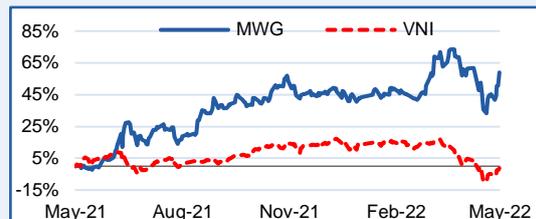


Industry:	Retailing		2021	2022F	2023F	2024F
Report Date:	May 31, 2022	Rev Growth	13.3%	24.6%	15.4%	12.1%
Current Price:	VND145,200	EPS Growth	19.7%	27.2%	22.9%	14.2%
Target Price:	VND180,000	GPM	22.5%	21.8%	21.7%	22.0%
Previous Target Price:	VND186,000	NPM	4.0%	4.2%	4.6%	4.8%
Upside to TP:	+24.0%	EV/EBITDA	13.0x	10.0x	8.6x	7.6x
Dividend Yield:	1.0%	P/Op CF	113.3x	20.9x	9.0x	8.4x
TSR:	+25.0%	P/E	21.0x	16.5x	13.5x	11.8x



Market Cap:	USD4.6bn		MWG	VNI
Foreign Room:	USD0	P/E (ttm)	20.7x	13.9x
ADTV30D:	USD11.7mn	P/B (curr)	5.2x	2.2x
State Ownership:	0%	Net D/E	39.4%	N/A
Outstanding Shares:	732.0 mn	ROE	25.8%	15.9%
Fully Diluted Shares:	732.0 mn	ROA	8.9%	2.6%
3-yr PEG:	1.0			

Company Overview

MWG owns the leading mobile phone and consumer electronics chains in Vietnam with 2021 market shares of ~60% and ~50%, respectively. MWG also operates one of the leading grocery retail chains in Vietnam.

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

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

Growth sustained by TGDD & DMX; BHX needs more time

- We trim our target price (TP) for MWG by 3% but maintain our BUY rating. Our lower TP is primarily driven by our lower valuation for grocery chain BHX due to our decreased aggregate net income forecast for 2022F-2031F, which is partly offset by (1) higher valuations for TGDD and DMX due to an increase in our aggregate net income forecast for 2022F-2026F and (2) the positive effect of rolling our TP forward to mid-2023 vs YE2022 as previously.
- We remain bullish on the outlook for (1) further market share gains in the mobile phone and consumer electronics segments thanks to MWG's store expansion as well as its strong financial and execution capabilities, and (2) improvements in BHX's operations under the direct leadership of MWG's chairman, which we believe will lead to monthly sales/store to increase from VND1.0bn currently to ~VND1.5bn over the next three years, thus leading to bottom-line profitability.
- Our TP puts MWG's 2022F/2023F P/E at 20.5x/16.7x, respectively. Our forecast EPS CAGR of 21% for 2021-2024F is underpinned by (1) the long-term potential for rising consumer spending on mobile and electronic products along with MWG's further market share gains, and (2) improvements in BHX's operating performance and its footprint expansion to resume post-2022.
- Potential upside catalysts: Successful scale-up of pharmacy chain An Khang; successful scale-up of mom-and-kid product chain AVAKids; successful expansion into Indonesia with consumer electronics chain EraBlue; corporate action at BHX that could unlock its equity value.
- Downside risks to our positive view: Weaker-than-expected consumption of mobile and electronic products; slower-than-expected improvement in profitability at BHX.

We cut our annual blended average sales/store assumptions in 2022-2024 for BHX by 3 ppts on average, our 2022F-2024F GPM forecast by 1.5 ppts on average and our 2024F-2031F EBITDA margin projection by 1.0 ppts on average. We believe dampened spending power of mass consumers in Vietnam in the wake of the COVID-19 pandemic and inflation will undermine sales growth for modern trade retailers. In addition, as part of enhancing its store experience, BHX is in the early stages of changing its store layouts. As such, we expect BHX's sales growth will be disrupted in the short term until the transformation of all stores is complete. Furthermore, we cut our 2022F-2024F projected gross margin due to management's initiatives to boost BHX's sales/store through aggressive promotions amid inflation in 2022. We also trim our 2024F-2031F EBITDA margin due to our expectation for escalated competition from WinMart+ due to its extensive expansion plan.

