

Mobileworld (MWG)

Exceptional performance amid pandemic

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MWG weathered the pandemic crisis with business results as expected

In 2021, Mobile World Investment Corp (MWG) recorded VND4,901 billion (+25% YoY) in NPAT and VND122,958 billion (+13% YoY) in revenue, delivering 103% and 98% of the full-year plan for profit and revenue, respectively. Revenue and profit were boosted in the last months of the year, exceeding our previous forecasts by 6.5% and 10%, respectively.

TGDD/DMX maintained positive revenue growth against 2020, promising to gain more market share after the lockdown

The two chains The gioi Di dong (mobile phone retail chain) & Dien may Xanh (consumer electronics retail chain) (TGDD/DMX) contributed VND94,742 billion (up 9% YoY) to total revenue. Specifically, TGDD grew at 7% YoY, DMX grew by 9% YoY, and Bluetronics grew by 135% YoY. In 2022, TGDD/DMX should gain market share from pandemic-hit retail stores.

BHX fulfilled the 2021 target with a positive EBITDA, expected to have a sustainable profit by the end-2022

In 2021, BHX achieved VND28,216 billion (+33% YoY) in revenue, accounting for 23% of MWG's. Fresh foods & FMCGs contributed the largest proportion with 45% of BHX's total revenue, followed by food & beverage (38%) and others (17%).

We recommend BUYING MWG shares with a target price of VND168,200/share

We forecast MWG's 2022F NPAT to reach VND6,800 billion (+39% YoY) on net sales of VND141,026 billion (+15% YoY). In 2023, those figures should be VND7,550 billion (+11% YoY) and VND151,171 billion (+7% YoY), respectively. We recommend BUYING MWG shares with a target price of VND168,200/share, 26% higher than the closing price on February 18, 2022.

Buy maintain

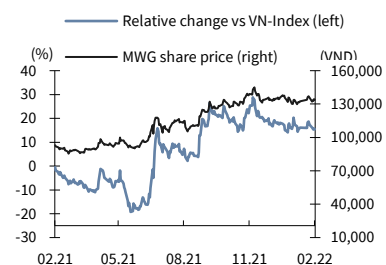
Target price	VND168,200
Upside/Downside	26%
Current price (Feb 18, 2022)	VND134,000
Market cap (VNDtn/USDmn)	95,519/4.2

Trading data	
Free float	65%
3M avg trading value (VNDbn/USDmn)	220.8/9.8
Foreign ownership	49%
Major shareholder	Retail World Investment (10.76%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	3	-6	27	46
Relative	-1	-9	11	15

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	109,801	124,142	141,026	151,171
Earnings/Loss (VNDbn)	5,413	6,445	8,978	9,969
NPAT (VNDbn)	3,920	4,901	6,800	7,550
EPS (VND)	8,665	8,654	9,539	10,591
EPS growth (%)	0%	-21%	39%	11%
P/E (x)	13.2	13.7	14.1	12.7
P/B (x)	3.3	2.6	4.3	3.3
ROE (%)	25%	24%	31%	26%
Dividend yield (%)	15%	5%	15%	15%



Source: Bloomberg, KB Securities Vietnam

Updated business performance

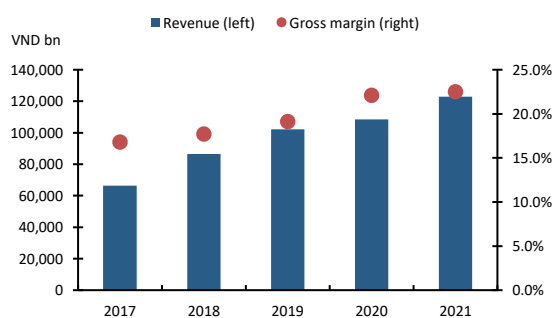
Exceptional business results in the last months of the year helped MWG reach its target for NPAT in 2021

For the whole year of 2021, MWG posted VND4,901 billion (+25% YoY) in NPAT on net sales of VND122,958 billion (+13% YoY), delivering 103% and 98% of the full-year target for profit and revenue, respectively.

For the whole year of 2021, MWG's gross profit margin was 22.5% vs. 22.1% in 2020. In 4Q21 alone, this figure was only 20.4%, far behind 25% in 3Q21. It was attributable to the sharply decreased revenue from BHX with high-gross-margin products compared to the 3Q21 high. In our estimates, BHX's revenue in 4Q21 weighted just over 15% vs. 37% in 3Q21.

