

Industry: Retail | RETAIL RESEARCH

Recommendation
s

BUY

Digital World Joint Stock Company (HSX: DGW)
SUCCESSFUL SALMON

Current price:	111,900
Previous target price	126,000
New target price:	143,000
Dividend yield	4.7%
Potential for price increase	28%

Report writing date:	23/02/2022
Outstanding Shares (Million)	88
Market capitalization (billion VND)	9,892
Average liquidity in 6 months:	360,210
Foreign ownership	27.63%

SHAREHOLDER STRUCTURE	
Created future Co., Ltd	33.59%
MTV DKP Co., Ltd	5.32%

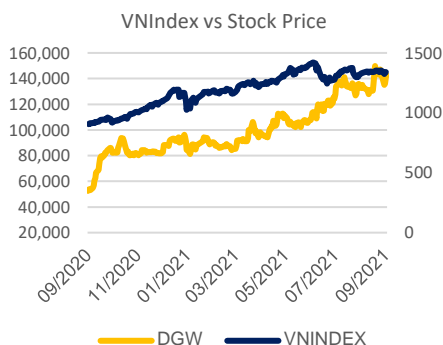
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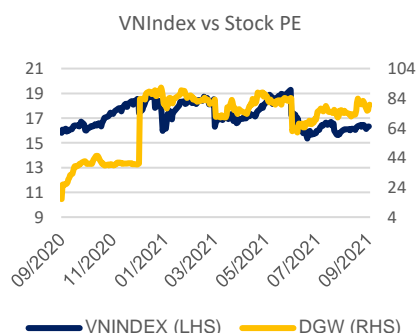
Technical Analyst :

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Recommended price: 130,000 VND
Stop loss price: 103,000 VND

Comparison table of stock prices and VN-Index



P/E and VN-index comparison table



VIEWPOINT OF PRICE

We recommend **BUY** stock **DGW** at **143,000 VND/share**, 28% upside from price on 22/02/2021 with DCF method and P/E, with weight of 50% - 50%.

FORECAST OF BUSINESS RESULTS

We expect net revenue and NPAT in 2022 to reach VND 27,008 billion (+29% YoY) and VND 803 billion (+22% YoY), respectively, EPS FW = VND 9,069 and PE FW = 12.3 times.

INVESTMENT THESIS

- The trend of high-end products of phones, laptops and SP lots thanks to the rapid development of the gaming industry and the virtual world.
- Phone segment:** The growth engine of the phone segment comes from (1) the Iphone and Xiaomi series (the pioneer advantage) which will continue to improve market share (2) the trend of switching from feature phones to smartphones smart phone.
- Laptop and tablet segment:** Growth thanks to the luxury trend and the habit of working, studying at home combined with gaming;
- Office equipment segment:** (1) the trend of digital transformation will be accelerated after the Covid 19 epidemic; (2) Positive contribution of new brands of home appliances segment;

Factors to pay attention to: Continuing to diversify horizontally (expanding into F&B, industry and equipment segments), conducting M&A to increase scale and coverage.

RISK

- The share of xiaomi's market share is at risk of being shared with other distributors;
- Growth of new brands was lower than expected.

	2020	2021	2022	VN-Index		2019	2020	2021	2022
PE (x)	18.07	15.07	12.34	17.04	Revenue	8,493	12,536	20,971	27,008
PB (x)	4.17	5.56	3.91	2.58	Gross profit	550	803	1,511	1,906
PS (x)	0.2	0.47	0.37	2.11	Profit after tax	163	267	657	803
ROE (%)	21%	37%	32%	15%	EPS	3,882	6,191	7,424	9,069
ROA (%)	21%	10%	11%	2%	EPS growth	43%	59%	20%	22%

