



MWG Update- NEUTRAL

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Company Update

Recommendation

NEUTRAL

HSX: MWG

Retail

Target price (VND)

72,100

Current price (VND)

67,500

Expected share price return

6.9%

Expected dividend yield

1.5%

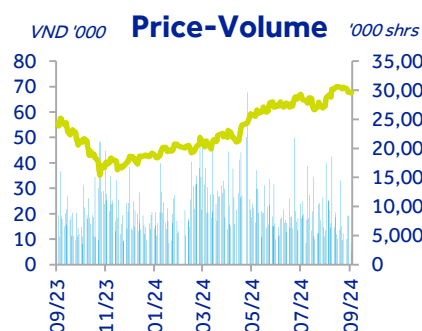
Expected total return

8.4%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	59.4	2.9	9.6	22.6
Relative	46.4	-0.8	10.7	18.8

Source: Bloomberg



Ownership

Retail World Inv.	10.5%
Arisaig Asia	3.5%
Baillie Gifford & Co	3.0%
Mr. Tai Nguyen (Chairman)	2.3%

Stock Statistics

9-Sep-2024

Bloomberg code

MWG VN

52-week range (VND)	33,600-70,800
Shares O/S (m)	1,462
Mkt cap (VND bn)	98,972
Mkt cap (USD m)	3,986
Foreign room left (%)	2.0
Est. free float (m)	77.4
3m avg daily vol (shrs)	8,262,311
VND/USD	24,830
Index: VNIndex / HNX	1267.7/233.4

MOBILE WORLD INVESTMENT CORP (MWG VN)

The company's 1H2024 results were fostered by not only a rebound in TGDD & DMX's performance but also the fact that BHX started to make profit. In addition, the company continues to refine its efficiency by streamlining the pharmaceutical chain in 2024. We revise up our EBT projection by 20% for 2024 and move target price to the end of 2025 at VND72,100/share. Rating **NEUTRAL**.

MWG seemed to be half-way through restoration of its business performance from gloomy days in 2023, as net revenue achieved VND65,621bn (+16% YoY) and EBT was VND2,722bn (similar to 1H2020's result and +9 times YoY) in 1H2024.

TGDD & DMX, together capturing c.68% of MWG's sales, generated 6.5% YoY growth in revenue irrespective of a continued decrease (of 3.9% YTD and 9.5% YoY) in the number of stores in 1H2024 to eliminate underperforming ones. The growth was 6.3% YoY with 206 stores closed in 7M2024 (down by 6.3% YTD and 11.5% YoY).

BHX was in the limelight for turning profitable (albeit tiny at VND7bn) in 2Q, despite still recognizing accumulated net loss in 1H2024. Making up 32% of MWG's sales, the chain upheld vivid growth of 42.1% YoY in 1H2024 (and 40.2% YoY in 7M) thanks to an uptrend in monthly revenue per store since early 2023.

An Khang, whose contribution to MWG's sales remains modest (c.2% in 2024-2025 forecast), kept putting a priority on boosting revenue per store and optimizing operations. The chain also began to review and close 46 stores in 1H2024, mostly in June (and additional 94 in July and 44 in August), in order to strengthen efficiency.

The jump in EBT came as a result of enhancement in gross margin and the SG&A expenses to net revenue ratio. The overall gross margin widened to 21.4% in 1H2024 (1H2023: 18.8%), fueled by advances in all three key chains. The SG&A expenses to net revenue ratio improved to 17.6% in 1H2024 (1H2023: 18.6%) in view of a recovery in sales. The average inventories per store in both ICT and groceries chains were stable compared to YE2023.

We project that the company may generate VND132,774bn of net revenue (+12.3% YoY) and EBT of VND5,271bn in 2024 (+7 times YoY), up by 3.5% in terms of revenue and 20% in terms of EBT compared to the prior update. The respective growth is projected at 6.2% YoY and 17.5% YoY for 2025. **Our target price for MWG by the end of 2025 is VND72,100/share, equivalent to a total return of 8.4%.**

