



Company Report: Mobile World JSC (MWG)

Analyst

Ngô Diệu Linh

Mail: linhd@gtjas.com.vn – ext 705

21/5/2024

Business results recovered from the bottom with strategy “prioritizing value over size”

We estimate that revenue and NPAT in 2024 will reach VND 130,000 billion (+9.91% YoY) and VND 2,400 billion (+1,337% YoY), respectively, EPS 2024 is 2,200 VND/share, equivalent to P/E fw 30x. We recommend BUY for MWG stock, target price 66,000 VND/share, upside 10% compared to the price on May 20, 2024 of 60,000 VND/share.

INVESTMENT THESIS

TGDD and DMX will recover thanks to: 1/ The outlook for the ICT segment will recover from the low base of 2023; 2/ New phone replacement cycle after 3-4 years from the peak of 2020-2021 will boost shopping demand.

Bach Hoa Xanh leading the group with: 1/ Expect to reach EBITDA breakeven point thanks to good control of costs and supply chain, promoting multi-channel sales; 2/ Expect to expand into the North and IPO plans in the next 1-2 years help raise the group's valuation. In addition, completing selling capital to CDH Investment earlier this year helped strengthen the chain's business development resources.

RISKS

Business results may not meet expectations due to (i) purchasing power for non-essential goods such as ICT recovers slower than expected and (ii) facing fierce competition from other competitors.

Recommendation:

Buy

6-18m TP:

VND66,000

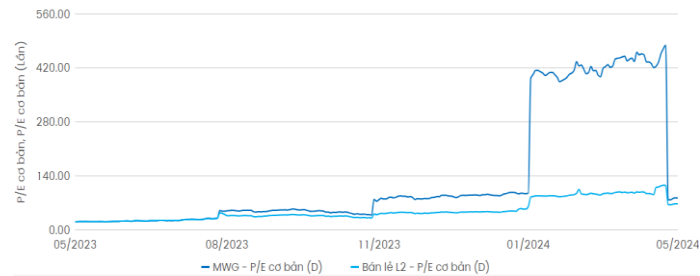
Current price:

VND60,000

Price performance



P/E performance



Sources: Fiin X, Guotai Junan (VN)

12/31	Net rev. (VND b)	Net rev. (Δ%)	Net Profit (VND b)	EPS (VND)	EPS (Δ%)	ROE (%)	ROA (%)
2021A	122,958	13.28	4,901	6,894	-20.25	27.34%	8.99%
2022A	133,404	8.50	4,101	2,810	-59.24	18.52%	6.90%
2023A	118,279	-11.34	167	115	-95.91	0.71%	0.29%
2024F	130,000	9.91	2,400	2,200	18.13	10%	4.2%

Shares in issue (m)	1,462.24	Major shareholders (%)	Cty TNHH Tư vấn đầu tư Thế giới bán lẻ	10.48%
Market cap (VND b)	86,419		Cty TNHH Tri Tâm	9.86%
3- month average vol. (‘000)	13,585	Free float (%)		80%
52w high/low (VND)	59,300/35,100			

Sources: the Company, Guotai Junan (VN)

