



# MWG Update- OUTPERFORM

November 13, 2024

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## Company Update

Recommendation **OUTPERFORM**

HSX: MWG

Retail

Target price (VND) **70,000**

Current price (VND) **61,900**

Expected share price return 13.2%

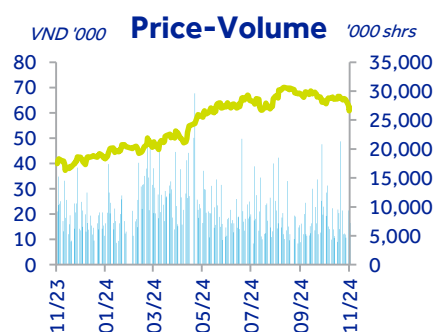
Expected dividend yield 1.6%

Expected total return **14.8%**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	45.8	-5.7	-8.7	55.6
Relative	33.7	-2.4	-10.5	40.4

Source: Bloomberg



## Ownership

Retail World Inv.	10.5%
Baillie Gifford & Co	3.9%
Arisaig Asia	3.5%
Mr. Tai Nguyen (Chairman)	2.2%

## Stock Statistics

13-Nov-24

Bloomberg code	MWGVN
52-week range (VND)	37,150-70,800
Shares O/S (m)	1,462
Mkt cap (VND bn)	90,493
Mkt cap (USD m)	3,548
Foreign room left (%)	1.8
Est. free float (m)	77.5
3m avg daily vol (shrs)	8,001,253
VND/USD	25,502
Index: VNIndex / HNX	1246.04/226.2

## MOBILE WORLD INVESTMENT CORP (MWG VN)

The company's earnings continued to be fostered by a rebound in TGDD & DMX's performance, enlargement of BHX's net profit, refining efficiency by streamlining the store network and no loss from the joint venture Era Blue in 3Q2024. Still, we revise down our EBT projection by 5% for 2024-2025 to reflect incremental costs for store closure and a bit lower-than-expected gross margin. Our target price is revised down by 3% to VND70,000/share by the end of 2025, translating to a total return of 14.8%. Rating **OUTPERFORM**.

MWG reinforced restoration of its business performance from gloomy days in 2023 by posting net revenue and EBT growth of 12.7% and 6 times YoY, respectively, in 3Q2024. 9M2024 net revenue achieved VND99,767bn (+14.9% YoY) and EBT was VND3,790bn (+8 times YoY). The preliminary revenue growth was 13.6% YoY in 10M2024.

**TGDD & DMX**, together responsible for 67% of MWG's top line, generated 8.6% YoY revenue growth irrespective of a fall (of 6.6% YTD and 11.5% YoY) in the number of stores in 9M2024 to eliminate underperforming ones. The result was almost flat YoY in Oct 2024.

**BHX** was in the limelight for elevating net profit to VND90bn in 3Q2024 following the first profit in 2Q. Making up 30% of MWG's sales, the chain upheld vivid growth of 26.9% YoY in 3Q and 36.2% YoY in 9M2024 thanks to an uptrend in monthly revenue per store since early 2023. The preliminary revenue growth was 18% YoY in Oct, lower than the prior months because of the low base effect in revenue per store fading out.

**An Khang**, whose contribution to MWG's sales remains modest (c.2% in 2024-2025 forecast), sustained a priority on boosting revenue per store and optimizing operations. The chain closed 201 stores in 9M2024 in order to heighten efficiency.

The jump in 9M2024 EBT came as a result of improvements in gross margin, the SG&A expenses to net revenue ratio and financial profit (+74% YoY), regardless of one-off net costs for store closure. The gross margin widened to 21.0% in 9M2024 (9M2023: 18.8%), while the SG&A expenses to net revenue ratio enhanced to 17.4% in 9M2024 (9M2023: 18.7%) in view of a recovery in sales.

