



MWG Update- BUY

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Company Update

Recommendation

BUY

HSX: MWG

Retail

Target price (VND)

48,889

Current price (VND)

38,900

Expected share price return

25.7%

Expected dividend yield

1.3%

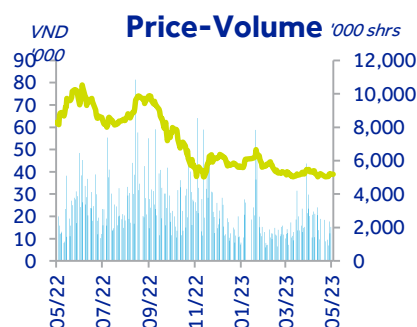
Expected total return

27.0%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-9.3	-4.3	-7.4	-41.6
Relative	-15.5	-4.1	-8.7	-29.2

Source: Bloomberg



Ownership

Retail World Ltd Co.	10.5%
Arisaig Asia	6.9%
VietFund	5.3%

Stock Statistics

15-May-23

Bloomberg code

MWG VN

52-week range (VND)

35,250-79,000

Shares O/S (m)

1,463

Mkt cap (VND bn)

56,925

Mkt cap (USD m)

2,384

Foreign room left (%)

0.0

Est. free float (%)

75.2

3m avg daily vol (shrs)

1,981,497

VND/USD

23,875

Index: VNIndex / HNX

1065.71/214.33

MOBILE WORLD INVESTMENT CORP (MWG VN)

Although we revise down our projections to reflect the company's gloomy results in 1Q23 in light of weak consumer spending, we maintain a **BUY** recommendation on the stock given better signs in April and expectations that the performance may improve towards the end of this year.

MWG's net revenue and EAT plummeted by 25.7% and 98.5% YoY, to VND27,106bn and VND21.3bn, respectively, in 1Q23. The plunge in EAT was mainly attributed to a substantial squeeze in gross margin (19.2% in 1Q23 vs. 22.3% in 1Q22), mostly due to TGDD and DMX's promotion programs to boost sales. A higher SG&A expenses on net revenue ratio (18.8% in 1Q23 vs 17.2% in 1Q22) and a 57% decline in financial profit were also responsible for the results.

MWG's business results	1Q23	YoY growth
Net revenue (VNDbn)	27,106	-25.7%
TGDD (including Topzone)	6,654	-33.4%
DMX (all sizes)	13,349	-33.3%
BHX	6,370	+5.5%
EAT (VNDbn)	21	-98.5%
Number of stores	Δ from YE2022	
TGDD (including Topzone)	1,188	-2
DMX (all sizes)	2,291	+7
BHX	1,710	-18
An Khang	510	+10

Source: MWG and ACBS

TGDD and DMX chains (including Topzone and DMS) witnessed a slump of c.33% YoY in revenue in 1Q23, underperforming our projections given that revenue per store by month was lower than that in the last months of 2022. Although weakening consumer spending had been expected, its severity even intensified in the early months of the year, which are typically the chains' peak season. Same-store sales growth of both chains in the aggregate was reported at negative 37%. Most of major categories (e.g mobile phones, laptops, electronics, white goods, small appliances, etc.) experienced negative YoY sales growth in the quarter.

	2021	2022	2023F	2024F	2025F
Net sales (VNDbn)	122,958	133,405	118,651	153,144	161,526
Growth	13.3%	8.5%	-11.1%	29.1%	5.5%
EBITDA (VNDbn)	9,095	10,623	5,905	12,796	14,374
EBITDA margin	7.4%	8.0%	5.0%	8.4%	8.9%
Net profit (VNDbn)	4,899	4,100	1,291	6,208	7,298
Growth	25.0%	-16.3%	-68.5%	380.7%	17.6%
EPS (bonus-adjusted, VND)	3,446	2,809	881	4,129	4,726
Growth	19.5%	-18.5%	-68.6%	368.7%	14.5%
ROE	27.3%	18.5%	5.3%	22.7%	21.8%
ROA	9.0%	6.9%	2.4%	11.7%	13.8%
ROIC	22.0%	17.7%	5.9%	27.1%	31.2%
Net debt/EBITDA (times)	0.6	0.1	(0.4)	(0.6)	(1.0)
EV/EBITDA (times)	6.4	5.5	9.9	4.5	4.0
EV/Sales (times)	0.5	0.4	0.5	0.4	0.4
PER (times)	11.3	13.8	44.2	9.4	8.2
PBR (times)	1.4	2.4	2.3	1.9	1.6
DPS (VND)	1,000	500	500	1,000	1,000
Dividend yield	2.6%	1.3%	1.3%	2.6%	2.6%