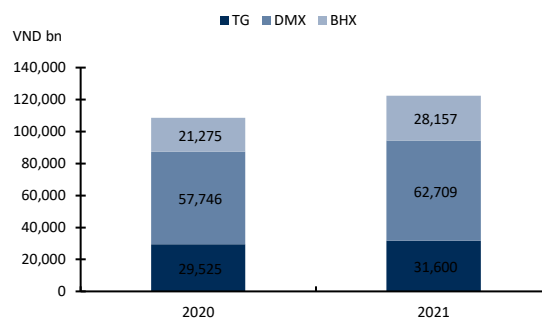
In 4Q21, MWG's business results outperformed YoY with NPAT of VND1,563 billion (+66% YoY) and net revenue of VND36.138 billion (+33% YoY). Both NPAT and revenue hit record highs following the lockdown removal.

Fig 1. MWG – Net revenue & gross profit margin (VND bn, %)



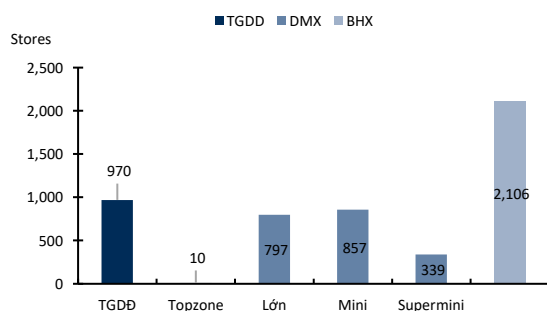
Source: Mobileworld, KB Securities Vietnam

Fig 2. MWG – Revenue breakdown (VND bn)



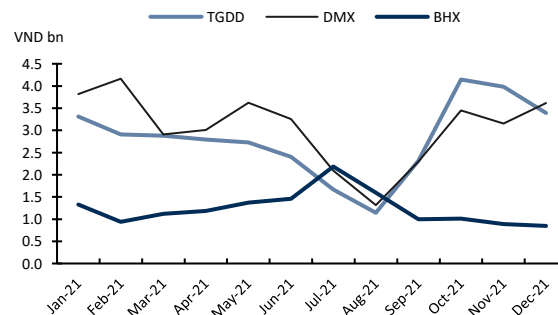
Source: Mobileworld, KB Securities Vietnam

Fig 3. MWG – Number of stores as of Dec 2021



Source: Mobileworld, KB Securities Vietnam

Fig 4. MWG – Average sales/store chains (VND bn)



Source: Mobileworld, KB Securities Vietnam

TGDD/DMX: Explosive results in 4Q21, post-Covid market share increases ahead

TGDD/DMX both achieved positive growth in 2021 amid the pandemic in 3Q21

In 2021, the two chains TGDD/DMX contributed VND94.742 billion (+9% YoY), with VND31,600 billion (+7% YoY) from TGDD and VND62,708 billion (+9% YoY) from DMX. In 4Q21 alone, the sales of these two chains were VND30,409 billion (+44.5% YoY). The explosive growth in the last months of the year made up for the lost quarter of 3Q21 due to the pandemic-induced lockdowns.

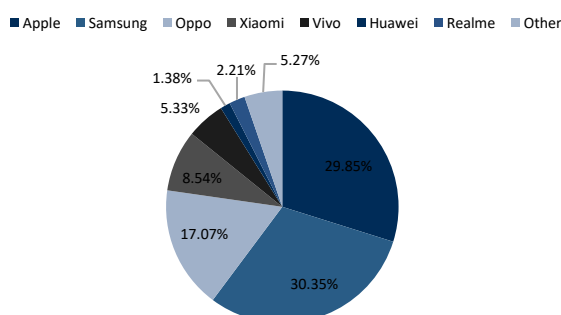
The revenue of TGDD/DMX has recovered slightly above the average of the pre-pandemic months of the year, in line with our previous forecast. In 4Q21, the average revenue per store of TGDD was 35% higher than the average of the pre-Covid months. Over the past year, the average sales per store of TGDD & DMX were VND2.8 billion and VND3.0 billion, respectively.

TGDD's revenue dramatically improved in 4Q21 thanks to the lifting of social restrictions, in addition to the growing demand during the year-end peak season and the sooner-than-expected launch of the new iPhone 13 series against iPhone 12. In the meantime, the average revenue per store of DMX in 4Q21 has returned to the pre-pandemic level.

