

Mobileworld (MWG)

1Q22 business results were up from 2021 high

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1Q22 business results maintain growth momentum from 2021 high

In 1Q22, MWG recorded NPAT of VND1,445 billion (+8% YoY) on net revenue of VND36,466 billion (+18.2% YoY), fulfilling 23% & 26% of the full-year plan for NPAT and revenue, respectively. The above results came in at 21.3% and 25.8% of our forecast.

The DMX & DMS chains should explode after two years of being affected by the pandemic

The consumer electronics market remains growth momentum thanks to: (1) the rising consumer demand after two years of the COVID-19 pandemic; (2) promoted sales of the Dien May Xanh Supermini (DMS) chain with an estimated 1,000 stores by the end-2022; (3) converting The Gioi Di Dong (TGDD) stores into Dien May Xanh (DMX) stores, expanding DMX stores into large-sized electronics centers (~3,000 m²).

BHX will offer plenty of sales promotion programs to attract more customers

According to the BOD, to attract more customers and make BHX the first choice for fresh products, BHX will: (1) offer various attractive sales promotion programs; (2) change the store layout to make it more friendly to customers and employees. Although it may affect BHX's profit margin and breakeven plan in the short term, it helps facilitate BHX's expansion on a national scale in 2023.

We recommend HOLDING MWG shares with a target price of VND169,500/share

In 2022, we forecast MWG's NPAT of VND6,800 billion (+39% YoY) on net sales of VND141,026 billion. In 2023, those figures should be VND7,550 billion (+11% YoY) and VND151,171 billion (+7% YoY). We recommend HOLDING MWG shares, with a target price of VND169,500, 13.4% higher than the closing price on May 5, 2022.

Hold update

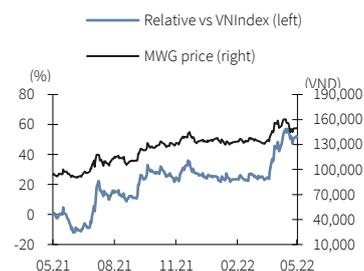
Target price	VND169,500
Upside/Downside	13.4%
Current price (May 5, 2022)	149,400
Market cap (VNDtn/USDmn)	109,4/4,860

Trading data	
Free float	65%
3M avg trading value (VNDbn/USDmn)	345/15.3
Foreign ownership	49%
Major shareholder	Retail World (10.76%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-4	10	15	61
Relative	7	19	21	51

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net revenue (VNDbn)	109,801	124,142	141,026	151,171
Earnings/Loss (VNDbn)	5,415	6,445	8,978	9,969
NPAT (VNDbn)	3,920	4,901	6,800	7,550
EPS (VND)	8,665	8,654	9,287	10,311
EPS growth (%)	0%	-21%	7.3%	11%
P/E (x)	13.2	13.7	16.1	14.5
P/B (x)	3.5	2.6	4.9	3.7
ROE (%)	25%	24%	31%	26%
Dividend yield (%)	15%	5%	5%	5%



Source: Bloomberg, KB Securities Vietnam

Updated business performance

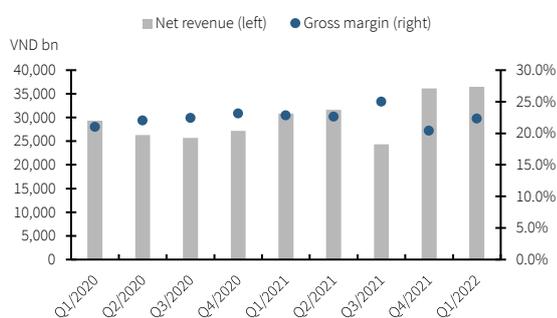
1Q22 business results maintain growth momentum from 2021 high

In 1Q22, MWG recorded NPAT of VND1,445 billion (+8% YoY) on net revenue of VND36,466 billion (+18.2% YoY), fulfilling 23% & 26% of the full-year plan for NPAT and revenue, respectively. The above results came in at 21.3% and 25.8% of our forecast.

Over the last quarter, MWG continued to reach a new high for quarterly revenue. Earlier, MWG achieved all-time high business results in 4Q21. Specifically, 1Q22 net revenue is 1% higher than 4Q21, while NPAT is 7% lower than 4Q21 at VND1,563 billion. From our perspective, MWG's business results, despite not growing intensely, remain high compared to 1Q21 and 4Q21.

