

Mobile World Investment Corporation

(MWG VN)

Searching for new growth engine

BUY

(Maintain)

TP: 92,200

Upside: +28.9%

Mirae Asset Securities (Vietnam) JSC

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5M22 highlights

Slowing earnings momentum; reduced profit margins

- Although top-line earnings growth of Mobile World Investment Corporation (MWG) remained positive in 5M22, profit was flat, due to increases in both selling and operational costs. In 5M22, net revenue of the group reached VND59.3tr (US\$2.5bn, up by 14% YoY), while net profit after tax was VND2.2tn (+1.3% YoY); accordingly, net margin dropped to 3.7% (-0.5%p YoY). According to the group, key drivers of the net margin reduction included: 1) increasing operational costs, due to inflation pressure; 2) sales promotions to lure new customers; and 3) increased renovation costs for ineffective stores.

Outlook

Focus on improving BHX's margins

- Instead of continuously expanding its coverage network, MWG has focused its concentration on the Bach Hoa Xanh (BHX) grocery chain. By end-May 2022, the company had renovated more than 1,000 stores (~50% of existing stores), and expects to complete the remaining stores by end-3Q22. Store renovations are expected to translate into an 18% increase in monthly revenue per store by year-end, from VND1.1bn/month to VND1.3bn/month. In addition, digitalization of operating procedures should improve the chain's performance parameters.

Entry into new segments

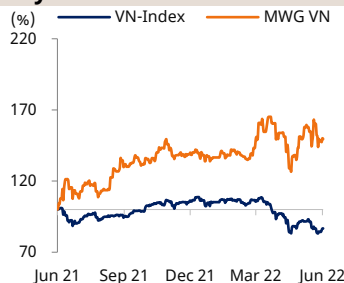
- Seeking new long-term growth opportunities, MWG introduced new chains AVASport (sportswear), AVAFashion (clothing), AVAKids (mothers and baby care), and AVAJi (watches and jewelry), to join its An Khang pharmacy and BHX grocery chains. Other than An Khang, income from these retail chains should be insignificant, due to the relatively small market size. Although the new chains could take advantage of existing logistic infrastructure to optimize operations.

Valuation

Maintain Buy rating; raise target price to VND92,200

- We maintain our Buy rating for MWG. Due to forecast adjustments, based on 5M22 figures, we raise our target price to VND92,200 (from VND87,000), equivalent to a target P/E of 21.5x. On the upside, divestment of a maximum 20% of BHX should strengthen the group's financial position and profit margin. A low earnings base in 2H21, due to COVID-19, should secure profit momentum in 2H22. On the downside, macro-economic turbulence could weaken consumer demand, which would hit valuation, due to worse-than-expected performance.

Key data



Share performance

(%)	1M	6M	12M
Absolute	-3.4	3.5	39.6
Relative	5.1	24.0	55.6

Current price (06/30/2022, VND)	71,500	Market cap (VNDtr)	102,899
Exchange	1,197.6	Shares outstanding (mn)	1,464
EPS growth (22F, %)	-38.7	Free float (%)	76.5
P/E (22F, x)	17.4	52-week low (VND)	50,167
Market P/E (x)	13.0	52-week high (VND)	81,400

Earnings and valuation metrics

	2019	2020	2021F	2022F	2023F	2024F
FY (Dec.)						
Revenue (VNDbn)	102,174	108,546	122,958	140,824	149,876	158,759
OP (VND bn)	5,035	5,413	6,445	8,088	8,986	9,979
OP margin (%)	4.9	4.8	4.8	5.6	5.9	6.2
NP (VNDbn)	3,836	3,920	4,901	6,122	6,810	7,571
EPS (VND)	8,916	8,838	7,008	4,293	4,704	5,078
ROE (%)	36.32	28.38	27.34	27.39	25.59	24.61
P/E (x)	8.38	8.45	10.66	17.40	15.88	14.71
P/B (x)	2.73	2.20	2.61	4.45	3.85	3.52

Source: Company data, Mirae Asset Vietnam Research

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Mobile World Investment Corporation (MWG VN EQUITY)

Comprehensive Income Statement

(VNDbn)	FY20	FY21	FY22F	FY23F
Revenue	108,546	122,958	140,824	149,876
Cost of Sales	-84,592	-95,326	-107,837	-114,455
Gross Profit	23,954	27,632	32,987	35,421
SG&A Expenses	-18,738	-21,744	-25,113	-26,614
Operating Profit	5,413	6,445	8,088	8,986
Non-Operating Profit	-3	27	0	0
Net Financial Income	200	552	214	179
Net Gain from Inv in Associates				
Pretax Profit	5,410	6,472	8,088	8,986
Income Tax	-1490	-1570	-1962	-2180
Net Profit	3,920	4,901	6,126	6,805
Controlling Interests	3,918	4,900	6,124	6,804
Non-Controlling Interests	2	2	2	2
EPS (Controlling Interests, VND)	8,838	7,008	4,295	4,701

Growth & margins (%)	FY20	FY21	FY22F	FY23F
Revenue growth	6.24	13.28	14.53	6.43
Gross profit growth	22.92	15.35	19.38	7.38
EBIT growth	6.80	19.02	25.58	11.09
Net profit growth	2.18	25.04	24.90	11.23
EPS growth	3.00	56.08	103.00	3.00
Gross margin	22.07	22.47	23.42	23.63
EBIT margin	5.53	5.79	6.37	6.65
Net profit margin	3.61	3.99	4.35	4.54