BUSINESS UPDATE

Revenue and NPAT in 2021 will reach VND 20,971 billion (+67% YoY) and VND 658 billion (+160% YoY) respectively, mainly coming from the contribution of (1) **Laptops (+82% YoY)** benefiting from the trend work and study from home due to the epidemic and supply disruption due to lack of chips; (2) **Phones (+54% YoY)** continued to record 33% revenue growth of Xiaomi brand thanks to increasing market share from 10% to 13% and the absolute contribution of Apple and Huawei brands in 2021; (3) **Office equipment (+85% YoY)** due to the increase in demand for smart home products during and after the lockdown period, businesses reinvest in technology products to support operations. dynamic work online; (4) **Consumer goods (42% YoY)** thanks to the demand for spending on anti-epidemic medical products.

Net margin increased from 2.13% to 3.13% in 2021 thanks to (1) Gross profit margin increased by 80 basis points (from 6.3% to 7.2%) thanks to increased proportion of contributions from office equipment products from 12.3% to 13.5% and the problem of chip shortage makes IoTs product manufacturers focusing on mid-high-end have better profit margins and reduce promotional activities in 2021; (2) Contributing more than 48 billion dong to NPAT comes from one-time profit from exchange rate difference (+62% YoY) and payment discount from suppliers (+106% YoY).

VND billion	Q4/2021	Q4/2020	%	2021	2020	%
Laptop	3,340	1,199	179%	7,899	4,350	82%
Mobile phone	3,497	2,228	57%	9,857	6,384	54%
Office equipment	992	509	95%	2,840	1,536	85%
Consumer goods	93	81	15%	376	265	42%
	Q4/2021	Q4/2020	%	2021	2020	%
Net sales	7,922	4,017	97%	20,971	12,534	67%
Gross profit	613	255	141%	1,511	795	90%
GPM	7.70%	6.30%		7.20%	6.30%	
Selling expenses	-212	-147	45%	-708	-447	59%
Management costs	-41	-13	224%	-114	-68	67%
SG&A/Rev	3.20%	4.00%		3.90%	4.10%	
EBIT	360	95	278%	689	280	146%
EBIT Margin	0	0	92%	0	0	47%
Financial income	68	22	214%	180	84	114%
Financial expenses	-22	-3	582%	-42	-37	14%
Other income, net	-1	0	1417%	-2	2	-183%
EBT	407	113	259%	823	332	148%
NPAT	327	85	284%	658	253	160%
NPAT margin	4.10%	2.10%		3.10%	2.00%	

Source: Fiin Pro, BSC Research

Another update: The event that Xiaomi signed a cooperation agreement with FPT Synnex, distributing smartphone and smart home products, caused DGW to lose its exclusive position to distribute Xiaomi products in 2022. According to Xiaomi, strengthen cooperation with many distributors to conquer the ambition to increase market share from 13% to 25% - Become the number one smartphone brand in Vietnam market (the market has many opportunities to develop internet services) , by increasing the number of IoTs products in the Xioami ecosystem from more than 75 products to 100 products in 2022.

We believe that this event has not significantly affected DGW's business prospects in 2022, when

- (1) DGW has diversified its product lines and reduced its dependence on one brand with Xiaomi's share in the revenue structure tending to decrease from 43% to 34% in 2021.
- (2) Based on Xiaomi's strategy, Xiaomi's overall market share will expand rapidly in 2022, so DGW as a pioneer and holds the consumption habits of Xiaomi customers will help the company maintain and expand market share; while other distributors need time to launch sales and gain market share.

However, this event still has potential for DGW's growth in the medium term, as many suppliers and distributors enter the market, the market share may be divided when Xiaomi's goal is difficult. after 2022.

Outlook for 2022

DGW targets revenue of VND 26,300 billion (+25% YoY) and NPAT of VND 800 billion (+22% YoY) in 2022, based on double-digit growth across all categories. In which, the growth momentum continues to be maintained thanks to (1) Laptop demand is forecasted to grow positively when the penetration level of laptops in Vietnam market is low compared to other countries in the region such as Thailand. and double-digit growth of laptops that combine work and gaming; (2) Apple continues to capture the market share of Portable products, Xiaomi continues to expand its market share from 13% to 25% and DGW will account for at least more than 50% of Xiaomi's total revenue in 2022; (3) Positive contributions of many new industries.