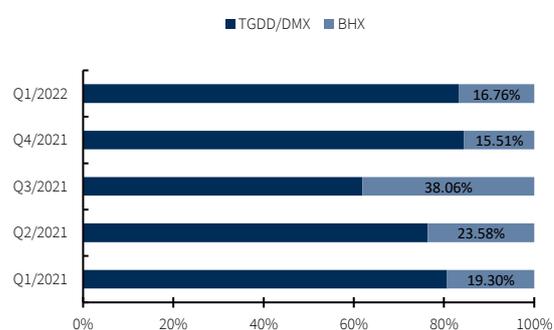
In 1Q22, gross profit margin reached 22.3% vs. 22.8% in 1Q21. We believe that the 0.5% decrease in gross profit margin was due to: (1) decreased revenue of BHX with a high gross margin, down from 19% to 16.5%; and (2) the BOD's strategy to attract customers, which may affect profit margin.

Fig 1. MWG – Net revenue, gross margin (VNDbn, %)



Source: Mobileworld, KB Securities Vietnam

Fig 2. MWG – Revenue breakdown



Source: Mobileworld, KB Securities Vietnam

Table 1. MWG – 2022F net revenue and NPAT

	1Q21	1Q22	FULL-YEAR PLAN	FULFILLMENT	KBSV'S FORECAST FOR 2022F	FULFILLMENT
Net revenue	30,828	36,467	140,000	26%	141,026	25.8%
%YoY		+18.2%	+14%		+14.6%	
NPAT	1,338	1,445	6,350	22.7%	6,800	21.2%
%YoY		+8%	+30%		+38.7%	

Source: KB Securities Vietnam

TGDD/DMX continued to play a pivotal role with impressive growth

TGDD/DMX (including TopZone) recorded positive growth of +21% YoY

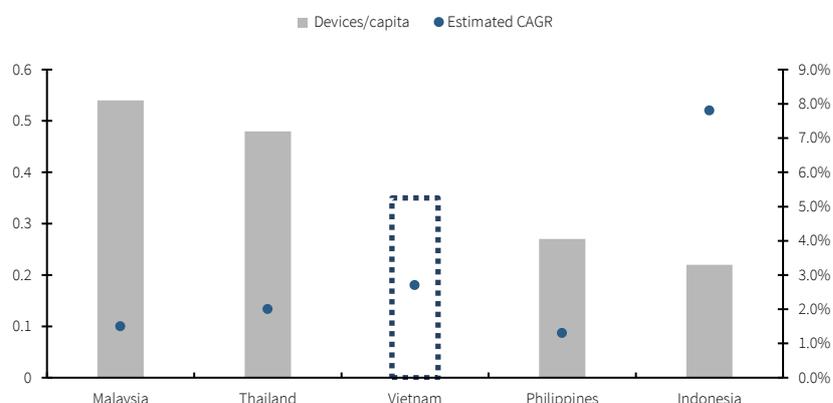
In 1Q22, the two chains TGDD/DMX contributed VND30,000 billion (+21% YoY) in revenue. If excluding VND470 billion in revenue from the TopZone chain, sales from TGDD/DMX would be VND29,530 billion (+18.7% YoY).

TGDD/DMX continued to achieve positive sales thanks to: (1) the expansion of DMS with 874 points of sale, contributing VND2,700 billion (+2x YoY); (2) the operation of TopZone with 28 AAR (Apple Authorized Reseller) stores and 1 APR (Apple Premium Reseller) store; and (3) significant contribution from sales online channels with VND5,700 billion (+150% YoY, equivalent to 19% of total revenue).

The DMX & DMS chains should explode after two years of being affected by the pandemic

We believe that the consumer electronics and home appliances market (including smartphones) will no longer enjoy impressive growth rates (compound annual growth rate (CAGR) expected at 2.7% during 2021–2026). However, there is still room for growth since devices (electronics/electrical equipment) per capita in Vietnam is only 0.35 compared to other regional peers such as Thailand (0.48) or Malaysia (0.54).