2023 BUSINESS RESULTS DO NOT MEET EXPECTATIONS - POSITIVE PROFITS RETURN IN Q1.2024

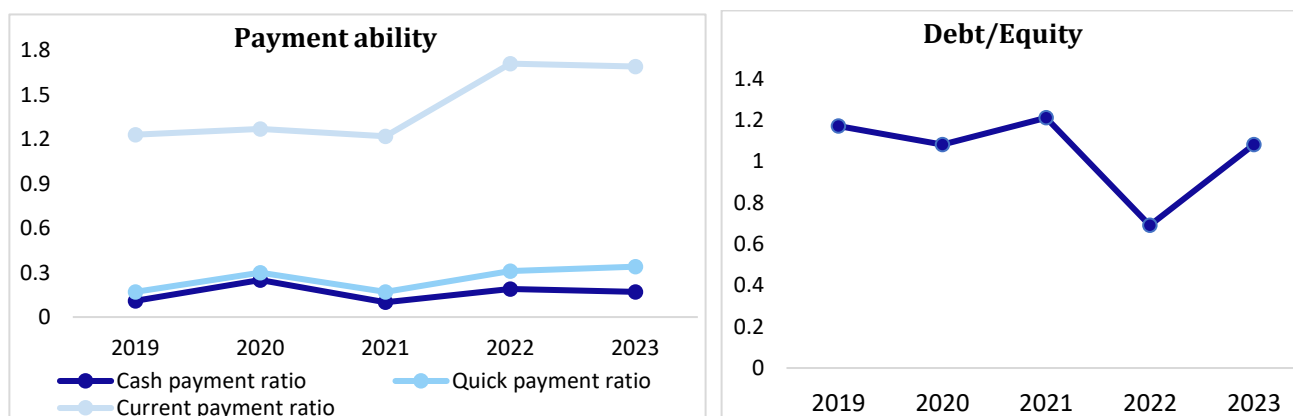
In 2023, the group's net revenue reached 118.3 trillion VND (-11% YoY), net profit reached 168 billion VND (-96% YoY) and only completed respectively 88% and 4% of the plan at the beginning of the year. The decline in revenue mainly came from the two chains TGDD and DMX, while BHX and the other chains showed positive results.

- The two chains TGDD and DMX reached 28 and 55 trillion VND in revenue, respectively, accounting for the majority of the company's revenue (about 70%). Due to weak demand in the ICT industry, the revenue of these two chains has decreased by 20% YoY.
- Bach Hoa Xanh chain contributed 26.7% of revenue. Thanks to successful restructuring activities, BHX recorded a revenue growth of 17% (31.6 trillion VND).
- An Khang, Avakids and Erablue chains all recorded strong revenue growth, however these chains only account for about 8% of total revenue.
- Online revenue exceeds \$800 million, contributing 16% of revenue with 3 main store chains Thegioididong.com, dienmayxanh.com and bachhoaxanh.com among the top 10 e-commerce websites in Vietnam.

The business situation of retail sectors is generally less positive in 2023 as demand for non-essential products declines and consumers tighten their wallets.

However, in Q1.2024, business operation became more positive. Revenue increased by 16.5% YoY, reaching 31 trillion VND and completing 25% of the business plan for 2024. Two chains, TGDD and DMX, recorded a 7% increase in revenue with the main motivation from the electronics industry with air conditioning products achieving a 50% increase in revenue. Outstanding is the BHX chain with a revenue growth rate of 44% YoY (9.1 trillion VND), this figure has helped increase BHX's revenue contribution to 30%. The number of orders of this chain reached 500 orders/item/day, an increase of 40% YoY, with the value of each order increasing slightly.

FINANCIAL HEALTH



Source: MWG, GTJAVN Research

Cash payment ratio and quick payment ratio do not change much, while current payment ratio shows a clear improvement from 2022. The debt/equity ratio in 2022 also decreases from peak of 1.2 down to 0.6, this fluctuation mainly comes from short-term loans that have been paid. In addition, the company incurred 5.9 trillion VND in long-term loans equivalent to 250 million USD at the end of 2022 and will mature in July 2025.

MWG's business results are not really affected by exchange rate fluctuations because the company mainly make payments for phones or electronics in VND, while the proportion of purchasing is very low.

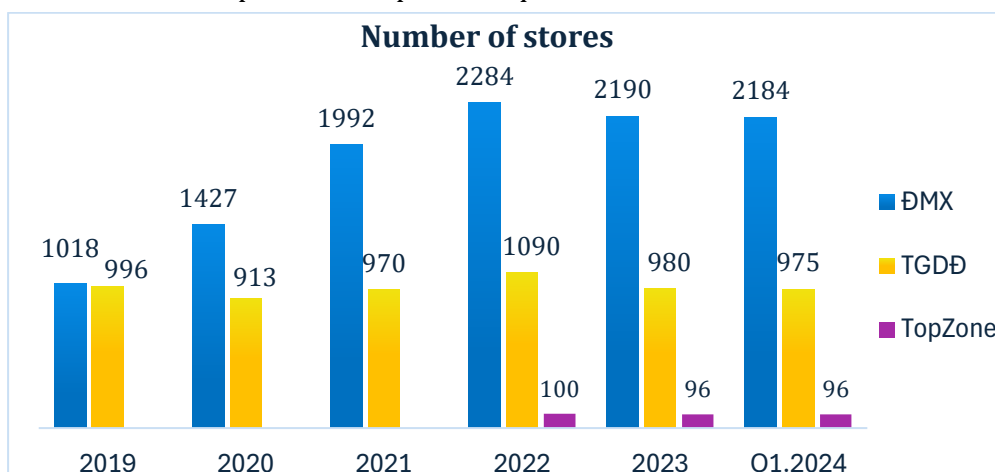
In 2023, the company has recorded an exchange rate difference loss of only 84 billion VND.

