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# Mobileworld (MWG)

## Deploying high-tech clean farming model

### 2020E earnings levelling off as aggregate demand matures for mobile phones

— Shareholders approved the 2020E guidance for 10% down in earnings to VND3,450 billion and 8% increase in sales to VND110,000 billion. Management warned that it expects consumption to drop this year due to the domino effect from the coronavirus, with declining exports negatively impacting employment and disposable income. May performance has yet to be released but management indicated that monthly results will see earnings fall at a slower pace than revenue due to some cost savings. Timing wise, the coronavirus outbreak hit during the peak seasons for the mobile phone (*Thegioioididong*) and consumer electronics (*Dien may Xanh*) chains, especially air conditioner sales into the hot season. Moreover, major sporting events have been delayed to 2021E, which usually supports sales for TVs and mobile phones. Air conditioners have since recovered at *Dien may Xanh* stores, with 250,000 sets sold in May or up 38% YoY. Overall, management stressed that growth in consumer electronics and mobile phones sales are reaching maturity as Vietnam's penetration for mobile phones has already moved over 80%.

### *Bach hoa xanh* the next growth driver and expecting breakeven in 2021E

— The *Bach hoa xanh* grocery chain is quickly becoming the company's next growth driver as it enters an important expansion phase to move closer to breakeven. *Bach hoa Xanh* (BHX) will expand its retail network to 25 provinces this year from Dak Lak to Ca Mau (southern and central regions), bringing the total number of stores to 1,800–1,900 by year-end. MWG expects BHX's revenue to reach VND20,000 billion for 2020E and reach profitability by 2021E as the build out of distribution centers to central Vietnam allows the company to scale operations, improve revenue per store and gross profit margins at the chain.

### Launching new *4KFarm* high-tech clean farming agricultural model

— MWG will roll out its *4KFarm* clean farming model that offers fresh produce without the use of pesticides, growth hormones, preservatives or GMO seeds. The clean farming model will recruit farmers and use its agricultural experts to invest in, transfer technology and provide support to farms implementing its *4KFarm* methods. With this system in place, MWG hopes to secure ample supply of safely grown vegetables based on the above four criteria for exclusive sale to the BHX chain. The company developed its methods at the Chau Pha (Vung Tau) greenhouse – where it tested soil and water samples – over an area of 1,000 sqm capable of producing 3.5 tons of clean vegetables a year. The company will now ramp up this system over 60,000 sqm of farming land by year-end or equivalent to 210 tons of vegetables per month or 20% of BHX's total produce needs.



MWG will ramp up its *4KFarm* clean farming system to meet about 20% of the grocery chain's fresh produce needs by year-end

Fig 1. MWG – Model of *4KFarm*



Source: MWG, KB Securities Vietnam

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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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