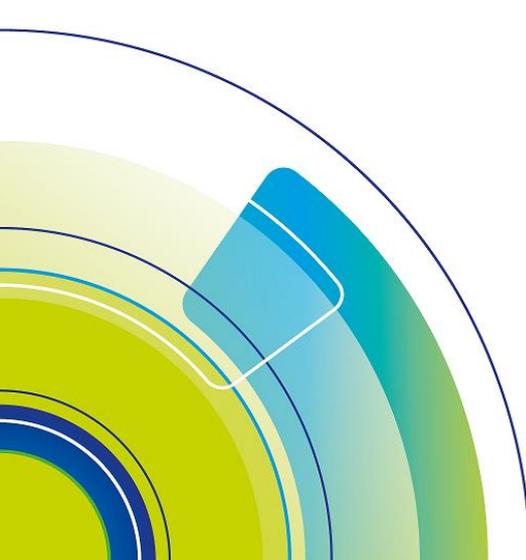




MWG Update- OUTPERFORM

March 5, 2025



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Company Update

Recommendation **OUTPERFORM**

HSX: MWG

Retail

Target price (VND) **68,500**

Current price (VND) **59,600**

Expected share price return 14.9%

Expected dividend yield 0.8%

Expected total return **15.7%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-2.3	-0.2	2.4	26.5
Relative	-5.3	-3.9	-3.6	20.6

Source: Bloomberg



Ownership

Retail World Invst.	10.5%
Baillie Gifford & Co	3.8%
Arisaig Asia	3.5%
Mr. Tai Nguyen (Chairman)	2.2%

Stock Statistics 5-Mar-2025

Bloomberg code	MWG VN
52-week range (VND)	45,350-70,800
Shares O/S (m)	1,461
Mkt cap (VND bn)	87,104
Mkt cap (USD m)	3,392
Foreign room left (%)	3.8
Est. free float (m)	80.5
3m avg daily vol (shrs)	5,275,261
VND/USD	25,680
Index: VNIIndex / HNX	1304.7/235.4

MOBILE WORLD INVESTMENT CORP (MWG VN)

The company ended 2024 with 13.6% YoY growth in net revenue and 22-fold YoY growth in EAT, largely thanks to a rebound in TGDD & DMX's results and BHX starting to make profit. Looking ahead, the EAT is forecast to uphold vibrant growth of 28% YoY in 2025, predominantly driven by BHX's contribution. We maintain an **OUTPERFORM** recommendation for the stock at a target price of VND68,500/share by the end of 2025 (2% lower than the prior update).

MWG announced (unaudited) net revenue at VND134,341bn (+13.6% YoY) and EAT at VND3,733bn (+22-fold YoY) in 2024, making a dramatic recovery from dim 2023, meeting 99% and 96% of our projections. The surge in EAT came as a result of advances in gross margin, the SG&A expenses to net revenue ratio and financial profit.

TGDD & DMX, still responsible for 67% of MWG's top line, reported 7.3% YoY revenue growth irrespective of a diminution in the number of stores to eliminate underperforming ones.

BHX was in the limelight for achieving profitability from 2Q2024. Making up 30.6% of MWG's sales, the chain generated a 30% YoY upturn in sales in 2024, fueled by a growth stream in monthly revenue per store since early 2023 (despite this low base effect fading out toward the year-end). It has resumed opening new stores, with plans to speed up in 2025 but concurrently meet criteria on efficiency.

An Khang, whose contribution to MWG's sales remains negligible (c.2%), put a priority on boosting revenue per store and optimizing operations. The closure of underperforming stores was also carried out to fortify efficiency.

Contribution from the joint venture Era Blue was a loss of VND45bn on the whole year basis, including the first modest profit in 4Q.

Outlook: For 2025, we project that the company may deliver VND145,314bn of net revenue (+8.2% YoY) and EAT of VND4,783bn in 2025 (+28.1% YoY), underpinned by BHX's full-year earnings contribution and expansion of store network, though TGDD & DMX remains the key earners. Our target price for MWG by the end of 2025 is VND68,500/share, equivalent to a total return of 15.7%.