Ramp-up of online sales and store expansion to enhance the mobile and consumer electronics businesses. TGDD and DMX's combined online sales surged 155% YoY to VND7.2tn (USD314mn; 18% of TGDD and DMX's total revenue) in 4M 2022. We believe the main growth driver in 2022 will come from management's aggressive plan to expand the store count of super-mini-DMX (DMS) from 800 at YE2021 to 1,000 at YE2022 and authorized Apple reseller TopZone from 10 at YE2021 to 200 by YE2022.

4M 2022: TGDD & DMX growth remains intact; BHX's growth slows during transformation

Figure 1: MWG's 4M 2022 results

VND bn	4M 2021	4M 2022	YoY	4M 2022/ VCSC's 2022F old forecasts	Store count as of April 2022
Revenue	40,449	47,908	18%	31%	
TGDD* & DMX	32,359	39,064	21%	34%	985/35/2,104**
BHX	8,090	8,254	2%	23%	2,140
NPAT	1,691	1,819	8%	27%	
Online sales***	3,047	7,468	145%	39%	
TGDD* & DMX	2,835	7,220	155%	41%	
BHX	212	248	17%	13%	
Net margin	4.2%	3.8%			

Source: MWG, VCSC (*including TopZone; **TGDD/TopZone/DMX; ***included in total revenue)

4M 2022 results imply revenue of VND11.4tn (USD497mn; +19% YoY) and NPAT of VND374bn (USD16mn; +6% YoY) in April 2022, in which TGDD and DMX's aggregate revenue advanced 21% YoY while BHX's revenue inched up 3% YoY for the month of April.

TGDD and DMX's aggregate revenue advanced thanks to (1) a 155% YoY surge in online sales (revenue accounted for 18% of TGDD and DMX's combined revenue), (2) continued rollout of super-mini-DMX stores (revenue was VND3.5tn/USD152mn — equivalent to 9% of TGDD and DMX's combined revenue) in 4M 2022 while its store count increased by 101 in 4M 2022 to 901, and (3) continued opening of TopZone (revenue was VND670bn/USD29mn) while its store count increased by 25 in 4M 2022 to 35 stores. Nevertheless, management believes consumer purchasing power was dampened from adverse events such as two years of COVID-19 and recent inflation, which will take time to recover from and thus hinder consumer basket size. As such, management expects the mobile phone and consumer electronics segments will experience sluggish growth going forward.

BHX: In April 2022, BHX's revenue increased 2% YoY and 3% MoM to VND2.2tn (USD96mn) with monthly average revenue/store of ~VND1.0bn (+2% MoM), per our estimate. BHX's revenue decelerated in April despite experiencing growing sales traction in the first three months of 2022, which we partly attribute to disruptions to 460 of its total stores (mostly located in suburban and remote areas) as these stores' layouts were transformed and thus required their operations to be suspended for three to five days. In terms of the new layout, sales growth increased 10% vs before the transformation. Management targets for BHX's gross margin to stay around 20%-25% and not reach 27%-28% amid its focus on expanding sales volume through heavy investment in promotions.

An Khang opened 72 new stores in 4M 2022, bringing its total store count to 250 vs management's target of 500 by end-July 2022. Monthly average sales/store in full-month operation was VND700mn-800mn for standalone stores (the format that MWG is focused on expanding) and VND400-500mn for stores next to a BHX.

Profitability trailed our previous expectation as MWG recorded net margin of 3.8% in 4M 2022 vs our previous 2022F forecast of 4.4%. We mainly attribute this gap to BHX's declining margin due to its heavier-than-expected investment in promotions to drive customer traffic, which we believe will affect BHX and MWG's net margins in 2022. According to the company, BHX's GPM was 25% in Q1 2022 vs 25.5% in Q1 2021. However, we consider this to be a necessary investment to accumulate a customer base for BHX in order to take a step toward developing sustainable growth for the grocery chain, which we expect to be MWG's key growth driver in the next four years.