	2022	2023	2024F	2025F	2026F
Net Sales (VNDbn)	133,405	118,280	132,774	141,008	151,804
Growth	8.5%	-11.3%	12.3%	6.2%	7.7%
EBITDA (VNDbn)	10,623	4,018	7,639	8,330	8,413
EBITDA margin	8.0%	3.4%	5.8%	5.9%	5.5%
Net Profit (VNDbn)	4,100	168	4,116	4,939	6,156
Growth	-16.3%	-95.9%	2356.5%	20.0%	24.7%
EPS (bonus-adjusted, VND)	2,809	115	2,731	3,183	3,852
Growth	-18.5%	-95.9%	2284.2%	16.5%	21.0%
ROE	18.5%	0.7%	16.3%	16.8%	18.0%
Net debt/EBITDA (times)	0.1	(0.3)	(1.2)	(1.9)	(2.5)
EV/EBITDA (times)	9.2	24.3	12.8	11.7	11.6
EV/sales (times)	0.7	0.8	0.7	0.7	0.6
PER (times)	24.0	589.2	24.7	21.2	17.5
Dividend yield	0.7%	0.7%	0.7%	1.5%	1.5%

1H2024 results were spurred by all key pillars

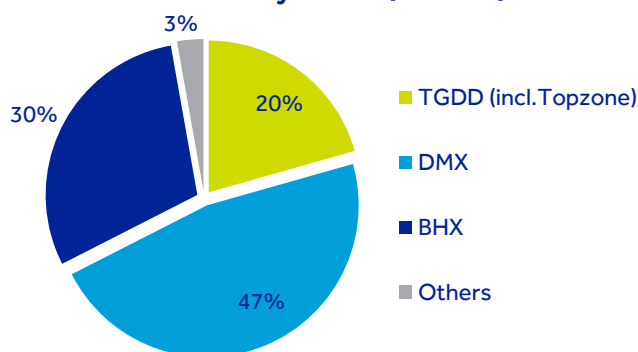
MWG announced net revenue at VND65,621bn (+16.0% YoY) and EBT at VND2,722bn (+9 times YoY) in 1H2024. While the revenue growth was driven by a rebound in TGDD & DMX's performance combined with BHX's continued growth, the EBT resumed 1H2020's result, attributed to:

- i) a recovery in gross margin to 21.4% in 1H2024 (1H2023: 18.8%), fueled by advances in all three key chains, particularly TGDD & DMX given subdued price competition and improvements in consumer spending.
- ii) a lower SG&A expenses to net revenue ratio to 17.6% in 1H2024 (1H2023: 18.6%) thanks to revenue growth outpacing the rise in SG&A expenses (including restoration of bonuses for staff after being curbed last year due to sluggish business performance).
- iii) and increased financial profit (+97.2% YoY), largely backed by interest income and bond interest.

MWG's business results	2Q2024	2Q2023	YoY growth	QoQ growth	1H2024	1H2023	YoY growth
Net revenue (VNDbn)	34,134	29,465	15.8%	8.4%	65,621	56,571	16.0%
EBT (VNDbn)	1,516	130	107%	25.7%	2,722	289	843%
Gross margin	21.4%	18.5%			21.4%	18.8%	
SG&A expenses/net revenue	17.2%	18.5%			17.6%	18.6%	

Source: MWG; ACBS

Revenue breakdown by chains (1H2024)



Source: MWG; ACBS

TGDD & DMX: gradually regaining ground

TGDD & DMX made much progress in their business results despite still being shadowed by slow consumer spending. The chains' aggregate revenue climbed by 6.5% YoY in 1H2024 (and 6.3% YoY in 7M2024), with growth reviving in most of months YTD, though a large number of underperforming stores was closed. The same-store sales growth returned to positive 10% in 1Q2024 and 20% in 2Q2024 after experiencing negative numbers in consecutive quarters in 2023. Growth was seen in the white goods category, mobile phones/tablets and small appliances. Gross margin bounced back to 19.7% in 1H2024 (1H2023: 16.3%) given softer price competition, higher contribution of some high-margin consumer electronics products and supports from manufacturers/partners.

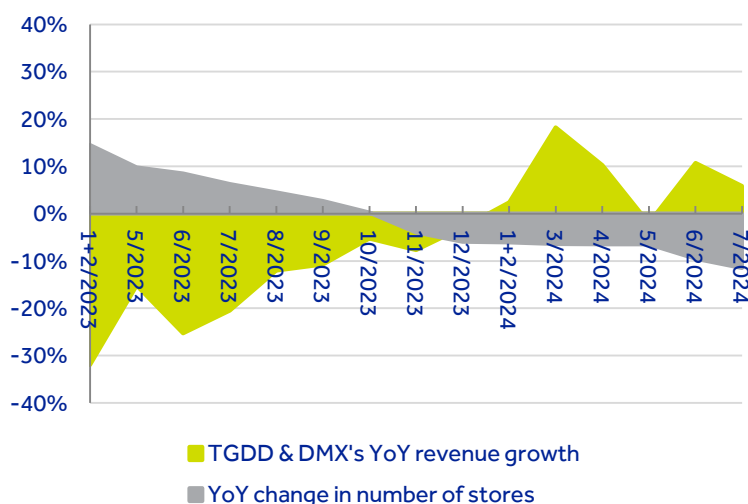
The closure of underperforming stores, which was carried out on a large scale from late 2023, is ongoing to fortify efficiency. At the end of August 2024, we found that there were 3,059 TGDD & DMX and Topzone stores in operation, down by 209 stores

YTD (i.e 6.4% YTD and 11.5% YoY). 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.). According to the company's management, they temporarily completed the target number of stores for closure.