EXPECTATION IN 2024

I. TGDD (INCLUDING TOPZONE) & DMX

The strength of Thegioididong.com and dienmayxanh.com is that they have always been leading the market share of phone and electronics retail in Vietnam, from 45% of the phone market share and 35% of the electronics market share in 2018, the company has reached over 50% market share in both segments by 2023. However, in 2023, the trend of tightening customer spending has greatly affected high-value and durable products (phones, computers, refrigerators, etc.), causing the profits of the entire group to decline sharply, except for products with the Apple brand, which still maintained market share growth from 25-30% to 50% in by the end of 2023 and the air conditioner industry grew positively despite weak purchasing power across the market.

At the same time, the company is pursuing the strategy of "prioritize value over size", streamlining its structure by closing nearly 200 inefficient stores in the fourth quarter of 2023. The result was a slight improvement in revenue compared to the previous quarter.



Source: MWG, GTJASVN Research

By the end of 2023, the Dien May Xanh chain has more than 2,000 supermarkets across 63 provinces and cities nationwide, including nearly 1,000 supermini (DMS) model stores put into testing since mid-2020, to serve customers in rural areas of Vietnam. After more than 2 years of testing, DMS has earned more than 10,000 billion VND in revenue.

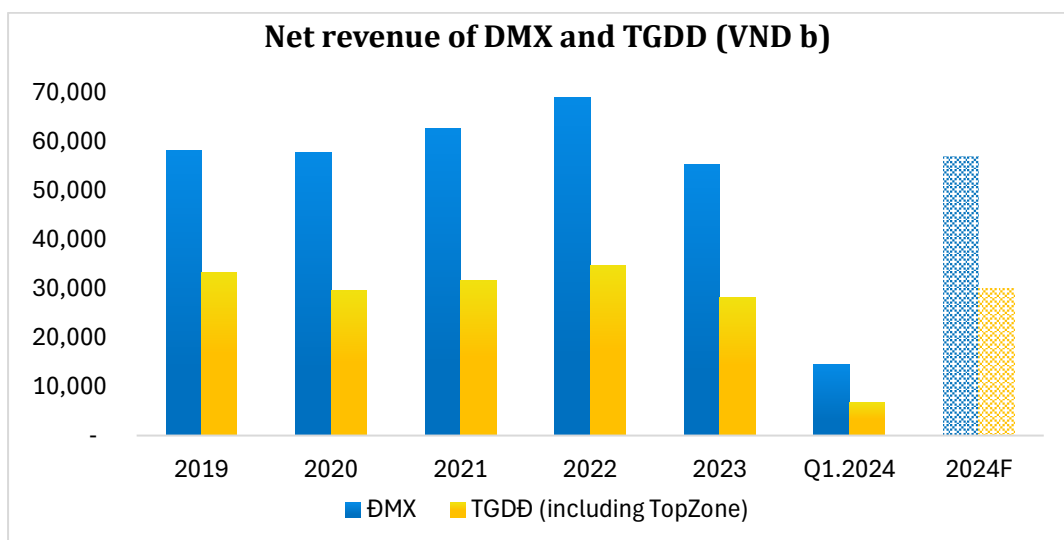
The company began operating the TopZone store chain - Apple's largest authorized store chain in Vietnam from October 2021 - contributing more than VND 2,600 billion in revenue from 100 stores.

