



MWG Update- BUY

February 28, 2022



Ms. Chi Luong

(+84 28) 3823 4159 - Ext: 327

chihtk@acbs.com.vn

Company Update

Recommendation

BUY
HSX: MWG
Retail
Target price (VND) 156,263

Current price (VND) 136,000

Expected share price return 14.9%

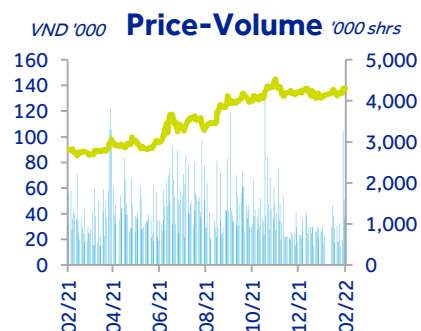
Expected dividend yield 1.1%

Expected total return 16.0%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	0.4	5.0	-5.1	52.6
Relative	0.8	3.7	-5.3	22.4

Source: Bloomberg



Ownership

Retail World Ltd Co.	10.8%
Tri Tam Ltd Co.	9.9%
Arisaig Asia	7.2%

Stock Statistics

25-Feb-22

Bloomberg code

MWG VN

52-week range (VND) 83,333-145,500

Shares O/S (m) 713

Mkt cap (VND bn) 97,302

Mkt cap (USD m) 4,252

Foreign room left (%) 0.0

Est. free float (%) 74.4

3m avg daily vol (shrs) 966,503

VND/USD 22,950

Index: VNIIndex / HNX 1491.96/440.96

MOBILE WORLD INVESTMENT CORP (MWG VN)

The company closed 2021 with decent growth despite the resurgence of COVID-19. Better momentum is expected for 2022 based on the assumption that operational interruption will not repeat. MWG will continue to enhance the existing businesses' performance while testing new business chains to look for new growth drivers. Maintain **BUY** at target price of VND156k/shr.

MWG generated 13.3% and 25% YoY growth in net revenue and EAT, to VND122,958bn and VND4,901bn (unaudited), respectively in 2021. This included a 17% decline in EAT in 3Q, when about 2,000 TGDD and DMX stores were temporarily closed or restricted in either offline or online channels for most of the time due to social distancing requirements amid the COVID-19 spike in Vietnam. However, a vibrant recovery in 4Q, on the back of its store network reopening, combined with strong performance in 1H2021 drove the company to exceed its full-year targets and our projections.

EAT margin climbed to 4.0% from 3.6% in 2020, attributed to a widened gross margin from 22.1% in 2020 to 22.5% in 2021 and an increase of 176% YoY in financial income (mostly thanks to interest income), despite an inflated SG&A expenses on net revenue ratio (17.7% in 2021 vs 17.3% in 2020).

MWG's business results	2021U	YoY growth
Net revenue (VNDbn)	122,958	13.3%
TGDD+DMX	94,742	8.5%
BHX	28,216	32.7%
EAT (VNDbn)	4,901	25.0%
Number of stores	Δ from YE2020	
TGDD	970	57
DMX	1,992	565
In which, DMS	800	498
BHX	2,106	387

Source: MWG

TGDD & DMX's combined revenue reached VND94,742bn, up by 8.5% YoY, in 2021. TGDD had 970 stores (YE2020: 913) while DMX had 1,992 stores (YE2020: 1,427) in operation, including 800 DMS stores (YE2020: 302).

	2020	2021U	2022F	2023F	2024F
Net sales (VNDbn)	108,546	122,958	140,257	157,170	169,727
Growth	6.2%	13.3%	14.1%	12.1%	8.0%
EBITDA (VNDbn)	7,638	9,068	11,316	13,262	15,120
EBITDA margin	7.0%	7.4%	8.1%	8.4%	8.9%
Net profit (VNDbn)	3,918	4,899	6,264	7,466	8,602
Growth	2.2%	25.0%	27.9%	19.2%	15.2%
EPS (bonus-adjusted, VND)	5,771	6,872	8,531	9,872	11,042
Growth	-0.1%	19.1%	24.1%	15.7%	11.9%
ROE	28.4%	27.3%	27.2%	25.7%	23.8%
ROA	8.9%	9.0%	9.8%	11.5%	13.0%
ROIC	21.4%	21.5%	21.9%	24.5%	27.0%
Net debt/EBITDA (times)	0.2	0.7	0.2	(0.2)	(0.7)
EV/EBITDA (times)	13.5	11.4	9.1	7.8	6.8
EV/Sales (times)	1.0	0.8	0.7	0.7	0.6
PER (times)	23.6	19.8	15.9	13.8	12.3
PBR (times)	4.0	4.8	3.9	3.2	2.7
DPS (VND)	500	1,500	1,500	1,500	1,500
Dividend yield	0.4%	1.1%	1.1%	1.1%	1.1%

