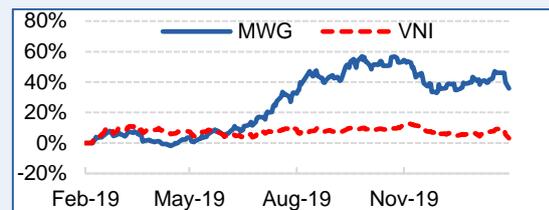




Industry:	Retailing		2018	2019
Report Date:	February 3, 2020	Rev y/y	30.4%	18.1%
Current Price:	VND108,800	EPS y/y	24.3%	29.6%
Last Target Price:	VND215,000	GPM	17.7%	19.1%
Upside:	+97.6%	NPM	3.3%	3.8%
Dividend yield:	1.4%	EV/EBITDA	11.2x	8.9x
TSR:	+99.0%	P/Op CF	21.3x	NM
Rating:	BUY	P/E	16.3x	12.6x



	USD2.1bn		MWG	VNI
Market Cap:	USD2.1bn	P/E (ttm)	12.6	14.5x
Foreign Room:	USD0	P/B (curr)	4.1x	2.2x
ADTV30D:	USD3.2mn	Net D/E	0.7x	N/A
State Ownership:	0%	ROE	36.3%	15.3%
Outstanding Shares:	453.3 mn	ROA	11.0%	2.5%
Fully Diluted Shares:	453.3 mn			

Company Overview

MWG owns the leading mobile phone and consumer electronics chains in Vietnam with market shares of 48% and 38%, respectively, in 2019. To sustain strong growth going forward, MWG is rolling out the Bach Hoa Xanh minimart chain.

Phap Dang, CFA
Associate Director
phap.dang@vcsc.com.vn
+84 28 3914 3588 ext. 143

Consumer electronics and GPM expansion boost profits

As we highlighted in our [Vietnam Today](#) report dated January 23, 2020, MWG released Q4 2019 results that include revenue of VND25.4tn (USD1.1bn, +21% YoY) and NPAT-MI of VND860bn (USD37mn, +24% YoY). For full-year 2019, revenue reached VND102tn (USD4.4bn, +18% YoY) while NPAT-MI amounted to VND3.8tn (USD165mn, +33% YoY). These results are broadly in line with our expectation as 2019 revenue and NPAT-MI completed 98% and 99% of our respective forecasts. Today, management provided more details on the performance of each business, which were also within our expectations. Below are our key takeaways.

MWG increased market share in both mobile phone and consumer electronics markets. In 2019, MWG recorded market shares of 48% (vs 45% as of YE2018) in mobile phones and 38% (vs 35% as of YE2018) in consumer electronics as it gained share across sub-categories. MWG's revenue growth was spearheaded by home appliances and kitchenware (+41% YoY) and white goods (e.g., refrigerators, air conditioners and washing machines; +32% YoY), followed by electronics (e.g., TVs and audio systems; +13% YoY).

DMX (consumer electronics chain) spearheaded growth. DMX's 2019 revenue soared 23% YoY, driven by solid SSSG, new store openings (268 new stores in 2019 – including conversions of high-performing mobile stores to mini-DMX – to reach a total store count of 1,018 vs 750 as of YE2018) and layout optimization (483 mini-DMX stores were converted to the new layout in 2019). Per MWG, the new DMX layout generally helps to improve sales/store by 30% vs the current layout thanks to a more extensive range of SKUs for electronics, home appliances and kitchenware.

TGDD's (mobile phone chain) revenue slid due to conversion of high-performing stores to mini-DMX format. Due to this conversion, as of YE2019, TGDD's store count shrunk to 996 (1,013 if including 17 "Super Cheap Phones" stores, which is MWG's new low-price format) vs 1,032 as of YE2018. Having said that, on a category basis, MWG's mobile phone sales still grew by 2% in 2019 despite an industry-wide decline.

Roll-out of watches remains at high pace. MWG's watch point-of-sales (shop-in-shop format) reached 253 as of YE2019 vs 227 as of November 2019, 174 as of October 2019 and 42 as of July 2019. In 2019, MWG generated VND800bn (USD34.5mn) in watch revenue, equivalent to 0.8% of its total revenue.