Growth potential

According to data from the General Statistics Office, Vietnam's urban population in 2023 accounts for 38.1% of the total population, continuing the increasing trend compared to previous years. Average income per capita in 2023 increases by 6.9% compared to 2022. People tend to use automatic electronic devices to save labor and time will help stimulate demand for products renew. These are driving forces that help increase the value of the retail market in Vietnam, especially the middle and high-end segments.

According to board of directors, currently the company has the highest loan approval rate for customers who want to buy in installments, even with 0% interest rate. This is one of MWG's leading competitive advantages in the ICT industry.

We forecast that revenue of the two chains in 2024 will increase by 4.2% to about 87 trillion VND thanks to the cycle of replacing new products after the period of peak spending on mobile phones in the period 2021-2022. NPAT margin is expected to reach 3%, compared to 0.14% in 2023.



Source: MWG, GTJASVN Research

II. BACH HOA XANH

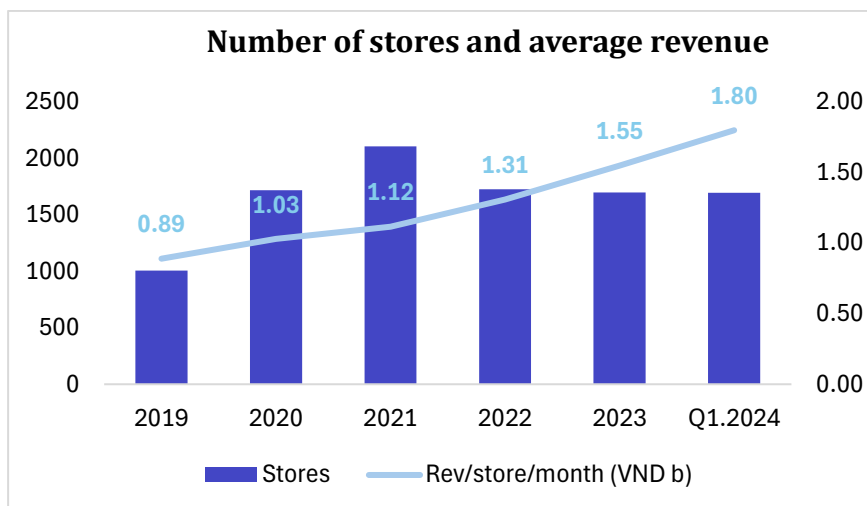
Orientation for mini supermarket model to compete with traditional markets

Unlike large supermarket models such as BigC, Coopmart, etc. Bach Hoa Xanh aims to widely cover mini supermarkets, convenient for shopping thanks to its location near residential areas, easy access, and low cost with diverse goods. BHX's goal is to become a regular destination for customers. When a model like BHX has to compete with traditional markets, customers have many options when choosing a shopping channel, so it is difficult to form a group of loyal customers with a single shopping channel. However, shopping trends that promote food hygiene and safety as well as online shopping trends have outstanding advantages compared to traditional markets, thanks to which BHX can gradually account for the majority of purchasing frequency in purchasing habits of customer shopping.

“Prioritize value over size” to achieve the break-even goal

Since 2020, Bach Hoa Xanh has entered the Top 3 largest retail chains of food and consumer goods in Vietnam with a scale of 1,719 stores. The company accelerated market share expansion in 2021 and then began pursuing a system streamlining strategy, to date the number of stores has decreased by 410 stores from the peak, while average revenue/store continues to increase by focusing on making fresh products that attracts customers. The number of purchases at the end of 2023 increased by 20%, in Q1.2024 it continued to increase by 40%, reaching 500 orders/store/day and with the value of each order increasing slightly. With continuous efforts, BHX has achieved the goal of breaking even by December 2023 after all costs corresponding to current operating realities, and on the basis of core business activities (excluding development costs), one-time expenses and depreciation costs related to store area expansion due to restructuring. From 2024 onwards, BHX will move towards the next goal of bringing profits to the group, cutting the expense ratio of logistics fees.

Accumulated in the first 3 months of the year, BHX achieved revenue of 9.1 trillion VND, an increase of 44% in sales, each store of the BHX chain earned 1.8 billion VND, a growth of 16% in sales with the main motivation coming from the fresh food industry and FMCGs.