TGDD chain should gain market share from small retail stores

We believe TGDD will expand its market share from retail stores specializing in hand-carried products due to: (1) dwindling hand-carried items given the ongoing suspension of international flights; (2) the release of the iPhone 13 series sooner-than-expected in the Vietnamese market. From our observations, Apple-specialized retail stores sell more Vietnam! Code Apple products than hand-carried ones at prices almost the same as in TGDD & TopZone stores. In 1Q22, the newly launched Samsung Galaxy S22 series may drive TGDD's revenue growth.

Fig 5. Vietnam – Smartphone market share as of January 2022



Source: Statcounter, KB Securities Vietnam

The DMX chain will continue to be driven by DMS

Last year, MWG's plan to expand DMS (DMX Supermini) was affected by the complicated developments of the COVID-19 pandemic. Up to now, the total number of DMS stores is 800, bringing in a revenue of VND6,800 billion, equivalent to 10% of DMX's total revenue. With MWG's goal of operating 1,000 DMS stores in 2022, we expect DMS's revenue to increase considerably this year. Besides, small retail stores have struggled with social distancing protocols over the past two years, creating opportunities for DMS to gain more market share in rural and remote areas.

January sales marked a record high

MWG announced preliminary business results in January with record revenue of VND16,000 billion (+45% YoY), of which VND2,300 billion came from online sales. The spectacular performance was attributable to shopping activities to welcome the Lunar New Year or Tet occurring in early February. As a result, the management believes business results in February will not be as good as in January.

Total sales of TGDD/DMX reached VND13,500 billion last month thanks to the large inventory, increasing by 50% in late 2021 to prepare for the Tet season. The TopZone chain opened an additional 8 AAR (Apple Authorized Reseller) stores and 1 APR (Apple Premium Reseller) store in January, targeting to increase the store number from 20 to 50 by the late-March 2022 and 200 by the end-2022.

BHX achieved revenue of VND2,400 billion in January 2022 thanks to the increasing demand for Fast-moving consumer goods (FMCGs) during Tet. In the future, the management will focus more on improving the operating profitability of BHX to open new stores in provinces and cities in 2023 and make a private placement of BHX to strategic partners by the end of this year.

AVAKids, AVASport, AVAFashion, AVAJi, and AVACycle, launched before Tet, contributed VND50 billion in revenue. The BOD put expectations on the AVAKids chain most, planning to open 10 new stores in the time ahead, meanwhile continuing to trial the remaining chains for the most suitable model.

After raising ownership to 100% in the An Khang pharmacy chain, MWG will focus more on resources. In the coming time, MWG will continue testing to find the most suitable business model for this chain and enhance the customer experience to boost sales (VND500 million/store currently). In 2022, MWG will increase the distribution and revenue of An Khang.

BHX: aiming towards cost optimization and sustainable profit in 2022

BHX achieved the positive EBITDA target in 2021

In 2021, BHX achieved a net revenue of VND28,216 billion (+33% YoY), of which fresh foods and FMCGs represented the largest share with 45%, followed by food & beverages (38%) and others (17%). By the end of last year, the total number of BHX stores was 2,106, mainly in Ho Chi Minh City, the southern and central regions. 90% of the stores recorded positive EBITDA, primarily those operating for six months or more.

Business results of BHX recovered in 4Q21 but were still not as good as in the pre-pandemic months

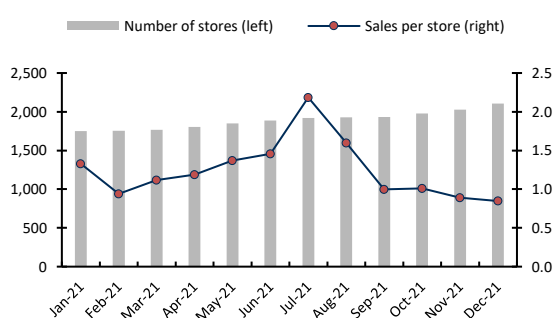
In the fourth quarter of 2021, BHX's revenue hit only VND5,584 billion (-9% YoY). The average revenue per BHX store was VND1 billion, which is relatively low compared to the pre-pandemic level of VND1.2-1.3 billion.

We believe the bounce-back of average revenue per store was limited since most of the BHX's customers work in factories in southern provinces and cities hit by stringent social distancing measures and have not returned to work. Furthermore, after the lifting of the lockdown, traditional markets were also allowed to reopen, putting BHX under enormous pressure.

