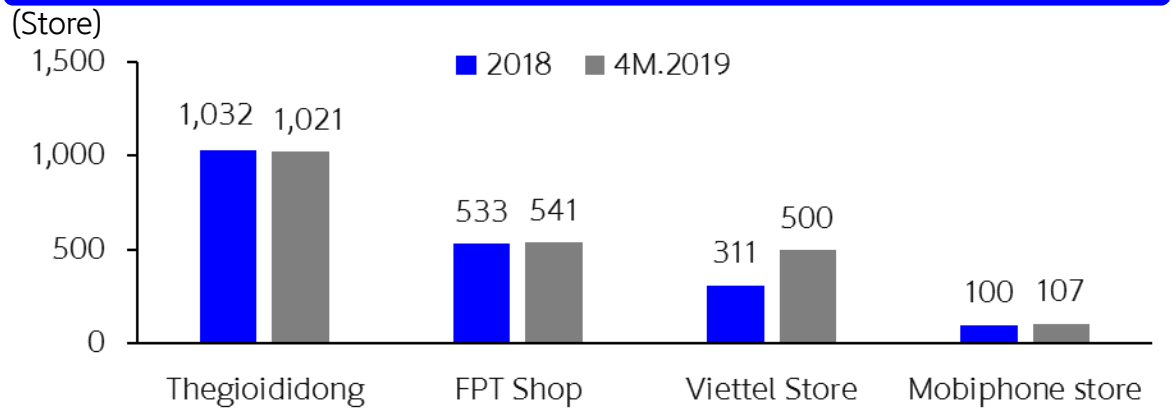
INFORMATION & COMMUNICATION TECHNOLOGY (ICT) RETAIL

Forecast by Euromonitor, the value of Vietnam ICT retail sector will be stable at around VND200 tn in 2020.

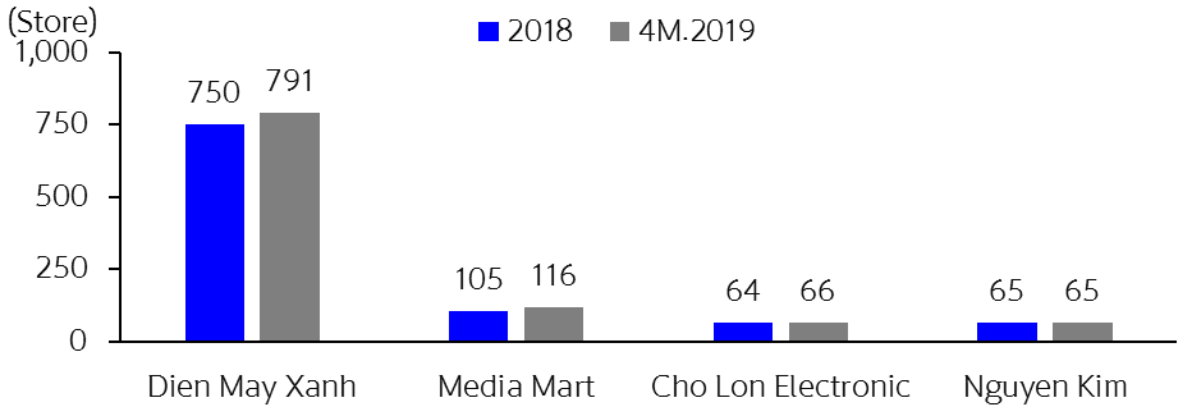
VIETNAM ICT RETAIL SALES VALUE



NUMBER OF MOBILE PHONE STORES



NUMBER OF CONSUMER ELECTRIC STORES



- The growth of ICT Retail is expected to be flat in the next 3 years, evidenced by the slow down in the number of new stores opened.
- ICTs Retailers need change the business model to survive.

POPULAR SUB-SECTORS OF VIETNAM RETAIL INDUSTRY

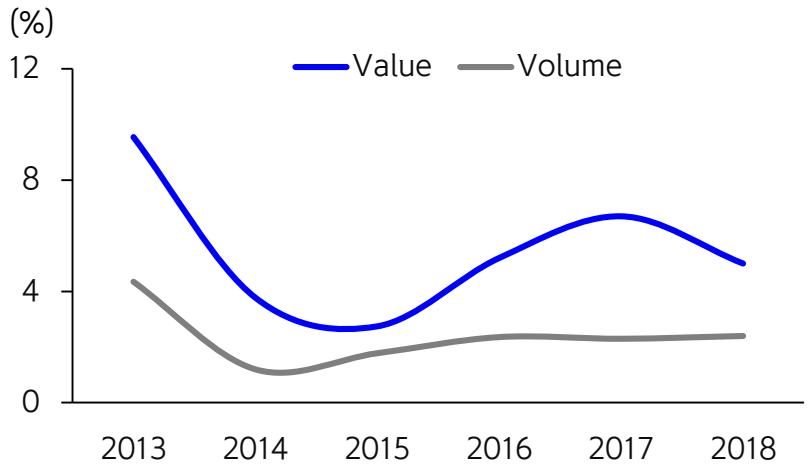
CONSUMER GOODS RETAIL

Sub-sectors	Key Players	No. of Stores	Kind of Distribution Channel	Competition Status
Consumer Goods	VinGroup: *Vinmart* *Vinmart+*	1,908 *108* *1,800*	Physical stores	Very high since small formats such as minimarts and convenience stores (Circle K, 7-eleven or Family mart) are spearheading in the sub-sector thanks to superior scalability.
	Mobile World Group (Bach Hoa Xanh chain)	512	Physical stores	
	Sagon Co.op: *Co.op Mart* *Co.op Xtra* *Cheers* *Co.op Smile* *Co.op Food* *Co.op Store* *HTV Co.op*	609 *113* *4* *35* *67* *353* *37* *N/A*	Physical stores. HTV Co.op is television homeshopping – Virtual channel.	
	Satra Food	185	Physical stores	
	Big C	36	Physical stores	