Source: MWG, GTJASVN Research

Financial performance improves through proactive supply chain control

During the 2024 AGM, Mr. Tai emphasized that the characteristics of the fresh food retail industry is the distributed purchasing and farming model, so businesses in this industry need to focus on developing farmer clusters and centralized purchasing units to save logistics costs as much as possible. BHX's advantage is that it is a large-scale sales chain, so it can easily access reputable suppliers such as Minh Phu, CP, or Long Thuan fruit and vegetable cooperative - one of the largest vegetable growing regions in the Western region and supplies Bach Hoa Xanh with 8 - 9 tons of food every day, accounting for over 40% of the entire unit's supply. A representative of Bach Hoa Xanh said that products purchased directly from growing areas will be brought to local stations and warehouses and then transported to supermarkets. Buying directly helps cut down on intermediaries to reduce costs, benefiting both producers, consumers and businesses. Products are consumed on the same day and the goal is to sell out, leaving no inventory.

According to some survey sources, with green vegetables, stores let customers choose quantities of goods by themselves instead of pre-sold bags. Seafood products such as sea fish, shrimp, crab, etc. are purchased directly from the sea, not through Binh Dien market like current supermarket chains. For fruit products, the company will purchase directly from growing areas, creating a special advantage in that product prices will be cheaper than any other system.

Potential growth

According to Nielsen, Vietnam's retail market is estimated to be worth about 142 billion USD. This number is forecast to reach 350 billion USD by 2025, an average growth rate of 10.2% per year. We assess that Vietnam's retail industry will have a lot of room for growth in the coming years.

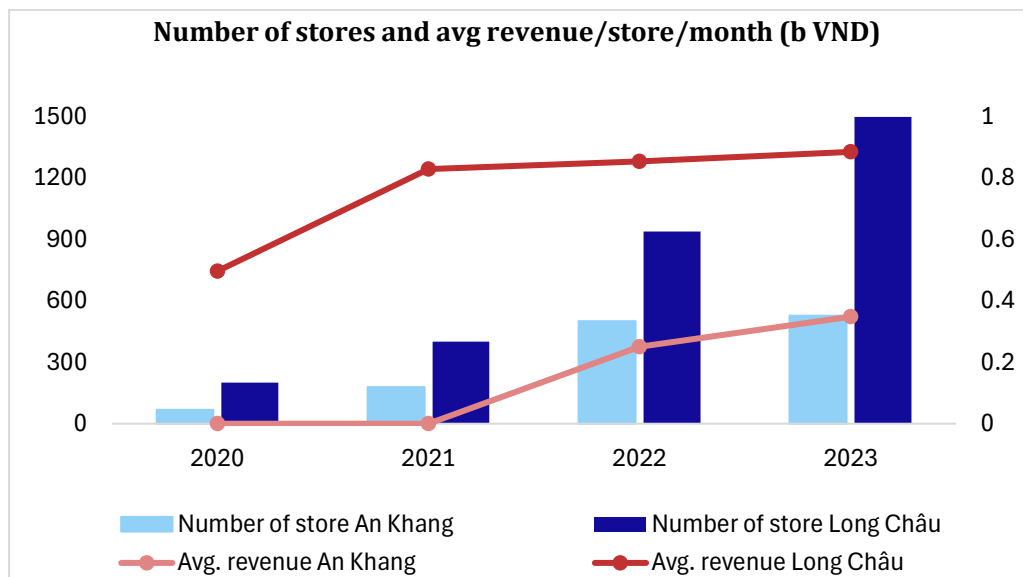
According to Euromonitor, the traditional retail market share in 2023 will decrease to 87.5% compared to 88.5% in 2022. The total number of modern retail points of sale is more than 7,000 points of sale, account for only 1% of the total number of channel points of traditional retail sale. This will be great potential for modern sales channels like Bach Hoa Xanh to continue increasing market share in the near future. The company representative also shared that it will consider a plan to expand the chain to the North and Central regions by the end of 2024. The rate of internet usage with online payment is the basis for MWG to increase market share on the sales channel. Online shopping with O2O (online to offline) model. With a large existing customer base, MWG has a huge opportunity to grow its online segment by taking advantage of the omni-channel model.

