

07/03/2022 – HSX: MWG

Industry: Retail (Most recent report: [Link](#))

Recommendations

BUY

Mobile World Investment Corporation (HSX: MWG)
Continuing the growth momentum

Current price:	134,200	Report writing date:	07/03/2021	Shareholder structure	
Previous target price	154,400	Outstanding Shares (Million)	713	RETAIL WORLD INVT CO	10.7%
New target price:	182,200	Market capitalization (billion VND)	101,446	ARISAIG ASIA CONSUME	7.1%
Dividend yield	0%	Average liquidity in 6 months:	1,465,600	TRAN HUY INVESTMENT CO.,Ltd	2.3%
Potential for price increase	35.7%	Foreign ownership	49%	VEIL	2.3%

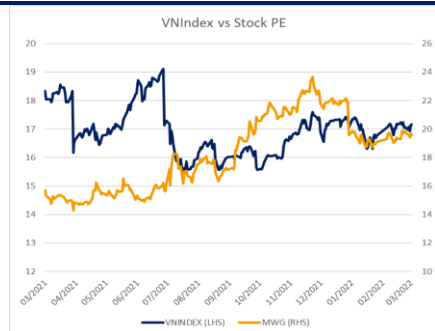
Industry Analyst :Phan Quoc Buu
(Real Estate, Retail)buupq@bsc.com.vn**Technical Analyst:**

Le Quoc Trung

trunglq@bsc.com.vn

Recommended price: 145,000 VND

Stop loss price: 134,500 VND

CP price comparison table and VN-Index**P/E and VN index comparison table****Valuation**

- Compared to the latest **BUY** recommendation report dated 11/23/2021 and the recommendation in the 2022 strategy report ([Link](#)), BSC continues to maintain its BUY recommendation and sets a forward 2022 target price of VND182,200 (upside +35.7% compared to the price on March 7, 2022) based on two methods of P/E (50%) and DCF (50%).

Forecasting business results

- 2022: BSC estimates revenue and profit after tax to reach VND 140,579 billion (+14.3 percent YoY) and VND 6,501 billion (+33% YoY), respectively. EPS FW 2020 = VND 9,118, PE FW 2021 = 14.9 times
- 2023: MWG's net revenue and profit after tax are estimated at VND 161,690 billion (+15% YoY) and VND 8,319 billion (+28% YoY), respectively. EPS FW 2020 = 11,666 VND, PE FW 2021 = 11.6 times.

Investment perspective

- Gross margin expansion will be the main support factor for MWG's profit growth in 2022.
- Optimizing Bach Hoa Xanh continues to move towards breakeven and is expected to reach breakeven point in the second half of 2022.
- MWG is allowed to trade at a higher PE price when BHX reaches breakeven.
- Looking for opportunities to expand revenue growth from new chains such as Topzone, AVAKids – AVASport – AVAFashion – AVAJi – AVACycle chains.

Risk

- Risks of the ability to recover purchasing power after the Covid-19 epidemic
- Revenue growth is slow for provincial stores and the ability to optimize costs has not met expectations.

Business Update

MWG still recorded positive growth and exceeded the profit plan set out in the context of complicated disease developments. Revenue and profit of MWG reached 124,142 billion dong (+13.3% YoY) and 4,898 billion dong (+25% YoY).

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	2021F	2022F	2023F	VN-Index		2020	2021	2022F	2023F
PE (x)	19.8	14.9	11.6	17.1	Revenue	108,546	122,958	140,579	161,690
PB (x)	4.8	3.8	3.0	2.7	Gross profit	23,954	27,632	33,158	38,301
PS (x)	7.9	6.9	6.0	2.1	Profit after tax	3,921	4,895	6,501	8,319
ROE (%)	24.0%	25.3%	25.4%	16%	EPS	5,499	6,864	9,118	11,666
ROA (%)	7.8%	9.5%	10.3%	2.6%	EPS growth	2%	25%	33%	28%
EV/ EBITDA (x)	13.2	10.6	8.8	16.1	Net debt/equity	36%	39%	37%	35%