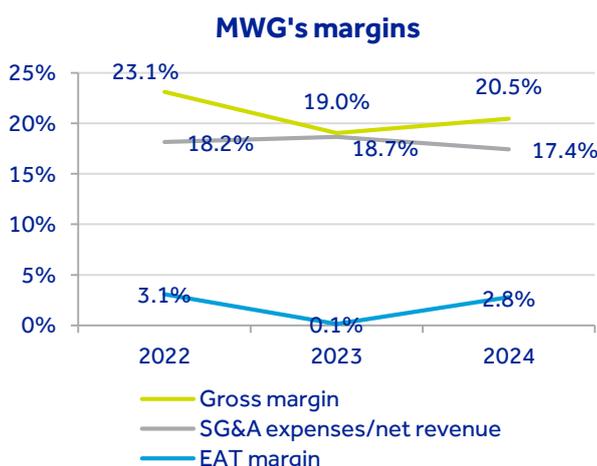
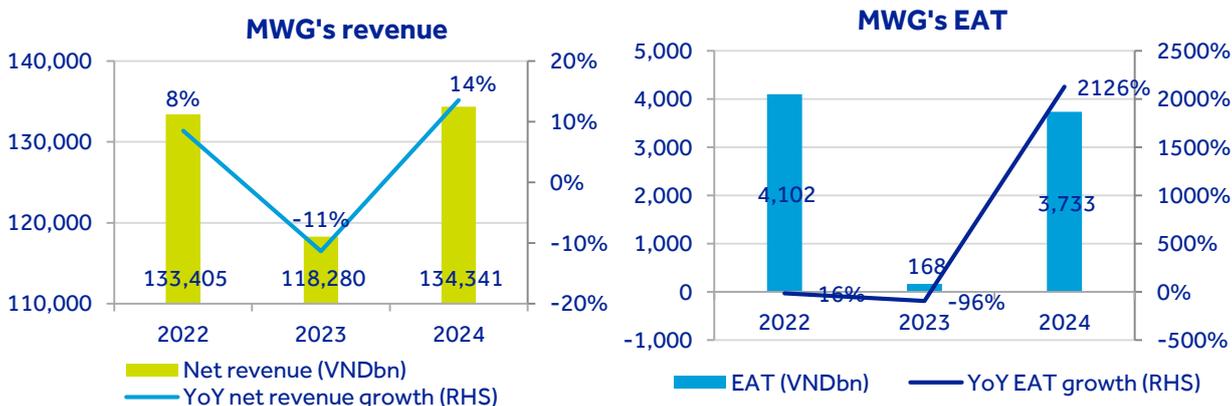
	2023	2024U	2025F	2026F	2027F
Net Sales (VNDbn)	118,280	134,341	145,314	156,457	167,494
Growth	-11.3%	13.6%	8.2%	7.7%	7.1%
EBITDA (VNDbn)	4,018	7,485	6,444	7,010	7,445
EBITDA margin	3.4%	5.6%	4.4%	4.5%	4.4%
NPATMI (VNDbn)	168	3,722	4,756	5,404	6,653
Growth	-95.9%	2121.6%	27.8%	13.6%	23.1%
EPS (bonus-adjusted, VND)	115	2,545	3,158	3,483	4,164
Growth	-95.9%	2121.5%	24.1%	10.3%	19.5%
ROE	0.7%	14.6%	15.9%	15.6%	16.6%
ROA	0.3%	5.7%	6.8%	8.0%	10.0%
Net debt/EBITDA (times)	(0.3)	(1.7)	(2.9)	(3.7)	(4.3)
EV/EBITDA (times)	18.5	9.9	11.5	10.6	10.0
EV/sales (times)	0.6	0.6	0.5	0.5	0.4
PER (times)	520.2	23.4	18.9	17.1	14.3
PBR (times)	3.7	3.1	2.8	2.5	2.2
DPS (VND)	500	500	500	1,000	1,000
Dividend yield	0.8%	0.8%	0.8%	1.7%	1.7%

Making a notch in business performance

MWG announced (unaudited) net revenue at VND134,341bn (+13.6% YoY) and EAT at VND3,733bn (+22-fold YoY) in 2024, reshaping earnings margin trajectory after tumbling in 2023. The EBT performance was attributed to a restoration in gross margin, a lower SG&A expenses to net revenue ratio and increased financial profit.