Earlier this year, the company completed a private offering transaction of 5% of capital in its subsidiary - Bach Hoa Xanh Investment and Technology Company to Chinese partner CDH Investment. This deal helps the company have more resources to continue expanding the scale of the chain. Also during the 2024 AGM, the company representative also shared about the commitment to list BHX in 1-2 years when profits are expected to reach 4 digits. We forecast that the chain's revenue will continue to grow strongly at 18%, equivalent to VND 37,300 billion.

III. OTHER CHAINS: AN KHANG PHARMACEUTICALS - AVAKIDS - ERABLUE

MWG's remaining chains are still in the process of completing their business models and all recorded strong revenue growth in 2023.

An Khang Pharmacy



Source: MWG, FRT, GTJAVN Research

Average revenue by the end of 2023 is about 450 million VND/store/month. The revenue level to achieve the break-even target for this pharmaceutical chain is 550 million VND/store/month. We believe that An Khang will pause its expanding plan and focus on increasing revenue at each point of sale until it reaches its break-even target. The proportion of drugs accounts for 65%-70% of An Khang's business product portfolio, relatively low compared to its competitor Long Chau with a high proportion of up to 85-90%. The main reason why An Khang was left behind by its competitors was because its initial strategy only focused on increasing market share and expanding its scale, paying little attention to the quality of each point of sale.

However, with a long-standing brand and many competitive advantages compared to other small pharmacies, An Khang still has the opportunity to gain market share thanks to (1) using electronic invoices, (2) locally sourced drugs with clear origin, (3) the company also focuses on training a team of pharmacists from expertise to sales skills, helping to improve service quality. Vietnam's pharmaceutical market is being valued at about 6.2 - 6.4 billion USD/year, and according to statistics from the Ministry of Health, the market value in 2021 has reached more than 6.9 billion USD. BMI Research forecasts that Vietnam's pharmaceutical market will reach 16.1 billion USD by 2026, with a compound growth rate of up to 11% thanks to population growth and rapid urbanization and increasing population aging rate, health care demands do not just stop at medication but also expand to functional products or electronic health monitoring devices. Modern retail chains with the advantage of scale, good service quality and diverse products are expected to continue to grow in the coming years. **We forecast that the An Khang chain will contribute 2-3% of revenue in 2024 and the goal is to break even in 2027.**

AVAkids chain

According to MWG, in 2023, AVAKids is the retail chain of mother and baby products with the highest average revenue per point of sale in Vietnam, around 1.7 billion VND/store/month. Revenue in 2023 reached nearly 900 billion VND, growing more than 80% YoY. Understanding the psychology of customers who are mainly mothers in period of nurturing infants, the company plans to focus on developing the online channel (currently accounting for 30% of Avakids' total revenue) and won't expand their scope. The chairman has set target to reach the break-even point in the end of 2024.