We revise our forecast for DTT and NPAT in 2022 to reach VND 27,008 billion (+29% YoY) and VND 803 billion (+22% YoY), EPS fw = VND 9,069 and PE fw = 12.3 times – Lower P/ The average E for Apple distribution starting from Q3/2020 is 16.8x - 9% higher revenue and 8% NPAT respectively than [báo cáo chiến lược của chúng tôi](#)*. Based on growth assumptions.

(1) Laptop segment (+20% YoY) continues to benefit from (1.1) trend of online learning and working combined with gaming continues to maintain positive expectations and (1.2) mid-high-end trend prolonged as the chip supply continues to be in short supply.

(2) Phones (+28% YoY), growth comes from new products from Apple, Xiaomi ahead of expectations (1) Genuine goods quickly capture market share of portable goods created by suppliers Favorable conditions of warranty policy and delivery time for genuine goods and regulations on safety in disease conditions and increased transportation costs make the market share of hand-carried goods narrow (2.2). into niche segment focusing on durability (3) Turning off 2g signal will create a trend of switching to smartphones in the short and medium term.

(3) Office equipment (+39% YoY) and ~500 billion in revenue from new household brands with a scale of more than 1 billion USD, as businesses increase digital transformation, convenience and high trends levels are boosted after the epidemic; Along with the absolute contribution of new brands such as Samsung, Whirlpool (the ambition to occupy 10% of the home appliance market without a TV in the next 3 years),...

(4) Consumer goods (+20% YoY) thanks to continued positive growth in consumer demand for epidemic prevention products and potential contributions from new brands.

VND Billion	2020	2021	2022	KH 2022	2023
Net Revenue	12,535	20,972	27,008	26,300	32,330
% YoY		67%	29%	25%	20%
(1) Laptop	4,350	7,899	9,479	9,740	10,427
% YoY	46%	82%	20%	23%	10%
(2) Mobile Phone	6,384	9,857	12,605	12,330	14,024
% YoY	64%	54%	28%	25%	11%
(3) Office equipment	1,536	2,840	3,940	3,770	6,230
% YoY	12%	85%	39%	33%	58%
(4) Consumer goods	265	376	451	460	541
% YoY	4%	42%	20%	22%	20%
Gross profit	803	1,511	1,906		2,282
GPM	6.4%	7.2%	7.1%		7.1%
Selling expenses	434	708	903		1,081
Management costs	90	114	121		145
EBIT	278	689	881		1,055
Financial revenue	83	180	156		177
Financial expenses	33	42	35		37
Profit before tax	334	823	1,004		1,197
Profit after tax	267	657	803	800	958
% YoY		146%	22%	22%	20%
Net profit margin	2.13%	3.13%	2.97%	3.04%	2.96%
Basic EPS (VND)	6,191	7,424	9,069	9,034	10,817

Nguồn: BSC Research

The trend of high-end electronic product lines is promoted, based on the following conditions: (1) The problem of chip shortage is expected to continue in the short term (2) the trend of studying and working online combined entertainment is promoted and the growth rate is over 30%/year of the e-commerce industry (3) the trend of digital transformation in the medium and long term of enterprises. Xu hướng này mang lại kỳ vọng khả quan cho DGW trong 2022:

Apple (+30% YoY) thanks to **(i) The market size** is expected to grow over 6% thanks to the increase in spending of the middle class after the epidemic and breakthroughs in the new iPhone model; **(ii) The market share** of portable goods continues to shrink thanks to Apple's efforts to improve market share in Vietnam through