	2024	+/- YoY	Key drivers
Net revenue	134,341	+13.6%	A rebound in TGDD & DMX's sales and BHX's continued growth.
Gross profit	27,499	+22.1%	TGDD & DMX's margin bounced back given subdued price competition and improvements in consumer spending.
Gross margin	20.5%	+1.5 ppt	
SG&A expenses	23,416	+6.0%	Revenue recovered whereas the expenses grew slower.
SG&A/net revenue	17.4%	-1.3 ppt	
Financial profit	1,188	+94%	Increased interest income.
EAT	3,733	+2126%	

Source: MWG; ACBS



Source: MWG; ACBS

TGDD & DMX: returning to growth despite store closure

TGDD & DMX witnessed advances in sales although improvements in consumer spending has been relatively slow and a large number of underperforming stores was closed. Their aggregate revenue climbed by 7.3% YoY in 2024 (versus a 19.4% plunge

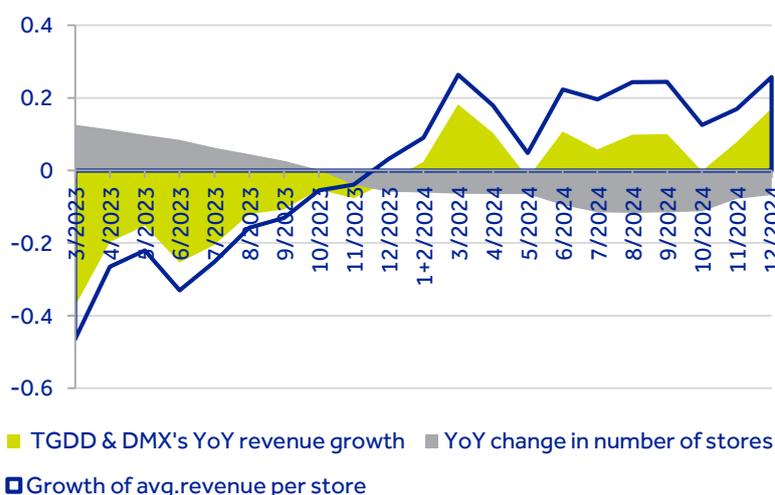
in 2023) with growth (of 5-30%) in most of product categories, except electronics, especially white goods, tablets, and mobile phones posting double digit. A reinstatement in the chains' gross margin (to 18% from 16.2% in 2023, according to our estimate), in view of subdued price competition, strengthened MWG's overall margin. However, we do not expect another dramatic expansion for the following years given fierce competition in the market.

The closure of underperforming stores was implemented on a large scale from late 2023 to fortify efficiency. According to the company's management, they almost completed the target number of stores for closure.

TGDD+DMX's results	2024	YoY growth
Revenue (VNDbn)	89,611	7.3%
Number of stores (as of YE2024)	3,047	
+/- stores from YE2023	-221	

Source: MWG; ACBS

TGDD & DMX's YoY revenue growth came back



Source: MWG; ACBS

With regard to the joint venture **EraBlue** in Indonesia, MWG's financial statement showed the first profit of c.VND2bn from this chain in 2H, despite a cumulative loss of VND45bn in 2024. Its average revenue per store reached VND2.8bn with the store network broadening to 87 at YE2024. The chain has plans to increase the number of stores to 150 and is expected to contribute full-year profit to MWG in 2025.

BHX achieved profitability

BHX generated revenue growth of 30% YoY in 2024 to c.VND41,108bn – probably the largest in comparison with some other sizable chains such as WinCommerce (VND32,961bn, +9.7% YoY, including supermarkets and minimart stores), Central Retail Vietnam (c.VND31,000bn, +3% YoY, for food segment) and Coopmart (2024 revenue is unavailable). This performance was driven by strong sales growth in the fresh food (+30-50%) and FMCG categories (+20-35% YoY) and increased number of bills (+25% YoY). Revenue per store had followed an upward momentum since early 2023 before maintaining around VND2-2.1bn in 2H2024, according to our estimate.

