

Sector : Retail (Latest Report: [Link](#))

Recommendation	POSITIVE	Mobile World Investment Corporation(HSX: MWG) Post-Covid-19 Recovery			
Current Price:	138,600	Date:	23/11/2021	Shareholder Structure	
Previous target price	140,400	Outstanding shares (Million)	712.9	RETAIL WORLD INVT CO	10.7%
New target price:	154,400	Market Cap (Billion)	98,808	ARISAIG ASIA CONSUME	6.0%
Dividend yield	0%	Avg. 6M Trading vol :	1,705,030	DRAGON CAPITAL	3.0%
Upside	11.4%	% Foreign float	49%	VIETFUND MANAGEMENT	2.7%

Industry Analyst:

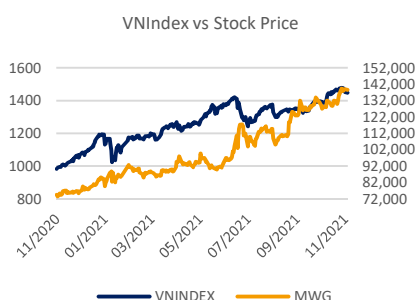
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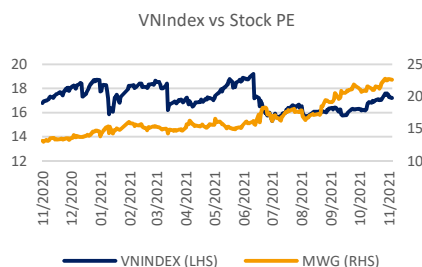
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Target Price: 158,500 VND
Cut Loss Price: 136,000 VND

MWG and VN-Index price comparison table



MWG and VN index P/E comparison table



Valuation

- Compared to the latest **BUY** recommendation report on 10/09/2021 ([Link](#)), MWG's share price has recorded positive growth, approaching the previous valuation of VND 140,400.
- BSC recommends a **POSITIVE** and raised its 2022 target price to 154,400VND (upside +11.4% compared to the price on November 22, 2021) based on the two models P/E (50%) and DCF (50%).

Forecast Business Results

- 2021: BSC estimates revenue and profit after tax are VND 118,404 billion (+7.9% YoY) and VND 4,604 billion (+17% YoY). EPS FW 2020 = VND 6,459, PE FW 2021 = 21.5x.
- 2022: Net revenue and profit after tax are estimated at VND 143,121 billion (+21.2% YoY) and VND 6,164 billion (+34% YoY). EPS FW 2020 = VND 8,647, PE FW 2021 = 16.0x.

Investment Thesis

- Dien May Xanh Supermini model will be the key to solving the market share growth problem and becoming the main growth driver in 2022 after covid-19.
- Bach Xanh continues to gradually move towards breakeven and is expected to reach breakeven in the second half of 2022.
- MWG will re-value trading at a higher PE level when BHX reaches breakeven.

Risks

- Risks of purchasing recovery after Covid-19
- The slow revenue growth rate for provincial stores and the ability to optimize costs has not reached expectations.

Business Updates

- 1H2021 – Recorded positive business results in the context of the epidemic still affected. MWG revenue and profit reached VND 63,139 billion (+12% YoY) and VND 2,208 billion (+26% YoY, respectively).
- The impact of covid-19 on Q3/2021 business results however, the silver lining from BHX.
- The outlook is more optimistic in Q4 2021 and 2022.

	2021F	2022F	Peer	VN-Index		2019	2020F	2021F	2022F
PE (x)	21.5	16.0	17.2	21.9	Revenue	102,174	108,546	117,070	142,020
PB (x)	5.2	4.1	3.6	1.3	Gross profit	19,488	23,954	27,589	33,636
PS (x)	8.4	7.0	6.0	2.7	Profit after tax	3,836	3,919	4,602	6,162
ROE (%)	24.4%	25.9%	21%	8%	EPS	8,468	8,653	6,459	8,647

ROA (%)	9.0%	10.6%	14%	3%	EPS growth	33%	2%	-25%	34%
EV/ EBITDA (x)	13.4	10.5	7.3	15.6	Net Debt/ Equity	129%	97%	73%	53%

BUSINESS UPDATE REPORT

Q3/2021 – Covid-19 epidemic impact on TGDD and DMX

MWG recorded positive business results in the context of Covid impacting strongly on non-essential consumer goods in 2/2021 and 5/2021.

