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# Digiworld Corporation (DGW)

## Record high 1Q sales on laptops & mobile phones

### 1Q earnings up 83% YoY driven by record sales in laptops, tablets & mobile phones

— 1Q earnings jumped by 83% to VND45 billion on the surge in demand for laptops and other mobile devices after government social distancing protocols force most to work or learn from home. Quarterly sales reached the highest on record at VND2,311 billion (up 68% YoY) or 22% of the company's full-year target. Sales for laptops and tablets rose sharply by 69% YoY to VND791 billion, while sales for mobile phones nearly doubled to VND1,142 billion and represented 49% of total sales. Mobile phone sales were strong despite market saturation as Xiaomi's successful entry continues to see market share gains that targets 10% of all mobile phones in 2020 (DGW is Xiaomi's exclusive distributor in Vietnam). Of Xiaomi's three new model launches this year, one became a top selling product in Vietnam in February. DGW's office equipment and consumer goods also saw double-digit growth.

### Healthy cash flows and successfully navigating the COVID-19 pandemic

— Improved profitability, leverage and operating ratios all point to healthier cash flows to protect against any negative impact from the pandemic. Profitability improved in the quarter, with both the gross profit margin up by 30bps to 6.2% from a year ago and the net profit margin up slightly to 1.94%. Leverage and operating ratios have also improved. The company's debt-to-equity ratio fell to 53% in 1Q from 100% a year ago and inventories are better managed at 26 inventory days compared to 40 days seen during the same period last year. DGW's omni-channel strategy utilizing both offline and online user experiences is showing its ability to successfully navigate around the numerous challenges presented by the pandemic, with management pledging not to lay off or cut staff salaries until the end of 2Q.

### Management confident it can grow revenue by 20% and earnings by 26% in 2020E

— Management reiterated the company's full-year targets for 20% growth in revenue to VND10,200 billion and 26% growth in earnings to VND202 billion. 1Q results met with expectations and management remains confident it can deliver on its guidance since the company's peak season falls in 3Q and 4Q. DGW also plans to declare cash dividends or announce a treasury stock buyback at its upcoming annual general shareholders' meeting (date to be determined).

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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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