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Digiworld Corporation (DGW)

Record high 3Q results on mobile phones

Mobile phones sales drive 48% YoY boost to 3Q earnings

— Surging mobile phone sales drove record 3Q earnings of VND75 billion or a 48% YoY increase. Quarterly sales reached the highest on record to VND3,624 billion (up 39% YoY) on the 84% YoY jump in mobile phone sales to VND1,868 billion. Mobile phone sales continue to benefit from the growing market share in Xiaomi phones and gained further momentum from DGW's new partnership with Apple signed during the quarter. Sales for laptops and tablets were up by 13% YoY to VND1,280 billion. Weaker areas included DGW's office equipment segment, which saw flat 2% YoY sales growth to VND414 billion as businesses cut spending on office equipment during the pandemic. Sales of consumer goods also fell by 6% to VND62 billion after management pushed back product launches due to delayed new FMCG contracts during the coronavirus second wave. Year-to-date earnings reached VND168 billion or up 56% YoY and equivalent to 83% of the company's full-year earnings target and 81% of 2020E earnings consensus, while sales reached VND8,518 billion or up 42% YoY and 84% of its full-year sales target and 81% of 2020E sales consensus.

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 the gross profit margin stable at 6.4% from 6.9% compared to the same period last year and net profit margin improving to 2.1% versus 1.9% in 3Q19. Leverage and operating ratios have also improved, with debt-to-equity falling to 45% in 3Q from 67% a year ago and inventory days dropping to 24 days from 34 days last year. DGW's solid business performance and cost control show that management is successfully navigating the numerous challenges presented by the pandemic.

Positive 4Q20 prospects

— Sales in laptops and tablets have already met DGW's full-year target and should continue to grow in the upcoming quarter, further helped by Huawei and Apple models. Mobile phones are also expected to post strong results with the launch of Apple's iPhone 12. Consumer goods are likely to benefit from the introduction of new healthcare products from Italy and Canada expected to begin in 4Q20.

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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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