- Accumulated 9M/2021, MWG still recorded positive growth in the context of the complicated epidemic in Q3/2021. Specifically, revenue and profit reached VND 87,644 billion (+7% YoY) and VND 3,344 billion (+12% YoY) respectively thanks to (1) Gross profit margin improved steadily in the TGDD and DMX (up to ~23% in Q3/2021), and especially BHX recorded a good profit margin in Q3/2021 (up to ~28% Q3/2021) and (2) Positive profit growth in 6M/2021 to compensate for the declines in Q3 and (3) Efficiency in managing cash flow helped financial revenues increase sharply.
- TGDD and DMX: (i) Sharp decline in revenue due to the closing or restricting sales of 60-70% stores temporarily, (ii) New Apple Product Model promoting the phone segment, (iii) Expansion of the DMX Supermini chain continues to be growth driver that compensates for the sharp decline in shopping demand due to the Covid-19 epidemic.

DMXS: Accumulated 9M2021, the number of new stores opened accounted for 87% of the total new stores opened by DMX, and contributed 10% to the total DMX revenue.

Mảng kinh doanh online TGDD và DMX ghi nhận mức tăng trưởng tích cực trong bối cảnh dịch bệnh diễn biến phức tạp. Tỷ trọng % online/Tổng doanh thu TGDD và DMX tăng từ khoảng 10% trong Q1/2021 lên mức 25% trong Q3/2021. Online business of TGDD and DMX recorded positive growth in the context of the complex pandemic. Online revenue/Total revenue of TGDD and DMX increased from around 10% in Q1 2021 to 25% in Q3 2021.

(billion VND)	Q2/2021	Q2/2020	%YoY	1H2021	1H2020	%YoY
Revenue	24,505	26,022	-6%	87,644	82,289	7%
TGDD	4,868	7,499	-35%	15,622	14,466	8%
DMX	10,104	12,541	-19%	33,306	31,714	5%
BHX	9,201	5,673	62%	13,372	9,459	41%
Gross profit	6,089	5,750	6%	20,257	17,680	15%
Gross margin	25.0%	22.4%		23.3%	21.7%	
Selling expenses	4,270	3,753	14%	12,960	11,075	17%
Administration expenses	975	840	16%	3,265	2,621	25%
% SG&A expenses/Net revenue	21.4%	17.7%		18.5%	16.6%	
Financial revenue	289	257	12%	882	551	60%
Financial expenses	165	132	25%	488	447	9%
Pre-tax profit	969	1,280	-24%	4,429	4,080	9%
Tax	229	351	-35%	1,117	1,142	-2%
Profit after tax	787	952		3,344	2,980	12%
EPS	1,103	2,002	-45%	4,691	4,180	
Net profit margin	3.2%	3.7%		3.9%	3.7%	
Estimated BHX Loss/DT	-0.6%	8.3%		7.9%	8.7%	

% Revenue growth	T1/2021	T2/2021	T3/2021	T4/2021	T5/2021	T6/2021	T7/2021	T8/2021	T9/2021
TGDD	-21%	21%	7%	41%	17%	6%	-39%	-57%	-9%
DMX	-16%	27%	1%	13%	-5%	28%	-14%	-45%	1%

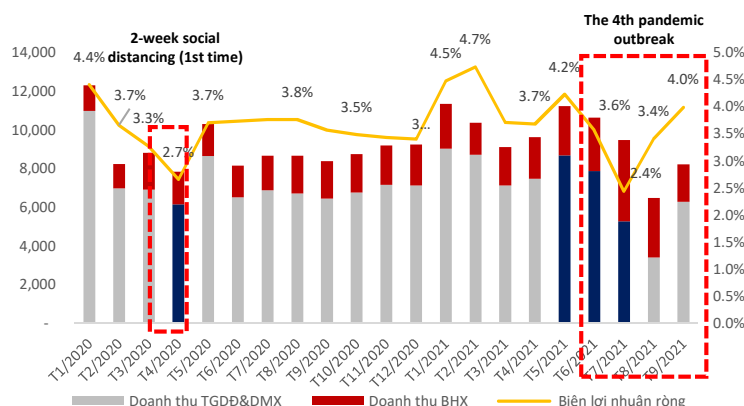
BHX	76%	30%	4%	27%	52%	69%	134%	58%	0%
BQ revenue/BHX store	1.34	0.95	1.12	1.20	1.39	1.47	2.20	1.60	1.00
Number of new stores opened									
TGDD & DMX	68	31	23	89	75	41	45	5	14
BHX	30	7	11	36	48	37	31	9	6