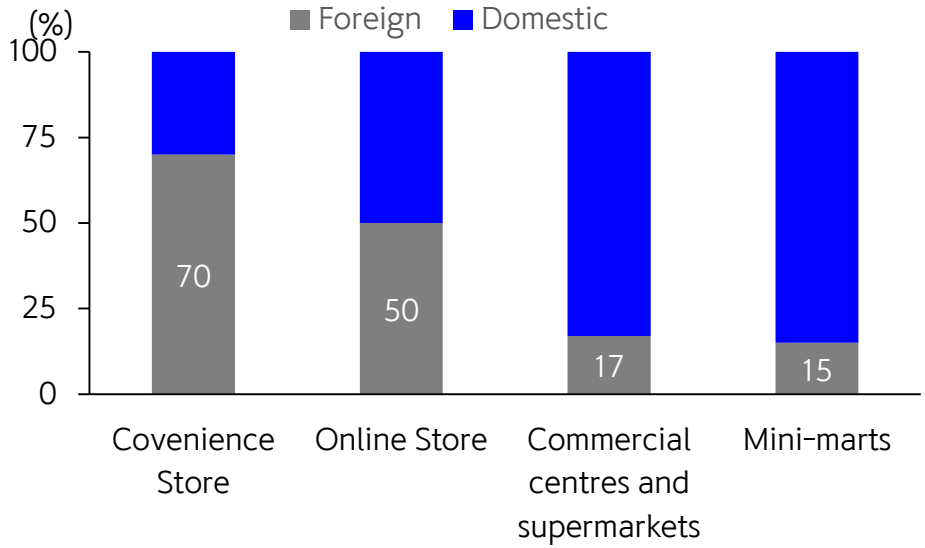
POPULAR SUB-SECTORS OF VIETNAM RETAIL INDUSTRY

CONSUMER GOODS RETAIL

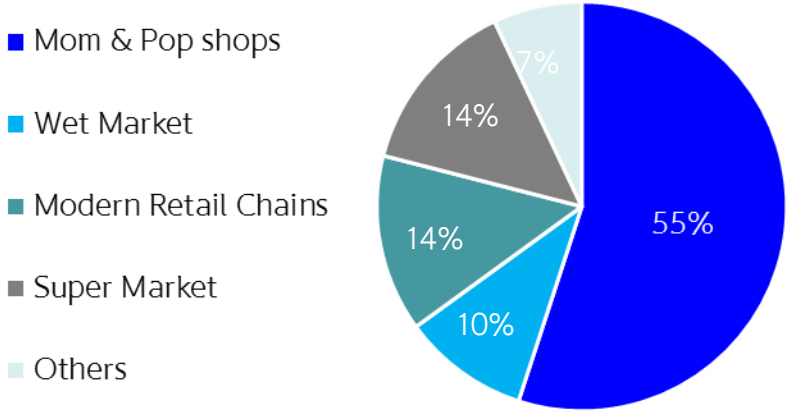
VIETNAM FMCG GROWTH



DOMESTIC AND FOREIGN MARKET SHARE



RETAIL LANDSCAPE BREAKDOWN (2018FY)



- Mentioned in the research of Kantar Worldpanel, the growth of Vietnam Consumer goods is expected to remain stable at 6.8% (GDP growth rate) in the next 3 years.
- The competition between foreign and domestic players is not significantly high since each party has its own market.
- Because the traditional channels likes mom & pop shops and wet market nearly dominates the market, the consumer good retailers will grab the market share from this channel to boost the sales.

POPULAR SUB-SECTORS OF VIETNAM RETAIL INDUSTRY

JEWELRY AND PHARMACEUTICAL RETAIL

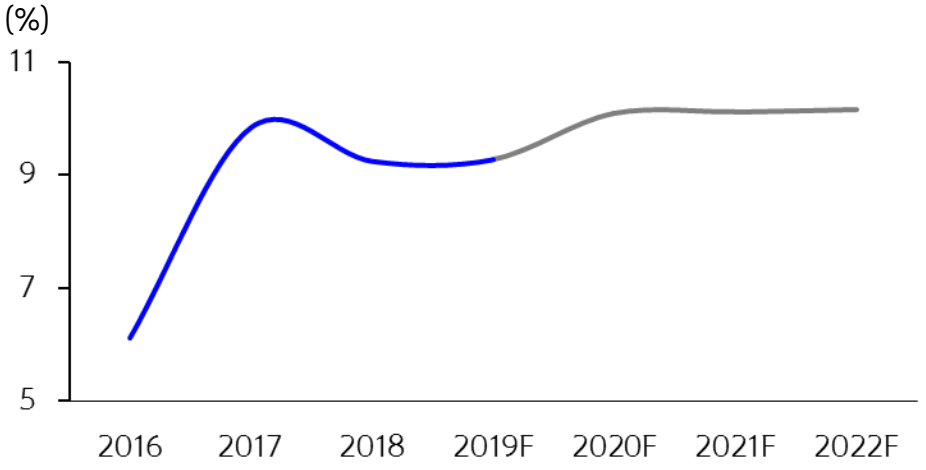
Sub-sectors	Key Players	No. of Stores	Kind of Distribution Channel	Competition Status
Jewelry	Phu Nhuan Jewelry (PNJ)	318	Physical stores	Normal since the market is still dominated by mom & pop shops.
	DoJi	61	Physical stores	
	SJC	53	Physical stores	
	Precita	12	Physical stores	

Sub-sectors	Key Players	No. of Stores	Kind of Distribution Channel	Competition Status
Pharmaceutical	Pharmacity	202	Physical stores	Low since the market is highly fragmented and traditional.
	Guardian	65	Physical stores	
	Phano	60	Physical stores	
	Medicare	59	Physical stores	
	Vinfa	51	Physical stores	

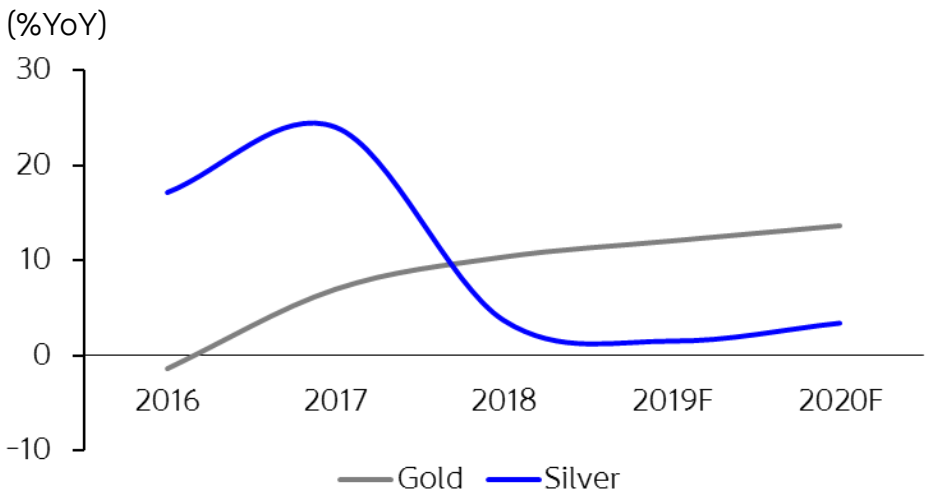
POPULAR SUB-SECTORS OF VIETNAM RETAIL INDUSTRY

JEWELRY RETAIL

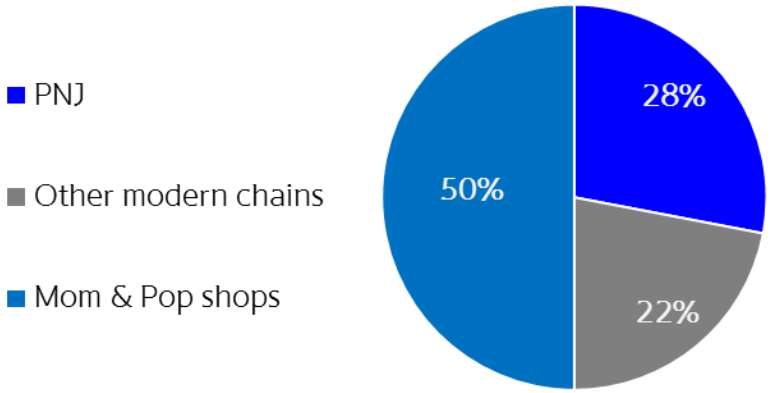
VIETNAM DISPOSABLE INCOME GROWTH



VIETNAM JEWELRY CONSUMPTION GROWTH



VIETNAM JEWELRY MARKET SHARE (2018)