We expect that the company may generate VND135,316bn of net revenue (+14.4% YoY) and EBT of VND5,011bn in 2024 (+7 times YoY), 5% lower than the prior update. The respective growth is projected at 7.3% YoY and 20% YoY for 2025. **Our target price for MWG by the end of 2025 is VND70,000/share (~a total return of 14.8%).**

	2022	2023	2024F	2025F	2026F
Net Sales (VNDbn)	133,405	118,280	135,316	145,144	156,318
Growth	8.5%	-11.3%	14.4%	7.3%	7.7%
EBITDA (VNDbn)	10,623	4,018	8,173	8,225	8,072
EBITDA margin	8.0%	3.4%	6.0%	5.7%	5.2%
NPATMI (VNDbn)	4,100	168	3,862	4,761	5,795
Growth	-16.3%	-95.9%	2204.9%	23.3%	21.7%
EPS (bonus-adjusted, VND)	2,809	115	2,563	3,068	3,626
Growth	-18.5%	-95.9%	2137.0%	19.7%	18.2%
ROE	18.5%	0.7%	14.8%	15.4%	16.4%
Net debt/EBITDA (times)	0.1	(0.3)	(1.2)	(2.0)	(2.6)
EV/EBITDA (times)	8.4	22.2	10.9	10.9	11.1
EV/sales (times)	0.7	0.8	0.7	0.6	0.6
PER (times)	22.0	540.3	24.2	20.2	17.1
Dividend yield	0.8%	0.8%	0.8%	1.6%	1.6%

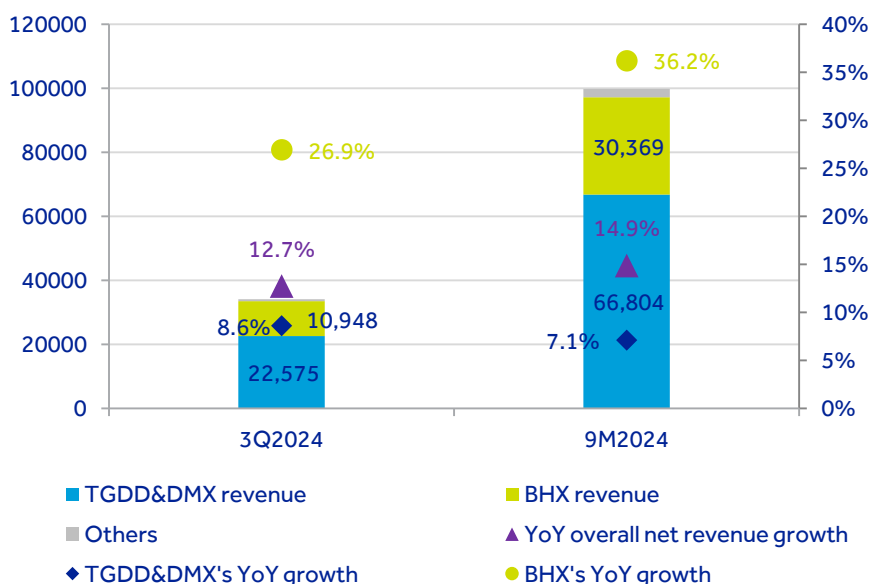
## 9M2024 results were spurred by all key pillars

MWG announced net revenue at VND99,767bn (+14.9% YoY) and EBT at VND3,790bn (+8 times YoY) in 9M2024. While the revenue growth was fueled by a rebound in TGDD & DMX's performance combined with BHX's continued growth, the EBT resumed from the bottom in 2023, attributed to:

