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Consumer & Retailing Analyst
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Mobileworld (MWG)

New 2020E earnings guidance down 10% YoY

2020E earnings guidance revised down 10% on weaker consumer demand

— Management revised down 2020E guidance in the proposal for the annual general shareholders' meeting and now expects earnings to fall by 10% to VND3,450 billion and sales growth to slow to 8% to VND110,000 in the upcoming year. Based on the new guidance, MWG completed 27% of its revenue goal and 33% of the profit plan after 1Q results. Reasons for the more cautious outlook were: 1) breakdowns in the supply chain; 2) significant drop in consumer demand; and 3) disruption to operations during the social distancing measures introduced by the government to contain the spread of COVID-19.

Big focus on making *Bach hoa Xanh* the *top-of-mind* grocery brand

— MWG's strategy to maintain positive sales growth for the year include: 1) continuous conversion of *Thegioididong* stores to *Dien may Xanh* stores; and 2) aggressive expansion of the *Bach hoa Xanh* chain. This assumes the government can successfully prevent any second wave of COVID-19 infections. Management not only expects to gain market share in the mobile phone and consumer electronics space from more *Dien may Xanh* stores but also from the pull back or outright exit of weaker retail chains from the business. MWG will also make a big push this year to make *Bach hoa Xanh* the *top-of-mind* grocery brand in Vietnam by growing its large overall store count. To meet this goal – and also to improve near-term gross profit margins – the company plans to accelerate the opening of new *Bach hoa Xanh* locations in the South and South-Central regions of Vietnam and invest in new provincial distribution centers to improve operating scale and efficiencies.

VND1,500 cash dividend for 2019 earnings and 3% ESOP for 2019 performance

— Management plans to declare a VND1,500 dividend for 2019 earnings at the annual shareholders' meeting scheduled for June 6 (June 5 registration date). It will also seek approval for the Executive Board and Key Management ESOP representing 3% of outstanding shares for 2019 and up to 3% of shares for performance in 2020. Due to delayed shareholder approval arising from the coronavirus, the company will issue these ESOP-related shares for 2019 performance no later than March 31, 2021.

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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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