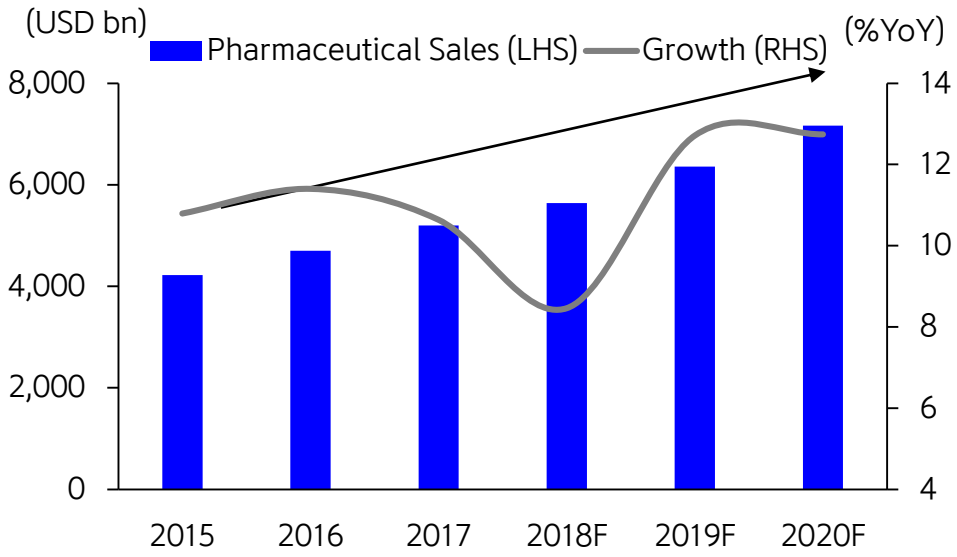


- The jewelry demand positively correlates with the growth of disposable income -> expected to continue growing since the growth of Vietnam disposable income is forecast to over 10% in the next 3 years (BMI forecast).
- Relying on the high fragmentation of the industry, PNJ is a strong brand name and stays at the leading position in many years.
- With the existing wide retailing network and strong capacity, PNJ has an outstanding competitive advantage compared to its peers.

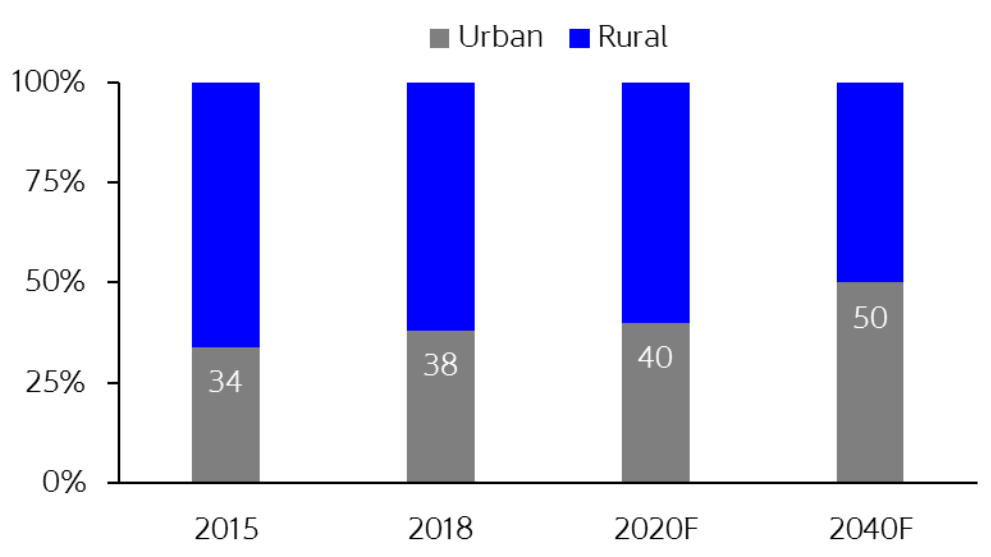
POPULAR SUB-SECTORS OF VIETNAM RETAIL INDUSTRY

PHARMACEUTICAL RETAIL

VIETNAM PHARMACEUTICAL SALES



VIETNAM URBANIZATION RATE



MODERN DRUGSTORE
ATTRACTIVE CHANNEL FOR YOUNG FEMALES

Pharmacity
guardian
MEDICARE

Key growth driving factors

- Service: consultancy & quality
- Pleasant environment
- Variety & international brands
- Innovative & premium products

- Pharmaceutical retail segment expected to show a double-digit growth in the next 5 years, mentioned by Nielsen.
- Significantly fragmented and traditional market.
- The growing population in urban areas, along with infrastructure constraints, and busier work lifestyle, is likely to be a major driver for the growth of modern pharmaceutical retail.

IV. LEADING COMPANIES

LEADING COMPANIES

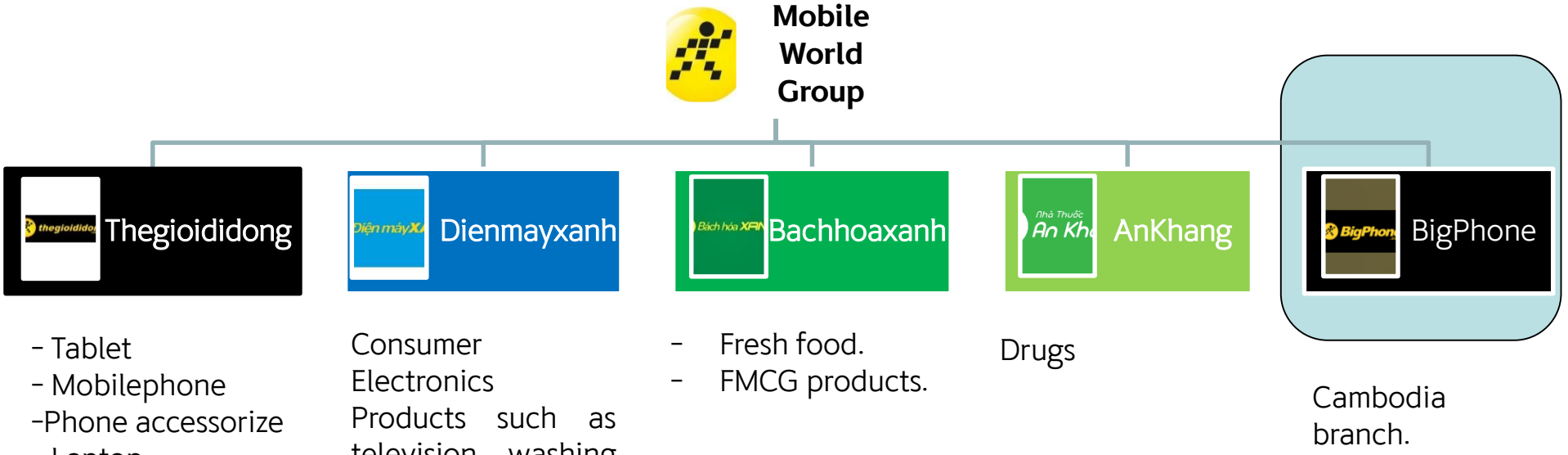
The funding should flow into the creative business strategy companies.

No.	Name	Main Products	Net Sales (VND bn) (2018FY)	EBITDA (VND bn) (2018FY)	EBITDA Margin (%) (2018FY)	Net Sale growth (% YoY) (2018FY)	No. of new stores (2019F - 2021F)	Capital Demand (VND bn) (2019F - 2021F)
1	Mobile World Group	ICT, grocery	86,516	5,094	5.9	30.4%	933	10,608
2	FPT Retail	ICT, pharmaceutical	15,298	461	3.0	16.4%	400	1,694
3	Phu Nhuan Jewelry	Jewelry	14,571	1,305	9.0	32.7%	138	7,190
4	Saigon Co.op	Grocery	30,000	N/A	N/A	N/A	1,536	12,870

LEADING COMPANIES

ICT RETAIL LEADER: MOBILE WORLD GROUP (MWG VN)