In 2022, we aim to generate sustainable profits from BHX

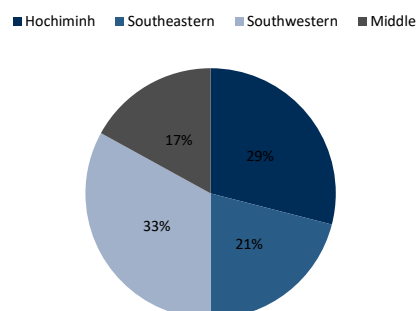
In 2022, BHX will suspend the plan to open new stores on a large scale to optimize resources and costs, boosting sales. With BHX's high gross margin, assuming that the revenue per store is VND1.3-1.4 billion/store, BHX can achieve its profit plan by the end of this year, in our estimates.

Fig 7. BHX – Average revenue per store (VND bn)



Source: Mobileworld, KB Securities Vietnam

Fig 8. BHX – Proportion of stores across regions



Source: Mobileworld, KB Securities Vietnam

Table 1. MWG – 2022F business performance

	2021	2022F	% YOY	NOTES
Revenue	122,958	141,026	+15%	Higher than the target set by the BOD at VND140,000 billion.
TGDD	31,600	33,573	+6%	TGDD's revenue should increase compared to 2021 on expectation of gaining market share from small businesses. Moreover, TopZone is one of the main pillars to boost revenue (Apple products) of TGDD. In 2022, assuming that there will be no more than 10 new stores, there will be 980 TGDD stores and 100 TopZone stores operating by the end of 2022.
DMX	62,708	72,072	+15%	Growth will be boosted by DMS, assuming the number of stores at 2,012 by the end of the year and average sales per store at VND3.0 billion.
BHX	28,157	35,381	+26%	In 2022, we project that there will be no new BHX stores since the management is likely to focus on improving the operating profitability of current stores. We believe that the labor forces will be back to big cities, thus improving the sales per store of BHX, assuming at VND1.4 billion/store.
Gross profit	27,632	32,276	+16.8%	In 2022, we forecast gross margin at 22.9%, 0.4% higher than 2021's thanks to a larger portion of BHX's revenue (estimated at 25%).
Selling expenses	-17,914	-19,277		
G&A expenses	-3,830	-4,121		
Net profit	4,901	6,800	+39%	Higher than the target set by the BOD at VND6,350 billion.

Source: KB Securities Vietnam

Forecast business performance

Forecast of business results

We forecast MWG's 2022F NPAT to reach VND6,800 billion (+39% YoY) on net sales of VND141,026 billion (+15% YoY). In 2023, those figures should be VND7,550 billion (+11% YoY) and VND151,171 billion (+7% YoY), respectively. We recommend BUYING MWG shares with a target price of VND168,200/share, 26% higher than the closing price on February 18, 2022.

We recommend BUYING MWG shares with a target price of VND168,200/share

Based on DCF and comparing P/E – P/S (50–50), we recommend BUYING MWG shares with a target price of VND168,200 VND/share, 26% higher than the closing price on February 18, 2022.

We keep a target P/E of 11.5x for the ICT chain (TGDD & DMX), unchanged from the previous forecast. For the BHX chain, we raise the target P/S to 1.0x, assuming BHX's sustainable profit in 2022.

Table 2. MWG – MWG – P/E & P/S

Chain	Valuation method	EPS	Target P/E, P/S	Value (VND)
TGDD & DMX	P/E	9,539	11.5	109,693
BHX	P/S	49,629	1.0	49,629
Total				159,322

Source: KB Securities Vietnam

Table 3. MWG – Target price according to valuation results

Valuation method	Forecast price (VND)	Weight
DCF	177,022	50%
P/E & P/S	159,322	50%
Target price	168,800	100%

