



# MWG Update- OUTPERFORM

May 20, 2024

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## Company Update

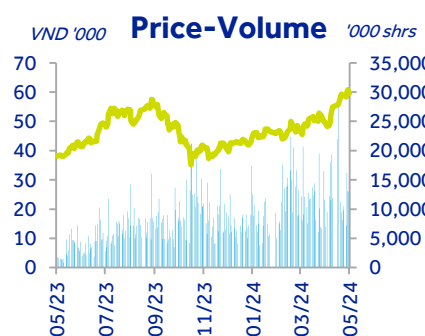
Recommendation **OUTPERFORM**  
HSX: MWG

Target price (VND)	<b>64,900</b>
Current price (VND)	<b>59,600</b>
Expected share price return	8.9%
Expected dividend yield	1.3%
Expected total return	<b>10.2%</b>

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	41.1	20.6	28.7	57.7
Relative	27.4	13.8	23.3	35.6

Source: Bloomberg



## Ownership

Retail World Inv.	10.5%
Arisaig Asia	3.5%
VietFund Management	2.8%
Mr. Tai Nguyen (Chairman)	2.4%

## Stock Statistics 17-May-2024

Bloomberg code	MWG VN
52-week range (VND)	33,600-62,100
Shares O/S (m)	1,462
Mkt cap (VND bn)	88,320
Mkt cap (USD m)	3,466
Foreign room left (%)	0.1
Est. free float (m)	77.1
3m avg daily vol (shrs)	12,359,940
VND/USD	25,482
Index: VNIIndex / HNX	1280.5/242.8

## MOBILE WORLD INVESTMENT CORP (MWG VN)

The company's profitability enhanced much better than our expectations in 1Q2024, mostly driven by a rebound in TGDD & DMX's gross margin and BHX narrowing loss. We revise up our EAT projection by 35% for 2024 and move our target price to mid-2025. Maintain **OUTPERFORM** rating with a target price at VND64,900/share, equivalent to a total return of 10.2%.

MWG announced net revenue of VND31,486bn (+16.2% YoY; +0.2% QoQ) and EAT of VND903bn (+43 times YoY) in 1Q2024, driven by a rebound in TGDD & DMX's performance combined with BHX's on-track results.

The **TGDD & DMX** chains, together capturing c.68% of MWG's sales in 1Q2024, climbed by 6.7% YoY (and 1% QoQ) in revenue. Despite moderate QoQ growth given that a further recovery in consumer spending remained vague, the YoY enhancement was bolstered by double-digit growth of the white goods category, in light of the hot weather starting soon, and softer price competition.

**BHX**, making up 32% of MWG's sales, continued to report vibrant sales growth of 43.8% YoY in 1Q2024 thanks to rising sales per store throughout 2023. The chain saw its loss shrinking by 70% YoY, getting closer to the target of making net profit in 2024.

**An Khang**, which may contribute modestly to MWG's sales (c.2.5% in 2024-2025), still puts a priority on fostering revenue per store and optimizing operations over expanding the store network.

The company's gross margin widened to 21.3% in 1Q2024 (1Q2023: 19.2%) while the SG&A expenses to net revenue ratio declined to 18.1% in 1Q2024 (1Q2023: 18.8%).

Inventories at the end of 1Q2024 contracted by 5.7% compared to that at YE2023 (in which, we estimate TGDD & DMX's inventories contracted by 5%, capturing 82% of the total). The company might have almost completed the target of reducing inventories. The net debt to equity ratio was -33.2% at the end of 1Q2024, improving from -5.5% at YE2023 (i.e increased net cash).