Cash Flows (Summarized)	FY20	FY21	FY22F	FY23F
Cash Flows from Op Activities	10,792	21	10,743	9,039
EBIT	6,004	7,146	8,973	9,968
Depr. & Amortization	2,196	2,921	2,827	3,006
Others	-2,558	-2,897	-2,743	-2,647
Chg. in Working Capital	5,151	-7,149	1,686	-1,287
Cash Flows from Inv Activities	-8,574	-10,302	-1,971	-1,781
Capital expenditures	-3,911	-4,964	-1,971	-1,781
Others	-4,663	-5,338	0	0
Cash Flows from Fin Activities	2,014	7,877	-4,078	-532
Dividends	-679	-240	-2171	-2236
Increase in equity	105	228	214	434
Increase in debt	2,594	7,891	-2,121	1,270
Increase (Decrease) in Cash	4,233	-2,404	4,694	6,726
Beginning Balance	3,115	7,348	4,944	9,638
Ending Balance	7,348	4,944	9,638	16,364

Source: Company data, Mirae Asset Vietnam Research

Statement of Financial Condition (Summarized)

(VNDbn)	FY20	FY21	FY22F	FY23F
Current Assets	37,317	51,976	55,391	63,772
Cash and Cash Equivalents	7,348	4,944	9,638	16,364
Short-term financial asset	8,057	13,435	13,435	13,435
AR & Other Receivables	1,595	3,162	2,010	2,148
Inventories	19,422	29,180	28,125	29,782
Others	895	1,255	2,183	2,044
Non-Current Assets	8,714	11,007	10,616	9,372
Net fixed assets	7,295	9,634	8,778	7,553
Investments	0	0	0	0
Other long-term assets	1,419	1,373	1,838	1,818
Total Assets	46,031	62,983	66,007	73,144
Current Liabilities	29,423	39,836	38,911	41,479
AP & Other Payables	8,728	12,180	12,811	13,446
Short-Term Financial Liabilities	15,625	21,879	19,758	21,028
Other Current Liabilities	5,069	5,778	6,342	7,006
Non-Current Liabilities	1,127	2,768	2,768	2,768
Long-Term Financial Liabilities	1,127	2,768	2,768	2,768
Total Liabilities	30,549	42,605	41,680	44,248
Capital Stock	4,532	7,131	14,475	14,909
Treasury Share	-6	-2	-2	-2
Capital Surplus	558	558	558	558
Retained Earnings	10,390	12,675	9,284	13,419
Controlling Interests	15,472	20,366	24,315	28,884
Non-Controlling Interests	9	12	12	12
BVPS (VND)	34,115	28,569	16,803	19,378

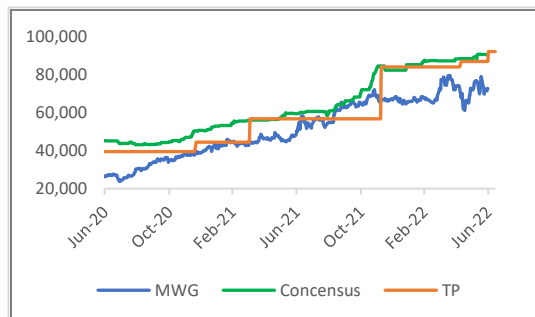
Forecasts/Valuations (Summarized)	FY20	FY21	FY22F	FY23F
P/E (x)	8.45	10.66	17.39	15.89
P/CF (x)	3.1	2575.7	10.1	12.3
P/B (x)	2.20	2.61	4.44	3.85
EV/EBITDA (x)	5.3	7.3	10.3	9.2
EPS (VND)	8,838	7,008	4,295	4,701
BPS (VND)	34,115	28,569	16,803	19,378
DPS (VND)	1,500	1,500	1,500	1,500
Payout ratio (%)	17.3	4.9	35.4	32.9
Dividend Yield (%)	5.0	6.0	7.0	8.0
DSI (days)	97.4	93.0	97.0	92.3
DSO (days)	0.8	0.9	1.0	1.0
DPO (days)	44.8	40.0	42.3	41.9
CCC (days)	53.4	53.9	55.7	51.4
ROA (%)	8.9	9.0	9.5	9.8
ROE (%)	28.4	27.3	27.4	25.6
Liability to Equity Ratio (%)	197.4	209.2	171.4	153.2
Current Ratio (%)	126.8	130.5	142.4	153.7
Net Debt to Equity Ratio (%)	60.8	96.7	53.0	25.7
Interest Coverage Ratio (x)	10.1	10.6	10.1	10.1

Appendix 1

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Two-year rating and TP history

Company	Date	Rating	TP (VND)
Mobile World Investment Corp.	03/19/2020	Buy	39,500
Mobile World Investment Corp.	12/22/2020	Trading Buy	44,400
Mobile World Investment Corp.	04/02/2021	Buy	56,700
Mobile World Investment Corp.	12/08/2021	Buy	84,150
Mobile World Investment Corp.	05/09/2022	Buy	87,000
Mobile World Investment Corp.	07/01/2022	Buy	92,200



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution				
Investment banking services				

* Based on recommendations over the 12 months through

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