In which, TGDD grew by 7% YoY and DMX grew by 9% YoY, compared with negative 7% and negative 2% YoY growth, respectively, in 9M2021. Better performance in 4Q was thanks to good preparation for inventories, staff and promotion programs, which enabled the chains to reopen quickly and satisfy customers' demand well after the long lockdown period. With predictions that global supply shortages may last until 2Q2022, MWG maintained abundant inventories as of the year-end. Although details were not disclosed, revenue growth was reported in mobile phones, laptops, white goods (e.g washing machines, refrigerators), and small appliances, contrary to electronics products (e.g televisions). Some items experienced stunning growth (e.g laptop (+58% YoY), driven by demand for working from home and online learning during the pandemic outbreak). Online sales reached VND13,405bn (+47% YoY), contributing 14% to TGDD & DMX's revenue in 2021 from ~10% in 2020. While boosting online sales has been indispensable in the company's omni-channel strategy for years, the outbreak of COVID-19 might have helped accelerate its contribution.

Bluetronics, the mobile phone and consumer electronics chain in Cambodia, delivered VND450bn of revenue (+135% YoY) with 50 stores in operation. MWG does not plan to increase this number of stores significantly but expects the chain to reach breakeven point in 2022. Besides, the company may run the first stores in Indonesia this year.

DMS delivered VND6,800bn of revenue (2020: VND850bn), with 800 stores in operation. MWG's management plans to increase the number of stores to 1,000 at the end of 2022. We project DMS may raise its contribution in DMX's revenue to 16.8% in 2022, from 10.8% last year.

In October 2021, MWG launched a new retail chain named **Topzone** specializing in selling all Apple products to expand its market share in this section. The chain generated accumulated revenue of VND280bn with 10 stores in operation at YE2021. Given encouraging results of the first stores, MWG plans to run 200 Topzone stores at the end of this year.

We project that the TGDD & DMX chains will continue to be the company's key earners in 2022. The chains will still focus on increasing revenue per store by adding more products, expanding selling areas (e.g adding an upstairs sale space) and taking advantage of shop-in-shop model. Expansion in DMS and Topzone network should be an additional support for the company in expanding revenue. We expect TGDD & DMX's total revenue (including DMS, Topzone, Bluetronics' revenue) to increase by 11.7% YoY in 2022, assuming that the probability of repeating a long social distancing stage like 2021 may be minimized thanks to expansion of vaccination, the government's potentially increased investments in healthcare system and changes in people's habits/awareness to diminish infection.

BHX recorded VND28,216bn (+32.7% YoY) of revenue, accounting for 22.9% of MWG's top line in 2021. BHX online served more than 2.7m orders and contributed nearly VND1,000bn of revenue. There were 2,106 stores in operation at the year-end, compared with 1,719 stores at YE2020. However, we estimate the average sales per store in the last months of 2021 has not returned to the pre-pandemic level yet. In 2022, MWG plans that BHX will cease new store opening to focus on fine-tuning the backend, improve customer traffic and revenue per each point of sale, and other targets before expanding this chain nationwide from 2023. These targets may be BHX's top priorities, though MWG's business plan shows an expectation that BHX may generate net profit in late 2022. The chain has improved its operational efficiency to

reach positive EBITDA at the company level for the whole year 2021. We expect BHX to grow 20% YoY in revenue, increasing its contribution to the overall results to 24.2%, and narrow its loss significantly in 2022 to make net profit from next year.

Becoming MWG's subsidiary since late 2021, **An Khang pharmacy** chain had 178 (YE2020: 68) stores in operation. According to MWG's plan, An Khang will be invested considerably in terms of both money and dedicated leadership to develop aggressively. The average revenue per store was around VND0.5bn+ per month, which will be enhanced in the coming time in addition to other improvements in operations. Although MWG did not disclose a detailed expansion plan for the chain, we assume 100 new stores might be opened this year. Nevertheless, their revenue contribution might still be moderate.

In sum, MWG's net revenue and EAT were projected at VND140,257bn and VND6,267bn, up 14.1% and 27.9%YoY, respectively, in 2022.

	2022F	YoY growth
Net revenue	140,257	14.1%
TGDD	35,678	12.9%
DMX	70,124	11.1%
BHX	33,909	20.2%
An Khang	544	
EAT	6,267	27.9%

Source: ACBS's projections

Additionally, MWG officially introduced new retail businesses in Jan 10th, 2022, namely:

- AVA Sport: specializing in sportswear, footwear, sport bicycles, and related accessories coming from famous international brands such as Nike, Puma, Adidas, Reebok, etc.
- AVA Kids: specializing in various products that serve babies and kids.
- AVA Fashion: specializing in clothes for men and women (targeting young customers) and kids. The products are outsourced from various producers and labelled with "AVA Fashion" brand name.
- AVA Ji: specializing in jewelry and accessories.
- AVA Cycle: specializing in different kinds of bicycles. Although this business was already introduced from May 2021, it is now present in 150 stores with "AVA Cycle" brand name.