2022F: TGDD & DMX expansion remains growth pillar; drive to boost sales at BHX to pressure margins

Figure 2: VCSC's 2022 forecasts

VND bn	2021	Old 2022F	New 2022F	YoY	VCSC comments on 2022F
Revenue	122,958	153,629	153,259	25%	
TGDD (including TopZone)	31,600	40,270	40,606	29%	We forecast revenue of TGDD ex-TopZone to grow 17% YoY mainly driven by stronger online sales, in addition to mid-single-digit SSSG and a full contribution from stores opened in 2021. We forecast TopZone to contribute revenue of VND3.5tn (USD152mn) on the back of 120 stores by YE2022.
DMX (including Bluetronics)	63,142	75,301	76,567	21%	Driven by DMS store expansion and elevated online sales, in addition to mid-single-digit SSSG and a full-year contribution from stores opened in 2021. We project MWG will add 200 super-mini-DMX stores and 10 DMX Center stores (2,500-3,000 sqm/store) in 2022, allowing DMX's total store count to reach 2,202 by YE2022.
BHX	28,216	36,271	33,938	20%	Driven by (1) low-teen SSSG amid MWG's strategic efforts to push sales/store, (2) a full-year contribution from stores opened in 2021 and (3) resilient online sales.
An Khang (pharmacy)	N/A	1,788	2,148		We project An Khang will add 300 stores (vs our previous forecast of 150), allowing its store count to reach 478 by YE2022. We note that MWG started to consolidate An Khang in late 2021.
Online sales***	14,370	19,357	22,510	57%	Our forecasts include (1) a 60% spike in TGDD and DMX's online sales to VND21.4tn (USD933mn) and (2) a 10% increase in BHX's online sales to VND1.0tn (USD46mn; ~3% of BHX's total sales).
Gross profit	27,632	34,015	33,431	21%	
Selling expenses	-17,914	-21,462	-21,111	18%	
G&A	-3,830	-4,348	-4,474	17%	
EBIT	5,888	8,205	7,846	33%	Underpinned by operating leverage.
PBT	6,472	8,724	8,353	29%	
NPAT-MI	4,899	6,787	6,386	30%	We forecast BHX's loss will inch up by 7% to VND1.5tn (USD64mn) vs our previous forecast for a VND940bn loss, which is primarily due to the expected gross margin squeeze that is rooted from intensive promotions to boost BHX's sales/store amid inflationary pressure. We expect sales/store will be not substantial enough to overcome a projected ~2.5-ppt contraction in GPM to 24.5% in 2022. NPAT from the remaining businesses (mostly mobile and consumer electronics) to climb 25% to VND7.9tn (USD342mn) in accordance with revenue growth.
EPS (VND)	6,903	9,345	8,781	27%	EPS diluted by ESOP issuances.
GPM	22.5%	22.1%	21.8%		
Selling exp/revenue %	14.6%	14.0%	13.8%		
G&A/revenue %	3.1%	2.8%	2.9%		
EBIT margin	4.8%	5.3%	5.1%		
NPAT-MI margin	4.0%	4.4%	4.2%		
Effective tax rate	24.3%	22.2%	23.5%		Owing to a projected loss from BHX, which is not tax-deductible and will be carried forward.

Source: MWG, VCSC (**included in total revenue of TGDD & DMX, BHX)

Revisions to key assumptions

We cut annual blended average sales/store assumptions in 2022/2023/2024 for BHX by 4%/3%/2% due to our downward revision for BHX's same-store sales growth (SSSG) and online sales growth in 2022F. We believe spending power of mass consumers has been dampened by the prolonged adverse impact from two years of COVID-19 and emerging inflation, which will hinder consumer basket size and in turn undermine sales growth of modern trade retailers. Additionally, BHX's sales (including online sales) in 4M 2022 considerably tracked behind our previous expectation, and its SSSG was -13% YoY in Q1 2022. Furthermore, as part of enhancing the store experience, BHX is in the early stages of changing its store layout and area. Management has stated that store areas of 150/200/300 sqm is what the company desires to focus on moving forward. The size will vary depending on population density in the store area, but 200 sqm constitutes the optimal store area and has a monthly sales target of VND1.5bn/store in order to be profitable. There are 2,140 BHX stores, ~50% of which has met management's requirements in terms of store area and 460 that were changed to new layouts. Other stores that do not meet these requirements may be renovated. As such, we expect BHX sales growth will be disrupted in short term until the transformation of all stores is complete.