BUSINESS UPDATE REPORT

2021 – Recorded positive growth in the context of strong Covid-19 impact

- Accumulated in 2021, MWG still recorded positive growth and exceeded the profit plan set out in the context of complicated epidemic developments. Specifically, revenue and net profit reached VND 124,142 billion (+13.3 percent YoY) and VND 4,898 billion (+25% YoY), respectively, thanks to (1) steadily improving gross profit margin at Mobile World chains. & green electronics (up to ~23% in Q3/2021), especially the green department store recorded a good profit margin in Q3/2021 (up to ~28% in Q3/2021) and (2) Efficiency in Cash flow management helps to increase financial revenue. Accordingly, MWG completed 98% and 103% of the set revenue and profit plan, respectively.
- The world of mobile phones and green electronics: (i) Recorded growth of 9% YoY, especially in Q4/2021, up 44% YoY thanks to pent up shopping demand after the social distancing period in Vietnam. southern provinces in Q3/2021, (ii) Apple's new product model promotes the phone segment, (iii) Promotes expansion of the DMX Supermini chain and initial positive signals from the Topzone chain.

DMXS: Accumulated at the end of 2021, the number of newly opened stores accounted for 87% of the total number of new stores opened by Dien May Xanh, and contributed 11% to the total revenue of Dien May Xanh.

The online business segment of the mobile world and green electronics recorded positive growth in the context of complicated epidemic developments. % Online/Total mobile and mobile phone revenue increased from about 10% in Q1/2021 to 14% in 2021 (+47% YoY).

Billion dong	Q4/2021	Q4/2020	%YoY	2021	2020	%YoY
Revenue	36,497	27,513	33%	124,142	109,801	7%
TGDD	11,111	7,499	48%	31,600	29,525	7%
DMX	19,299	12,541	54%	62,709	57,746	9%
BHX	5,584	5,673	-2%	28,157	21,275	32%
Gross profit	7,375	6,275	18%	27,632	23,954	15%
Gross profit margin	20.4%	23.1%		22.5%	22.1%	
Selling expenses	4,853	4,259	14%	17,813	15,334	17%
Enterprise Cost Management	666	784	-15%	3,931	3,404	25%
% Cost of insurance & business administration/DTT	15.1%	18.3%		17.5%	17.1%	
Financial revenue	384	243	58%	1,266	794	60%
Financial expenses	225	147	54%	714	594	9%
Profit before tax	2,038	1,334	53%	6,467	5,413	9%
Corporate income tax	520	456	14%	1,637	1,598	-2%
Profit after tax	1,551	942		4,895	3,921	12%
EPS	2,175	1,981	10%	6,866	5,501	
Net profit margin	4.3%	3.5%		4.0%	3.6%	
Estimated BHX loss/revenue	4.7%	9.9%		7.9%	8.7%	

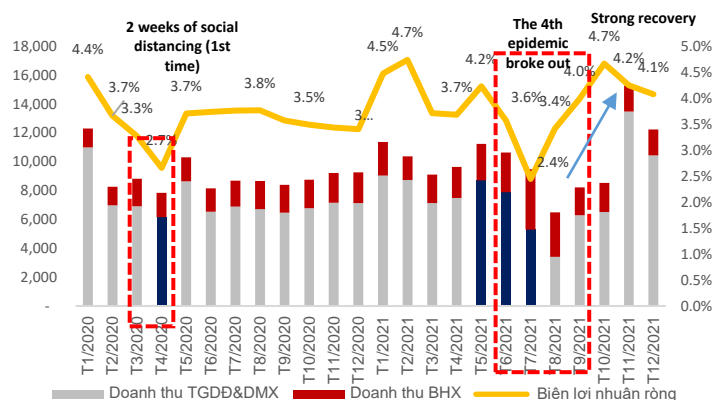
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Source: BSC Research, MWG

% increase the revenue	T1/2021	T2/2021	T3/2021	T4/2021	T5/2021	T6/2021	T7/2021	T8/2021	T9/2021	T10/2021	T11/2021	T12/2021
TGDD	-21%	21%	7%	41%	17%	6%	-39%	-57%	-9%	-7%	109%	40%
DMX	-16%	27%	1%	13%	-5%	28%	-14%	-45%	1%	-2%	77%	50%
BHX	76%	30%	4%	27%	52%	69%	134%	58%	0%	1%	-12%	-15%
Average revenue/store of BHX	1.34	0.95	1.12	1.20	1.39	1.47	2.20	1.60	1.00	1.03	0.91	0.87
Number of new stores opening												
TGDD & DMX	68	31	23	89	75	41	45	5	14	10.0	88.0	133.0
BHX	30	7	11	36	48	37	31	9	6	-	92	80