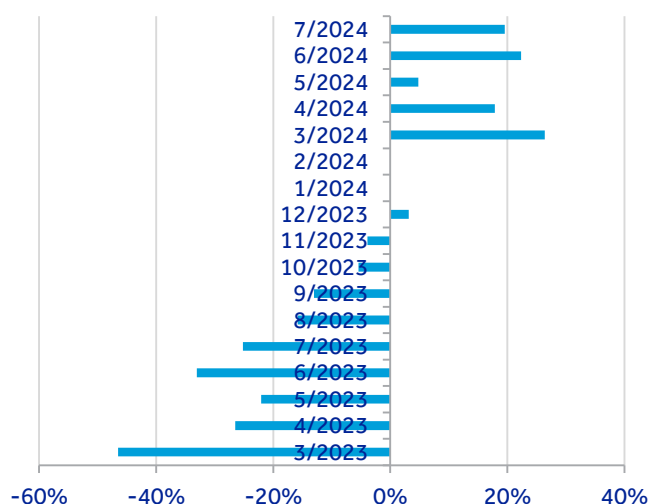
TGDD+DMX's results	2Q2024	YoY growth	QoQ growth	1H2024	1H2023	YoY growth
Revenue (VNDbn)	22,881	6.1%	7.2%	44,229	41,580	6.4%
Gross margin				19.7%	16.3%	
Number of stores (as of 1H2024)				3,139		
+/- stores from YE2023				-129		

Source: MWG; ACBS

TGDD & DMX's revenue growth came back



Growth of avg. revenue/store of TGDD+DMX



Source: MWG; ACBS

Regarding EraBlue, MWG's financial statement showed a loss of VND47bn from this chain in 1H2024, with continued expansion of the store network to 61 at the end of 1H2024 (and 65 at the end of July; compared to the plan to have 100 stores at YE2024). The stores are stand-alone, consisting of two sizes – mini store (whose monthly sales is VND4bn) and supermini store (whose monthly sales is VND2.5bn). 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.

BHX marked the first profit

BHX generated revenue growth of 42.1% YoY in 1H2024 (and 40.2% YoY in 7M) with revenue per store following an upward trajectory since early 2023. We estimate BHX's revenue per store rose to VND2.1bn in June and July 2024, better than our expectations. The growth was driven by fruitful sales growth in the fresh food and FMCG categories (+30-60% YoY) and increased number of bills (+38% YoY). The company expects revenue per store to grow further notwithstanding slower as most of stores nearly reached their maximum capacity.

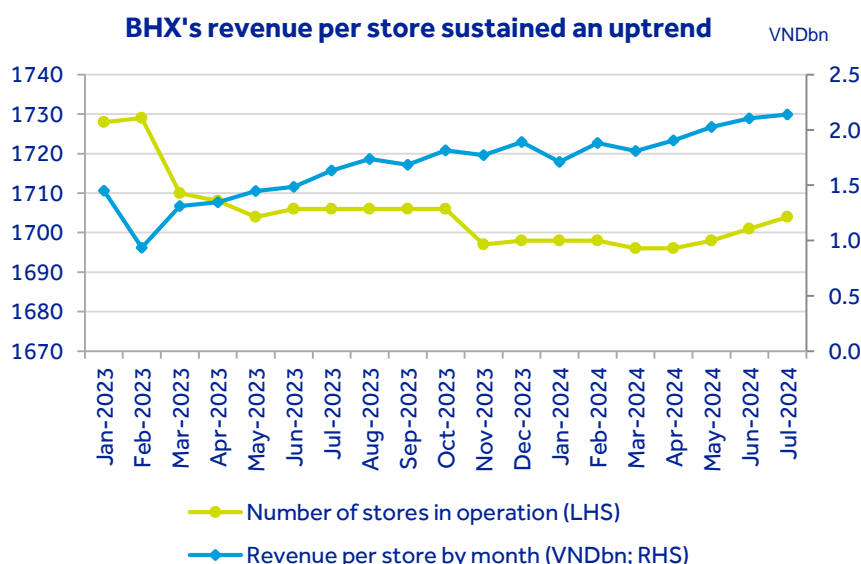
Hence, as a driver for future growth, new opening restarted in May 2024 albeit with deliberate steps. BHX did not open new store in almost the past two years in order to

focusing on boosting revenue per store and heighten operational efficiency. The chain had 1,701 stores as of June and 1,706 as of August 2024, up by 3 and 8 stores compared to that at YE2023, respectively.

