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Consumer & Retailing Analyst
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Mobileworld (MWG)

Sales up double digits after five months

Earnings to May down 4% but sales up double digits for first five months

— Earnings were down 4% YoY to VND1,723 billion for the first five months of the year or 50% of the full-year target. May earnings were up sharply by 83% MoM and 4% YoY to reach VND832 billion largely due to: 1) strong contribution from the *Dien may Xanh* chain that was 60% of May revenue; and 2) significant improvement in the *Bach hoa Xanh* chain's gross profit margin after wastage that expanded to approximately 25% in May from 21% in March. Sales also reached VND47,492 billion or up 11% since the start of the year or 43% of the company's annual goal and improved significantly over April with all business lines returning to normal operations. By category, white goods contributed significantly to the growth in total revenue with the arrival of hot season from late April that generated higher demand for refrigeration products. MWG's laptop sales doubled compared to the first five months of 2019. Revenue from mobile phones, however, were weaker due to: 1) lackluster demand on the lack of large sports events amid high penetration; and 2) few new products launches due to the pandemic. Revenue for groceries and FMCG posted a 2.5 times increase over the same period last year. May sales alone were up 32% MoM and 19% YoY to VND10,305 billion, the second highest so far this year after the month of the Lunar New Year.

Continuing focus on expanding *Bach hoa Xanh* (BHX) locations

— MWG continues to focus on expanding the grocery chain with record new openings of 131 new BHX stores in May (+297% YoY) and bringing the total number of stores to 1,365 locations. By type, two-thirds are now provincial stores and 17% of the total network are large-scale locations. Sales surged by 151% YoY to VND7,836 billion in the first five months of the year. With the aggressive expansion mostly in provincial areas, revenue per store reached VND1.2 billion in May or down 11% YoY. Most stores that open in suburban districts start with revenue around VND0.7-1 billion per month but increase when customers become familiar to the modern market model. These stores also have significantly lower operating costs than those in big cities. Stores that have had stable operations for more than one year usually reach an average revenue of VND1.4 billion per month.

MWG launched safely-grown vegetables with *4KFarm* brand on *Bachhoaxanh.com*

— MWG has rolled out its *4KFarm* clean farming model that offers fresh produce without the use of pesticides, growth hormones, preservatives or GMO seeds. Currently, customers can order some vegetables such as sweet cabbage, mustard greens and *bok choy* on *Bachhoaxanh.com* for VND15,000 for 400-500 grams. Customers can also track product origin including farm location, type of seed, harvesting date and other information by scanning the QR code on the product packaging.

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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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