Source: KB Securities Vietnam

MWG – 2020A–2023E business results

Income statement (VNDbn)	2019A	2020A	2021E	2022E
Net sales	109,801	124,142	141,026	151,171
Cost of sales	(84,592)	(95,326)	(108,750)	(116,571)
Gross Profit	23,954	27,632	32,276	34,600
Financial income	794	1,266	1,287	1,345
Financial expenses	(594)	(714)	(1,195)	(1,197)
of which: interest expenses	(594)	(674)	(1,119)	(1,130)
Gain/(loss) from joint ventures	(4)	4	0	0
Selling expenses	(15,334)	(17,914)	(19,277)	(20,414)
General & admin expenses	(3,404)	(3,830)	(4,121)	(4,364)
Operating profit/(loss)	5,413	6,445	8,978	9,969
Other income	44	76	0	0
Other expense	(46)	(49)	0	0
Net other income/(expenses)	(3)	27	0	0
Pretax profit/(loss)	5,410	6,472	8,978	9,969
Income tax	(1,490)	(1,570)	(2,178)	(2,419)
Net profit/(loss)	3,920	4,901	6,800	7,550
Minority interests	9	12	11	11
Net profit after MI	3,911	4,889	6,789	7,539

Operating ratios (%)	2019A	2020A	2021E	2022E
Revenue growth	6%	13%	14%	7%
EBIT growth	7%	19%	41%	10%
EBITDA growth	14%	9%	32%	34%
NP after MI growth	210%	9%	32%	34%
Gross profit margin	22%	22%	23%	23%
EBITDA margin	8%	8%	9%	11%
EBIT margin	5%	6%	7%	7%
Pre-tax profit margin	5%	5%	6%	7%
Net profit margin	4%	4%	5%	5%

Cash flow (VNDbn)	2019A	2020A	2021E	2022E
Net profit	5,410	6,472	8,978	9,969
Plus: depreciation & amort	2,196	2,921	2,563	2,685
Plus: investing (profit)/loss	(558)	(959)	(750)	(750)
Change in working capital	5,151	(7,149)	2,112	(1,340)
(Inc)/dec - receivables	850	(966)	(430)	(258)
(Inc)/dec - inventory	6,270	(9,937)	975	(2,029)
(Inc)/dec - other curr assets	0	0	0	0
Inc/(dec) - payables	(1,894)	3,789	1,645	995
Inc/(dec) - advances	(75)	(35)	(78)	(47)
Inc/(dec) - other curr liab	0	0	0	0
Other adj for operations	0	0	0	0
Operating cash flow	10,792	21	9,842	7,233
ST investments	0	0	0	0
Capital expenditures	(3,911)	(4,964)	(4,450)	(1,402)
Investment properties	0	0	0	0
Investment in subsidiaries	0	0	0	0
Other assets	0	0	0	0
Other adj for investments	(4,663)	(5,338)	14,382	15,781
Investing cash flow	(8,574)	(10,302)	9,931	14,378
Issuance/(repayment) of debt	51,168	63,936	51,650	50,212
ST debt	(48,574)	(56,045)	(46,304)	(51,725)
Other liabilities	0	0	0	0
Issuance/(retirement) of equity	99	226	0	0
Dividends paid	(679)	(240)	(238)	(1,070)
Other adj for financing	0	0	0	0
Financing cash flow	2,014	7,877	5,107	(2,582)
Net increase in cash & equivalents	4,233	(2,404)	24,881	19,029
Cash & equivalents - beginning	3,115	7,348	4,944	29,825
Cash & equivalents - ending	7,348	4,944	29,825	48,854

Balance sheet (VNDbn)	2019A	2020A	2021E	2022E
Total assets	46,031	62,983	65,543	72,218
Current assets	37,317	51,976	52,472	60,325
Cash & equivalents	7,348	4,944	5,815	11,277
ST investments	8,057	13,435	13,435	13,435
Accounts receivable	1,595	3,162	3,592	3,851
Inventory	19,422	29,180	28,205	30,234
Other current assets	895	1,255	1,426	1,528
Long-term assets	8,714	11,007	13,070	11,893
LT trade receivables	439	482	548	587
Fixed assets	7,295	9,634	11,522	10,239
Investment properties	0	0	0	0
LT incomplete assets	133	80	80	80
LT investments	53	0	0	0
Goodwill	0	0	0	0
Other LT assets	794	811	921	987
Liabilities	30,549	42,605	43,426	43,574
Current liabilities	29,423	39,836	40,165	39,406
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	14.0	12.7
P/E diluted	13.7	19.8	14.0	12.7
P/B	3.4	3.0	4.3	3.3
P/S	0.5	0.5	0.8	0.8
EV/EBITDA	8.5	9.0	14.2	10.3
EV/EBIT	10.7	12.2	19.2	13.5
EPS	8,656	6,875	9,539	10,591
DPS (annual, ordinary)	1,500	525	1,500	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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(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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