We reduce projected 2022F-2024F GPM by 1.5 pts on average to 24.5%/25.2%/26.2% and trim our 2024F-2031F EBITDA margin projection by 1.0 ppt on average, leading to our forecast EBITDA margin of 7.2% in 2031.

Amid current inflationary pressure (which is supply-based rather than demand-driven), we believe retailers — especially food retailers — are affected to a great extent due to raw materials comprising a large proportion of selling prices; therefore, a gross margin squeeze is inevitable. Moreover, we believe management's initiative to boost BHX's sales/store through aggressive promotions will place gross margin under further pressure. In Q1 2022, BHX tracked behind our previous forecast in terms of gross margin and net margin, per our estimates. We therefore believe it will take longer than our previous expectation for BHX to achieve management's target of 27%-28% GPM. In this Update Report, our forecast indicates that BHX will achieve GPM of 28% in 2027 vs our previous expectation of 2024, with the potential to achieve 29% GPM in 2029-2031. In addition, we expect the competition landscape in the minimarket segment to intensify going forward with Masan Group's aggressive plan to expand the store count of WinMart+ (minimart) beginning from Q3 2022. Masan Group plans to add 500-1,400 WinMart+ stores in 2022 and has a target of 30,000 mini malls⁽¹⁾ (including self-owned and franchised) in 2025. Therefore, we trim our 2024F-2031F EBITDA margin projection by 1.0 ppt on average. Our 2031F EBITDA margin is projected at 7.2%.

Ramp-up of online sales, store upgrades and expansion to enhance the mobile and consumer electronics businesses. We increase our forecast for TGDD and DMX's combined online sales by 23 pts to VND21.4tn (USD933mn; 18% of TGDD and DMX's total 2022F revenue). MWG on the right track to ramp up online sales in these business as TGDD and DMX's combined online sales surged 155% YoY to VND7.2tn (USD314mn; 18% of TGDD and DMX's total revenue) in 4M 2022. In addition, management targets 2022 growth in these businesses to come from (1) opening stores under the new DMX Center format, which is 2,500-3,000 sqm/store and targets affluent consumers, (2) expanding the store count of DMS from 800 at YE2021 to 1,000 by YE2022, and (3) raising the store count of TopZone from 10 at YE2021 to 200 by YE2022. We expect (2) and (3) to primarily bolster growth and partly cushion the impact of weak consumer spending power on retail businesses. While DMS expansion progress is steady, we trim our YE2022 store count assumption for TopZone to 120 from 200 as the rollout progress is tracking behind our expectations with 25 new stores in 4M 2022. Finally, we believe in MWG's ability to gain market share through its much stronger financial and execution capabilities vs smaller competitors that enables adequate promotional campaigns and quality customer service while also ensuring sufficient inventory amid potential impact from the global shortage of electronic products.

⁽¹⁾ The mini-mall concept integrates a WinMart+ (grocery), Phuc Long kiosk (coffee & tea for takeaway), pharmacy (currently in partnership with Phano Pharmacy - one of the leading pharmacy chains in Vietnam), Techcombank transaction point and Reddi kiosk in one minimart.

Figure 3: Summary of our three-year forecast revisions

VND bn	2022F	2023F	2024F	2022F-2024F Aggregate
New forecasts				
Revenue	153,259	176,800	198,190	528,249
TGDD*	40,606	48,540	53,442	142,589
DMX	76,567	83,677	87,946	248,190
BHX	33,938	40,254	50,215	124,406
An Khang	2,148	4,329	6,587	13,064
Online sales***	22,510	26,257	29,520	78,287
NPAT-MI	6,386	8,079	9,480	23,945
TGDD* & DMX	7,864	9,060	9,961	26,885
BHX	-1,467	-982	-525	-2,974
An Khang	-11	1	44	34
Previous forecasts				
Revenue	153,743	179,677	205,468	538,889
TGDD*	40,384	49,695	54,563	144,641
DMX	75,301	81,785	86,434	243,519
BHX	36,271	44,709	58,506	139,485
An Khang	1,788	3,489	5,965	11,243
Online sales***	19,357	23,128	26,677	69,161
NPAT-MI	6,791	8,676	10,432	25,899
TGDD* & DMX	7,727	8,924	9,854	26,505
BHX	-940	-275	494	-722
An Khang	4	28	84	116
New vs Old				
Revenue	0%	-2%	-4%	-2%
TGDD*	1%	-2%	-2%	-1%
DMX	2%	2%	2%	2%
BHX	-6%	-10%	-14%	-11%
An Khang	20%	24%	10%	16%
Online sales***	16%	14%	11%	13%
NPAT-MI	-6%	-7%	-9%	-8%
TGDD* & DMX	2%	2%	1%	1%
BHX	N.M.	N.M.	N.M.	N.M.
An Khang	N.M.	-95%	-48%	-71%