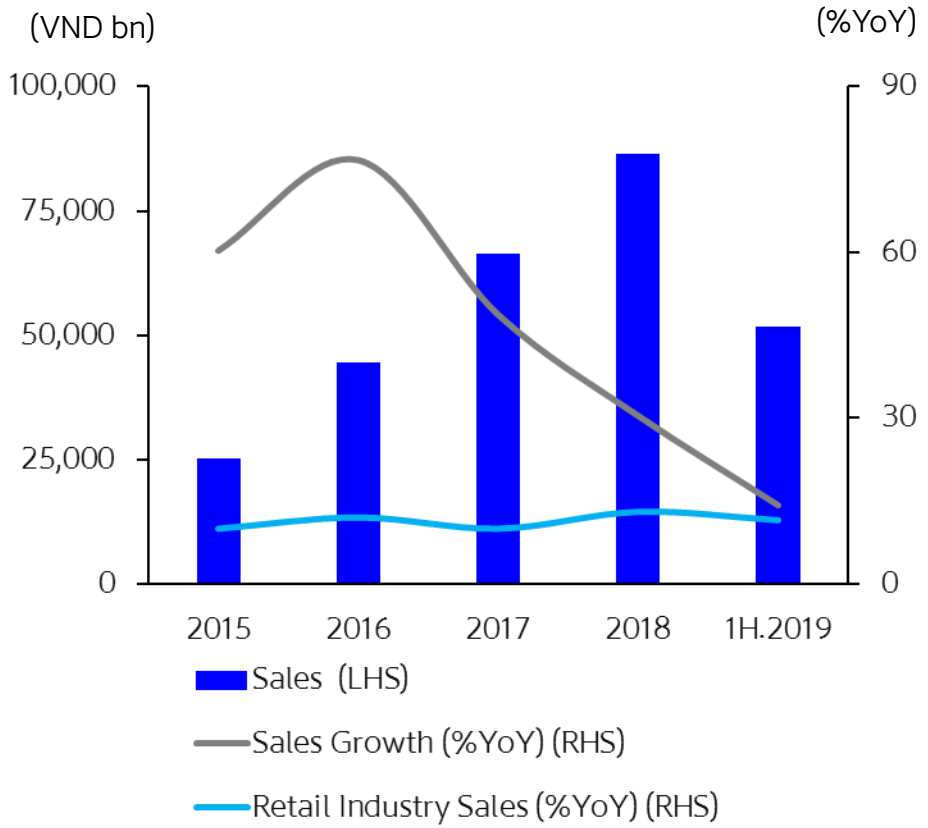
Long-term strategy Sell everything in the world



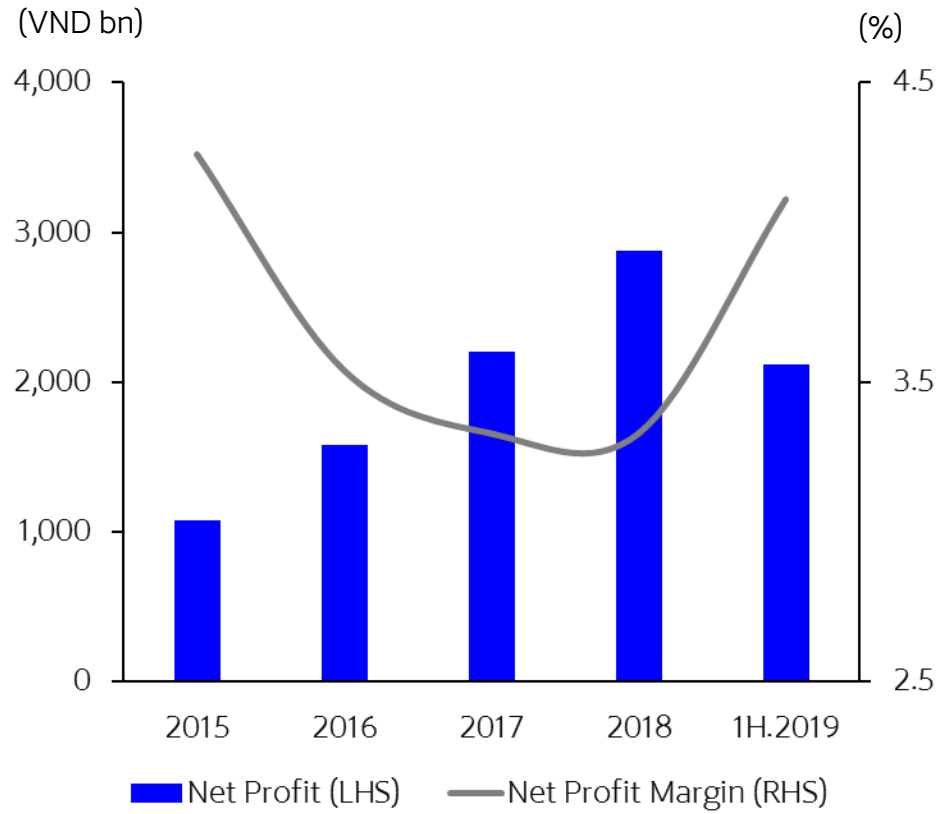
LEADING COMPANIES

ICT RETAIL LEADER: MOBILE WORLD GROUP (MWG VN)

MWG' SALES YEARLY



MWG' PROFIT YEARLY

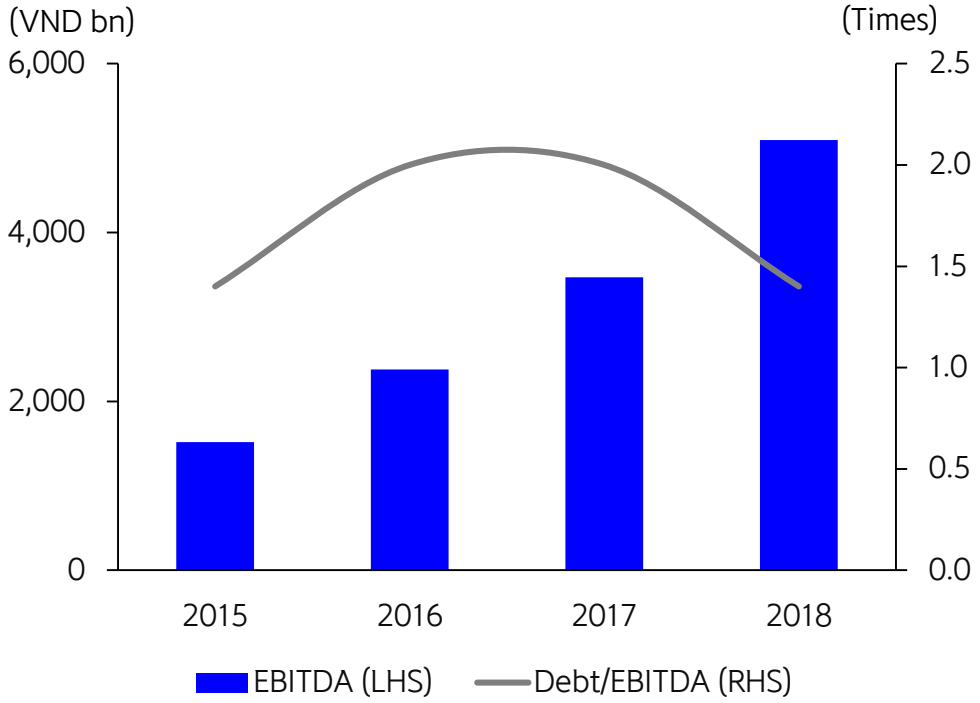


➢ The new strategies of MWG takes effect, revitalizing business results of the company.