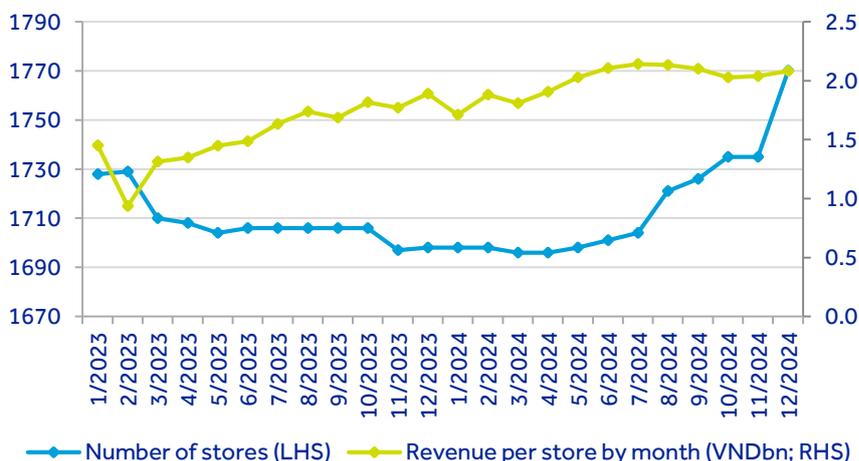
As a driver for future growth given that most of stores nearly reached their maximum capacity, BHX has resumed opening new stores since May 2024, after two years of halting in order to propel revenue per store and operational efficiency. The chain had 1,770 stores as of YE2024 (+72 stores YoY).

BHX marked the first EAT of VND7bn in 2Q and VND89bn in 2024 according to our estimate. These improvements stemmed from boosting sales growth, controlling the shrinkage rate of fresh food and optimizing store operating expenses.

BHX's results	2024	YoY growth
Revenue (VNDbn)	41,108	30%
Same-store sales growth	30%	
Number of stores	1,770	
+/- stores from YE2023	+72	

Source: MWG; ACBS

BHX's revenue per store



Source: MWG; ACBS

An Khang has focused on boosting revenue per store, optimizing operation and restructured the store network for higher efficiency. The chain reported revenue at VND2,300bn (+3% YoY) and closed 201 stores, bringing the number of stores to 326 at YE2024. Its management noted that revenue reported growth and loss reduced in 4Q2024.

2025 Forecast

While TGDD & DMX sustain their roles as the crucial pillars, albeit with moderate growth, BHX is forecast to drive the company growth. We expect **TGDD & DMX's** revenue at VND93,528bn (+4.4% YoY) in 2025, bolstered by better consumer spending, demand for upgrading to 5G phones, NFC-integrated mobile phones and the company's financing programs.

BHX will continue to elevate profit by optimizing expenses and boosting revenue rather than concentrating on profit margins. The chain plans to open 200-400 new stores in 2025, mostly in the existing areas and some Central provinces in Vietnam, but concurrently meet criteria on efficiency. We project that BHX may generate

VND48,015bn (+16.8% YoY) of revenue in 2025. With a perspective of full-year profitability from 2025, its EAT is expected to jump by more than five-fold YoY, from VND89bn estimated in 2024.

For An Khang, we maintain projections that its contribution to MWG's net revenue remains negligible at c.2% and it may not yield profit in 2025.

As the company might complete the majority of store closures of all chains, we do not expect substantial one-off costs that was seen in 2022-2024 to recognize in 2025. Further optimization of the store network, comprising replacement and closure on a small scale, will be viewed as common practice for better business efficiency.

Valuation

We project that the company may generate VND145,314bn of net revenue (+8.2% YoY) and EAT of VND4,783bn (+28.1% YoY) in 2025. Combining the DCF and EV/Sales methods, our **target price for MWG by YE2025 is VND68,500 /share.**

MWG FINANCIALS MODEL	Price (VND):	59,600	Target (VND):	68,500	Mkt cap (VND bn):	87,104
(VND bn except where stated)	2023	2024U	2025F	2026F	2027F	
Total Net Sales	118,280	134,341	145,314	156,457	167,494	
<i>Sales growth (%)</i>	-11.3%	13.6%	8.2%	7.7%	7.1%	
CoGS	95,845	106,898	114,790	123,431	131,989	
Selling expenses ex-dep'n	17,639	17,217	20,672	22,315	24,068	
G&A expenses ex-dep'n	1,008	3,229	3,521	3,816	4,109	
Financial revenues	339	539	230	241	251	
Financial expenses	109	51	117	125	133	
EBITDA	4,018	7,485	6,444	7,010	7,445	
<i>EBITDA margin (%)</i>	3.4%	5.6%	4.4%	4.5%	4.4%	
Depreciation	3,351	2,913	1,935	1,999	1,268	
Operating profit	667	4,571	4,509	5,011	6,177	
<i>Operating profit margin (%)</i>	0.6%	3.4%	3.1%	3.2%	3.7%	
Other profits/losses	(357)	(401)	5	5	5	
Profits/Losses from associates	-	(45)	20	25	31	
Net interest expense	(380)	(701)	(1,296)	(1,530)	(1,769)	
<i>as % of avg net debt</i>	-454.2%	9.8%	8.1%	6.8%	6.1%	
<i>Interest cover (x)</i>	-1.8	-6.5	-3.5	-3.3	-3.5	
Tax	522	1,093	1,048	1,132	1,266	
<i>Effective tax rate (%)</i>	49.8%	20.7%	18.1%	17.3%	15.9%	
Minority interest	0	11	26	35	62	
Attributable net profit	168	3,722	4,756	5,404	6,653	
Cash earnings	3,519	6,635	6,691	7,403	7,922	
Total number of shares	1,463,376,716	1,462,244,177	1,506,111,502	1,551,294,847	1,597,833,693	
EPS (VND) (after treasury shares)	115	2,545	3,158	3,483	4,164	
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	
Adjusted EPS (VND)	115	2,545	3,158	3,483	4,164	
<i>EPS growth (%)</i>	-95.9%	2121.5%	24.1%	10.3%	19.5%	