Source: VCSC (*including TopZone; ***included in total revenue)

Valuation

We value MWG using a sum-of-the-parts method, including (1) a five-year DCF (based on free cash flow to equity – FCFE) for the mobile and consumer electronics businesses, (2) 10-year DCF (FCFE) for the grocery business and (3) price/sales (P/S) method for the pharmacy business, in which our target P/S is based on the target P/S implied by our valuation of FPT Retail’s Long Chau Pharmacy — the current leading pharmacy chain in Vietnam.

In order to factor in the dilution impact of annual ESOP issuances from the perspective of an external existing shareholder, we assign our projected FCFE with weightings that reflect the cumulative dilution of projected future ESOP issuances (**Figures 6 & 9**).

In this Update Report report, we trim our TP for MWG by 3%, which is primarily driven by lower valuation for BHX due to a decrease in our aggregate net income forecast for 2022F-2031F that is partly offset by (1) higher valuations for TGDD and DMX due to higher aggregate net income for 2022F-2026F and (2) the positive effect of rolling our TP forward to mid-2023 vs YE2022 as previously.

Figure 4: Summary of VCSC’s valuation for MWG

	Method	Equity value (VND bn)	Equity value/share (VND)
Mobile & CE	DCF (FCFE)	106,228	145,115
Grocery	DCF (FCFE)	24,252	33,131
Pharmacy	P/S (0.6x 2022F revenue)	1,289	1,761
Target Price			180,000
2022F P/E at TP			20.5x
2022F P/E at TP (mobile & consumer electronics only)			13.4x
2023F P/E at TP			16.7x
2023F P/E at TP (mobile & consumer electronics only)			12.0x

Source: VCSC

Discounted Cash Flows – Mobile and Consumer Electronics

Figure 5: DCF Valuation

Cost of Capital	Previous Report	Revised	FCFE (Five Year) – VND bn	
Beta	1.0	1.0	PV of Free Cash Flows	38,211
Market Risk Premium %	7.0	7.0	PV of Terminal Val (3.0% g)	68,017
Risk Free Rate %	5.5	5.5	PV of FCF and TV	106,228
Cost of Equity %	12.5	12.5	- Minority Interest	0
			Equity Value	106,228

Source: VCSC

Figure 6: Cash flows forecast for the mobile and consumer electronics business in 2022F-2026F

VND bn	2022F	2023F	2024F	2025F	2026F
Net income	7,868	9,064	9,966	10,848	11,801
- Capex	-1,742	-1,315	-1,333	-1,325	-1,396
+ Depreciation	2,215	1,946	2,038	1,418	923
- Change in working cap	-5,118	280	-1,094	-995	-946
+ Net borrowings	6,024	441	1,648	1,514	1,459
+ ESOP proceeds	192	220	200	134	122
FCFE + ESOP proceeds ⁽¹⁾	9,440	10,635	11,425	11,594	11,963
ESOP-adjustment weighting ⁽²⁾	98%	95%	92%	91%	89%
ESOP-adjusted attributed FCFE (1 x 2)	9,211	10,083	10,543	10,494	10,658
Present Value of attributed FCFE	8,685	8,450	7,854	6,949	6,273
Cumulative PV of attributed FCFE	8,685	17,135	24,989	31,937	38,211

Source: VCSC

Figure 7: Sensitivity analysis of our TP for MWG in relation to DCF's cost of equity and terminal growth rate for the mobile and consumer electronics businesses, ceteris paribus

MWG Target Price (VND)	Cost of equity (Ke)					
		11.5%	12.0%	12.5%	13.0%	13.5%
Terminal growth (g)	2.0%	184,000	177,000	170,000	164,000	159,000
	2.5%	190,000	182,000	175,000	169,000	163,000
	3.0%	196,000	188,000	180,000	173,000	167,000
	3.5%	204,000	194,000	186,000	178,000	171,000
	4.0%	212,000	201,000	192,000	184,000	176,000