DMX and TGDD recovered strongly after the 4th outbreak

Phones, laptops, and household appliances all recorded positive growth



Source: BSC Research, MWG

BHX 2022 will focus on optimizing the system chain instead of accelerating expansion

As mentioned in *báo cáo gần nhất của BSC*, MWG will focus on (1) Improving gross profit margin and (2) Increasing average sales of existing stores and (3) Optimizing logistics system, operate.

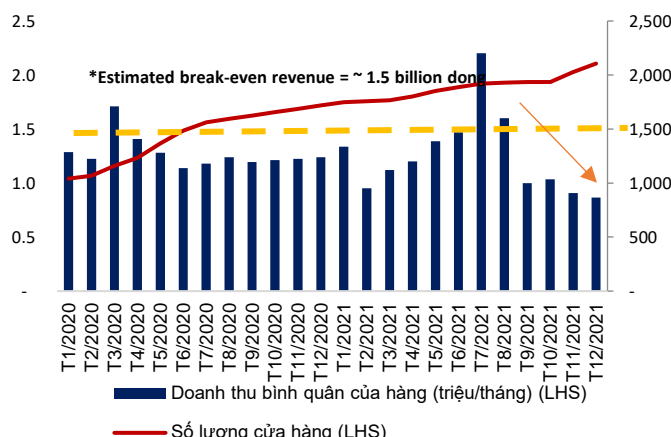
In 2021, the BHX chain recorded a positive improvement and broke even for the first time in Q3/2021. According to BSC's estimates, in 2021, the BHX chain recorded a loss of -4.9% compared to a loss in 2020 of 8.9%. Particularly in Q3/2021, BHX recorded a net profit of about 0.58% thanks to the strong increase in average revenue per store due to the distance in the southern provinces. Accordingly, BSC highly appreciates Chairman Nguyen Duc Tai's takeover to lead the BHX chain and this is an employee with extensive experience in perfecting the operating platform and optimizing purchasing capacity.

In 1Q2022, BHX will still face many difficulties in increasing the chain's average revenue due to the impact of the labor force returning to their hometown before Tet, however this trend will gradually reverse and is expected to return to normal. normal level from March 2022.

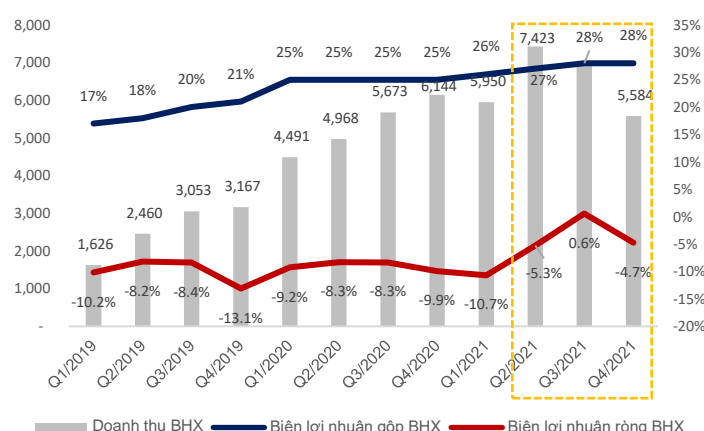
In 2022, the management also proposed a plan not to open new (only open about 80-100 stores that have already signed a contract), and focus on optimizing the operation system, upgrading stores. . **Based on our experience and historical data, we believe MWG will soon reach breakeven point from 3Q2022** as average store revenue will recover to "normal" level and post a slight improvement in 2H2022.

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Bach Hoa Xanh chain's revenue decreased after the 4th outbreak due to objective factors, but still recorded a lower net loss compared to the previous quarters.