MWG opened 4-5 stores for each of these brands, except AVA Cycle, with an average land size of 200-250m² located in HCMC so far. While AVA Sport, AVA Kids and AVA Fashion are developed into standalone stores, AVA Ji and AVA Cycle are integrated in the company's mobile phones and consumer electronics stores under shop-in-shop model to optimize revenue per store. These businesses are considered promising given their market potential and opportunities to become a market dominant, although some, fashion for instance, may be tough because of consumers' different styles, hobbies, opinions, etc., and competition. As the new businesses are still in a pilot phase, a detailed plan of expansion remains unavailable and it is hard to affirm which one will be successful. Our projections have not incorporated these new businesses until there are more details.

Combining DCF and EV/EBITDA comparison methods, we value the stock at VND156k/share, equivalent to a total return of 16% at YE2022.

MWG FINANCIALS MODEL	Price (VND):	136,000	Target (VND):	156,263	Mkt cap (VND bn):	97,302
(VND bn except where stated)	2019	2020	2021U	2022F	2023F	2024F
Total Net Sales	102,174	108,546	122,958	140,257	157,170	169,727
<i>Sales growth</i>	<i>18.1%</i>	<i>6.2%</i>	<i>13.3%</i>	<i>14.1%</i>	<i>12.1%</i>	<i>8.0%</i>
TGDD	33,207	29,525	31,600	35,678	39,987	40,595
DMX	58,198	57,761	63,142	70,124	74,290	77,517
BHX	10,770	21,260	28,216	33,909	41,104	48,129
An Khang				544	1,790	3,486
CoGS ex-dep'n	81,244	82,396	92,405	104,474	116,085	124,801
Selling expenses	12,437	15,334	17,914	20,364	23,213	24,813
G&A expenses	2,074	3,404	3,830	4,369	4,895	5,286
Financial revenues	288	227	299	311	336	348
Financial expenses	2	0	40	45	50	54
EBITDA	6,706	7,638	9,068	11,316	13,262	15,120
<i>EBITDA margin</i>	<i>6.6%</i>	<i>7.0%</i>	<i>7.4%</i>	<i>8.1%</i>	<i>8.4%</i>	<i>8.9%</i>
Depreciation	1,443	2,196	2,921	3,388	3,883	4,437
Operating profit	5,263	5,443	6,147	7,928	9,379	10,683
<i>Operating profit margin</i>	<i>5.2%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>5.7%</i>	<i>6.0%</i>	<i>6.3%</i>
Other profits/losses	19	(3)	27	15	15	15
Profits/Losses from associates	(3)	(4)	4	-	-	-
Net interest expense	225	27	(293)	(357)	(516)	(733)
<i>as % of avg net debt</i>	<i>4.0%</i>	<i>0.6%</i>	<i>-7.7%</i>	<i>-8.3%</i>	<i>185.5%</i>	<i>11.4%</i>
<i>Interest cover (x)</i>	<i>23.4</i>	<i>204.6</i>	<i>-21.0</i>	<i>-22.2</i>	<i>-18.2</i>	<i>-14.6</i>
Tax	1,217	1,490	1,570	2,033	2,440	2,824
<i>Effective tax rate</i>	<i>24.2%</i>	<i>27.5%</i>	<i>24.4%</i>	<i>24.5%</i>	<i>24.7%</i>	<i>24.7%</i>
Minority interest	2	2	3	3	4	4
Attributable net profit	3,834	3,918	4,899	6,264	7,466	8,602
Cash earnings	5,277	6,113	7,820	9,652	11,350	13,039
Total number of shares	443,546,178	453,209,987	713,065,495	734,457,460	756,491,184	779,185,919
EPS (VND) (after treasury shares)	8,661	8,656	6,872	8,531	9,872	11,042
Bonus factor (x)	0.67	0.67	1.00	1.00	1.00	1.00
Adjusted EPS (VND)	5,774	5,771	6,872	8,531	9,872	11,042
<i>EPS growth</i>	<i>29.8%</i>	<i>-0.1%</i>	<i>19.1%</i>	<i>24.1%</i>	<i>15.7%</i>	<i>11.9%</i>