(1) Apple's support policies for genuine goods: In 2021, authorized chains have been able to shorten the time for sale of Iphone 13 from 2 to 3 months to 1 month after this product is released. officially launched with a convenient genuine warranty policy has made more users choose genuine distributed products,

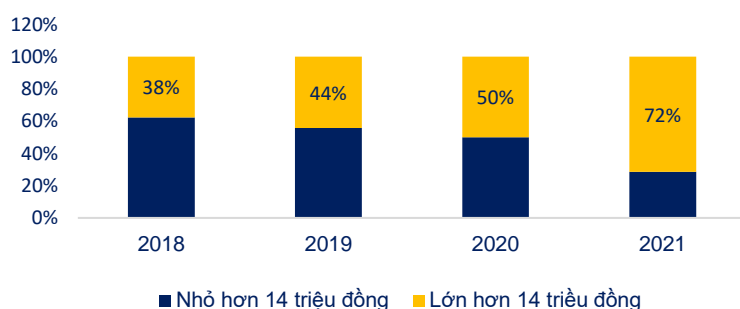
(2) The development of authorized retail stores: Apple has joined hands with major retailers to open "mono" stores that only sell its products such as TopZone, ShopDunk, F.Studio, eDigi,... and is expected to accelerate the opening of stores in 2022. In addition, many of these stores, formerly specialized in selling "portable" iPhone products, are also gradually shifting to selling genuine products due to portable goods. lost many advantages such as the difference in delivery time and insignificant price; Tight supply due to disease control regulations and high shipping costs, and Apple's strict sales policy also restrict these retailers from simultaneously selling portable Apple products. Therefore, we expect the market share of hand-carried goods to continue to decline from 25-30% (-50% compared to 2020) to less than 25% in 2022-2023.

Xiaomi (+15% YoY) thanks to:

(1) Xiaomi's ambition to increase market share by volume from 13% to 25% by launching new product lines (+25% YoY), increasing new distributors and tightening portable goods.

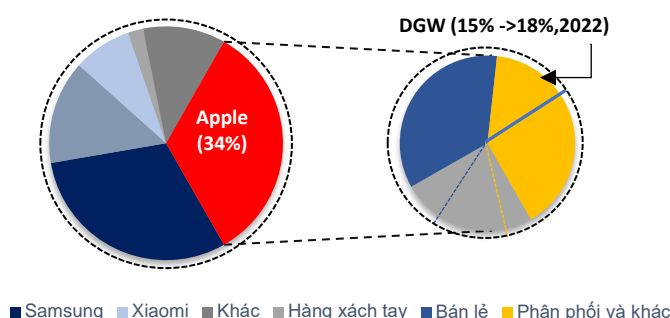
(2) Taking advantage of strong configuration while reasonable price helps Xiaomi, when (2.1) the demand for combining work and gaming increases and (2.2) Circular No. 43/2020/TT-BTTTT comes into effect. The law stipulates that mobile phones manufactured and imported into Vietnam must support 4G or higher technology and turn off 2G waves, making 8 million feature phones account for 40% of Vietnam's average annual consumption, will be converted into a smartphone.

The trend of mid-high-end smartphone + laptop products is driven by the global chip shortage