MWG targets VND125,000bn of revenue (+5.7% YoY) and VND2,400bn of EAT (+1330% YoY) in 2024. We project that the company may generate net revenue and EAT at VND128,259bn (+8.4% YoY) and VND3,398bn (+1926% YoY) in 2024, respectively, 35% higher than our prior earnings forecast on a minor revision of 2% in revenue. **Our target price for MWG in the next twelve months is VND64,900/share, equivalent to a total return of 10.2%.**

	2022	2023	2024F	2025F	2026F
Net Sales (VNDbn)	133,405	118,280	128,259	141,725	150,743
Growth	8.5%	-11.3%	8.4%	10.5%	6.4%
EBITDA (VNDbn)	10,623	4,018	7,204	8,957	9,424
EBITDA margin	8.0%	3.4%	5.6%	6.3%	6.3%
Net Profit (VNDbn)	4,100	168	3,388	5,038	5,734
Growth	-16.3%	-95.9%	1922.0%	48.7%	13.8%
EPS (bonus-adjusted, VND)	2,809	115	2,247	3,245	3,586
Growth	-18.5%	-95.9%	1861.6%	44.4%	10.5%
ROE	18.5%	0.7%	13.6%	17.5%	17.1%
Net debt/EBITDA (times)	0.1	-0.3	-1.1	-1.7	-2.3
EV/EBITDA (times)	8.1	21.4	11.9	9.6	9.1
EV/sales (times)	0.6	0.7	0.7	0.6	0.6
PER (times)	21.2	520.2	26.5	18.4	16.6
Dividend yield	0.8%	0.8%	0.8%	1.7%	1.7%

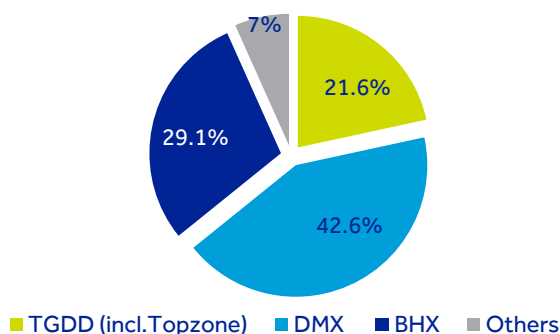
## 1Q2024 results were spurred by all key pillars

MWG announced net revenue of VND31,486bn (+16.2% YoY) and EAT of VND903bn (+43 times YoY) in 1Q2024. While the revenue growth was driven by a rebound in TGDD & DMX's performance combined with BHX's on-track results, the EAT was underpinned by:

- i) a widened gross margin to 21.3% in 1Q2024 (1Q2023: 19.2%; 4Q2023: 19.7%), particularly in the TGDD&DMX's chain, beating our expectations.
- ii) a lower SG&A expenses to net revenue ratio to 18.1% in 1Q2024 (1Q2023: 18.8%; 4Q2023: 18.8%) thanks to revenue growth outpacing the rise in SG&A expenses. Restructuring TGDD & DMX's operating expenses and store network in late 2023 might contribute to strengthen the company's efficiency.
- iii) and increased financial profit (+232% YoY), largely backed by interest income and bond interest.

MWG's business results	1Q2024	YoY growth	QoQ growth	1Q2023	4Q2023
Net revenue (VNDbn)	31,486	16.2%	0.2%	27,106	31,422
EAT (VNDbn)	903	4200%	901%	21	90
Gross margin	21.3%			19.2%	19.7%
SG&A expenses to net revenue ratio	18.1%			18.8%	18.8%

## Revenue breakdown by chains (1Q2024)



Source: MWG; ACBS.

## TGDD & DMX's profitability strengthened

TGDD & DMX's aggregate revenue climbed by 6.7% YoY in 1Q2024, with 3,255 stores in operation at the end of 1Q2024, down by 13 stores versus YE2023. The chains closed a large number of underperforming stores in late 2023; however, we will not surprise if they maintain reviewing and optimizing the store network as a regular action in order to fortify efficiency. This is in line with MWG's strategy to reduce quantity but increase quality (e.g decreasing underperforming points of sale, streamlining team size, enhancing service quality/efficiency, etc.).

Despite moderate QoQ revenue growth of 1% as a further recovery in consumer spending remained vague, the YoY enhancement was primarily bolstered by double-digit growth of the white goods category, because the hot weather started soon and prolonged, and softer price competition among ICT retailers. The same-store sales growth returned to positive 10% in 1Q2024 after posting negative numbers in consecutive quarters in 2023.

