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Digiworld (DGW)

Maintain positive growth in 3Q22

3Q22 and 9M22 business performance

- Digiworld (DGW) announced positive business results for 3Q22 with NPAT of VND180 billion (+68% YoY) and net revenue of VND6,050 billion (+59% YoY). For the year to the end of September, those figures were VND528 billion (+60 YoY) and VND17,984 billion (+38% YoY), delivering 66% and 68% of the full-year target for earnings and revenue, respectively.
- Despite cooling consumer demand, the laptop segment rose by 33% YoY in revenue in 3Q22 given the peak season effect. Sales of smartphone products increased sharply by 74% thanks to Xiaomi's increased market share and revenue contribution from iPhone.
- Revenue from the office equipment segment doubled YoY, while consumer goods contracted by 22% on shrinking demand over the past quarter. From 3Q22, DGW would turn a profit from two new brands, Whirlpool and Xiaomi TV.
- Given the complicated USD/VND exchange rate movements, DGW has taken measures to minimize risks, namely making immediate payments to suppliers to enjoy discounts and limiting foreign currency debts. The Board of Directors planned to pass part of the exchange rate fluctuations on to their customers, but the increase in prices would trigger lower consumption, in our view.

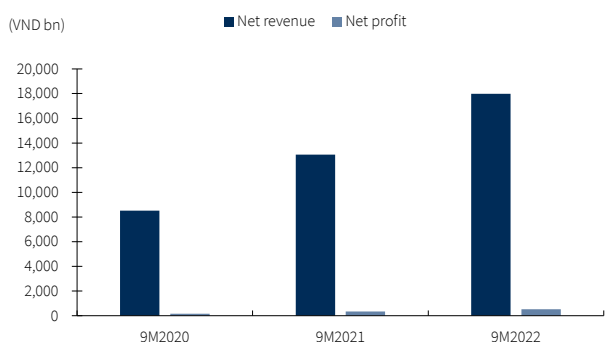
Continue to expand horizontally through the cooperation with new partners

- In the third quarter, DGW started distributing TCL's phones and Whirlpool's home appliances (refrigerators, washing machines, dryers, televisions, ...). Besides, the company also completed purchasing a 49% stake in Achison Vietnam which specializes in providing labor protection accessories and industrial equipment. The Board of Directors assessed the industry has strong potential in the Vietnamese market. Achison's revenue target for 2023 is over VND1,000 billion.
- DGW is now developing a B2B (business to business) channel, collaborating with real estate developers and using their customer database to provide home appliances for unfinished apartments after being handed over to customers.
- As for the pharmaceutical segment, the business keeps working with its partners despite some license-related issues. This segment is expected to enjoy strong growth from the end of 2023, towards the goal of reaching the Top 3.

Business outlook in 4Q22 and in the years ahead

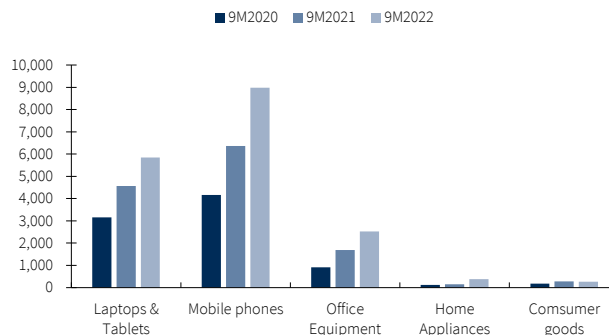
- Per DGW, October revenue fell short of expectations due to: (1) Demand for laptop products was weaker after the back-to-school season and (2) iPhone 14 supply was 20% below the initial plan on better sales than expected of the Pro/Pro Max models. However, sufficient supply will be ensured in the coming months.
- 4Q is the peak season, given the huge demand for iPhone 14 products. Moreover, the upcoming World Cup would also boost revenue from Xiaomi TV products. DGW targets 4Q22 NPAT and revenue to reach VND300 billion (-8% YoY) and VND7,500 billion (-5% YoY), respectively.
- For the time being, Apple and Xiaomi products contribute approximately 60% of DGW's revenue and maintain positive growth. Notably, DGW is gaining more market share from the hand-carried iPhone market. The company plans to strengthen its cooperation with new partners to maintain an annual growth rate of 25% in the years ahead.

Fig 1. DGW – Net revenue & profit



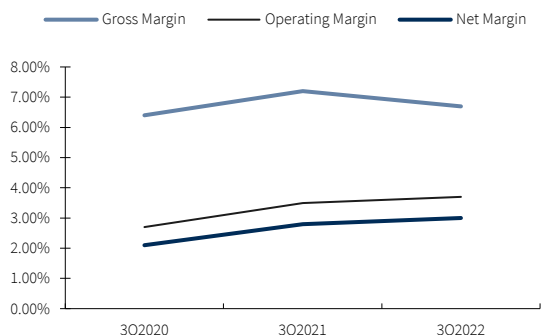
Source: Digiworld, KB Securities Vietnam

Fig 2. DGW – Revenue by product (VNDbn)



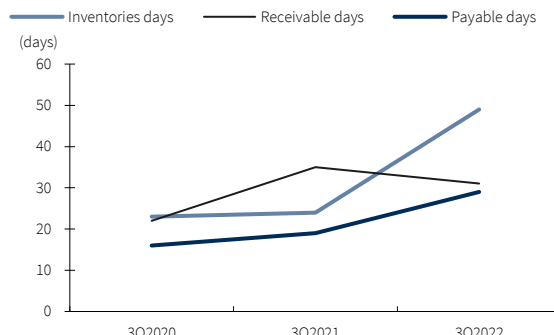
Source: Digiworld, KB Securities Vietnam

Fig 3. DGW – Profitability ratios (%)



Source: Digiworld, KB Securities Vietnam

Fig 4. DGW – Operating ratios



Source: Digiworld, KB Securities Vietnam

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Investment ratings & definitions

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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