Silver lining from BHX in Q3/2021

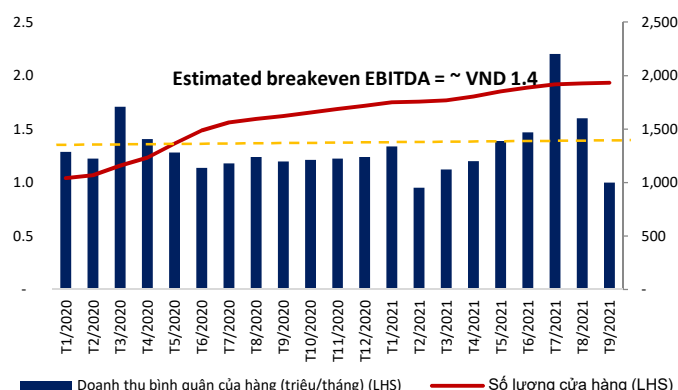
The complex pandemic from 5/2021 to 9/2021 in the southern provinces affected partly MWG's non-essential goods group (TGDD & DMX).

BHX chain for the first time in Q3/2021 recorded a breakeven point according to our estimates. Specifically, in Q3/2021, BHX for the first time recorded a net profit margin of about 0.58%, equivalent to the EBITDA margin at the company level of >5% thanks to (i) average store revenue per month of VND 1.6 billion, mainly focused in July and August due to the accumulation of seasonal goods and the closing of traditional market channel in the south, (ii) Gross profit margin after goods cancellation and loss reached 28% compared to 25% at the beginning of Q1 2021.

DMX and TGDD recovered strongly after the 4th outbreak



BHX revenue declined after the 4th outbreak due to objective factors.



Source: BSC Research, MWG

DMX and TGDD recovery are driving MWG's profit growth in Q4 2021

Revenue and profit growth in October were positive thanks to the phenomenon of "compensatory shopping". Accordingly, Revenue and Profit after tax in October reached VND 12.186 billion (+39% YoY) and VND 568 billion (+86% YoY), this is the month recording the highest profit and the second highest revenue ever. The main contribution comes from the strong recovery of DMX and TGDD with an estimated revenue of VND 10,200 billion (+52% YoY), similar to the trend in the latest BSC update report.

Net profit margin growth comes from (1) improved gross profit margins for DMX and TGDD, (2) The size of revenue increased sharply. The sharp increase in revenue size has improved net profit margin significantly while fixed costs remain the same. The strength of the relationship as well as the "market sensitivity" of the management has helped MWG achieve the above results in the context of shopping demand rising after easing as well as the continuing shortage of goods. BSC believed that business results in November and December of DMX and TGDD will continue to record positive results and will be the main growth driver for MWG.

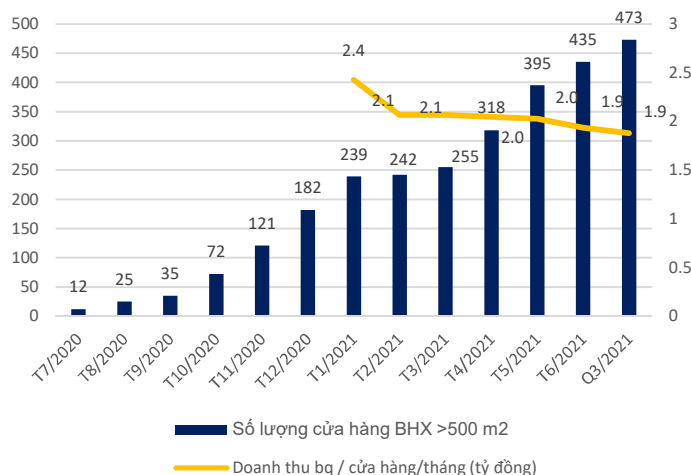
However, BHX is facing difficulties short-term in the ability to improve average sales per store. Revenue in September and October of BHX only reached approximately VND 1 billion per store per month, mainly due to (1) The complex pandemic in southern key areas caused workers to return to their hometowns

and (2) Traditional markets and on-site dining activities were reopened, causing the demand for fresh food shopping to decline.