The numbers saw some improvements in April 2023 as TGDD and DMX's preliminary revenue grew by 30% MoM (despite still tumbling by 20% YoY, according to ACBS' estimate), largely driven by air conditioner sales as a result of a much hotter season this year. The company expects that these products may continue to generate positive growth in May. Nevertheless, we revise down our projections to reflect the deep drop in the chains' 1Q23 results. Their respective revenues are projected to fall by 19.2% and 14.6% YoY in 2023, which are 19% and 11% lower than our previous projections.

The chains reported an aggregate gross margin of 17% in 1Q23 (vs. 21% in 4Q22) owing to promotion programs to boost sales. While broadening store network is not a priority, MWG's management targets to continue with a competitive price strategy to attract and retain customers for TGDD and DMX, which is believed to be appropriate for the current market situation though it may not support profitability.

For EraBlue, the consumer electronics chain launched in Indonesia in Dec 2022, MWG is working on standardizing business model for expansion, aiming to reach 50 stores by the year-end from five stores at present.

BHX maintained revenue growth albeit moderate at 5.5% YoY, with a gross margin of 27% in 1Q23. Revenue per store was VND1.3bn in March. According to the company, BHX recorded stable traffic and sales volume, though bill value was somewhat depressed by weak consumer spending. Fresh food sales increased by 40% YoY, in line with the company's strategy to focus on improving fresh products' quality and quantity as a key to attract customers. BHX is going to keep boosting revenue by increasing basket size, shopping frequency of the existing customers, and attracting new traffic while expansion of the store network is still limited. We project the chain's net loss may shrink by c.60% in 2023, on the back of improvements from restructuring and continued efforts in strengthening efficiency.

We expect BHX's revenue to climb by 5.7% YoY, accounting for 24% of MWG's overall results in 2023.

An Khang is going to focus on fostering revenue per store and optimizing operations to enhance business efficiency, whereas expansion of the store network is not a priority. We expect that An Khang may contribute 1.9% to MWG's net revenue and not yield net profit in 2023. A similar strategy will be applied for AVA Kids chain.

Forecast and valuation

In April 2023, MWG recorded preliminary revenue of c.VND9.7trn, falling by c.15% YoY but rising by c.20% MoM. The MoM improvement may imply the beginning of a rebound in consumer spending thanks to softer interest rates and the government's initial solutions to tackle some problems of the property, financial markets, etc. However, a truly rebound may become clearer toward the last months of this year, when difficulties of the economy are expected to diminish.

We revise down our projections for MWG's net revenue and EAT to VND118,651 (-11.1% YoY) and EAT of VND1,292bn (-68.5% YoY) in 2023, 11% and 69% lower than our previous projections, respectively. A strong recovery in both revenue and EAT is expected next year. With a focus on controlling and optimizing inventories, MWG's inventories decreased by 18% compared to that at the end of 2022, while net debt at the end of 2022 turned to net cash at the end of 1Q23.

Combining the DCF and EV/Sales methods, we revised down our target price for MWG to VND48,889/share, equivalent to a total return of 27.0% at the end of this year.

	2023F	YoY growth
Net revenue	118,651	-11.1%
TGDD	28,032	-19.2%
DMX	58,923	-14.6%
BHX	28,600	+5.7%
An Khang	2,202	+46.8%
EAT	1,292	-68.5%

