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Digiworld Corp (DGW)

2020E earnings target looking for 24% YoY growth

Management confident it can grow revenue by 20% and earnings by 24% in 2020E

— Management reiterated the company's full-year targets for 20% revenue growth to VND10,200 billion and 24% earnings growth to VND202 billion. DGW completed 23% of its revenue plan and 22% of the profit plan as of 1Q. Management remains confident it can deliver on its guidance since the company's peak season falls in 3Q and 4Q and expects to boost growth further with the addition of new brands, especially Apple. DGW plans to expand its distribution channels by selling FMCGs to supermarkets and grocery stores and functional foods to drug stores, as well as increasing the presence of all its products in online channels. DGW also declared a VND1,000 per share cash dividend for 2019 performance and plans to issue 1.2 million shares under its ESOP (or 2.8% of shares outstanding).

Guiding for 2Q earnings miss despite record sales in laptops, tablets & mobile phones

— Ahead of 2Q results, management indicated sharp improvement in 1H results with revenue up 43% YoY and earnings up 48% YoY. This implies 2Q earnings of VND40 billion (up 22% YoY) or 11% below the VND45 billion consensus but inline revenue at VND2,503 billion (up 25% YoY) vs the VND2,460 billion consensus. Topline recovery is mainly being driven by the surge in demand for laptops and other mobile devices after government social distancing protocols force most to work or learn from home. Every year prior to this year, the peak season for laptops usually falls in 3Q during the back-to-school season but the pull forward in demand to 1H may slow 3Q laptop sales. DGW will also launch more premium-priced products to boost ASPs at its stores and expects to sign distribution contracts with an Italian osteoarthritis company and a Canadian functional foods company in 2H. DGW will also continue its cooperation with *Xiaomi* to distribute new products, including televisions and home appliances in addition to its traditional mobile segments.

Long-term vision to become a billion-dollar company

— Management also discussed its overall long-term roadmap to realize its goal of becoming a billion-dollar company. To achieve this objective, DGW set its annual sales growth targets at 20%–25% over the next 10–20 years. Currently, DGW is expanding horizontally by adding premium products to its existing distribution channels, such as laptops, mobile phones, FMCGs, and other consumer goods. In the years ahead, DGW also plans to expand vertically to produce and distribute private label 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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