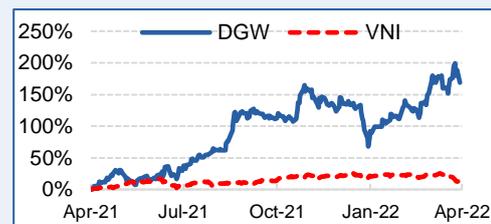


Industry:	ICT Distribution		2021	Q1/2022	2022F	2022G**
Report Date:	April 27, 2022	Rev y/y	67.3%	40.0%	29.8%	25.4%
Current Price:	VND134,100	EPS y/y	140.4%	97.6%	21.9%	18.1%
Target Price*:	VND146,000	GPM	7.2%	6.7%	7.1%	N/A
Upside to TP:	8.9%	NPM	3.1%	3.0%	3.0%	3.0%
Dividend Yield:	0.7%	EV/EBITDA	16.9x	N.M.	12.5x	N/A
TSR:	9.6%	P/CFO	83.4x	N.M.	19.4x	N/A
Rating*:	BUY	P/E	17.8x	N.M.	14.6x	15.1x



			DGW	VNI
Market Cap:	USD528mn	P/E (ttm)	16.0x	15.2x
Foreign Room:	USD119mn	P/B (curr)	6.1x	2.4x
ADTV30D:	USD5.9mn	Net D/E	0.7x	N/A
State Ownership:	0.0%	ROE	46.8%	15.7%
Outstanding Shares:	90.6 mn	ROA	15.2%	2.6%
Fully Diluted Shares:	90.6 mn			
3-yr PEG:	1.0x			

\*TP and rating last updated February 11, 2022  
\*\* Company guidance

**Company Overview**  
DGW is one of the leading ICT distributors in Vietnam. Its main segments include phones, laptops and office equipment. In addition to its traditional distribution services, DGW provides comprehensive market expansion services.

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## Strong Q1 2022 profit growth prompts bright outlook

- DGW released its Q1 2022 results, including revenue of VND7tn (USD305mn; +40% YoY) and NPAT-MI of VND211bn (USD9mn; +98% YoY), which completed 27% and 26% of our respective full-year forecasts.
- Mobile revenue (55% of Q1 2022 total revenue) increased 37% YoY in Q1 2022 and inched up 4% QoQ from a high base in Q4 2021. We attribute this growth to (1) robust shopping activities before the Tet Holiday and (2) Xiaomi's smartphone market share gains. Per management, Xiaomi's volume market share in Vietnam ranked second in Q1 2022 at 20% vs third place in 2021 at 12.5%.
- Laptop & tablet revenue (32% of Q1 2022 total revenue) soared 64% YoY in Q1 2022 following a 179% YoY surge in Q4 2021. Although demand from remote working/studying has eased, we believe increased consumer penetration arising the trend of remote studying/working that was established amid COVID-19 will continue to drive this segment.
- Office equipment revenue (11% of Q1 2022 total revenue) increased 12% YoY in Q1 2022. Meanwhile, consumer goods & healthcare revenue (1% of Q1 2022 total revenue) dropped 12% YoY. At its 2022 AGM, DGW commented that the consumer goods & healthcare segment still needs to improve. In addition, the company plans to roll out one new FMCG brand and proceed with obtaining licenses for medicine and medical equipment distribution in 2022.
- Q1 2022 net margin advanced 0.9 ppts YoY to 3.0%. In addition to operating leverage, we mainly attribute this increase to (1) softer promotional activities amid the current global supply shortage of electronics and (2) a broader contribution from laptops & tablets that have relatively higher gross margin (8.0%, per our estimate) vs mobile phones (5.3%, per our estimate). Management previously stated that 3.0% is DGW's medium-term target for net margin — with potential upside tied to the consumer goods & healthcare segment.
- From Q2 2022 onward, management expects new contributions from Whirlpool, Joyoung, Microsoft ESD and Xiaomi TV, all of which are expected to be launched within April 2022. Management also expects the current growth momentum of existing products to continue.

Figure 1: DGW's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	Q1 2022 vs VCSC's full- year forecasts
<b>Revenue</b>	<b>5,007</b>	<b>7,009</b>	<b>40%</b>	<b>27%</b>
Mobile phones	2,833	3,880	37%	31%
Laptops & tablets	1,375	2,252	64%	23%
Office equipment	718	806	12%	21%
Consumer goods	81	71	-12%	15%
<b>Gross profit</b>	<b>319</b>	<b>466</b>	<b>46%</b>	<b>24%</b>
Selling expenses	-181	-232	28%	27%
G&A expenses	-21	-25	20%	19%
<b>EBIT</b>	<b>117</b>	<b>210</b>	<b>79%</b>	<b>22%</b>
Non-operating profit/loss	18	55	206%	52%
<b>PBT</b>	<b>135</b>	<b>265</b>	<b>96%</b>	<b>25%</b>
<b>NPAT-MI</b>	<b>107</b>	<b>211</b>	<b>98%</b>	<b>26%</b>
<b>Margins</b>				
GPM	6.4%	6.7%		
EBIT margin	2.3%	3.0%		
NPAT-MI margin	2.1%	3.0%		

Source: DGW, VCSC

## 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.

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