Fig 3. MWG – Devices per capita & estimated CAGR during 2021A–2026E



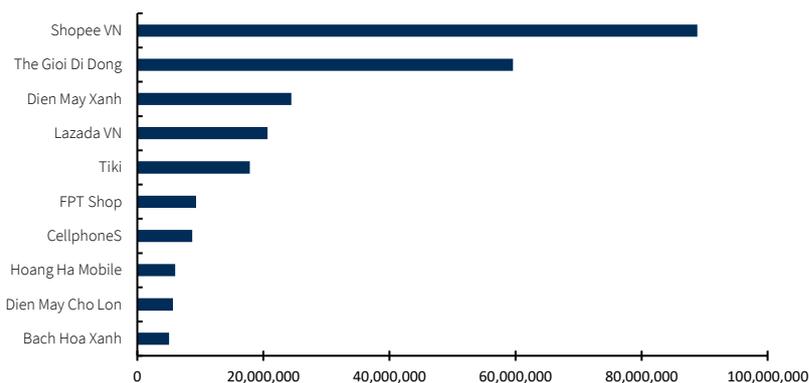
Source: KB Securities Vietnam

The outlook for MWG is bright thanks to: (1) the recovery of consumer demand after two years of being affected by the pandemic; (2) the continued promotion of the DMS chain, with an estimated 1,000 stores by the end of 2022; and (3) converting TGDD stores into DMX stores to attract customers in areas without the appearance of DMX stores, and expanding DMX stores into large-scale electronics centers (~3,000 m²).

Online sales will continue to grow strongly in the coming time

Online sales channels brought in more than VND5,700 billion in revenue (+150% YoY, representing 19% of the total revenue of TGDD/DMX). It is heading up to the target of VND18,000–20,000 billion in 2022. The BOD said that the company has been making changes to the websites of TGDD/DMX to meet the needs of customers and boost online sales instead of just advertising products as before.

Fig 5. MWG – Website traffic/month in 4Q21

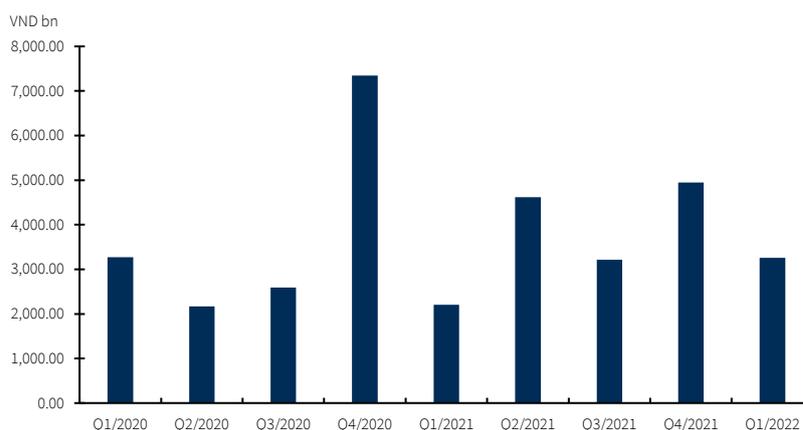


Source: KB Securities Vietnam

MWG should take advantage of ample cash and low-interest loans

MWG has benefited from financial activities over the past few months, thanks to ample cash. In particular, the gains from financial activities in 1Q22 reached more than VND148 billion (compared to VND135 billion in 1Q21), contributing more than 7% to total PBT.

Fig 6. MWG – Cash & cash equivalents by quarter (VNDbn)



Source: Mobileworld, KB Securities Vietnam

BHX aims towards sustainable growth in the future

BHX will offer various sales promotion programs to attract customers

In the first three months of 2022, BHX recorded VND6,000 billion (+2% YoY and +8% QoQ) in revenue. As shared by the BOD, to attract more customers and make BHX the first choice for fresh products, BHX will: (1) offer various sales promotion programs; (2) change the store layout to make it more friendly to customers and employees. Although it may put pressure on the profit margins and revenue of the BHX chain, it will help to popularize the BHX brand in the future and facilitate the expansion of BHX from 2023.