Source: VCSC

Discounted Cash Flows – Grocery

Figure 8: DCF Valuation

Cost of Capital	Previous Report	Revised	FCFE (Ten Year) – VND bn		
Beta	N/A	N/A	PV of Free Cash Flow		
Market Risk Premium %	N/A	N/A	PV of Terminal Val (5.0% g)		
Risk Free Rate %	N/A	N/A	PV of FCF and TV		
Cost of Equity %	15%	15%	- Minority Interest		
				Equity Value	24,252

Source: VCSC

Figure 9: Cash flows forecast for the grocery business in 2022F-2031F

VND bn	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Net income	-1,467	-982	-525	-1	520	3,637	3,209	4,363	5,323	6,203
- Capex	-1,121	-2,643	-2,302	-2,760	-3,228	-3,298	-3,368	-3,438	-3,508	-1,945
+ Depreciation	1,410	1,786	2,280	2,787	3,385	2,629	2,919	3,105	3,294	3,240
- Change in WC	301	-84	59	84	91	163	168	140	148	362
+ Net borrowing	0	0	0	0	0	0	0	0	0	0
FCFE ⁽¹⁾	-878	-1,923	-486	110	767	3,130	2,927	4,170	5,256	7,860
ESOP-adjustment weighting ⁽²⁾	98%	95%	92%	91%	89%	89%	89%	89%	89%	89%
ESOP-adjusted attributed FCFE (1x2)	-857	-1,823	-449	99	684	2,789	2,608	3,715	4,683	7,003
PV of attributed FCFE	-799	-1,478	-317	61	364	1,293	1,051	1,302	1,427	1,856
Cumulative PV of attributed FCFE	-799	-2,277	-2,594	-2,533	-2,168	-876	176	1,478	2,905	4,762

Source: VCSC

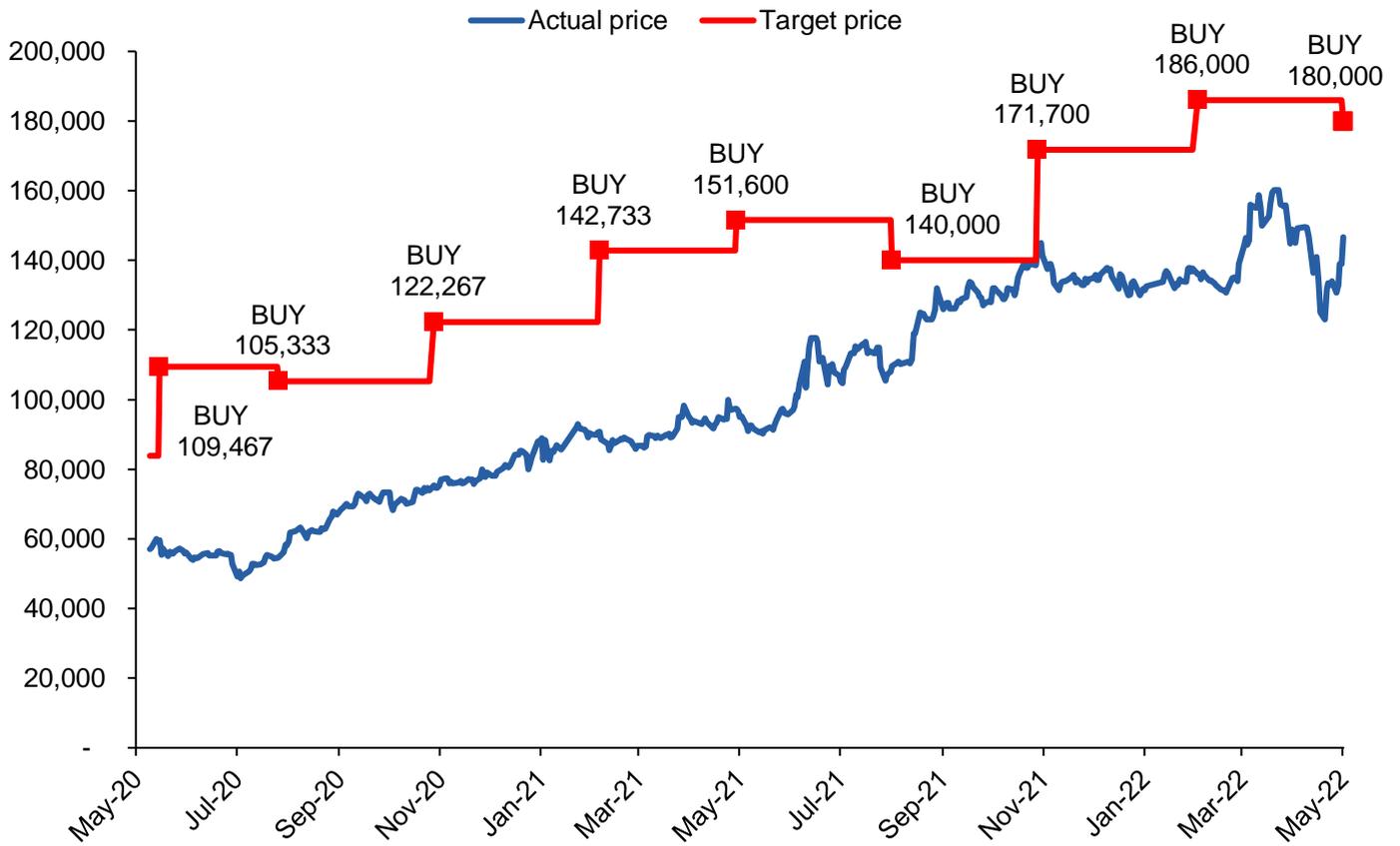
Figure 10: Sensitivity analysis of our target price for MWG in relation to DCF's cost of equity and terminal growth rate for the grocery business, ceteris paribus