Source: ACBS's projections

MWG FINANCIALS MODEL	Price (VND):	38,900	Target (VND):	48,889	Mkt cap (VND bn):	56,925
(VND bn except where stated)	2021	2022	2023F	2024F	2025F	
Total Net Sales	122,958	133,405	118,651	153,144	161,526	
<i>Sales growth</i>	<i>13.3%</i>	<i>8.5%</i>	<i>-11.1%</i>	<i>29.1%</i>	<i>5.5%</i>	
CoGS ex-dep'n	92,405	99,002	90,629	114,095	119,936	
Selling expenses	17,914	22,337	20,768	24,509	25,365	
G&A expenses	3,823	1,881	1,673	2,159	2,278	
Financial revenues	320	459	336	431	444	
Financial expenses	40	21	12	15	16	
EBITDA	9,095	10,623	5,905	12,796	14,374	
<i>EBITDA margin</i>	<i>7.4%</i>	<i>8.0%</i>	<i>5.0%</i>	<i>8.4%</i>	<i>8.9%</i>	
Depreciation	2,921	3,540	3,703	3,820	4,136	
Operating profit	6,174	7,083	2,202	8,976	10,238	
<i>Operating profit margin</i>	<i>5.0%</i>	<i>5.3%</i>	<i>1.9%</i>	<i>5.9%</i>	<i>6.3%</i>	
Other profits/losses	6	(518)	12	12	12	
Profits/Losses from associates	(2)	-	-	-	-	
Net interest expense	(294)	508	150	(64)	(351)	
<i>as % of avg net debt</i>	<i>-8.9%</i>	<i>15.1%</i>	<i>-39.1%</i>	<i>1.4%</i>	<i>3.2%</i>	
<i>Interest cover (x)</i>	<i>-21.0</i>	<i>13.9</i>	<i>14.7</i>	<i>-140.5</i>	<i>-29.2</i>	
Tax	1,570	1,955	773	2,841	3,300	
<i>Effective tax rate</i>	<i>24.3%</i>	<i>29.7%</i>	<i>37.7%</i>	<i>31.4%</i>	<i>31.2%</i>	
Minority interest	3	2	1	3	3	
Attributable net profit	4,899	4,100	1,291	6,208	7,298	
Cash earnings	7,820	7,640	4,994	10,028	11,434	
Total number of shares	713,065,495	1,463,879,280	1,463,879,280	1,503,404,021	1,543,995,929	
EPS (VND) (after treasury shares)	6,892	2,809	881	4,129	4,726	
Bonus factor (x)	0.50	1.00	1.00	1.00	1.00	
Adjusted EPS (VND)	3,446	2,809	881	4,129	4,726	
<i>EPS growth</i>	<i>19.5%</i>	<i>-18.5%</i>	<i>-68.6%</i>	<i>368.7%</i>	<i>14.5%</i>	

KEY CASHFLOW AND BS ITEMS	2021	2022	2023F	2024F	2025F
Increase in working capital	6,282	-54	244	3,465	897
Capex	4,976	4,460	725	1,605	2,205
Change in investment in affiliates	-53	181	0	0	0
Other cashflow items	-642	1,356	357	357	357
Free cash flow	-4,027	4,409	4,382	5,315	8,689
Share issues	226	188	-	395	406
Dividends paid	240	732	732	751	1,543
Increase in net debt	4,040	-3,865	-3,650	-4,958	-7,552
Net debt, end of year	5,307	1,442	-2,208	-7,166	-14,718
Shareholders' equity	20,366	23,918	24,478	30,329	36,489
BVPS (VND)	28,665	16,398	16,727	20,180	23,641
Net debt / equity	26.1%	6.0%	-9.0%	-23.6%	-40.3%
Net debt / EBITDA (x)	0.6	0.1	-0.4	-0.6	-1.0
Total assets	62,971	55,834	52,743	53,637	52,245

KEY RETURN AND VALUATION RATIOS	2021	2022	2023F	2024F	2025F
ROE	27.3%	18.5%	5.3%	22.7%	21.8%
ROA	9.0%	6.9%	2.4%	11.7%	13.8%
ROIC	22.0%	17.7%	5.9%	27.1%	31.2%
WACC	11.5%	16.1%	16.3%	16.3%	16.3%
EVA	10.5%	1.6%	-10.4%	10.8%	14.9%
PER (x)	11.3	13.8	44.2	9.4	8.2
EV/EBITDA (x)	6.4	5.5	9.9	4.5	4.0
EV/FCF (x)	-14.4	13.2	13.3	10.9	6.7
PBR (x)	1.4	2.4	2.3	1.9	1.6
PSR (x)	0.5	0.4	0.5	0.4	0.4
EV/sales (x)	0.5	0.4	0.5	0.4	0.4
PEG (x, 3 yr prospective)	-0.5	0.1	0.4	0.1	0.6
Dividend yield	2.6%	1.3%	1.3%	2.6%	2.6%

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DISCLAIMER

Our Recommendation System

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

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

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

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