BHX's business results showed positive signs in March 2022

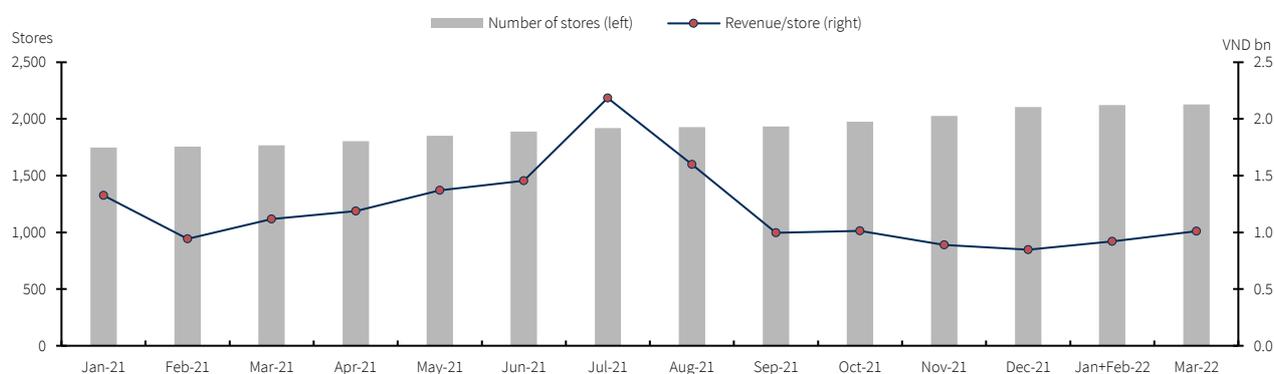
In March 2022, the sales volume of fresh foods doubled, and at the same time, the number of people visiting BHX stores jumped by 40% compared to the average of the first two months of the year. In our estimates, BHX's revenue in March was more than VND2,100 billion (+10% YoY).

Despite falling short of our expectations, BHX's revenue in March 2022 (VND1.01 billion/store) showed more positive signals than in the first two months of the year (0.9) and 4Q21 (0.8- 0.9). In 1Q22, BHX's average sales per store were about more than VND1 billion, which is relatively low against our projection of VND1.4 billion.

MWG will optimize the back-end system, aiming towards automation and expansion

In 2022, management will focus more on optimizing BHX's back-end platform, aiming towards automation like forecasting the necessary volume of goods, controlling the shortage of goods, and assigning a list of goods according to region/customer characteristics. We believe it is of great importance for BHX to prepare for the expansion on a national scale in the coming time, despite possible subtle changes in the financial statements or quarterly business results.

Fig 7. MWG – Number of stores & average sales/store/month



Source: Mobileworld, KB Securities Vietnam

Details about other chains & FY22 AGM

The An Khang pharmacy chain posted positive sales

In the first three months of the year, the An Khang pharmacy chain recorded sales 3.7 times higher than that in 1Q21. The chain will also change the store layout and focus on replicating the model, aiming towards 400 stores by 3Q22. The BOD said the average sales per store is now VND500–600 million/month vs. only VND350 million/month in 2021. We will further follow the performance of this pharmacy chain before including it in the valuation.

AVAKids saw the best business results in the series of trials; the BOD plans to experiment on phase 2

Regarding the retail concept stores, the AVAKids brought in the best business results, and MWG will trial phase 2 and increase the number of AVAKids stores to 50 by the end of June 2022. In addition, the business performance of other chains, namely AVASport, AVAFashion, AVAJi, and AVACycle, will be further followed to find out the most efficient models.

BHX will offer a maximum of 20% stake to the new investor

In 2022–2023, Bach Hoa Xanh Trading Joint Stock Company will offer a maximum of 20% stake, which appeals to various investors. The BOD will pick out an investor following the BHX's development orientation, contributing to future progress, and at the highest selling price possible.

MWG plans to pay dividends in cash and by shares

At the AGM, management approved the plan to pay cash dividends at VND1,000 per share in June 2022 and stock dividends at the ratio of 1:1 in June–July 2022, shortly after being approved by the State Securities Commission (SSC).

Forecast business performance

2022F–2023F business results

In 2022, we forecast MWG's business results with NPAT of VND6,800 billion (+39% YoY) on net revenue of VND141,026 billion (+15% YoY). For 2023, those figures should be VND7,550 billion (+11% YoY) and VND151,171 billion (+7% YoY).

We recommend HOLDING MWG shares with a target price of VND169,500/share

Based on two valuation methods, DCF and P/E–P/S comparison, with a weight of 50–50, we recommend HOLDING MWG shares with a target price of VND169,500/share (vs. VND168,200/share in our previous forecast), 13.4% higher than the closing price on May 5, 2022.

We keep our target P/E for the ICT chain (TGDD & DMX) at 11.5x, unchanged from the previous projection. For the BHX chain, we raise our target P/S to 1.0x since we expect BHX to be profitable in 2022.