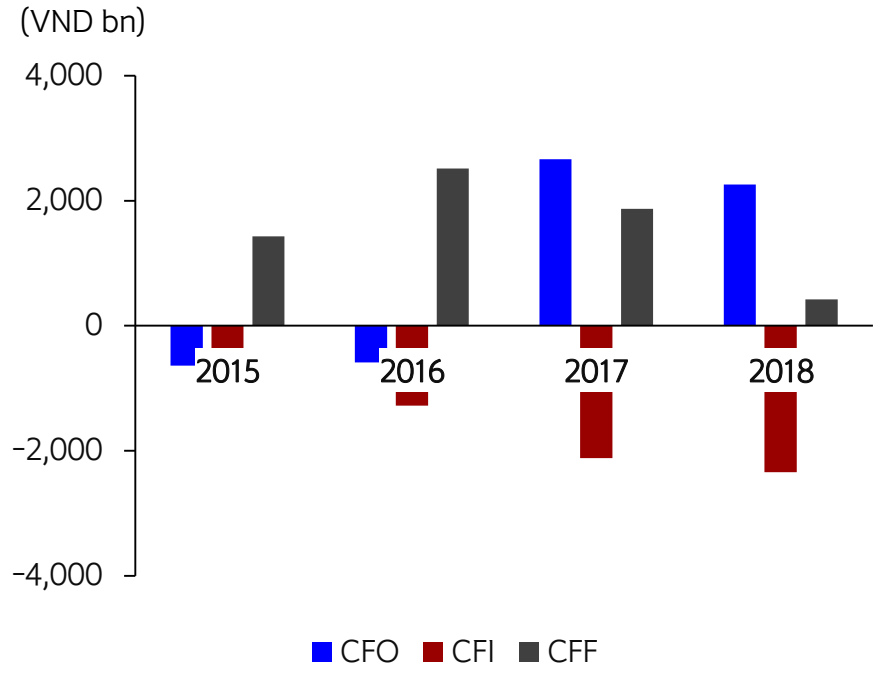
LEADING COMPANIES

ICT RETAIL LEADER: MOBILE WORLD GROUP (MWG VN)

MWG' DEBT PAYMENT ABILITY



MWG' CASHFLOW

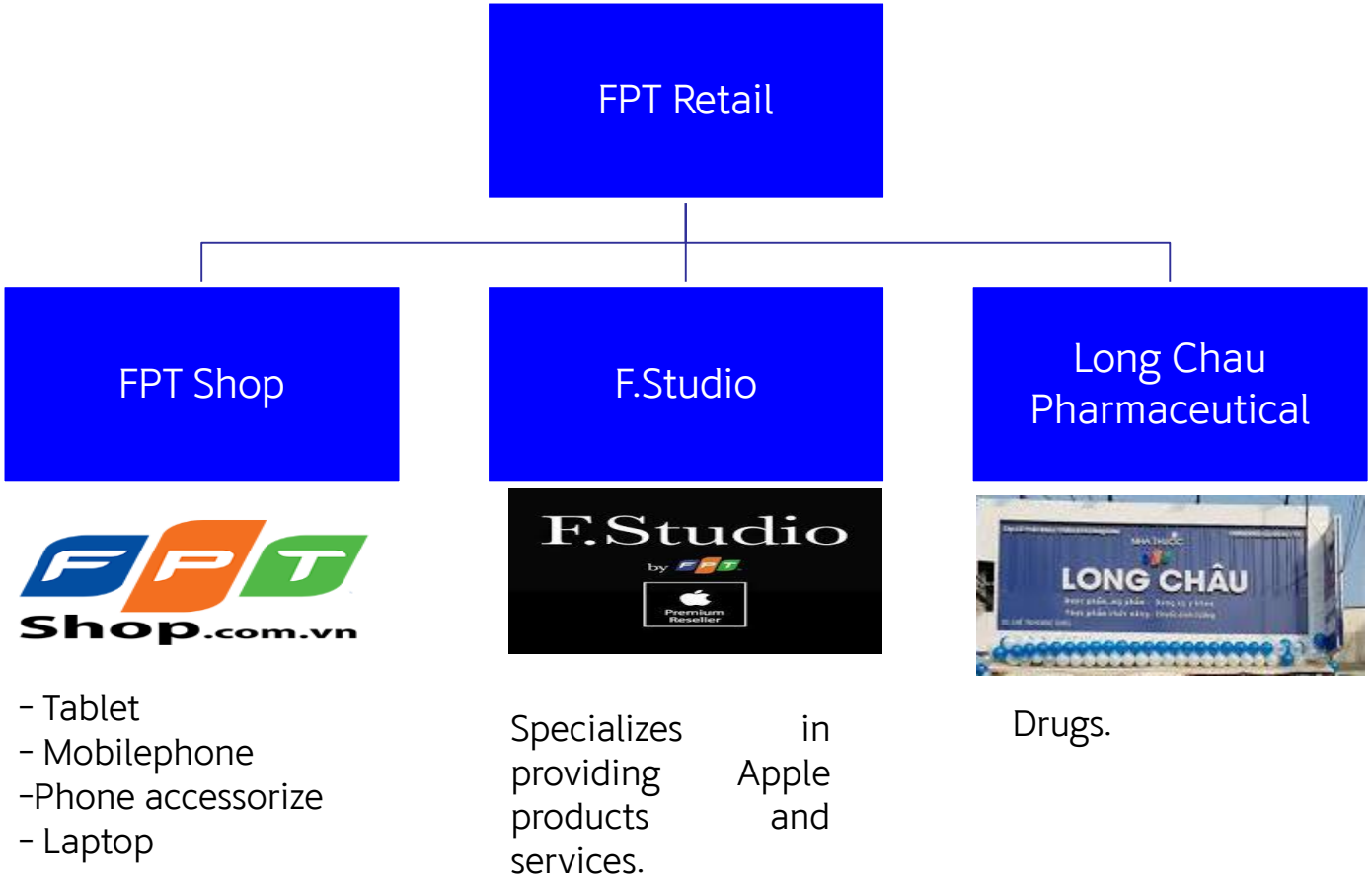


- The decrease Debt/EBITDA ratio shows the strength of ability in paying off the incurred debt of MWG.
- The positive CFO while CFI continue decreasing presents the efficient in business strategy of MWG.

LEADING COMPANIES

PHARMACEUTICAL RETAILER: FPT RETAIL (FRT)