Most major categories, except TVs and laptops, reported YoY sales growth (of 5% to 50%) in 1Q2024. The white goods and small appliances categories were outstanding for double-digit sales growth; in which, air-conditioners' sales jumped by nearly 50% YoY.

TGDD+DMX's results	1Q2024	YoY growth	QoQ growth	1Q2023	4Q2023
Revenue (VNDbn)	21,348	6.7%	1.0%	20,003	21,142
Same-store sales growth	10%			-37%	-5%
Gross margin	19%			17%	17%
Number of stores	3,255				
+/- stores from YE2023	-13				

Source: MWG; ACBS

The chains reported an aggregate gross margin of 19% in 1Q2024 (1Q2023: 17%), better than our expectations. This might be explained by softer price competition, supports from manufacturers/partners and a higher contribution of some high-margin consumer electronics products.

Regarding EraBlue, MWG's financial statement recorded a loss of VND20bn from this chain in 1Q2024, which was expected by the company. Expansion of the store network (with a plan to have 100 stores at YE2024, from 55 at the end of 1Q2024) will be conducted with prudence. The chain still focuses on improving its business model, boosting revenue and gross profit, and optimizing expenses to reach EBITDA breakeven at the company level before expanding stronger (with a plan to reach 500 stores in 2027 as agreed with Erajaya).

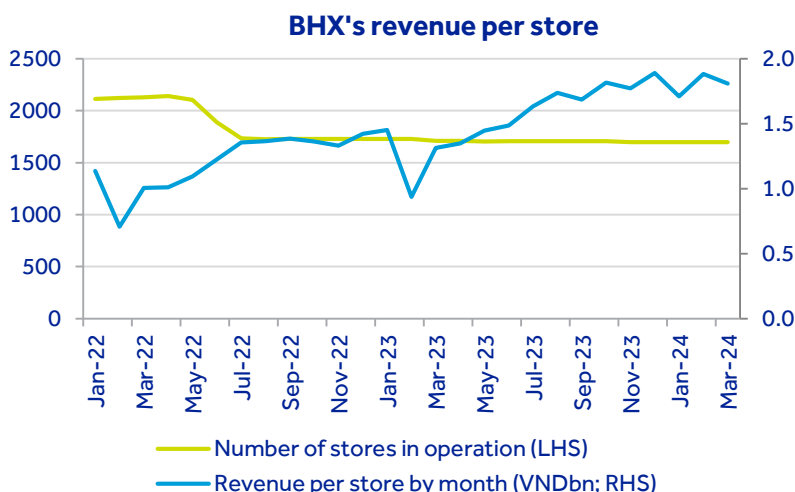
### BHX is getting closer to net profit

BHX generated revenue growth of 43.8% YoY in 1Q2024, as result of rising revenue per store, which was seen throughout 2023 despite some contractions in early 2024. We estimate BHX's revenue per store at VND1.8bn in March 2024. The growth in 1Q was fostered by fruitful sales growth in the fresh food and FMCG categories (+30%-70% YoY) and increased number of bills (+40% YoY). As of YE2023, BHX had 1,696 stores, down by 2 stores compared to that at YE2023 although it has a plan to open 100 new stores this year.

The chain's net loss shrank by 70% YoY in 1Q2023, in line with our expectations. The gross margin was 24%, similar to 4Q2023's but narrower than the 26% level of 1Q2023, explained by a higher contribution of the fresh food category (which offers a lower margin versus FMCGs). BHX continues to focus on the fresh food category to spur customer traffic and revenue.

BHX's results	1Q2024	YoY growth	QoQ growth	1Q2023	4Q2023
Revenue (VNDbn)	9,162	43.8%	-1.6%	6,370	9,315
Same-store sales growth	44%			16%	34%
Gross margin	24%			26%	24%
EAT	-105			-354	-352
Number of stores	1,696				
+/- stores from YE2023	-2				

Source: MWG; ACBS



Source: MWG; ACBS

## 2024-2025 Forecasts

**TGDD & DMX** target to strengthen business performance including profits through optimizing store network, boosting same-store sales growth and market share, etc. New stores opening is not projected.

