

# Digiworld (DGW)

## New product bands – new growth drivers for 2023

### 4Q22 and 2022 business performance

- Digiworld (DGW) recorded a contraction in 4Q22 business results, resulting from a sharp drop in demand for non-essential goods and high comparative base level of 4Q21. 4Q NPAT reached VND156 billion (-52% YoY) on net sales of VND4,075 billion (-49% YoY). For the whole year of 2022, the respective figures are VND684 billion (+4.1%) and VND22,059 billion (+5.2% YoY), equal to 85% and 84% of the targets.
- The sales of laptop & tablet products fell 64% vs the peak in 4Q21 when the COVID lockdown was eased, making these products saturated since the end of last year. Smartphones also fell short of expectations, down 49% YoY due to the shortage of iPhone supply from China. Home appliances recorded an impressive growth of 159% in 4Q as the WorldCup boosted sales of Xiaomi TVs. The consumer goods segment grew 47% from last year's COVID- induced lows.
- In 4Q22, the number of days in inventory increased sharply to 75 days (normally 20-30 days) because the company saw a steep fall decrease in revenue while the absolute value of inventory did not change much. Gross profit margin (GPM) surged to 11.53%, underpinned by strong growth in high-margin products.

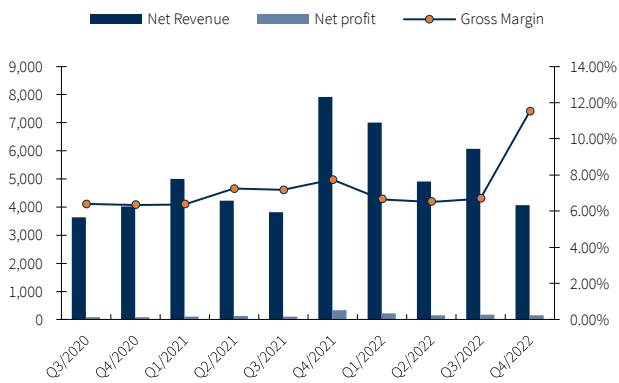
### DGW would introduce new brands this year

- In 4Q22, DGW raised its ownership in Archison from 49% to 60%. The Management said that DGW will support Archison to open a branch in the North in 2023, a potential market for labor protection products and industrial equipment. In addition, the company expects to reduce Archison's staff by 10% and merge its warehouses with DGW's to save operating costs. The growth target in 2023 is about 30% as 2023 may be a challenging year.
- In December 2022, DGW entered the market of beverage distribution with beer products in cooperation with ABInBev. Currently, DGW distributes mainly through modern trade channel (accounting for 20-25% of the market, mainly through supermarkets and convenience stores) in which DGW and its partners share the same customer base.
- For 2023, DGW should add two new brands, including a smartphone brand and a home appliance brand. This will be the growth driver for the corporation in the coming years as the current categories have achieved stable growth.

### 2023E outlook & guidance

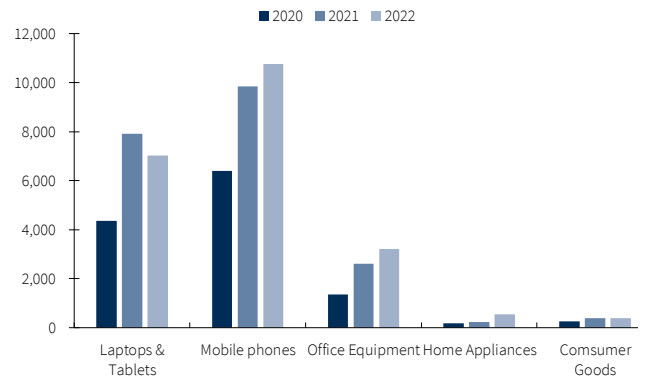
- DGW's management approved the business plan for 2023, which includes VND25,109 billion (+14% YoY) in revenue and VND787 billion in NPAT (+15% YoY). Although 2023 is expected to be a difficult year, there are still supportive factors like (1) the entry of new brands, (2) the increase in market share of home appliances, and (3) 30% growth coming from Archison.
- 1Q23 sales should hit VND 4,000 billion due to the not-so-positive current environment, however the management expects the retail industry in general and consumer purchasing power to recover in 3Q and 4Q.
- Laptop products are relatively saturated and should be flat in 2023 but may still have a strong growth trend in the medium and long term. Currently, internet providers aim to reduce the number of 2G subscribers to less than 5%, which creates a new source of demand for smartphones, especially low-cost products that DGW is distributing. DGW sets a 13% growth target for mobile phone products. Home appliances and consumer goods should continue to grow strongly by 65% and 157% respectively compared to 2022.

Fig 1. DGW - Net sales, NPAT & GPM (VNDbn, VNDbn, %)



Source: Digiworld, KB Securities Vietnam

Fig 2. DGW - Revenue by product segment (VNDbn)



Source: Digiworld, KB Securities Vietnam

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## Investment ratings & definitions

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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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