Source: GFK

Market Share of suppliers - distribution channels



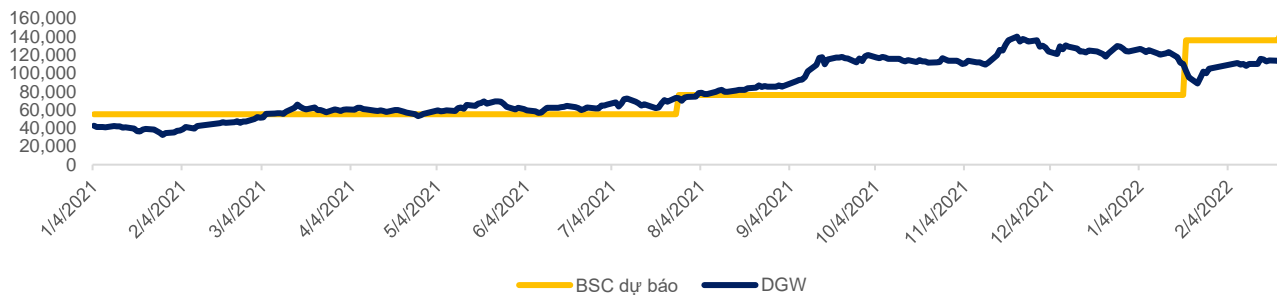
Source: DGW, Statcounter

VALUATION

We recommend **BUY** stock **DGW** at **143,000 VND/share**, 28% upside from price on 22/02/2021 with DCF method and P/E, with weight of 50% - 50%. Based on the positive expectations of 2022 and the long-term growth coming from the consumer goods industry.

Method	Valuation (VND/share)		Proportion (%)	Contribution (VND/share)	
DCF	140,800		50%	70,400	
P/E with target P/E 16x	145,100		50%	72,550	
Target price (VND/share)				143,000	
Closing price for the day				111,900	
Dividend rate				5.0%	
TSR				27.8%	
P/E since Apple distribution				16.8	
Discounted cash flow FCFF (VND billion)	2022	2023	2024	2025	2026
EBIT	1,032	1,227	1,495	1,878	2,390
EBIT*(1-T)	825	981	1,195	1,502	1,911
(+) DEP & AMO	9	9	9	10	10
(+/-) Change in WC	(185)	(376)	(304)	(354)	(409)
(+/-) Change in CAPEX	(27)	(32)	(39)	(47)	(57)
FCF	622	582	862	1,111	1,455
PV of FCFF	575	491	663	780	933
Average cost of capital (%)		FCFF (VND Billion)			
Beta	1.12	Present value of FCF			3,443
Risk-free rate	2.3%	Liquidation value (discount)			8,629
Market risk premium	7.8%	Total current value FCF			12,072
Equity cost	11%	(+/-) Cash and short-term investments			1,494
Debt cost	3.6%	(-) Short-term and long-term debt			1,117
CIT	20%	(-) Benefits of minority shareholders			1
% In debt	17.1%	EV			12,449
% VCSH	82.9%	Number of shares in circulation (millions of shares)			88
WACC	9.6%	Value of 1 Share, VND			140,824
P/E method					
EPS 2022 (VND/share)				9,069	
Target P/E (times)				16.0	
Target price for 2020 (VND)				145,111	

Source: BSC Research



APPENDIX

Business performances (Bil VND)	2020	2021	2022	2023
Net Revenue	12,536	20,971	27,008	32,330
COGS	11,733	19,460	25,102	30,048
Gross profit	803	1,511	1,906	2,282
Selling expenses	434	708	903	1,081
Management costs	90	114	121	145
Operating profit/loss	278	689	881	1,055
Financial revenue	83	180	156	177
Financial expenses	33	42	35	37
Interest expenses	27	32	30	32
Profit from joint ventures/associations	-	-	-	-
Other profit/loss	2	(2)	2	2
Profit before taxes	334	823	1,004	1,197
Corporate income tax	86	221	201	240
Profit after tax	267	658	804	958
Non-controlling interests	0	1	1	1
Profit after tax - Noncontrolling interests	267	657	803	958
EBITDA	284	695	890	1,064
EPS	6,191	7,424	9,069	10,817

Cash flow (Billion VND)	2020	2021	2022	2023
(Loss) / PAT	267	657	803	958
Depreciation and amortization	6	6	9	9
Change in working capital	568	(470)	45	(175)
Other adjustments	(15)	(47)	-	-
Net cash flow from operating activities	826	146	857	792
Cash for purchase of fixed assets	(13)	(12)	(27)	(32)
Other investment	2	0	-	-
Net cash flow from investment activities	(48)	27	-	-
Dividend payment	(43)	(44)	(54)	(64)
Cash from net borrowing	3,834	4,902	(64)	67
Other revenue	(3,813)	(4,403)	-	-
Net cash flow from financing activities	(22)	455	(118)	3
Beginning of year cash flow	131	878	1,495	2,206
Cash flow in the year	746	616	712	762
Ending of year cash flow	878	1,495	2,206	2,968