We project that the chains may generate VND86,480bn (+3.5% YoY) and VND95,993bn (+11% YoY) of revenue in 2024-2025, 2% higher than our previous projections, respectively. Consumer spending is expected to see a gradual revival toward the end of 2024, albeit with a slow pace, when the challenging economic picture are expected to improve, suggesting stronger growth for 2025.

We expect that the chains' gross margin in 1Q2024 may almost maintain for the rest of 2024 (up by c.2 percentage points compared to our prior projection) as MWG does not plan to escalate the competitive price strategy in 2024; however, a dramatic expansion is not projected given fierce competition in the market and the company's current focus on boosting revenue rather than profit margins. A better gross margin combined with heightened efficiency thanks to restructuring in 4Q2023 should facilitate TGDD & DMX's earnings in 2024-2025.

**BHX** is going to keep boosting revenue per store, emphasizing on the fresh food category, and optimizing costs (especially logistic costs). Expansion of the store network will be accompanied by requirements on efficiency. The chain's management currently does not plan to expand to the North and may not spend time on this idea until the end of this year.

We assume BHX's gross margin at 24.7% in 2024-2025 (2023: 25.7%), decreasing by 0.5 percentage points compared to the prior projection, considering 1Q2024 performance and the chain's focus on the fresh food category, boosting revenue rather than gross margin. We maintain our projections that BHX may generate VND37,849bn of revenue (+19.7% YoY) and make profit in 2024.

**An Khang** continues to focus on fostering revenue per store, optimize operation (e.g diversifying product mix, enhancing pharmacists' competence, deploying technology, etc.), amplify market share and reach the breakeven point (i.e achieving the average revenue per store of VND0.55bn, from VND0.45bn at the end of 2023) before Dec 31, 2024. The chain does not project new store opening before reaching the breakeven

point. As of 1Q2024 An Khang had 526 stores (YE2023: 527). We project that An Khang's contribution to MWG's net revenue remains humble at 2%-3% in 2024-2025 and the chain may not yield net profit in the near future.

**The AVA Kids** chain (64 stores) is going to put a priority on boosting online sales over expanding the store network. The chain targets to reach the break-even points before 31<sup>st</sup> Dec 2024.

## Valuation

Our projections for MWG's net revenue and EAT are VND128,259bn (+8.4% YoY) and VND3,398bn (+1926% YoY) in 2024, 2% and 35% higher than our previous forecast, respectively. Combining the DCF and EV/Sales methods, **our target price for MWG in the next twelve months is VND64,900/share.**



<b>MWG FINANCIALS MODEL</b>	Price (VND):	59,600	Target (VND):	64,900	Mkt cap (VND bn):	88,320
(VND bn except where stated)	2022	2023	2024F	2025F	2026F	
<b>Total Net Sales</b>	<b>133,405</b>	<b>118,280</b>	<b>128,259</b>	<b>141,725</b>	<b>150,743</b>	
<i>Sales growth (%)</i>	8.5%	-11.3%	8.4%	10.5%	6.4%	
CoGS	102,638	95,845	101,028	110,963	117,957	
Selling expenses ex-dep'n	18,841	17,639	17,185	18,709	20,056	
G&A expenses ex-dep'n	1,741	1,008	3,031	3,366	3,590	
Financial revenues	459	339	383	388	410	
Financial expenses	21	109	194	119	126	
<b>EBITDA</b>	<b>10,623</b>	<b>4,018</b>	<b>7,204</b>	<b>8,957</b>	<b>9,424</b>	
<i>EBITDA margin (%)</i>	8.0%	3.4%	5.6%	6.3%	6.3%	
Depreciation	3,540	3,351	3,155	3,197	3,278	
<b>Operating profit</b>	<b>7,083</b>	<b>667</b>	<b>4,049</b>	<b>5,760</b>	<b>6,145</b>	
<i>Operating profit margin (%)</i>	5.3%	0.6%	3.2%	4.1%	4.1%	
Other profits/losses	(518)	(357)	7	7	7	
Profits/Losses from associates	-	-	(80)	(40)	-	
Net interest expense	508	(380)	(380)	(562)	(922)	
<i>as % of avg net debt</i>	15.1%	-454.2%	8.0%	4.9%	5.0%	
<i>Interest cover (x)</i>	13.9	-1.8	-10.7	-10.2	-6.7	
Tax	1,955	522	959	1,217	1,293	
<i>Effective tax rate (%)</i>	29.7%	49.8%	21.6%	19.3%	18.3%	
Minority interest	2	0	10	35	48	
<b>Attributable net profit</b>	<b>4,100</b>	<b>168</b>	<b>3,388</b>	<b>5,038</b>	<b>5,734</b>	
Cash earnings	7,640	3,519	6,543	8,235	9,012	
Total number of shares	1,463,879,280	1,463,376,716	1,507,278,017	1,552,496,358	1,599,071,249	
<b>EPS (VND) (after treasury shares)</b>	<b>2,809</b>	<b>115</b>	<b>2,247</b>	<b>3,245</b>	<b>3,586</b>	
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	
<b>Adjusted EPS (VND)</b>	<b>2,809</b>	<b>115</b>	<b>2,247</b>	<b>3,245</b>	<b>3,586</b>	
<i>EPS growth (%)</i>	-18.5%	-95.9%	1861.6%	44.4%	10.5%	