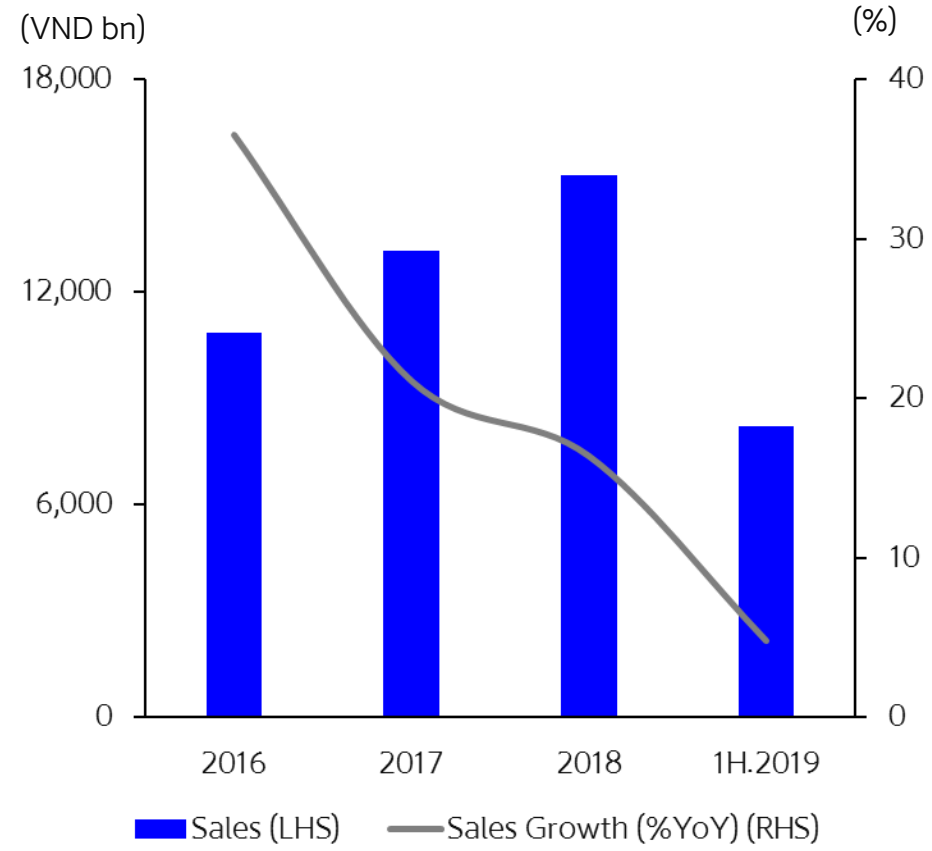
FPT Retail
PHARMA



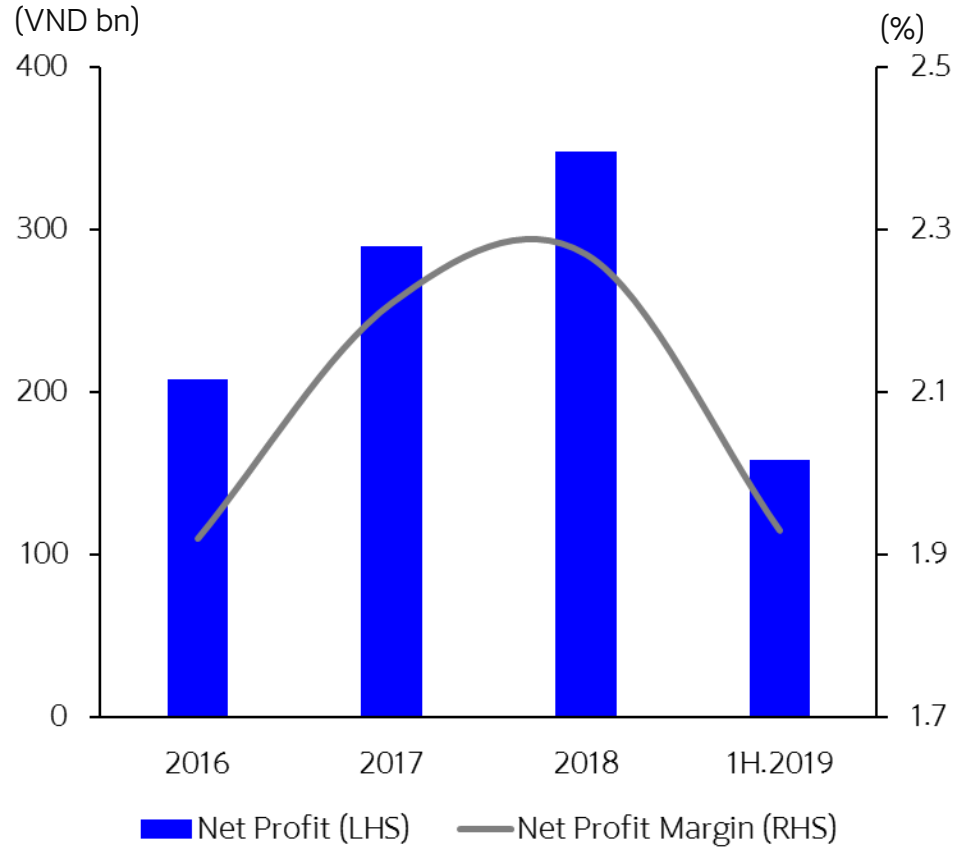
LEADING COMPANIES

PHARMACEUTICAL RETAILER: FPT RETAIL (FRT)

FRT' SALES YEARLY



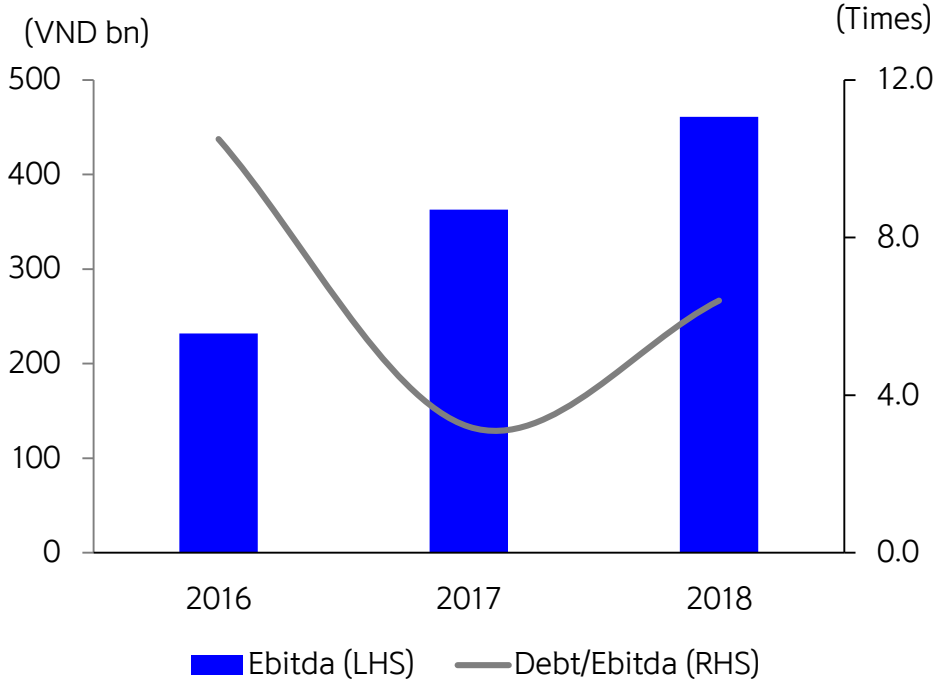
FRT' PROFIT YEARLY



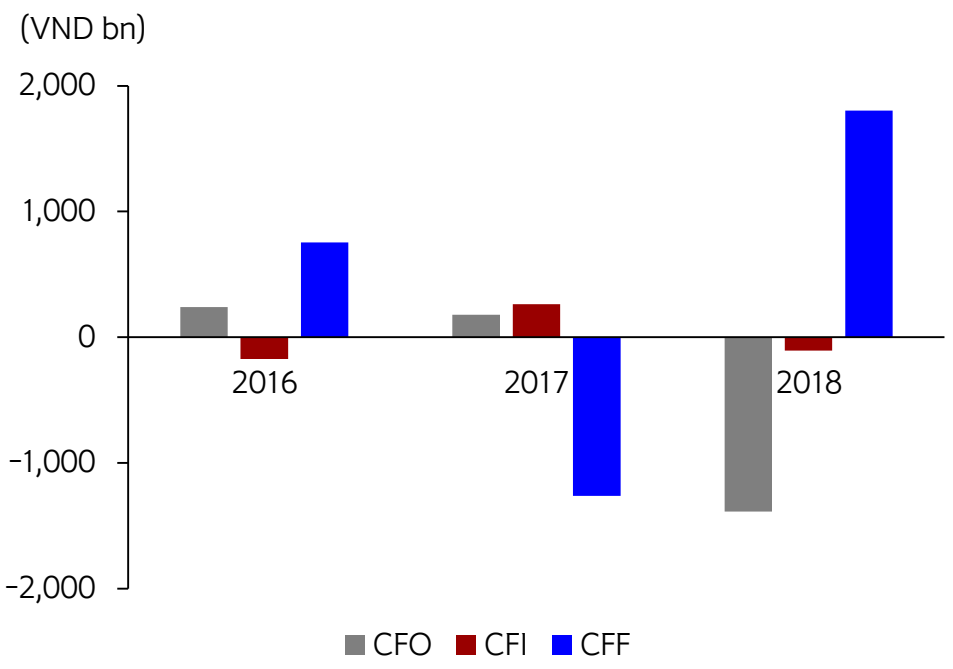
LEADING COMPANIES

PHARMACEUTICAL RETAILER: FPT RETAIL (FRT)