Optimizing the operation and purchasing system, BHX is taking steady steps towards the breakeven point



* This level of revenue may be lower in the condition that MWG can strongly improve gross profit margin

Gross margin expansion will be the main support factor for MWG's profit growth

There is still room for growth in the DMX segment thanks to the DMX Mini chain and the new TopZone chain. It is estimated that by the end of 2021, MWG will hold about 60% of the mobile phone market share and 50% of the electronics market share. We believe that MWG still has room for growth from these two segments thanks to the trend of offsetting procurement in 2022 when demand is pent-up. Growth momentum will come from (1) DMX Supermini chain continues to expand (estimated to operate about 1,000 stores by the end of the year), (2) Upgrade DMX stores into DMX centers, and (3) Increase more SKU, product portfolio optimization and operations optimization, search for rental properties at better rates.

Initial optimistic signal from Topzone chain - A chain of high-end authorized stores selling Apple products. We expect the Topzone chain to be the main driver of TGDD's growth in 2022 while the market outlook still has room to increase thanks to (1) Contribution from new models and chip shortage and (2) Win more market share from the hand-carried market when the supply is still limited and the gap. MWG plans to operate about 200 stores by the end of the year with an average revenue of about 8-10 billion VND/store/month when it comes into operation. Accordingly, the Topzone chain can contribute an additional \$250 million to TGDD's revenue growth in 2022.

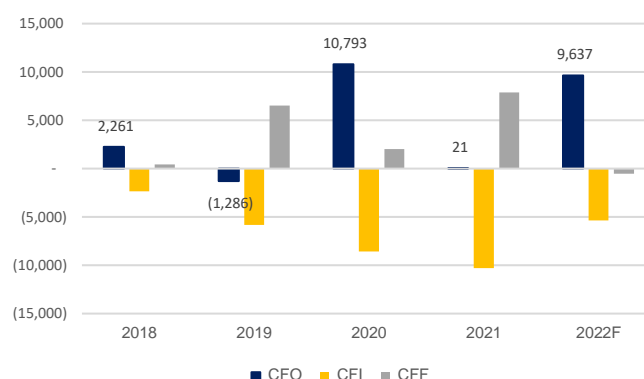
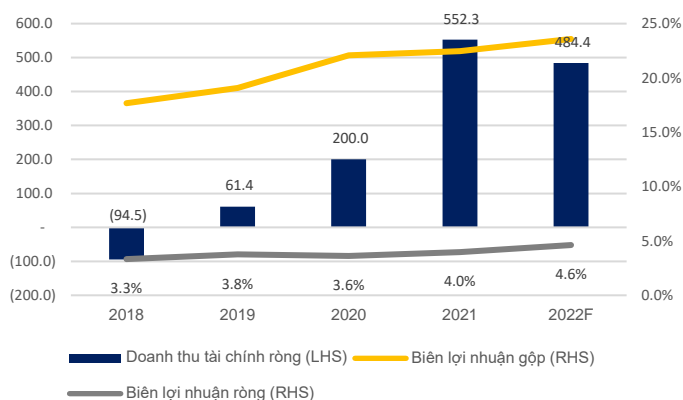
Revenue scale TGDD and DMX ranked No. 1 in the retail chain, creating a distinct advantage when improving profit margins. Accordingly, the revenue scale of TGDD and DMX according to our estimates in 2022 is estimated at about VND 106,572 billion (+13% YoY). The sharp increase in revenue scale will also support a significant improvement in net profit margin while fixed costs remain unchanged. We believe that in 2022, MWG can continue to improve the gross profit margin of the two chains above thanks to the efficiency from the DMXS chain, optimizing the product portfolio. In addition, we note According to our estimates, with a 0.5% improvement in gross profit margin of DMX & TGDD chain, MWG could record an additional ~420 billion in EAT, equivalent to 8.5% of EAT year 2021.

Experimenting in many new markets with the AVA series including AVAKids – AVASport – AVAFashion – AVAJi – AVACycle. Currently, for independent chain stores, MWG is testing 12 stores. Although it is only in the testing phase, we believe that the potential for development of some chains like AVAKids – AVASport – AVACycle is still quite large.

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The advantage of revenue scale as well as cash flow helps in efficient financial operations, supporting profit growth.

Operating cash flow maintained at a relatively good level.