KEY CASHFLOW AND BS ITEMS	2019	2020	2021U	2022F	2023F	2024F
Increase in working capital	5,254	-4,929	7,165	1,775	1,715	1,310
Capex	3,066	3,909	4,963	2,460	3,150	3,150
Change in investment in affiliates	-3	-4	-53	0	0	0
Other cashflow items	-1,038	-3	-653	-565	-407	-542
Free cash flow	-4,077	7,134	-4,909	4,853	6,077	8,037
Share issues	86	99	226	214	220	227
Dividends paid	665	679	240	1,101	1,134	1,169
Increase in net debt	4,657	-6,554	4,922	-3,965	-5,163	-7,095
Net debt, end of year	7,901	1,347	6,269	2,304	-2,860	-9,955
Shareholders' equity	12,136	15,472	20,366	25,743	32,295	39,955
BVPS (VND)	27,414	34,185	28,568	35,058	42,700	51,289
Net debt / equity	65.1%	8.7%	30.8%	8.9%	-8.9%	-24.9%
Net debt / EBITDA (x)	1.2	0.2	0.7	0.2	-0.2	-0.7
Total assets	41,708	46,031	62,983	64,394	65,783	66,348

KEY RETURN AND VALUATION RATIOS	2019	2020	2021U	2022F	2023F	2024F
ROE	36.3%	28.4%	27.3%	27.2%	25.7%	23.8%
ROA	11.0%	8.9%	9.0%	9.8%	11.5%	13.0%
ROIC	24.9%	21.4%	21.5%	21.9%	24.5%	27.0%
WACC	7.9%	10.1%	6.9%	9.5%	11.0%	11.0%
EVA	17.0%	11.2%	14.5%	12.3%	13.6%	16.0%
PER (x)	23.6	23.6	19.8	15.9	13.8	12.3
EV/EBITDA (x)	15.4	13.5	11.4	9.1	7.8	6.8
EV/FCF (x)	-25.3	14.5	-21.0	21.3	17.0	12.8
PBR (x)	5.0	4.0	4.8	3.9	3.2	2.7
PSR (x)	0.9	0.9	0.8	0.7	0.6	0.6
EV/sales (x)	1.0	1.0	0.8	0.7	0.7	0.6
PEG (x, 3 yr prospective)	1.4	1.6	1.0	0.9	1.0	1.0
Dividend yield	1.1%	0.4%	1.1%	1.1%	1.1%	1.1%

CONTACTS

Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City

Tel: (+84 28) 3823 4159

Fax: (+84 28) 3823 5060

Hanoi Office

10 Phan Chu Trinh, Hoan Kiem Dist., Ha Noi

Tel: (+84 4) 3942 9395

Fax: (+84 4) 3942 9407

RESEARCH DEPARTMENT

Associate Director

Giao Nguyen

(+84 28) 3823 4159 (x250)

giaonbt@acbs.com.vn

**Associate – Consumer-related,
Technology**

Chi Luong

(+84 28) 3823 4159 (x327)

chiltk@acbs.com.vn

**Associate – Consumer-related,
Technology**

Trung Tran

(+84 28) 3823 4159 (x351)

trungtn@acbs.com.vn

Manager – Properties

Truc Pham

(+84 28) 3823 4159 (x303)

trucptt@acbs.com.vn

Manager – Financials

Hung Cao

(+84 28) 3823 4159 (x326)

hungcv@acbs.com.vn

Associate – Oil & Gas

Hung Phan

(+84 28) 3823 4159 (x354)

hungpv@acbs.com.vn

Associate – Industrials

Huy Huynh

(+84 28) 3823 4159 (x325)

huyha@acbs.com.vn

Associate – Macro; Derivatives

Minh Trinh Viet

(+84 28) 3823 4159 (x352)

minhtvh@acbs.com.vn

Analyst – Industrials

Phuc Tran

(+84 28) 3823 4159 (x325)

phuctta@acbs.com.vn

Analyst – Technical

Phuoc Luong

(+84 28) 3823 4159 (x250)

phuocld@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Director - Head of Institutional Client

Tyler Cheung

(+84 28) 38 234 876

tyler@acbs.com.vn

Trading Manager

Huong Chu

(+84 28) 3824 6679

huongctk@acbs.com.vn

Customer Support

Institutional Client

Thanh Le

(+84 28) 3823 4798

thanhln@acbs.com.vn

Trader

Thanh Tran

(+84 28) 3824 7677

thanhtt@acbs.com.vn

Trader

Phuong Chu

(+84 28) 3823 4159 (x357)

phuongctm@acbs.com.vn

Trader

Dung Ly

(+84 28) 3823 4159 (x313)

dungln.hso@acbs.com.vn

Trader

Nhi Nguyen

(+84 28) 3823 4159 (x315)

nhinp@acbs.com.vn

DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2022). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.