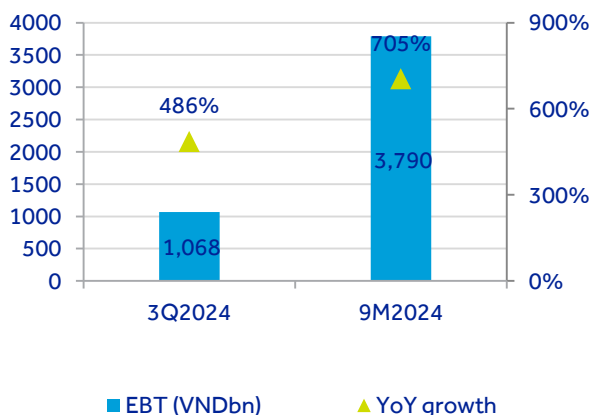
- i) a recovery in gross margin to 21.0% in 9M2024 (9M2023: 18.8%), particularly TGDD & DMX's margin given subdued price competition and improvements in consumer spending.
- ii) a lower SG&A expenses to net revenue ratio to 17.4% in 9M2024 (9M2023: 18.7%) thanks to revenue growth outpacing the rise in SG&A expenses.
- iii) and increased financial profit (+74% YoY) to VND742bn, largely backed by interest income and bond interest.

The EBT would have been better if excluding one-off net costs (VND252bn in 3Q and VND440bn in 9M2024, against VND84bn in 9M2023) mostly owing to store closure.

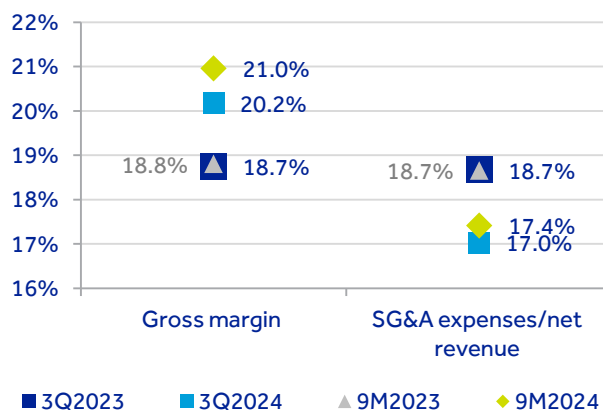
### MWG's revenue in 9M2024



### MWG's EBT in 9M2024



### Gross margin and SG&A ratio



Source: MWG; ACBS

## TGDD & DMX: gradually regaining ground

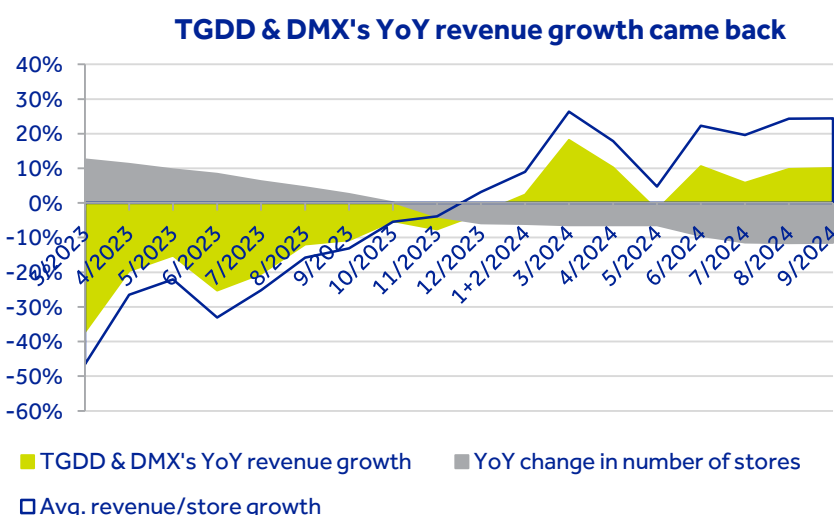
TGDD & DMX made much progress in their business results despite still being shadowed by slow consumer spending. The chains' aggregate revenue climbed by 8.6% YoY in 3Q and 7.1% in 9M2024, with growth reviving in most of months YTD, though a large number of underperforming stores was closed. The same-store sales growth was 10% in 1Q2024, 20% in 2Q2024 and 25% in 3Q2024 in comparison with negative numbers in consecutive quarters in 2023. Growth was seen in the white goods, mobile phones/tablets, laptops and small appliances categories.