KEY CASHFLOW AND BS ITEMS	2023	2024U	2025F	2026F	2027F
Increase in working capital	-107	-3,086	528	549	509
Capex	492	249	689	618	550
Change in investment in affiliates	106	-45	-25	0	32
Other cashflow items	429	1,135	782	959	871
Free cash flow	3,458	10,653	6,281	7,194	7,702
Share issues	-9	1,763	439	452	465
Dividends paid	731	731	753	775	1,597
Increase in net debt	-2,717	-11,684	-5,967	-6,871	-6,570
Net debt, end of year	-1,275	-12,959	-18,926	-25,797	-32,367
Shareholders' equity	23,346	27,758	32,200	37,280	42,802
BVPS (VND)	15,964	18,993	21,390	24,043	26,800
<i>Net debt / equity (%)</i>	<i>-5.5%</i>	<i>-46.7%</i>	<i>-58.8%</i>	<i>-69.2%</i>	<i>-75.6%</i>
<i>Net debt / EBITDA (x)</i>	<i>-0.3</i>	<i>-1.7</i>	<i>-2.9</i>	<i>-3.7</i>	<i>-4.3</i>
Total assets	60,111	70,219	68,694	66,903	65,855

KEY RETURN AND VALUATION RATIOS	2023	2024U	2025F	2026F	2027F
<i>ROE</i>	<i>0.7%</i>	<i>14.6%</i>	<i>15.9%</i>	<i>15.6%</i>	<i>16.6%</i>
<i>ROA</i>	<i>0.3%</i>	<i>5.7%</i>	<i>6.8%</i>	<i>8.0%</i>	<i>10.0%</i>
<i>ROIC</i>	<i>-0.6%</i>	<i>17.2%</i>	<i>26.5%</i>	<i>33.8%</i>	<i>47.8%</i>
<i>WACC</i>	<i>12.8%</i>	<i>12.8%</i>	<i>12.8%</i>	<i>12.8%</i>	<i>12.8%</i>
<i>EVA</i>	<i>-13.3%</i>	<i>4.4%</i>	<i>13.7%</i>	<i>21.0%</i>	<i>35.0%</i>
<i>PER (x)</i>	<i>520.2</i>	<i>23.4</i>	<i>18.9</i>	<i>17.1</i>	<i>14.3</i>
<i>EV/EBITDA (x)</i>	<i>18.5</i>	<i>9.9</i>	<i>11.5</i>	<i>10.6</i>	<i>10.0</i>
<i>EV/FCF (x)</i>	<i>21.5</i>	<i>7.0</i>	<i>11.8</i>	<i>10.3</i>	<i>9.6</i>
<i>PBR (x)</i>	<i>3.7</i>	<i>3.1</i>	<i>2.8</i>	<i>2.5</i>	<i>2.2</i>
<i>PSR (x)</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.5</i>
<i>EV/sales (x)</i>	<i>0.6</i>	<i>0.6</i>	<i>0.5</i>	<i>0.5</i>	<i>0.4</i>
<i>PEG (x, 3 yr prospective)</i>	<i>0.8</i>	<i>0.0</i>	<i>1.0</i>	<i>1.1</i>	<i>0.9</i>
<i>Dividend yield</i>	<i>0.8%</i>	<i>0.8%</i>	<i>0.8%</i>	<i>1.7%</i>	<i>1.7%</i>

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DISCLAIMER

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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