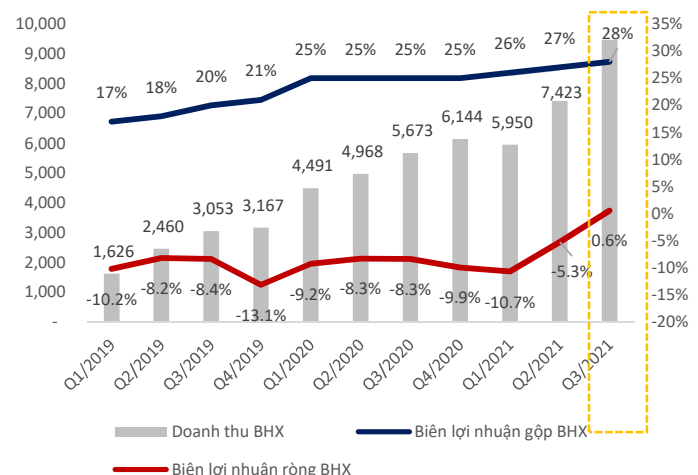
BSC believed that cost control and chain operation optimization are key factors in Q4/2021 and 2022 to help MWG achieve breakeven. According to the management, BHX needs quite a time for the average store revenue to recover before the epidemic (~1.2-1.3 billion VND/ month). Therefore, BSC contended that controlling the cost factor and optimizing the operating system is the central strategy of BHX to help the company achieve breakeven in 2022. BHX also offers three strategies for cost control including (1) Opening new only signed premises and construction plans, with the target of operating 2,000 stores by the end of 2021, (2) Increasing employee productivity and optimizing operating systems and (3) Increasing the contribution of private brands and exclusive distribution.

In addition, BSC also sees room (1) to improve MWG's logistics and operations system in 2022 as speed to open new store slow down, (3) to transform > 500m2 BHX model and (2) Optimize input costs through negotiations with suppliers. Accordingly, BSC expects BHX to achieve breakeven in the second half of 2022.

Rapid transformation of >500m2 BHX model to create a growth premise in 2022-2023



MWG's path to breakeven has made significant progress over the past two years.



Nguồn: BSC Research, MWG

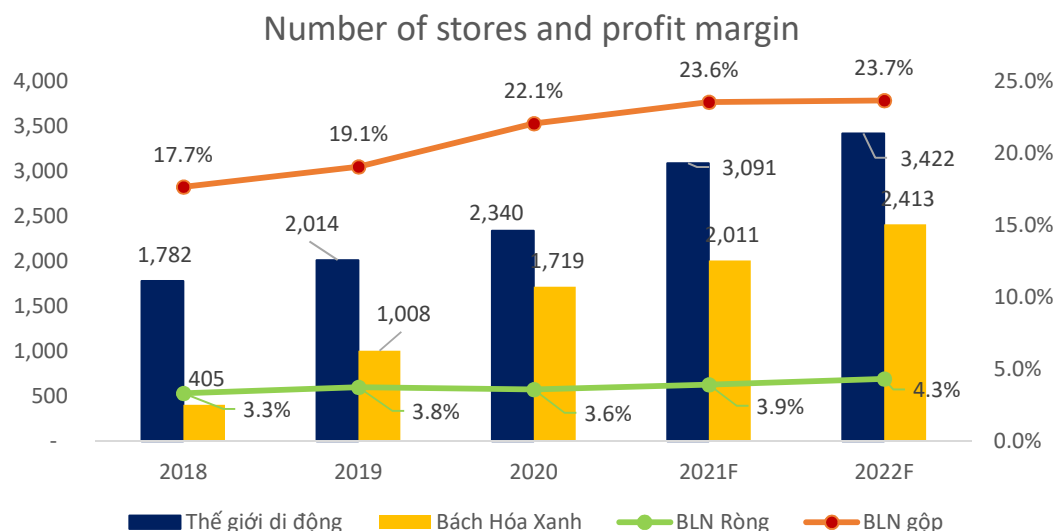
Forecast business results 2021: Adjusting the increase of business results forecast in 2021 based on positive results from (i) DMX and TGDD in 10/2021 and (ii) BHX reached breakeven in Q3/2021