We believe that a YoY improvement in their gross margin in 1H2024 (19.7% vs. 16.3% in 9M2023, thanks to softer price competition, higher contribution of some high-margin consumer electronics products and supports from manufacturers/partners) persisted in 3Q, though slowdown was reported QoQ (without detailed figures from the company) due to changes in sales mix for seasonal feature (e.g. the key earner is typically white goods in 2Q instead of mobile phones/laptops in 3Q). A dramatic increase in the gross margin is not projected for the following years given fierce competition in the market.

The closure of underperforming stores was carried out on a large scale from late 2023 to fortify efficiency. At the end of Sept 2024, there were 3,053 TGDD & DMX and Topzone stores in operation, down by 215 stores YTD (i.e down by 6.6% YTD and 11.5% YoY). According to the company's management, they temporarily completed the target number of stores for closure.

TGDD+DMX's results	3Q2024	YoY growth	9M2024	9M2023	YoY growth
Revenue (VNDbn)	22,575	8.6%	66,804	62,364	7.1%
Same-store sales growth	25%				
Number of stores (as of 9M2024)			3,053		
+/- stores from YE2023			-215		

Source: MWG; ACBS



Source: MWG; ACBS

Regarding EraBlue in Indonesia, MWG's financial statement showed the first profit of VND0.1bn from this chain in 3Q, despite a cumulative loss of VND47bn in 9M2024, with continued expansion of the store network to 76 at the end of 9M2024. The chain still

focuses on improving its business model, boosting revenue and may broaden the number of stores to 150 next year.

## BHX magnified profit

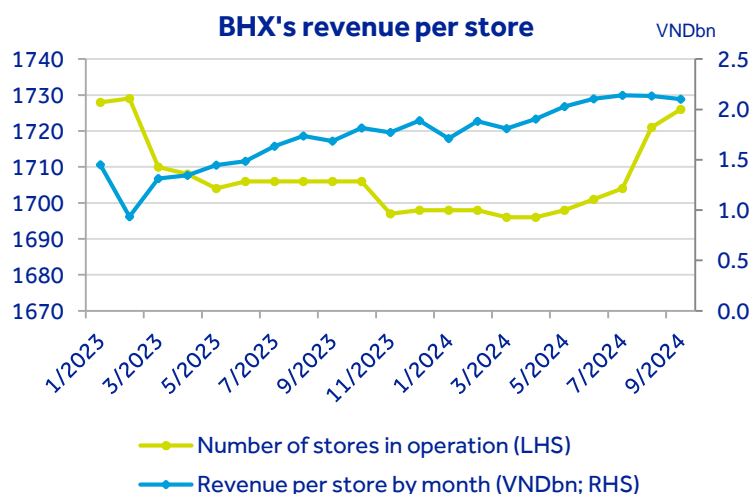
BHX generated revenue growth of 36.2% YoY in 9M2024, driven by fruitful sales growth in the fresh food and FMCG categories (+25-60% YoY) and increased number of bills (+30% YoY). Revenue per store, which reached VND2.1bn in Sept 2024 in our estimate, followed an upward trajectory since early 2023 despite some slowdown with little influence from opening some new stores in recent months. 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, the new opening restarted in May 2024. BHX almost did not open new store in the past two years in order to focusing on boosting revenue per store and strengthen operational efficiency. The chain had 1,726 stores as of Sept 2024, up by 28 stores compared to that at YE2023, and is also testing its presence in a few new provinces.

BHX marked the first EAT of VND7bn in 2Q and VND90bn in 3Q, reducing accumulated net loss to VND8bn in 9M2024. The improvements stemmed from sales growth, controlling the shrinkage rate of fresh food and optimizing store operating expenses.