KEY CASHFLOW AND BS ITEMS	2022	2023	2024F	2025F	2026F
Increase in working capital	-54	-107	-360	1,286	896
Capex	4,460	492	150	413	675
Change in investment in affiliates	181	106	-80	-40	0
Other cashflow items	1,356	429	429	429	429
<b>Free cash flow</b>	<b>4,409</b>	<b>3,458</b>	<b>7,262</b>	<b>7,005</b>	<b>7,870</b>
Share issues	188	-9	439	452	466
Dividends paid	732	731	753	776	1,598
Increase in net debt	-3,865	-2,717	-6,948	-6,682	-6,738
<b>Net debt, end of year</b>	<b>1,442</b>	<b>-1,275</b>	<b>-8,223</b>	<b>-14,904</b>	<b>-21,642</b>
<b>Shareholders' equity</b>	<b>23,918</b>	<b>23,346</b>	<b>26,420</b>	<b>31,134</b>	<b>35,735</b>
BVPS (VND)	16,398	15,964	17,539	20,067	22,361
Net debt / equity (%)	6.0%	-5.5%	-31.1%	-47.9%	-60.6%
Net debt / EBITDA (x)	0.1	-0.3	-1.1	-1.7	-2.3
<b>Total assets</b>	<b>55,834</b>	<b>60,111</b>	<b>56,237</b>	<b>54,270</b>	<b>52,133</b>

KEY RETURN AND VALUATION RATIOS	2022	2023	2024F	2025F	2026F
ROE	18.5%	0.7%	13.6%	17.5%	17.1%
ROA	6.9%	0.3%	5.8%	9.1%	10.8%
ROIC	17.7%	-0.6%	15.3%	26.7%	33.0%
WACC	14.3%	14.4%	14.4%	14.4%	14.4%
EVA	3.4%	-15.0%	0.9%	12.3%	18.6%
PER (x)	21.2	520.2	26.5	18.4	16.6
EV/EBITDA (x)	8.1	21.4	11.9	9.6	9.1
EV/FCF (x)	19.5	24.8	11.8	12.3	10.9
PBR (x)	3.6	3.7	3.4	3.0	2.7
PSR (x)	0.7	0.7	0.7	0.6	0.6
EV/sales (x)	0.6	0.7	0.7	0.6	0.6
PEG (x, 3 yr prospective)	0.0	0.9	0.0	0.8	1.2
Dividend yield	0.8%	0.8%	0.8%	1.7%	1.7%



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### Our Recommendation System

**BUY:** prospective 12 month VND total return (including dividends) will be more than 20%.

**OUTPERFORM:** prospective 12 month VND total return (including dividends) will be 10% to 20%.

**NEUTRAL:** prospective 12 month VND total return (including dividends) will be -10% to 10%.

**UNDERPERFORM:** prospective 12 month VND total return (including dividends) will be will be -20% to -10%.

**SELL:** prospective 12 month VND total return (including dividends) will be lower than -20%.

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