2021: Accordingly, BSC adjusted the increase of business results forecast by 9.6% and kept revenue forecast the same compared to the most recent report. Accordingly, BSC estimates that revenue and profit are estimated at VND 118,404, billion (+7.9% YoY) and VND 4,604 billion (+17% YoY). EPS FW 2020 = VND 6,459, PE FW 2021 = 21.5x based on assumptions:

- Total DMX and TGDD chain revenue record growth of 1% under the assumption that business activity will start to return to the "new normal" in Q4 2021. BHX revenue records a growth of 46.4% YoY, contributing 26.3% of MWG's total revenue.
- The number of DMX and BHX new stores opened in 2021 is 715 stores and 281 stores, respectively.

- SG&A costs increased from 17.1% in 2020 to 18.6% in 2021 mainly due to scaling and increasing in costs under the Covid-19 epidemic and post-lockdown shopping stimulus campaigns.
- Gross margin improved from 22.1% in 2020 to 23.6% in 2021.

2022: BSC projects that MWG revenue and profit is at VND 143,121 billion (+21.2% YoY) and VND 6,164 billion (+34% YoY) respectively. EPS FW 2020 = VND 8,647, PE FW 2021 = 16.0x.

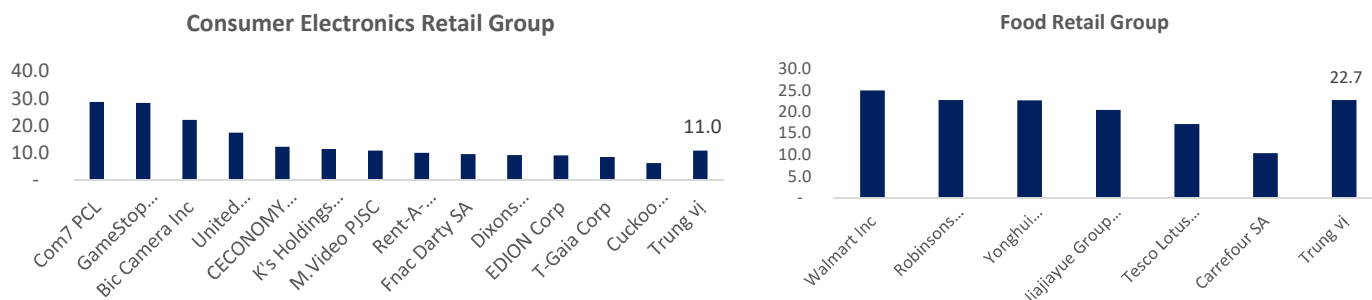


Unit: Billion VND	2018A	2019A	2020F	2021F	2022F
Revenue	86,516	102,174	108,546	117,070	142,020
% YoY	30%	18%	6%	8%	21%
Gross profit	15,292	19,488	23,954	27,589	33,636
% YoY	37%	27%	23%	15%	22%
Gross margin	17.7%	19.1%	22.1%	23.6%	23.7%
Selling expenses	9,660	12,437	15,334	18,060	21,549
Administration expenses	1,762	2,074	3,404	3,979	4,827
% SG&A/Net revenue	13%	14%	17%	19%	18%
Financial revenue	342	631	794	1,234	1,300
Financial expenses	437	570	594	683	654
Pre-tax profit	3,788	5,057	5,413	6,101	7,906
Tax	906	1,217	1,490	1,495	1,739
Profit after tax	2,881	3,838	3,921	4,604	6,164
%	30.6%	33.2%	2.2%	17.4%	33.9%
EPS	6,357	8,468	8,653	6,459	8,647
Net profit margin	3.3%	3.8%	3.6%	3.9%	4.3%
ROE	32%	32%	25%	24%	26%

Source: BSC Research

Valuation: MWG will re-price trading at a higher PE level as BHX gradually approaches the breakeven.