MWG Target Price (VND)	Cost of equity (Ke)					
		10.0%	12.5%	15.0%	17.5%	20.0%
Terminal growth (g)	3.0%	214,000	189,000	175,000	167,000	161,000
	4.0%	224,000	193,000	177,000	168,000	162,000
	5.0%	238,000	199,000	180,000	169,000	163,000
	6.0%	248,000	202,000	182,000	170,000	163,000
	7.0%	260,000	206,000	183,000	171,000	164,000

Source: VCSC

Recommendation History

Figure 11: Historical VCSC target price vs share price (VND)



Source: Bloomberg, VCSC

Financial Statements

P&L (VND bn)	2021	2022F	2023F	2024F	B/S (VND bn)	2021	2022F	2023F	2024F
Revenue	122,958	153,259	176,800	198,190	Cash & equivalents	4,944	7,276	9,659	14,309
COGS	-95,326	-119,828	-138,368	-154,560	ST investments	13,435	18,435	23,435	28,435
Gross Profit	27,632	33,431	38,432	43,630	Accounts receivable	384	324	374	419
Sales & Marketing exp	-17,914	-21,111	-24,061	-27,557	Inventories	29,180	36,598	38,688	42,380
General & Admin exp	-3,830	-4,474	-4,871	-5,414	Other current assets	4,033	3,391	3,912	4,385
Operating Profit	5,888	7,846	9,500	10,659	Total Current assets	51,976	66,023	76,067	89,927
Financial income	1,266	1,613	2,085	2,606	Fixed assets, gross	18,144	21,007	24,965	28,600
Financial expenses	-714	-1,106	-1,236	-1,277	- Depreciation	-8,430	-12,087	-15,885	-20,309
- o/w interest expense	-674	-1,106	-1,236	-1,277	Fixed assets, net	9,714	8,920	9,080	8,292
Associates	4	0	0	0	LT investments	0	0	0	0
Net other income/(loss)	27	0	0	0	LT assets other	1,293	1,293	1,293	1,293
Profit before Tax	6,472	8,353	10,350	11,988	Total LT assets	11,007	10,213	10,373	9,585
Income Tax	-1,570	-1,964	-2,266	-2,502	Total Assets	62,983	76,236	86,441	99,512
NPAT before MI	4,901	6,389	8,083	9,485	Accounts payable	12,180	13,573	15,223	17,267
Minority Interest	-3	-3	-4	-5	Short-term debt	21,879	27,903	28,344	29,992
NPAT less MI, reported	4,899	6,386	8,079	9,480	Other ST liabilities	5,778	6,130	7,072	7,928
NPAT less MI, adjusted ⁽¹⁾	4,899	6,386	8,079	9,480	Total current liabilities	39,836	47,606	50,639	55,186
EBITDA	8,809	11,503	13,299	15,082	Long-term debt	2,768	2,768	2,768	2,768
EPS reported, VND	6,903	8,781	10,794	12,328	Other LT liabilities	0	0	0	0
EPS adjusted ⁽¹⁾ , VND	6,903	8,781	10,794	12,328	Total Liabilities	42,605	50,375	53,407	57,955
EPS diluted, adj ⁽¹⁾ , VND	6,903	8,781	10,794	12,328	Preferred equity	0	0	0	0
DPS, VND	1,500	1,500	1,500	1,500	Paid-in capital	7,131	7,323	7,542	7,742
DPS/EPS (%)	22%	17%	14%	12%	Share premium	558	558	558	558
⁽¹⁾ Adjusted for one-offs					Retained earnings	12,675	17,962	24,910	33,230
RATIOS	2021	2022F	2023F	2024F	Other equity	3	3	3	3
