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Mobileworld (MWG)

3Q earnings post double-digit bounce back

3Q earnings bounce back quickly to record double-digit growth

— 3Q earnings posted 11% YoY growth to VND951 billion on stable revenue of VND25,713 billion or up 2% YoY despite Vietnam's second wave of Covid-19 that led to August's store closures in Da Nang. Nonetheless, mobile phones and consumer electronics were still negatively impacted with weaker disposable income and consumption demand leading to a 9% YoY drop in mobile phone and consumer electronic sales for the quarter. The bright spot was 3Q's 86% YoY surge in sales at the *Bach hoa Xanh* grocery chain that was also accompanied by an expansion in the gross profit margin after wastage to 25% from 3Q19's 20% level. The sharp improvement was largely due to: 1) better trading terms with FMCG suppliers as the chain achieves economies of scale; and 2) optimizing the procurement process for fresh produce. Year-to-date earnings were flat at VND2,978 billion or 86% of management's full-year target and 73% of the 2020E consensus. Revenue for the first nine months rose by 6% YoY to VND81,352 billion or 74% of management's annual goal and 70% of the 2020E consensus.

Continuing focus on expanding *Dien may Xanh Supermini* (DMS) stores and *Bluetronics*

— MWG continues to focus on expanding the supermini format for the consumer electronics segment with record new openings of 33 new DMS stores in September. DMS stores now number 52 locations in 12 provinces in the southern and south-central regions of Vietnam after three months of pilot testing. Revenue reached VND100 billion in 3Q and still only about 1% of total *Dien may Xanh* sales or about VND1 billion in monthly sales per store but the DMS stores are quickly becoming the main format used by management to achieve its aggressive market share target. MWG's *Bluetronics* stores selling mobile phones and consumer electronics in Cambodia also reached 20 locations. MWG completed the conversion of the old *Bigphone* stores selling mobile phones, tablets and accessories to the new *Bluetronics* format to strengthen its market position in Cambodia. MWG expects to have 50 stores by year-end to expand coverage outside of Phnom Penh to regional urban centers in Siem Reap and Sihanoukville.

Large *Bach hoa Xanh* stores continue to improve efficiency

— MWG increased the proportion of its larger format grocery stores – or stores larger than 300 sqm under its “VND3 billion” and “VND5 billion” formats – to 19% by the end of September from 17% a year ago. Currently, 10 out of 35 “VND5 billion” format stores turn over 1,000 bills per day, with 11 locations adding *An Khang* pharmacies. MWG will continue to slow new openings in favor of converting high-performing stores to its “VND5 billion” model, with the aim of having 100 locations of “VND5 billion” stores by 2020E year end.

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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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