- Compared to the latest **BUY** recommendation report on September 10, 2021 ([Link](#)), MWG's share price has recorded positive growth, close to our previous valuation of VND 140,400.
- BSC made **POSITIVE** recommendation and raised the projected target price to VND 154,400 (upside +11.4% compared to the price on November 22, 2021) based on two models P/E (50%) and DCF (50%).
- BSC đánh giá cổ phiếu MWG sẽ sớm được tái định giá với mức P/E mục tiêu cao hơn khi chuỗi BHX dần tiệm cận về hóa vốn. Chúng tôi nhận thấy, dựa trên số liệu Bloomberg, BSC assesses MWG shares will soon be re-valued at a higher target P/E as BHX chain gradually approaches breakeven. Based on Bloomberg data, we notified that:
 - ✓ The consumer electronics retail group is being priced at an average of about 11.0 times.
 - ✓ However, the food retail group is being valued at an average of about 21.5 times.



Source: BSC Research, Bloom Berg

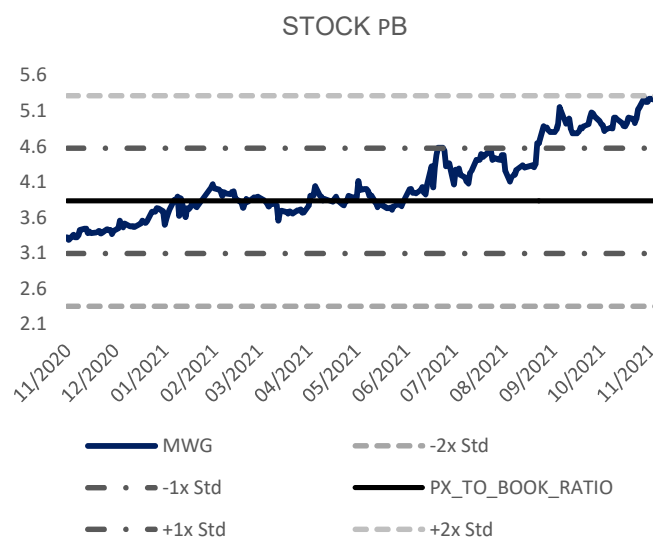
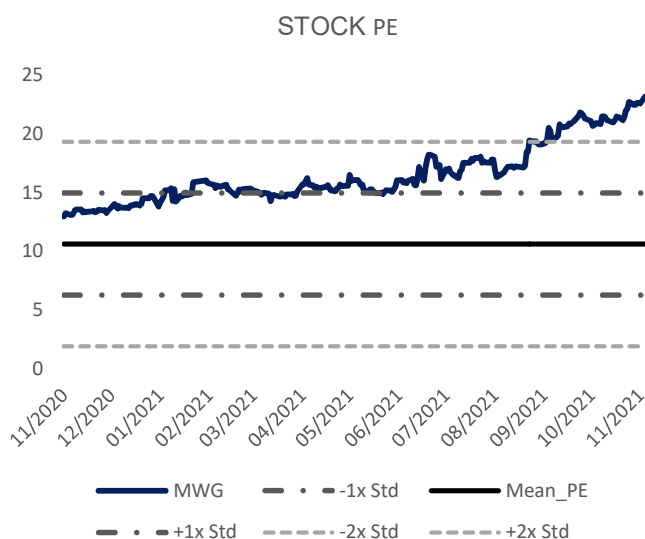
Discounted cash flow table	2021	2022	2023	2024	2025
Free cash flow to the firm (FCFF)	1,258	6,108	7,143	5,794	7,397
Total value of 5-year discounted cash flow	21,627	20,381	14,915	9,134	4,895
Terminal value	93,807	93,807	73,475	73,475	73,475
Discounted terminal value	92,830	83,946	59,459	53,766	48,621
Total discounted value	114,457				
Subtract Debt	19,491				
Add Cash or Cash and cash equivalents	14,198				
Total enterprise value	109,164				
Number of outstanding shares (million)	712.9				
Market value (VND)	153,125				