Balance Sheet (bil VND)	2020	2021	2022	2023
Cash and cash equivalents	878	1,494	2,206	2,968
Short term investment	-	-	-	-
Short-term receivables	1,131	1,834	1,894	2,178
Inventory	827	2,843	2,849	3,328
Other current assets	25	87	380	455
Short-term assets	2,862	6,259	7,329	8,929
tangible assets	88	94	113	136
Depreciation	6	6	9	9
long-term unfinished assets	-	0	0	0
Long-term investment	60	65	65	65
Other long-term assets	50	(22)	24	75

Ratio (%)	2020	2021	2022	2023
Liquidity				
Current ratio	1.50	1.32	1.45	1.54
Quick ratio	0.46	0.31	0.44	0.51
Capital structure				
Debt/Total Asset	0.21	0.17	0.14	0.12
Debt/Equity	1.47	1.27	1.20	1.28
Efficiency				
Days Sales of Inventory	26.00	34.42	41.42	40.42
Days Sales Outstanding	24.4	25.3	25.3	24.3

Long-term assets	207	289	259	295	Days Payable	31.0	32.2	43.2	41.2
total assets	3,069	6,548	7,588	9,223	Outstanding				
Liabilities must pay	941	2,844	2,970	3,443	CCC	19.4	27.6	23.6	23.6
Short-term loans	630	1,117	1,053	1,120	Profit margin				
Other short-term debt	335	792	1,021	1,222	Gross margin	6.4%	7.2%	7.1%	7.1%
Total current liabilities	1,906	4,753	5,044	5,786	Profit after tax	2.1%	3.1%	2.9%	2.9%
Long-term loans	-	-	-	-	margin				
Other long-term debt	5	10	10	10	ROE	23.1%	36.9%	31.7%	28.0%
Total Long-term Debt	5	10	10	10	ROA	8.7%	10.0%	10.6%	10.4%
Total liabilities	1,910	4,764	5,054	5,796	Valuation				
Capital	432	886	886	886	PE	18.07	15.07	12.34	10.34
Surplus equity	61	61	61	61	PB	4.17	5.56	3.91	2.89
Undistributed profits	670	841	1,590	2,484	Growth				
Other equity	(6)	(6)	(6)	(6)					
The contents of a presentation	2	2	2	2					
Total Equity	1,157	1,782	2,531	3,425	Net revenue growth	47.6%	67.3%	28.8%	19.7%
Total capital	3,069	6,548	7,588	9,223	EBIT growth	38.8%	142.0%	20.2%	18.9%
Number of shares outstanding	43	89	89	89	Pre-tax growth	58.9%	146.6%	22.0%	19.3%
						59.5%	19.9%	22.2%	19.3%

Source: BSC Research

Technical analysis

Target price: 130.0

Stop Loss Price: 103.0

Technical highlights:

- Current Trend: Moving sideways
- MACD Trend Indicator: MACD is above the signal line but is trending sideways
- RSI indicator: in the neutral zone around the RSI 50

Recommendation: DGW is in a sideways trend in the zone of 108-120. Although the price is already above MA20, MA200 but still below MA50 and MA100. The MA20 has not shown signs of cutting above MA50. Liquidity is still maintaining at a low level as the volume is lower than the average of the last 20 sessions. The RSI and MACD are relatively positive as the MACD is still above the signal line and the RSI is trending around 50. The nearest resistance is at 120.

Recommendation: BSC recommends investors to open a position with the stock at 111.0, take profit at 130.0, cut loss at



Recommended use

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