Table 2. MWG – P/E, P/S

Chain	Valuation method	EPS (VND)	Target P/E, P/S	Weighted price
TGDD & DMX	P/E	9,287	11.5	106,794
BHX	P/S	49,629	1.0	48,317
Total				155,122

Source: KB Securities Vietnam

Table 3. MWG – Target price according to valuation methods (VND/share)

Valuation method	Forecast price (VND)	Weight
DCF	183,915	50%
P/E & P/S	155,122	50%
Target price	169,514	100%

Source: KB Securities Vietnam

MWG – 2019A–2022E financials

Income statement					Balance sheet				
(VNDbn)	2019A	2020A	2021E	2022E	(VNDbn)	2019A	2020A	2021E	2022E
Net sales	109,801	124,142	141,026	151,171	Total assets	46,031	62,983	65,543	72,218
Cost of sales	(84,592)	(95,326)	(108,750)	(116,571)	Current assets	37,317	51,976	52,472	60,325
Gross Profit	23,954	27,632	32,276	34,600	Cash & equivalents	7,348	4,944	5,815	11,277
Financial income	794	1,266	1,287	1,345	ST investments	8,057	13,435	13,435	13,435
Financial expenses	(594)	(744)	(1,185)	(1,197)	Accounts receivable	1,595	3,162	3,592	3,851
of which: interest expenses	(594)	(674)	(1,119)	(1,130)	Inventory	19,422	29,180	28,205	30,234
Gain/(loss) from joint ventures	(4)	4	0	0	Other current assets	895	1,255	1,426	1,528
Selling expenses	(15,334)	(17,914)	(19,277)	(20,414)	Long-term assets	8,714	11,007	13,070	11,893
General & admin expenses	(3,404)	(3,830)	(4,121)	(4,364)	LT trade receivables	439	482	548	587
Operating profit/(loss)	5,413	6,445	8,978	9,969	Fixed assets	7,295	9,634	11,522	10,239
Other income	44	76	0	0	Investment properties	0	0	0	0
Other expense	(46)	(49)	0	0	LT incomplete assets	133	80	80	80
Net other income/(expenses)	(3)	27	0	0	LT investments	53	0	0	0
Pretax profit/(loss)	5,410	6,472	8,978	9,969	Goodwill	0	0	0	0
Income tax	(1,490)	(1,570)	(2,178)	(2,419)	Other LT assets	794	811	921	987
Net profit/(loss)	3,920	4,901	6,800	7,550	Liabilities	30,549	42,605	43,426	43,574
Minority interests	9	12	11	11	Current liabilities	29,423	39,836	40,165	39,406
Net profit after MI	3,911	4,889	6,789	7,539	Trade accounts payable	8,728	12,180	13,825	14,820
					Advances from customers	0	0	0	0
					ST borrowings	15,625	21,879	20,699	18,539
					Special reserves	0	0	0	0
					Other current liabilities	5,069	5,778	5,641	6,047
					Long-term liabilities	1,127	2,768	3,261	4,168
					LT payables	0	0	0	0
					LT borrowings	1,127	2,768	3,261	4,168
					Other LT liabilities	0	0	0	0
					Shareholders' equity	15,482	20,378	22,117	28,644
					Paid-in capital	4,532	7,131	7,131	7,131
					Share premium	551	561	638	683
					Treasury stock	0	0	0	0
					Undistributed earnings	10,390	12,675	14,338	20,819
					Reserve & others	0	0	0	0
					Minority interests	9	12	11	11
					Total liabilities & equity	46,031	62,983	65,543	72,218
					Key ratios				
					(x, % VND)	2019A	2020A	2021E	2022E
					Valuations				
					P/E	13.7	19.8	16.1	14.5
					P/E diluted	13.7	19.8	16.1	14.5
					P/B	3.4	3.0	4.9	3.7
					P/S	0.5	0.5	0.8	0.8
					EV/EBITDA	8.5	9.0	14.5	10.3
					EV/EBIT	10.7	12.2	19.7	13.5
					EPS	8,656	6,875	9,287	10,311
					DPS (annual, ordinary)	1,500	525	1,461	1,500
					Dividend payout ratio (%)	15%	15%	5%	15%
					Operating performance				
					ROE	25%	24%	31%	26%
					ROA	9%	8%	10%	10%
					ROIC	12%	11%	15%	15%
					Financial structure				
					Total liab/equity	2.0	2.1	2.0	1.5
					Current ratio (x)	1.3	1.3	1.3	1.5
					Interest coverage (x)	9.9	10.1	10.6	9.0
					Activity ratios				
					Asset turnover	3.0	2.3	2.2	2.2
					Receivables turnover	70.0	52.2	41.8	40.6
					Inventory turnover	4.6	3.9	3.8	4.0
					Payables turnover	7.5	10.1	8.3	8.3

Source: Mobileworld, KB Securities Vietnam

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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