PE model	2021	2022	2023	2024	2025
Diluted EPS	6,459	8,647	11,372	13,625	15,981
PE	18	18	18	18	18
Market price (VND)	116,300	155,600	204,700	245,300	287,700

Model	Price	Weight	Average price	Weighted average cost of capital (WACC)	
FCFF	153,125	50%	76,563	Rf	4.00%
PO/EO	155,600	50%	77,800	Beta	1.00
		100%	154,400	Ke	14.96%

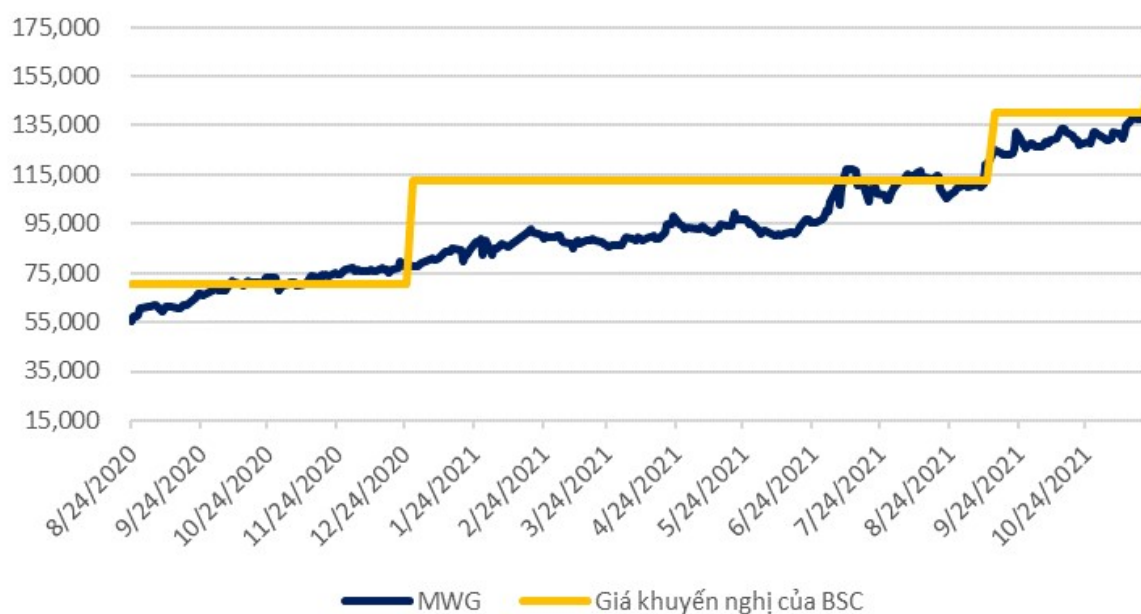
Current price	138,600
Upside	11.4%
Recommendation	BUY

Kd	3.00%
E/A	65.38%
D/A	34.62%
Tax rate	23%
WACC	10.58%
g	3%



STOCK PRICE FLUCTUATIONS COMPARED TO RECOMMENDATION

BIẾN ĐỘNG GIÁ CỔ PHIẾU SO VỚI KHUYẾN NGHỊ BSC



APPENDIX

Income Statement(Billion)	2019	2020F	2021F	2022F
Net revenue	102,174	108,546	117,070	142,020
COGS	82,686	84,592	89,481	108,384
Gross profit	19,488	23,954	27,589	33,636
Selling expenses	-12,437	-15,334	-18,060	-21,549
Administration expenses	-2,074	-3,404	-3,979	-4,827
Operating profit/loss	4,977	5,216	5,550	7,260
Financial revenue	631	794	1,234	1,300
Financial expenses	-570	-594	-683	-654
Interest expenses	-568	-591	-682	-653
Profits from joint ventures/associations	0	0	0	0
Other profit/loss	19	-3	0	0
Pre-tax profit	5,057	5,413	6,101	7,906
Tax	-1217	-1490	-1495	-1739
Profit after tax	3,838	3,921	4,604	6,164
Non-controlling interests	2	2	2	2
Profit - Non-controlling interests	3,836	3,919	4,602	6,162
EBITDA	6,420	7,412	8,410	10,310
EPS	8,468	8,653	6,459	8,647