BHX marked the first EAT of VND7bn in 2Q2024, despite still recognizing accumulated net loss in 1H2024. Its gross margin achieved 25.1% in 1H2024, narrower than the level of 26.8% in 1H2023, attributed to higher contribution of the fresh food category (which offers a lower margin versus FMCGs). BHX focused on the fresh food category to spur customer traffic and revenue.

BHX's results	2Q2024	YoY growth	QoQ growth	1H2024	1H2023	YoY growth
Revenue (VNDbn)	10,259	41.1%	12.0%	19,421	13,640	42.4%
Same-store sales growth	45%					
Gross margin				25.1%	26.8%	
EAT (VNDbn)	7			-98	-659	
Number of stores				1,701		
+/- stores from YE2023				3		

Source: MWG; ACBS



Source: MWG; ACBS

An Khang currently generates an average revenue per store of VND0.5bn+. The chain continues to focus on boosting revenue per store, optimize operation and restructured the store network for better efficiency.

Pharmaceuticals retailing is a potential market, but the opportunities are not evenly distributed for everyone. Those who want to gain advantage have to deal with a set of determinants such as pace of expansion, product mix, customer services, delivery, inventory management, etc. We have observed contrasting movements, both scaling up and scaling down, among players in the sectors, which seems to stem from their different strategies in different periods. While Long Chau kept expanding its pharmacy network, An Khang closed a large number of stores (184 stores as of August 2024) for the first time since robust expansion in 2Q2022. As of August 2024, An Khang had 343 stores in operation, which is expected to decrease to 300 at YE2024.

2024-2025 Forecasts

We expect that **TGDD & DMX** may extend growth in 2H2024, fueled by better consumer confidence thanks to an expectedly brighter economic picture and the year-end shopping season. Demand for NFC-integrated mobile phones and transforming from 2G phones to 3G/4G/5G phones (in accordance with the Ministry of Information & Telecommunication's policy to stop to provide 2G wave) may be additional catalysts for the mobile phone segment. The chains' revenue is projected at VND88,044bn (+5.4% YoY) in 2024, 2% higher than the prior projection, and VND93,183bn (+5.8% YoY) in 2025.

We expect that the chains' gross margin in 1H2024 may almost maintain for the rest of 2024. However, a dramatic increase in the gross margin is not projected for the following years given fierce competition in the market.

BHX is going to keep boosting revenue per store, emphasizing on the fresh food category's efficiency and optimizing expenses (especially selling expenses after completing the target of optimizing logistic expenses). After focusing on improving goods quality and customer experience in 1H2024, BHX plans to accelerate opening new stores in 2H2024 with requirements on efficiency. We project that BHX may generate VND41,542bn of revenue (+31.4% YoY) in 2024, 10% higher than the prior update, and VND44,724bn (+7.7% YoY) in 2025 with 100 new stores. The EAT is projected to jump by 165% YoY in 2025, from an expected number of VND287bn for the whole year 2024.

For An Khang, we still believe that its contribution to MWG's net revenue remains negligible at c.2% in 2024-2025 and the chain may not yield EAT in the near future.

Valuation

We project that MWG may generate VND132,774bn of net revenue (+12.3% YoY) and EBT of VND5,271bn in 2024 (+7 times YoY), up by 3.5% in terms of revenue and 20% in terms of EBT compared to the prior update. The respective growth is projected at 6.2% YoY and 17.5% YoY for 2025. Combining the DCF and EV/Sales methods, our **target price for MWG by the end of 2025 is VND72,100/share**.

