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Digiworld Corporation (DGW)

Record high 2Q sales on laptops & mobile phones

2Q earnings up 35% YoY driven by sales in laptops, tablets & mobile phones

— 2Q earnings jumped by 35% to VND48 billion on the surge in demand for laptops and other mobile devices after government social distancing protocols forced most to work or learn from home. Quarterly sales for 2Q reached the highest on record at VND2,583 billion (up 29% YoY). Sales for laptops and tablets rose significantly by 29% YoY to VND1,080 billion thanks to the increasing demand for online learning and working from home during the pandemic, along with the trend towards high-end technology products. This would also imply slower growth in 3Q laptop sales due to pull forward demand seen in 1H. Sales for mobile phones posted 19% YoY growth to VND1,146 billion and represented 44% of total sales. Mobile phone sales were strong despite market saturation given Xiaomi's successful penetration of the local market, with market share now at 10% of all mobile phones in 2Q (DGW is Xiaomi's exclusive distributor in Vietnam). Weaker areas included DGW's office equipment, which saw a 7% YoY drop in sales to VND298 billion due to businesses cutting spending on office equipment during the pandemic. Sales of consumer goods also dropped 6% YoY to VND59 billion as DGW slowed purchases to better manage inventories until signs of stronger recovery are seen. On a year-to-date basis, 1H earnings reached VND93 billion or up 55% YoY and 46% of the company's full-year earnings objective, while 1H sales of VND4,894 billion were up 45% YoY or 48% of the annual sales target.

Healthy cash flows and successfully navigating the COVID-19 pandemic

— Profitability improved in the quarter, with both the gross profit margin up by 70bps from a year ago to 6.0% and the net profit margin up slightly to 1.9%. Management also focused on improving the efficiency of working capital by reducing inventories to 40 days from 56 days seen during the same period last year. DGW's omni-channel strategy utilizing both offline and online user experiences also demonstrated its ability to successfully navigate around the numerous challenges presented by the pandemic, with management further implementing online sales on e-commerce channels and stepping up the import of mid and high-end FMCG products.

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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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