Balance Sheet (Billion)	2019	2020F	2021F	2022F
Cash and cash equivalents	3,177	7,348	5,698	5,698
Short-term investments	3,075	8,057	7,000	7,000
Current account receivables	1,815	1,703	2,596	2,596
Inventories	25,745	19,422	19,885	19,885
Other current assets	1,199	895	954	954
Current assets	35,012	37,426	36,132	36,132
Tangible fixed assets	5,404	7,295	8,669	8,669
Accumulated depreciation	1,443	2,196	2,860	3,050
Long-term assets in progress	87	133	133	133
Long-term investments	56	53	5,000	5,000
Other long-term assets	774	794	856	856
Long-term assets	6,696	8,714	15,097	15,097
Total assets	41,708	46,139	51,229	51,229
Current trade payables	12,055	8,659	7,495	7,495
Short-term debt	13,031	15,625	15,098	15,098
Other current liabilities	3,356	5,247	5,369	5,369
Total current liabilities	28,442	29,531	27,963	27,963
Long-term debt	1,122	1,127	4,392	4,392
Other long-term liabilities	-	-	-	-
Total long-term liabilities	1,122	1,127	4,392	4,392
Total Liabilities	29,565	30,658	32,355	32,355
Share capital	4,435	4,532	7,129	7,129
Share premium	555	558	558	558
Undistributed earnings	7,150	10,390	11,185	11,185
Other capital	-	-	-	-
Non-controlling interests	8	9	9	9
Total Owners' equity	12,135	15,472	18,865	18,865
Total Liabilities and owners' equity	41,707	46,139	51,229	51,229
Number of outstanding shares	444	453	713	713

Cash flow statement (Billion)	2019	2020F	2021F	2022F
(Loss)/Profit after tax	3,838	3,921	4,604	4,604
Depreciation and amortization	1,443	2,196	2,860	2,860
Working capital changes	(6,657)	4,617	(2,518)	(2,518)
Other adjustments	(798)	(597)	-	-
Net cash flow from operating activities	(1,286)	10,793	4,947	7,490
Purchase and construction of fixed assets	(3,067)	(3,911)	(4,234)	(4,234)
Other investment	(2,752)	(4,665)	(3,890)	-
Net cash flow from investing activities	(5,818)	(8,574)	(8,124)	(1,904)
Dividends paid	(658)	(679)	(1,212)	(1,212)
Net borrowing fund	7,104	2,594	2,739	(836)
Other charges	86	99	-	-
Net cash flow from financing activities	1,443	2,196	2,860	2,860
Beginning of year cash flow	3,838	3,921	4,604	4,604
Net cash for the year	(572)	4,233	(1,650)	(1,650)
Ending of year cash flow	3,838	3,921	4,604	4,604

Ratio (%)	2019	2020F	2021F	2022F
Liquidity				
Current ratio	1.23	1.27	1.29	1.41
Quick ratio	0.33	0.61	0.58	0.64
Capital structure				
Debt/Total Asset	129%	97%	73%	53%
Debt/Equity	34%	36%	38%	32%
Efficiency				
Days Sales of Inventory	76	95	97	80
Days Sales Outstanding	6	6	7	7
Days Payable Outstanding	46	37	33	27
CCC	36	65	71	60
Profit margin				
Gross margin	19.1%	22.1%	23.6%	23.7%
Profit after tax margin	3.8%	3.6%	3.9%	4.3%
ROE	31.6%	25.3%	24.4%	25.9%
ROA	9.2%	8.5%	9.0%	10.6%
Valuation				
PE	16.4	16.0	21.5	16.0
PB	5.1	4.1	5.2	4.1
Growth				
Net revenue growth	18.1%	6.2%	7.9%	21.3%
EBIT growth	28.6%	4.8%	6.4%	30.8%
Pre-tax growth	33.5%	7.1%	12.7%	29.6%
EPS growth	33.2%	2.2%	-25.4%	33.9%

Source: BSC Research.

Disclosure

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).

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