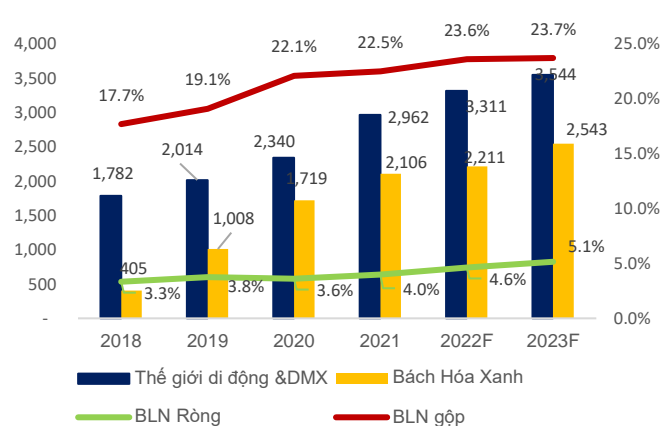
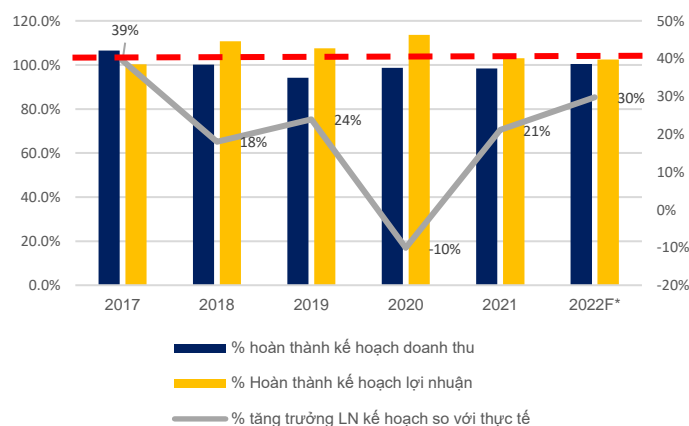
Source: BSC Research, MWG

2022: Jumping point for the period 2021-2025

Business plan 2022. Management has set an optimistic business plan with revenue and profit after tax of VND 140,000 billion (+14% YoY) and VND 6,350 billion (+30% YoY), respectively. with 99.8% of our latest forecast. In terms of past business performance, **BSC emphasized that in the last 5 years**, (1) MWG has all completed and exceeded the set profit business plan and (2) Except for 2020 due to complex effects Due to the complicated situation of the Covid-19 epidemic, the profit plan set out in each year has grown by double digits compared to the number implemented in the following year.

MWG has always exceeded the profit business plan in the last 5 years.

Expected number of stores and business performance as estimated by BSC



*2022F: BSC's estimate compared to the revenue and profit plan set out in 2022.

Source: BSC Research, MWG

Update business results in January 2022. In January 2022, MWG set a sales record with total revenue estimated at more than 16,000 billion VND and 2,300 billion VND in online revenue thanks to the sales season for the 2022 Lunar New Year.

2022: BSC estimates that revenue and NPAT are estimated at VND 140,579 billion (+14.3% YoY) and VND 6,501 billion (+33% YoY), respectively. EPS FW 2020 = VND 9,118, PE FW 2021 = 14.9 times based on the following assumptions:

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- Total revenue of DMX and TGDD chains recorded a growth of 13%, assuming business operations will no longer be disrupted. Revenue from BHX segment recorded a growth of 20.8% YoY, contributing 24.2% of MWG's total revenue.
- The number of new TGDD&DMX and BHX stores opening in 2021 is 339 stores and 105 stores, respectively.
- SG&A expenses increased from 17.5% in 2021 to 18.0% in 2022 mainly from scale expansion and promotional campaigns to stimulate shopping demand after the lockdown.
- Gross profit margin improved from 22.4% in 2021 to 23.6% in 2022.

