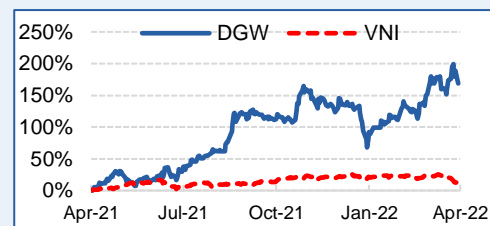




Digiworld (DGW)

Earnings Flash

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



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

Ha Huynh
 Analyst
ha.huynthu@vcsc.com.vn
 +84 28 3914 3588 ext. 185

Nam Hoang
 Manager
nam.hoang@vcsc.com.vn
 +84 28 3914 3588 ext. 124

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
Revenue	5,007	7,009	40%	27%
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%
Gross profit	319	466	46%	24%
Selling expenses	-181	-232	28%	27%
G&A expenses	-21	-25	20%	19%
EBIT	117	210	79%	22%
Non-operating profit/loss	18	55	206%	52%
PBT	135	265	96%	25%
NPAT-MI	107	211	98%	26%
Margins				
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.
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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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Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 15th Floor
2 Hai Trieu Street, District 1, HCMC
+84 28 3914 3588

Transaction Office Nguyen Hue

Vinatex Building, 1st & 3rd Floor
10 Nguyen Hue Street, District 1, HCMC
+84 28 3914 3588 (417)

Transaction Office Dong Da

9 Nguyen Ngoc Doan,
Dong Da District, Hanoi
+84 24 6262 6999

Hanoi Branch

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

Transaction Office Nguyen Cong Tru

Floor 6B, 236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588 (400)

Transaction Office ABS

Sailing Tower, 8th Floor,
111A Pasteur Street, District 1, HCMC
+84 28 3914 3588 (403)

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Alastair Macdonald, Head of Research, ext 105
alastair.macdonald@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

Macro

Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

Consumer

Nam Hoang, Manager, ext 124

- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Duc Le, Analyst, ext 196

Real Estate and Infrastructure

Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174

Materials and Industrials

Vy Nguyen, Manager, ext 147

- Vinh Bui, Analyst, ext 149

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

Brokerage and Institutional Sales & Trading

Tuan Nhan

Managing Director, Brokerage & Institutional Sales & Trading

+84 28 3914 3588, ext 107
tuan.nhan@vcsc.com.vn

Quynh Chau

Managing Director Brokerage

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

Dung Nguyen

Director Institutional Sales & Trading

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