Growth					Minority interest	12	15	20	24
Revenue growth	13.3%	24.6%	15.4%	12.1%	Total equity	20,378	25,861	33,033	41,557
Op profit (EBIT) growth	12.9%	33.3%	21.1%	12.2%	Liabilities & equity	62,983	76,236	86,441	99,512
PBT growth	19.6%	29.1%	23.9%	15.8%	Y/E shares out, mn	712.8	732.0	754.0	774.0
EPS growth, adjusted	19.7%	27.2%	22.9%	14.2%	Y/E treasury shares, mn	0.2	0.2	0.2	0.2
Profitability					CASH FLOW (VND bn)	2021	2022F	2023F	2024F
Gross Profit Margin	22.5%	21.8%	21.7%	22.0%	Beginning Cash Balance	7,348	4,944	7,276	9,659
Op Profit, (EBIT) Margin	4.8%	5.1%	5.4%	5.4%	Net Income	4,899	6,386	8,079	9,480
EBITDA Margin	7.2%	7.5%	7.5%	7.6%	Dep, & amortization	2,921	3,657	3,798	4,423
NPAT-MI Margin, adj,	4.0%	4.2%	4.6%	4.8%	Change in Working Cap	-7,526	-4,969	-69	-1,311
ROE	27.3%	27.6%	27.5%	25.4%	Other adjustments	644	3	4	5
ROA	9.0%	9.2%	9.9%	10.2%	Cash from Operations	939	5,077	11,812	12,598
Efficiency					Capital Expenditures, net	-4,964	-2,863	-3,958	-3,635
Days Inventory On Hand	93.0	100.2	99.3	95.7	Investments, net	-6,256	-5,000	-5,000	-5,000
Days Accts, Receivable	0.9	0.8	0.7	0.7	Cash from Investments	-11,220	-7,863	-8,958	-8,635
Days Accts, Payable	36.2	36.9	37.4	37.5	Dividends Paid	-240	-1,098	-1,131	-1,161
Cash Conversion Days	57.7	64.1	62.6	59.0	Δ in Share Capital	228	192	220	200
Liquidity					Δ in ST debt	6,254	6,024	441	1,648
Current Ratio x	1.3	1.4	1.5	1.6	Δ in LT debt	1,642	0	0	0
Quick Ratio x	0.5	0.5	0.7	0.8	Other financing C/F	-7	0	0	0
Cash Ratio x	0.5	0.5	0.7	0.8	Cash from Financing	7,878	5,118	-471	687
Debt / Assets	39.1%	40.2%	36.0%	32.9%	Net Change in Cash	-2,404	2,332	2,383	4,650
Debt / Capital	54.7%	54.3%	48.5%	44.1%	Ending Cash Balance	4,944	7,276	9,659	14,309
Net Debt / Equity	30.8%	19.2%	-6.0%	-24.0%					
Interest Coverage x	8.7	7.1	7.7	8.3					

Source: Company data, VCSC

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, 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

We, Ha Huynh and Nam Hoang, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities or issuers. We also certify that no part of our 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, 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

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
- Nhan Nguyen, Analyst, ext 139

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

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

Real Estate and Infrastructure

Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Thuc Than, 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