FRT' DEBT PAYMENT ABILITY



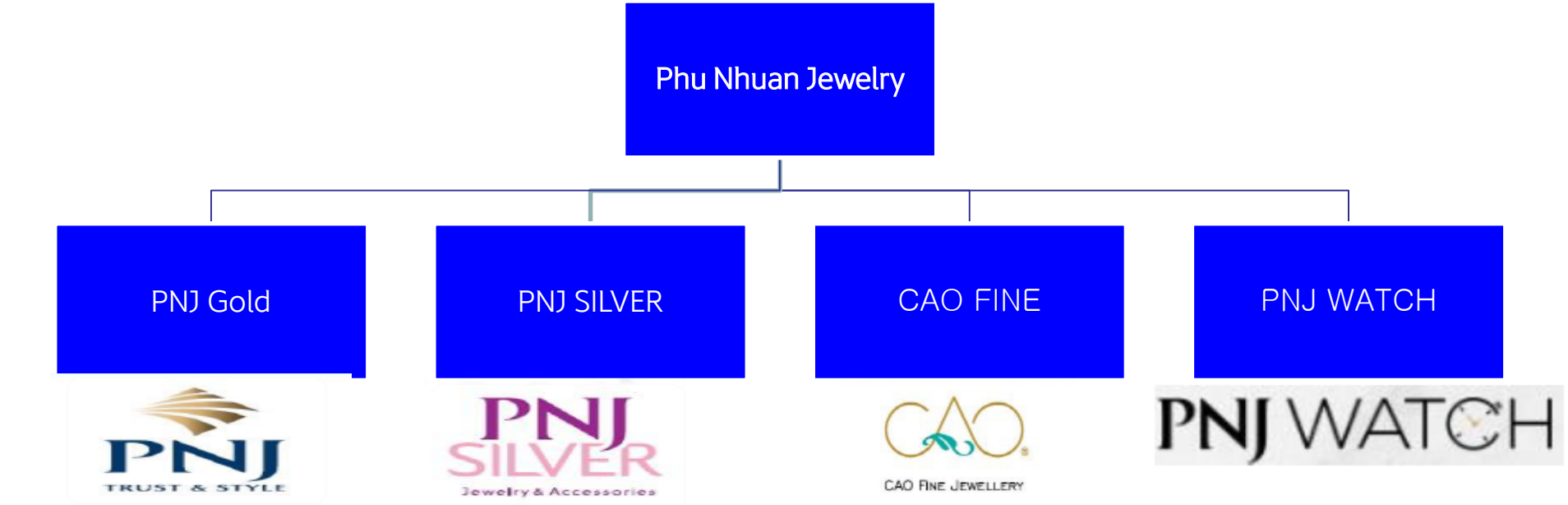
FRT' CASHFLOW



- The high Debt/Ebitda ratio presents that FRT is heavily leveraged which might result in a lower credit rating. However, different from its peers likes MWG or PNJ, FRT is a joint-stock company of FPT Corp. (HSX: FPT), thus FPT can guarantee for FRT's loans in the worst case scenario.
- The increase in CFF indicates that FRT is raising its debt to expand the business so it will need to borrow more in the future.

LEADING COMPANIES

LEADING JEWELRY RETAILER: PHU NHUAN JEWELRY (PNJ)









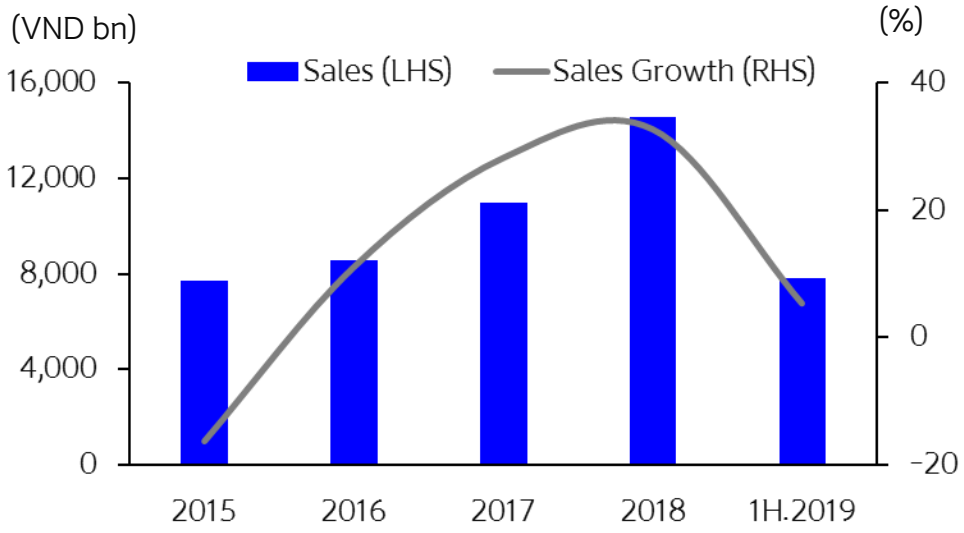




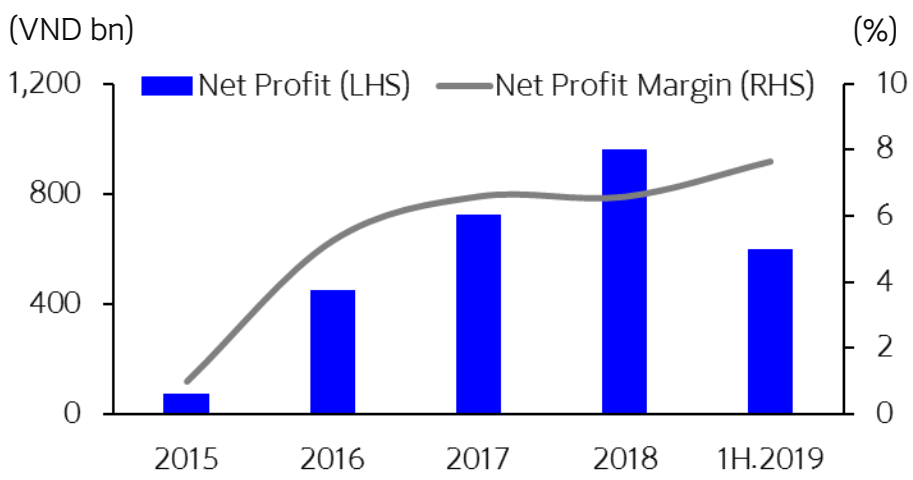
LEADING COMPANIES

LEADING JEWELRY RETAILER: PHU NHUAN JEWELRY (PNJ)