BHX's results	3Q2024	YoY growth	QoQ growth	9M2024	9M2023	YoY growth
Revenue (VNDbn)	10,948	26.9%	6.7%	30,369	22,295	36.2%
Same-store sales growth	30%					
EAT (VNDbn)	90			-8	-905	
Number of stores				1,726		
+/- stores from YE2023				28		

Source: MWG; ACBS



Source: MWG; ACBS

**An Khang** continues to focus on boosting revenue per store, optimizing operation and restructured the store network for better efficiency. The chain closed 201 stores as of Sept 2024, mostly in Jun-Aug, bringing the number of stores to 326. The chain's management noted that revenue growth and reduced loss were recorded in Sept and Oct.

**2024-2025 Forecasts**

We expect that **TGDD & DMX** may extend growth in 4Q2024 and 2025, bolstered by the year-end shopping season and the company's additional financing programs for customers. Demand for NFC-integrated mobile phones (serving verification for online banking services) and transforming to 5G phones may be catalysts for the mobile phone segment. The chains' revenue is projected at VND90,471bn (+8.3% YoY) in 2024, 3% higher than the prior projection, and VND96,281bn (+6.4% YoY) in 2025.

**BHX** targets to stay profitable and elevate profit by optimizing expenses and boosting revenue rather than paying too much attention to profit margins. The chain may open 100-200 new stores in 2025, mostly in the existing areas and some in the Central provinces of Vietnam, with requirements on efficiency. We maintain the projection that **BHX** may generate VND41,485bn of revenue (+31.2% YoY) in 2024 and VND45,102bn (+8.7% YoY) in 2025. The EAT is projected to jump by more than four times YoY in 2025, from an accumulated number of VND109bn expected for 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 profit in the near future.

As the company might complete the majority of store closures of all chains, we do not expect substantial one-off costs to repeat in 4Q2024 and 2025.

**Valuation**

We project that the company may generate VND135,316bn of net revenue (+14.4% YoY) and EBT of VND5,011bn in 2024 (+7 times YoY), down by 5% compared to the prior update. The respective growth is projected at 7.3% YoY and 20% YoY for 2025. Combining the DCF and EV/Sales methods, our **target price for MWG by YE2025 is VND70,000/share.**



<b>MWG FINANCIALS MODEL</b>	Price (VND):	61,900	Target (VND):	70,000	Mkt cap (VND bn):	90,493
(VND bn except where stated)	2022	2023	2024F	2025F	2026F	
<b>Total Net Sales</b>	<b>133,405</b>	<b>118,280</b>	<b>135,316</b>	<b>145,144</b>	<b>156,318</b>	
<i>Sales growth (%)</i>	<i>8.5%</i>	<i>-11.3%</i>	<i>14.4%</i>	<i>7.3%</i>	<i>7.7%</i>	
CoGS	102,638	95,845	106,799	114,064	122,749	
Selling expenses ex-dep'n	18,841	17,639	17,433	19,386	21,744	
G&A expenses ex-dep'n	1,741	1,008	3,477	3,741	4,041	
Financial revenues	459	339	777	390	413	
Financial expenses	21	109	210	117	125	
<b>EBITDA</b>	<b>10,623</b>	<b>4,018</b>	<b>8,173</b>	<b>8,225</b>	<b>8,072</b>	
<i>EBITDA margin (%)</i>	<i>8.0%</i>	<i>3.4%</i>	<i>6.0%</i>	<i>5.7%</i>	<i>5.2%</i>	
Depreciation	3,540	3,351	2,866	2,884	1,838	
<b>Operating profit</b>	<b>7,083</b>	<b>667</b>	<b>5,307</b>	<b>5,341</b>	<b>6,233</b>	
<i>Operating profit margin (%)</i>	<i>5.3%</i>	<i>0.6%</i>	<i>3.9%</i>	<i>3.7%</i>	<i>4.0%</i>	
Other profits/losses	(518)	(357)	(463)	7	7	
Profits/Losses from associates	-	-	(45)	20	24	
Net interest expense	508	(380)	(213)	(645)	(915)	
<i>as % of avg net debt</i>	<i>15.1%</i>	<i>-454.2%</i>	<i>3.8%</i>	<i>4.9%</i>	<i>4.9%</i>	
<i>Interest cover (x)</i>	<i>13.9</i>	<i>-1.8</i>	<i>-24.9</i>	<i>-8.3</i>	<i>-6.8</i>	
Tax	1,955	522	1,144	1,228	1,340	
<i>Effective tax rate (%)</i>	<i>29.7%</i>	<i>49.8%</i>	<i>20.7%</i>	<i>20.5%</i>	<i>18.8%</i>	
Minority interest	2	0	5	24	44	
<b>Attributable net profit</b>	<b>4,100</b>	<b>168</b>	<b>3,862</b>	<b>4,761</b>	<b>5,795</b>	
Cash earnings	7,640	3,519	6,513	7,566	7,685	
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>2,563</b>	<b>3,068</b>	<b>3,626</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>2,563</b>	<b>3,068</b>	<b>3,626</b>	
<i>EPS growth (%)</i>	<i>-18.5%</i>	<i>-95.9%</i>	<i>2137.0%</i>	<i>19.7%</i>	<i>18.2%</i>	