MWG FINANCIALS MODEL	Price (VND):	67,500	Target (VND):	72,100	Mkt cap (VND bn):	98,972
(VND bn except where stated)	2022	2023	2024F	2025F	2026F	
Total Net Sales	133,405	118,280	132,774	141,008	151,804	
<i>Sales growth (%)</i>	<i>8.5%</i>	<i>-11.3%</i>	<i>12.3%</i>	<i>6.2%</i>	<i>7.7%</i>	
CoGS	102,638	95,845	104,155	110,056	118,410	
Selling expenses ex-dep'n	18,841	17,639	18,068	19,536	21,640	
G&A expenses ex-dep'n	1,741	1,008	3,143	3,348	3,616	
Financial revenues	459	339	443	377	400	
Financial expenses	21	109	210	116	124	
EBITDA	10,623	4,018	7,639	8,330	8,413	
<i>EBITDA margin (%)</i>	<i>8.0%</i>	<i>3.4%</i>	<i>5.8%</i>	<i>5.9%</i>	<i>5.5%</i>	
Depreciation	3,540	3,351	2,650	2,740	1,797	
Operating profit	7,083	667	4,990	5,590	6,616	
<i>Operating profit margin (%)</i>	<i>5.3%</i>	<i>0.6%</i>	<i>3.8%</i>	<i>4.0%</i>	<i>4.4%</i>	
Other profits/losses	(518)	(357)	(219)	7	7	
Profits/Losses from associates	-	-	(80)	(40)	-	
Net interest expense	508	(380)	(581)	(637)	(953)	
<i>as % of avg net debt</i>	<i>15.1%</i>	<i>-454.2%</i>	<i>11.5%</i>	<i>5.2%</i>	<i>5.2%</i>	
<i>Interest cover (x)</i>	<i>13.9</i>	<i>-1.8</i>	<i>-8.6</i>	<i>-8.8</i>	<i>-6.9</i>	
Tax	1,955	522	1,141	1,218	1,359	
<i>Effective tax rate (%)</i>	<i>29.7%</i>	<i>49.8%</i>	<i>20.5%</i>	<i>19.6%</i>	<i>18.0%</i>	
Minority interest	2	0	14	38	61	
Attributable net profit	4,100	168	4,116	4,939	6,156	
Cash earnings	7,640	3,519	6,765	7,678	7,953	
Total number of shares	1,463,879,280	1,463,376,716	1,507,278,017	1,552,496,358	1,599,071,249	
EPS (VND) (after treasury shares)	2,809	115	2,731	3,183	3,852	
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	
Adjusted EPS (VND)	2,809	115	2,731	3,183	3,852	
<i>EPS growth (%)</i>	<i>-18.5%</i>	<i>-95.9%</i>	<i>2284.2%</i>	<i>16.5%</i>	<i>21.0%</i>	

KEY CASHFLOW AND BS ITEMS	2022	2023	2024F	2025F	2026F
Increase in working capital	-54	-107	-668	728	1,013
Capex	4,460	492	90	413	720
Change in investment in affiliates	181	106	-80	-40	0
Other cashflow items	1,356	429	429	429	429
Free cash flow	4,409	3,458	7,853	7,007	6,649
Share issues	188	-9	439	452	465
Dividends paid	732	731	753	776	1,599
Increase in net debt	-3,865	-2,717	-7,538	-6,682	-5,516
Net debt, end of year	1,442	-1,275	-8,813	-15,495	-21,011
Shareholders' equity	23,918	23,346	27,147	31,762	36,785
BVPS (VND)	16,398	15,964	18,028	20,478	23,026
Net debt / equity (%)	6.0%	-5.5%	-32.5%	-48.8%	-57.1%
Net debt / EBITDA (x)	0.1	-0.3	-1.2	-1.9	-2.5
Total assets	55,834	60,111	56,374	54,306	53,813

KEY RETURN AND VALUATION RATIOS	2022	2023	2024F	2025F	2026F
ROE	18.5%	0.7%	16.3%	16.8%	18.0%
ROA	6.9%	0.3%	7.1%	8.9%	11.4%
ROIC	17.7%	-0.6%	18.1%	25.6%	33.7%
WACC	12.0%	12.0%	12.0%	12.0%	12.0%
EVA	5.7%	-12.6%	6.1%	13.6%	21.7%
PER (x)	24.0	589.2	24.7	21.2	17.5
EV/EBITDA (x)	9.2	24.3	12.8	11.7	11.6
EV/FCF (x)	22.1	28.2	12.4	13.9	14.7
PBR (x)	4.1	4.2	3.7	3.3	2.9
PSR (x)	0.7	0.8	0.7	0.7	0.7
EV/sales (x)	0.7	0.8	0.7	0.7	0.6
PEG (x, 3 yr prospective)	0.0	0.8	0.0	1.0	0.9
Dividend yield	0.7%	0.7%	0.7%	1.5%	1.5%

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DISCLAIMER

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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