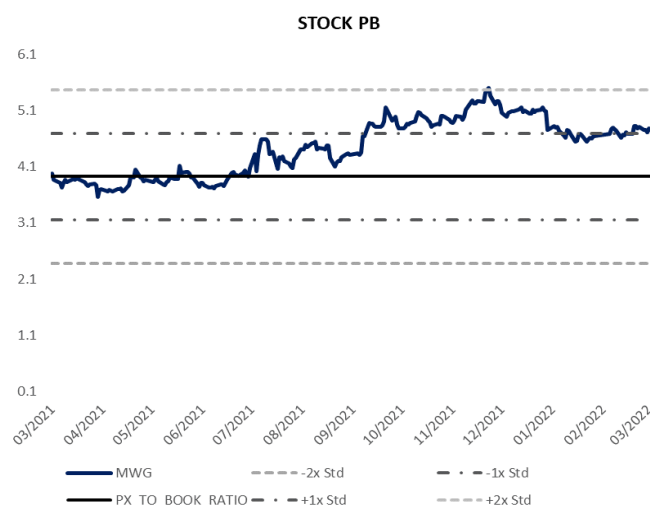
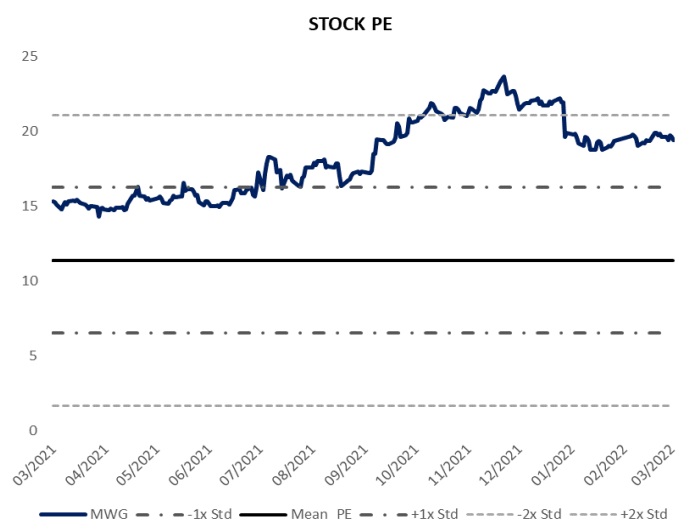
2023: BSC forecasts that MWG's net profit and net profit are estimated at 161,690 billion dong (+15% YoY) and 8,319 billion dong (+28% YoY), respectively. EPS FW 2020 = 11,666 VND, PE FW 2021 = 11.6 times.

Unit: Billion dong	2019	2020	2021	2022F	2023F
Revenue	102,174	108,546	122,958	140,579	161,690
% YoY	18%	6%	13%	14%	15%
Gross profit	19,488	23,954	27,632	33,158	38,301
% YoY	27%	23%	15%	20%	16%
Gross profit margin	19.1%	22.1%	22.5%	23.6%	23.7%
Selling expenses	12,437	15,334	17,914	20,806	23,930
Enterprise Cost Management	2,074	3,404	3,830	4,499	5,174
% Selling & administrative expenses/net revenue	14%	17%	18%	18%	18%
Financial revenue	631	794	1,266	1,550	2,384
Financial expenses	570	594	714	1,065	1,179
Profit before tax	5,057	5,413	6,467	8,339	10,401
Corporate income tax	1,217	1,490	1,570	1,835	2,080
Profit after tax	3,838	3,921	4,895	6,501	8,319
%	33.2%	2.2%	24.8%	32.8%	27.9%
EPS	8,468	8,653	10,800	9,118	11,666
Net profit margin	3.8%	3.6%	4.0%	4.6%	5.1%
ROE	32%	25%	24%	25%	25%

Source: BSC Research

Valuation: MWG has been gradually accepted to value at a higher P/E

- As we move closer to breakeven point, we think MWG is now accepted at a higher valuation, accumulated over the last 1 year MWG is now averaging above 1 standard deviation. times (17.5 times).



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Source: BSC Research, Bloomberg

- Compared to the latest **BUY** recommendation report dated 11/23/2021 [\(Link\)](#) and the recommendation in the 2022 strategic report, BSC continues to maintain its **BUY** recommendation and sets a forecast target price in 2022 of VND 182,200 (upside +35.7% from March 7, 2022) based on two methods P/E (50%) and DCF (50%).