KEY CASHFLOW AND BS ITEMS	2022	2023	2024F	2025F	2026F
Increase in working capital	-54	-107	-366	890	1,052
Capex	4,460	492	360	550	900
Change in investment in affiliates	181	106	-45	20	24
Other cashflow items	1,356	429	429	429	429
<b>Free cash flow</b>	<b>4,409</b>	<b>3,458</b>	<b>7,208</b>	<b>6,614</b>	<b>6,086</b>
Share issues	188	-9	2,218	452	465
Dividends paid	732	731	753	776	1,599
Increase in net debt	-3,865	-2,717	-8,672	-6,290	-4,953
<b>Net debt, end of year</b>	<b>1,442</b>	<b>-1,275</b>	<b>-9,947</b>	<b>-16,237</b>	<b>-21,190</b>
<b>Shareholders' equity</b>	<b>23,918</b>	<b>23,346</b>	<b>28,672</b>	<b>33,108</b>	<b>37,770</b>
BVPS (VND)	16,398	15,964	19,041	21,346	23,643
Net debt / equity (%)	6.0%	-5.5%	-34.7%	-49.0%	-56.1%
Net debt / EBITDA (x)	0.1	-0.3	-1.2	-2.0	-2.6
<b>Total assets</b>	<b>55,834</b>	<b>60,111</b>	<b>56,765</b>	<b>54,911</b>	<b>54,620</b>

KEY RETURN AND VALUATION RATIOS	2022	2023	2024F	2025F	2026F
ROE	18.5%	0.7%	14.8%	15.4%	16.4%
ROA	6.9%	0.3%	6.6%	8.5%	10.6%
ROIC	17.7%	-0.6%	18.1%	23.8%	30.3%
WACC	12.4%	12.4%	12.4%	12.4%	12.4%
EVA	5.3%	-13.0%	5.7%	11.5%	17.9%
PER (x)	22.0	540.3	24.2	20.2	17.1
EV/EBITDA (x)	8.4	22.2	10.9	10.9	11.1
EV/FCF (x)	20.2	25.8	12.4	13.5	14.7
PBR (x)	3.8	3.9	3.3	2.9	2.6
PSR (x)	0.7	0.8	0.7	0.6	0.6
EV/sales (x)	0.7	0.8	0.7	0.6	0.6
PEG (x, 3 yr prospective)	0.0	0.8	0.0	1.2	1.1
Dividend yield	0.8%	0.8%	0.8%	1.6%	1.6%



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### Our Recommendation System

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

**e:** 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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