YoY online sales growth continued to slow due to pricing adjustment. Online sales growth tapered down to 3% YoY in 2019 vs 39% YoY in H1 2019. Per management, this growth slowdown is because MWG has cut down on promotions (e.g., price discount vouchers) on its online channel to better align its offline/online pricing since May 2019. This adjustment will enable MWG to more

effectively utilize its omnichannel in the sense that its online platform will better target customers who seek the convenience and service quality of online shopping rather than those chasing price discounts. This online pricing adjustment has not affected total sales, per management, as customers who were previously incentivized to order online because of the promotional vouchers simply switched to purchasing directly at stores.

Sales/store of BHX (minimart chain) maintained above VND1.3bn (USD56,000) in December 2019, although new stores in more remote areas diluted the chain's blended average figure.

BHX's average sales/store reached VND1.35bn (USD58,000) in December 2019 vs VND1.3bn (USD56,000) in November 2019 and more than VND1.5bn (USD64,000) in August 2019. BHX's sales/store in December 2019 still trailed that of August 2019 because new stores in the South Central Coast region as well as lower-income areas in the Mekong Delta are generating lower sales/store and thus dragging BHX's blended average sales/store.

In terms of store expansion, BHX's footprint coverage has widened to 20 provinces in southern and South Central Coast provinces in addition to HCMC. We estimate that 90% of new BHX stores in 2019 (net of store closures) were outside of HCMC. As such, stores in these provinces now constitute 57% of the total BHX store count as of YE2019 vs only 8% as of YE2018. Per MWG, in December 2019, BHX stores in HCMC generated sales of more than VND1.4bn/month/store (USD60,000) while BHX stores outside of HCMC generated sales of nearly VND1.3bn/month/store (USD56,000).

GPM expansion further boosted the bottom line. We estimate that the combined GPM of TGDD and DMX improved to 19.1% in 2019 vs 17.8% in 2018, on the back of a larger scale and a better product/brand mix. Since this GPM improvement only began in Q3 2019 (TGDD and DMX's combined GPM reached more than 20% in H2 2019 vs 17.8% in H1 2019, per our estimate), it should bode well for profitability in 2020 vs 2019.

MWG's 2019 results

VND bn	2019	YoY	Actual/VCSC's forecasts 2019	Store count as of YE2019	VCSC's YE2019 store count forecasts
Revenue	102,174	18%	98%		
TGDD	33,207	-5%	101%	1,013*	1,002*
DMX	58,197	23%	97%	1,018	1,000
BHX	10,770	152%	97%	1,008	1,000
NPAT	3,834	33%	99%		
<i>Online sales</i>	<i>12,682</i>	<i>3%</i>	<i>103%</i>		

Source: MWG, VCSC estimates (*including Super Cheap Phones stores)

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

Disclaimer

Analyst Certification of Independence

I, Phap Dang, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2013 Viet Capital Securities Company "VCSC". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 2 Hai Trieu Street
District 1, HCMC
+84 28 3914 3588

Transaction Office

10 Nguyen Hue Street
District 1, HCMC
+84 28 3914 3588

Research

Research Team: +84 28 3914 3588

research@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Nghia Dien, Senior Analyst, ext 138
- Anh Dinh, Analyst, ext 139
- Truc Ngo, Analyst, ext 116

Consumer and Pharma

Phap Dang, Associate Director, ext 143

- Dao Nguyen, Manager, ext 185
- Ha Dao, Analyst, ext 194
- Vinh Bui, Analyst, ext 191

Real Estate, Construction and Materials

Hong Luu, Senior Manager, ext 120

- Vy Nguyen, Senior Analyst, ext 147
- Duc Pham, Analyst, ext 174

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Nghia Le, Analyst, ext 181
- Tra Vuong, Analyst, ext 365
- Trung Nguyen, Analyst, ext 129

Institutional Sales and Brokerage

& Foreign Individuals

Dung Nguyen

+84 28 3914 3588, ext 136
dung.nguyen@vcsc.com.vn

Retail & Corporate Brokerage

Ho Chi Minh City

Quynh Chau
+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn

Hanoi Branch

109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office

236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588

Alastair Macdonald, Head of Research, ext 105

alastair.macdonald@vcsc.com.vn

Macro

- Luong Hoang, Senior Analyst, ext 364
- Nguyen Truong, Analyst, ext 132

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Senior Analyst, ext 135
- Thanh Nguyen, Senior Analyst, ext 173
- Duc Le, Analyst, ext 196

Industrials and Transportation

- Nam Hoang, Senior Analyst, ext 124
- Dang Thai, Analyst, ext 149

Hanoi

Quang Nguyen
+84 24 6262 6999, ext 312
quang.nguyen@vcsc.com.vn