Discounted cash flow table	2021	2022	2023	2024	2025
Firm free cash flow (FCFF)	(4,404)	9,673	8,234	6,533	8,325
Total discounted cash flow value for 5 years	22,691	27,028	18,037	11,029	5,939
Final value	117,691	117,691	92,348	92,348	92,348
Final value discount	115,912	109,403	78,594	71,954	65,877
Total discount value	138,602				
Debt deduction	24,647				
Plus Cash	19,879				
Total company value	133,833				
Number of outstanding shares (million)	713				
Fair Value (VND)	187,687				

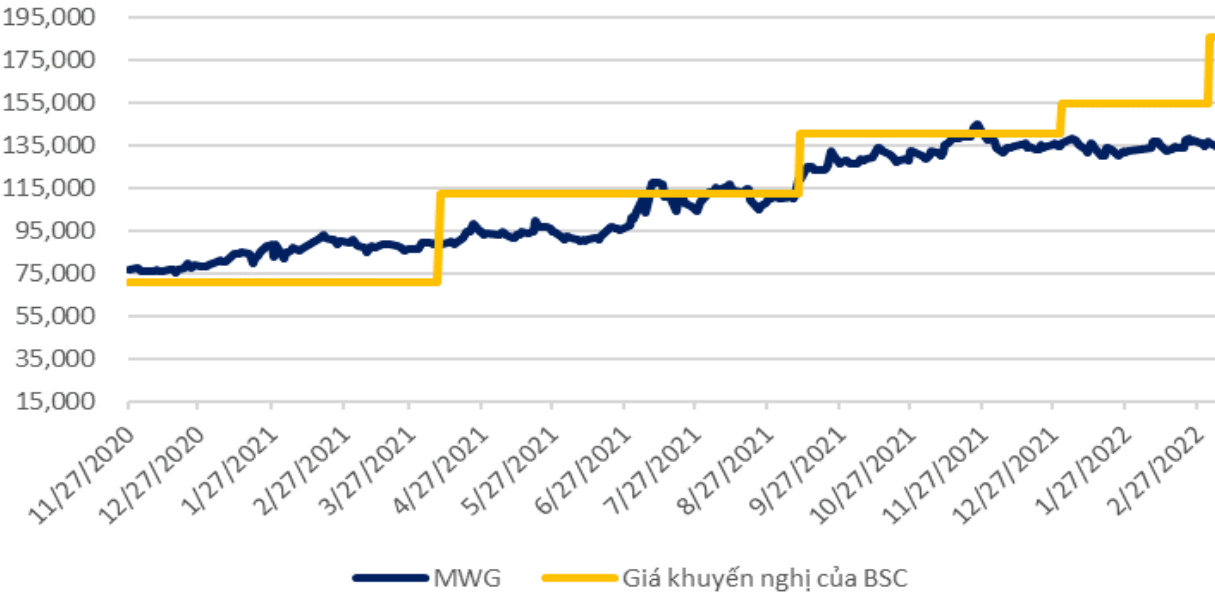
PE . method	2021	2022	2023	2024	2024
Diluted EPS	6,864	9,118	11,666	14,087	16,652
PE	19	19	19	19	19
Fair Value (VND)	123,600	164,100	210,000	253,600	299,700

Method	Price	Proportion	Average price	Average cost of capital (WACC)	
FCFF	200,367	50%	100,184	Rf	4.00%
P0/E0	164,100	50%	82,050	Beta	1.00
		100%	182,200	Ke	14.96%
		Current price	134,200	Kd	3.00%
		Upside Recommendation	35.7%	E/A	54.65%
			BUY	D/A	45.35%
				Tax rate	23%
				WACC	9.23%
				g	2.5%

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STOCK PRICE VOLTAGE COMPLEX TO RECOMMENDATION

BIẾN ĐỘNG GIÁ CỔ PHIẾU SO VỚI KHUYẾN NGHỊ BSC



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APPENDIX

Business results (Billion VND)	2020	2021	2022F	2023F
Net Revenue	108,546	122,958	140,579	161,690
Cost of goods sold	84,592	95,326	107,420	123,389
Gross profit	23,954	27,632	33,158	38,301
Selling expenses	-15,334	-17,914	-20,806	-23,930
Enterprise Cost Management	-3,404	-3,830	-4,499	-5,174
Operating profit/loss	5,216	5,888	7,854	9,197
Financial revenue	794	1,266	1,550	2,384
Financial expenses	-594	-714	-1,065	-1,179
Interest expenses	-591	-674	-1,025	-1,139
Profit from CTL/D/LK	0	0	0	0
Other profit/loss	-3	27	0	0
Profit before tax	5,413	6,467	8,339	10,401
Corporate income tax	-1490	-1570	-1835	-2080
Profit after tax	3,921	4,895	6,501	8,319
Non-controlling interests	2	3	3	3
Profit after tax - Noncontrolling interests	3,919	4,892	6,499	8,316
EBITDA	7,412	8,809	10,695	12,167
EPS	5,499	6,864	9,118	11,666