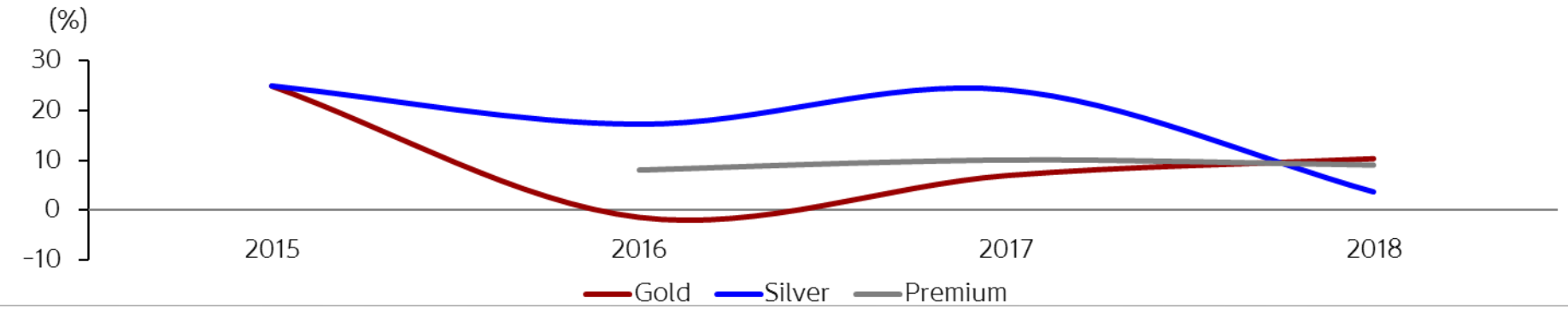
PNJ' SALES YEARLY



PNJ' PROFIT YEARLY



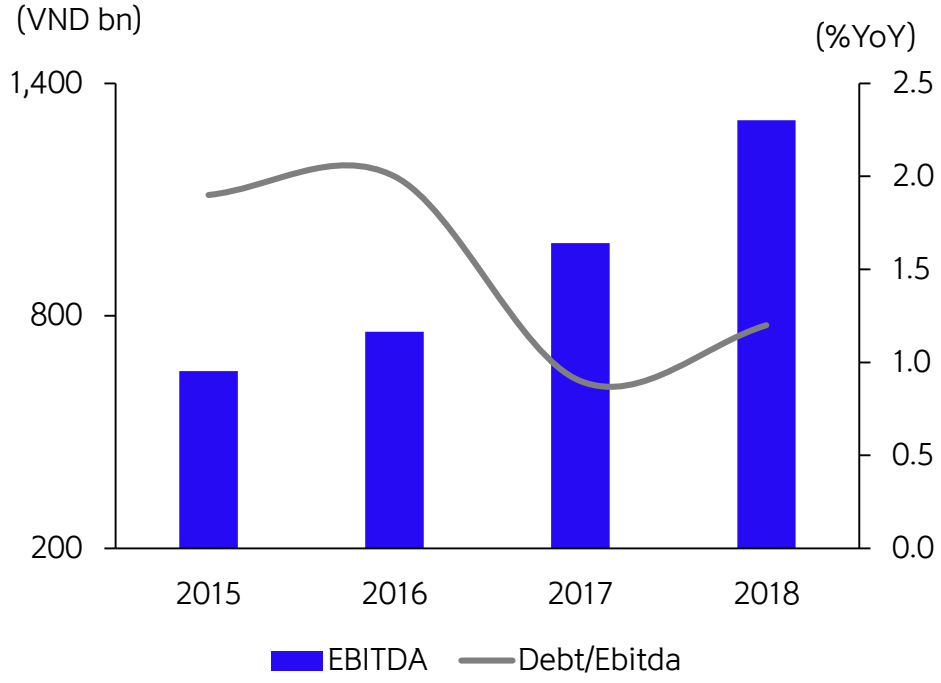
VIETNAM JEWELRY CONSUMPTION



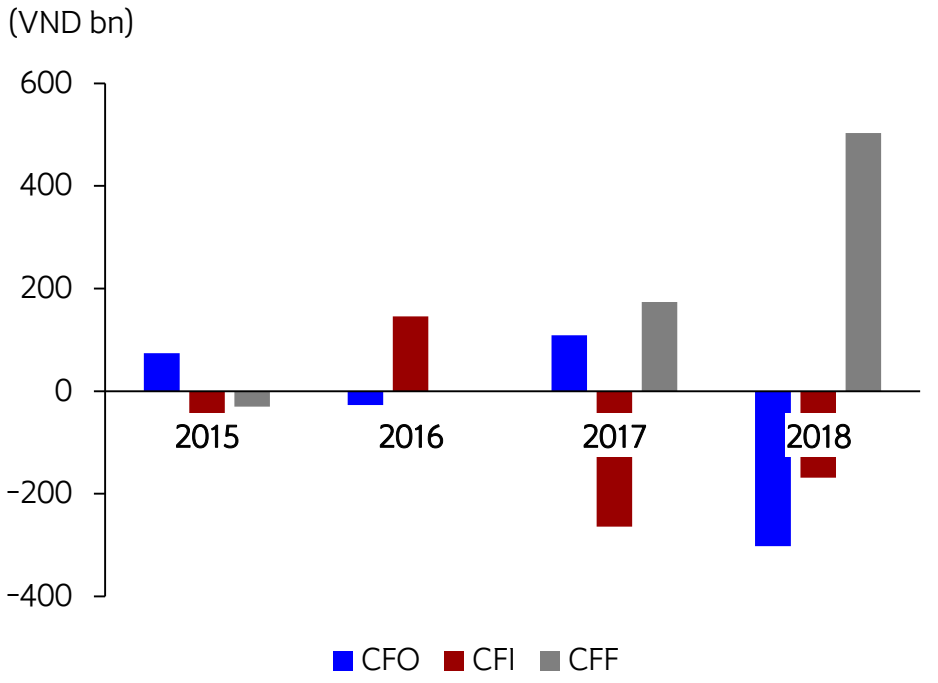
LEADING COMPANIES

LEADING JEWELRY RETAILER: PHU NHUAN JEWELRY (PNJ)

PNJ' DEBT PAYMENT ABILITY



PNJ' CASHFLOW



- Though the Debt/Ebitda ratio increased, it fluctuates around 1.0x, thus the ability in paying off the incurred debt of PNJ is guaranteed.
- The increase in CFF indicates that PNJ is raising its debt to expand the business so it will need to borrow more in the future. Particularly, the company plans to open 40 new stores as well as developing the watches selling segment.

LEADING COMPANIES

CONSUMER GOODS RETAIL LEADER: SAIGON CO.OP

SAIGON CO.OP

Long-term strategy

Maintain the position of Vietnam's leading consumer retailer in the next 5 years.

Saigon Coop

- Retail Chains
  - Supermarkets
  - Shopping Mall
  - Mini mart
  - Convenient Store
  - Television retail
- Investment
- Import - Export
- Production

SAIGON CO.OP





LEADING COMPANIES

CONSUMER GOODS RETAIL LEADER: SAIGON CO.OP

SAIGON CO.OP

SAIGON CO.OP's RETAIL DISTRIBUTION NETWORK





2019 – 2021 Plan

- Open 1,536 new stores and expected total capital demand is VND12,870 bn

2018 business performance

- 2018 revenue was VND30,000 bn, up 7%YoY.

EXECUTIVE SUMMARY

- Vietnam retail industry is at the growth stage and moving to the development stage in the next 10 years. Therefore, Vietnam retailers need to raise the outsource capital to strengthen its power in the industry.
- The future trends of the industry is described as below:
  - The conversion from traditional format to new formats of retail stores.
  - Strong expansion in distribution network.
  - The "Big fish eat small fish" M&A wave.
  - The co-operation between retailers, including domestic and foreign.
  - The diversification in product portfolio.
- The fact is that not every sub-sectors of Vietnam retail industry forecasted to show a strong growth in the next 5 years. Particularly,
  - The growth of ICT Retail is expected to be flat in the next 3 years, evidenced by the slow down in the number of new stores opened. The weak growth of ICT retail segment are mixed by the strong growth of electronic products and the decrease of mobile phones products.
  - The Consumer Goods retail is forecasted to be stable in the next 3 years, thus it will grab the market share from traditional channels by increasingly investing in modern retail channels.
  - The Jewelry retail still have the room to growth. The market size is small and Phu Nhuan Jewelry (HSX: PNJ) is dominating the market.
  - The Pharmaceutical retail is forecast to show a double-digit growth in the next 5 years. Because the modern pharmacy chains with healthy claims is very rare, this business is expected to grow faster in the foreseeable future.
- **Among the retail leaders, Mobile World Group (HSX: MWG) shows a strongest financial health in the last 5 years and in 1H.2019, thus, giving a higher confidence for investors to invest.**

Q&A


Thank You