Balance sheet (billion VND)	2020	2021	2022F	2023F
Cash and cash equivalents	7,348	4,944	4,944	4,944
Short term investment	8,057	13,435	13,435	13,435
Short-term receivables	1,703	3,162	3,162	3,162
Inventory	19,422	29,180	29,180	29,180
Other current assets	895	1,255	1,255	1,255
Short-term assets	37,426	51,976	51,976	51,976
tangible assets	7,295	9,634	9,634	9,634
Depreciation	2,196	2,921	2,841	2,970
long-term unfinished assets	133	80	80	80
Long-term investment	53	-	-	-
Other long-term assets	794	811	811	811
Long-term assets	8,714	11,007	11,007	11,007
Total assets	46,139	62,983	62,983	62,983
Liabilities must pay	8,659	12,180	12,180	12,180
Short-term loans	15,625	21,879	21,879	21,879
Other short-term debt	5,247	5,778	5,778	5,778
Total current liabilities	29,531	39,836	39,836	39,836
Long-term loans	1,127	2,768	2,768	2,768
Other long-term debt	-	-	-	-
Total Long-term Debt	1,127	2,768	2,768	2,768
Total liabilities	30,658	42,605	42,605	42,605
Capital	4,532	7,131	7,131	7,131
Surplus equity	558	558	558	558
undistributed profits	10,390	12,675	12,675	12,675
Other equity	-	-	-	-
The contents of a presentation	9	12	12	12
Total Equity	15,472	20,366	20,366	20,366
Total capital	46,139	62,983	62,983	62,983
Number of shares outstanding	453	713	713	713

Cash flow (Billion VND)	2020	2021	2022F	2023F
(Loss) / Profit after tax	3,921	4,895	4,895	4,895
Depreciation and amortization	2,196	2,921	2,921	2,921
Change in working capital	4,617	(7,974)	(7,974)	(7,974)
Other adjustments	(597)	(432)	-	-
cash flows from operating activities	10,793	21	9,637	9,399
Money spent to buy fixed assets	(3,911)	(4,964)	(4,964)	(4,964)
Other investment	(4,665)	(5,339)	(4,565)	-
cash flow from investing activities	(8,574)	(10,302)	(5,350)	(2,076)
Dividend payment	(679)	(240)	(240)	(240)
Cash from net borrowing	2,594	7,891	667	2,803
Other revenue	99	226	-	-
cash flows from financing activities	2,196	2,921	2,921	2,921
Cash flow at the beginning of the period	3,921	4,895	4,895	4,895
Money in the period	4,233	(2,404)	(2,404)	(2,404)
Cash flow at the end of the period	3,921	4,895	4,895	4,895

Index(%)	2020	2021	2022F	2023F
Solvency				
Short-term payment ratio	1.27	1.30	1.46	1.57
Quick payout ratio	0.61	0.57	0.76	0.87
Capital structure				
Debt/total assets ratio	117%	99%	83%	76%
Debt/Equity Ratio	36%	39%	37%	35%
Operational capacity				
Number of days in stock	95	97	93	98
Number of days receivable	6	7	8	7
Number of days to pay	37	45	39	34
CCC	65	60	61	71
Profit rate				
Gross profit	22.1%	22.5%	23.6%	23.7%
Profit after tax profit	3.6%	4.0%	4.6%	5.1%
ROE	25.3%	24.0%	25.3%	25.4%
ROA	8.5%	7.8%	9.5%	10.3%
Valuation				
PE	24.7	19.8	14.9	11.6
PB	4.0	4.8	3.8	3.0
Growth				
GDP growth	6.2%	13.3%	14.3%	15.0%
EBIT Growth	4.8%	12.9%	33.4%	17.1%
EBT growth	7.1%	19.5%	28.9%	24.7%
EPS growth	2.2%	24.8%	32.8%	27.9%

Source: BSC Research.

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BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84439352722
Fax: +84422200669

Ho Chi Minh Office

146 Nguyen Cong Tru St, 9th Floor District
1, HCMC
Tel: +84838218885
Fax: +84838218510

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