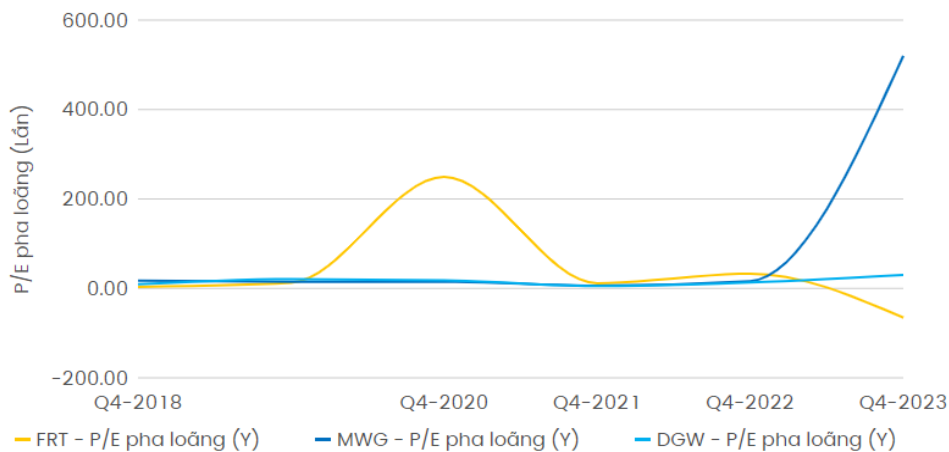
Era Blue Joint Venture

In 2023, the company contributed additional capital to the Era Blue joint venture in Indonesia (model similar to DMX), the total capital contributed at the end of 2023 is 286.6 billion VND, up from 181 billion VND at the end of 2022. Era Blue is the perfect combination between Mobile World Joint Stock Company and PT Erafone Artha Retailindo (Erafone), reflecting outstanding business results, recording 20 times more revenue than SVCK in 2023. Currently having 38 stores in Indonesia, MWG aspires to become the number 1 electronics retailer in this country.

VALUATION AND RECOMMENDATION

The stock has been performing very positively recently. We believe that business results recovering from the last quarters of 2023 and growth expectations of the Bach Hoa Xanh chain in the coming years will be the driving force for the momentum in increasing stock price. We estimate revenue and NPAT to reach VND 130,000 billion (+9.91% YoY) and VND 2,400 billion (+1,337% YoY), respectively, EPS 2024 is 2,200 VND/share, equivalent to P/E fw of 30x. We recommend **BUY** with stock ticker **MWG** with target price of **66,000 VND/share**, upside 11.7% compared to the price on May 20, 2024 of 60,000 VND/share.

P/E of businesses in the same industry



Source: FiinPro X, GTJAVN Research

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

DISCLAIMER

The views expressed in this report accurately reflect personal views on securities codes or the issuer of the analyst(s) in charge of the preparation of the report. Investors should consider this report as reference and should not consider this report as securities investment consulting content for making decisions on investments and Investors shall be responsible for the investments decisions. Guotai Junan Securities (Vietnam) Corp. may not be responsible for the whole or any damages, or an event(s) considered as damage(s) incurred from or in relation to the act of using all or part of the information or opinions stated in this report.

The analyst(s) responsible for the preparation of this report receive(s) remuneration based upon various factors, including the quality and accuracy of the research, clients' feedbacks, competitive factors and the revenue of the company. Guotai Junan Securities (Vietnam) Corp. and/or its members and/or its General Director and/or its staffs may have positions in any securities mentioned in this report (or in any related investments).

The analyst(s) responsible for the preparation of this report endeavours to prepare the report based on information believed to be reliable at the time of publication. Guotai Junan Securities (Vietnam) Corp. makes no representations, warranties and covenants on the completeness and accuracy of the information. Opinions and estimates expressed in this report represent views of the analyst responsible for the preparation of the report at the date of publication only and shall not be considered as Guotai Junan Securities (Vietnam) Corp.'s views and may be subject to change without notice.

This report is provided, for information providing purposes only, to Investor including institutional investors and individual clients of Guotai Junan Securities (Vietnam) Corp. in Vietnam and overseas in accordance with laws and regulations explicit and related in the country where this report is distributed, and may not constitute an offer or any specified recommendations to buy, sell or holding securities in any jurisdiction. Opinions and recommendations expressed in this report are made without taking differences regarding goals, needs, strategies and specified situations of each and every Investor(s) into consideration. Investors acknowledge that there may be conflicts of interests affecting the objectiveness of this report.

The content of this report, including but not limited to this recommendation shall not be the basis for Investors or any third party to refer to with the aim to requiring Guotai Junan Securities (Vietnam) Corp. and/or the analyst responsible for the preparation of this report to perform any obligations towards Investors or the third party in relation to the investment decisions of Investors and/or the content of this report.

This report may not be copied, reproduced, published or redistributed by any person(s) for any purposes unless upon a written acceptance by a competent representative of Guotai Junan Securities (Vietnam) Corp. Please cite sources when quoting.



GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

Ngô Diệu Linh

Research Analyst

linhnd@gtjas.com.vn - ext:705

Trần Thị Hồng Nhung

Deputy Director

nhungtth@gtjas.com.vn

(024) 35.730.073 – ext:703

21 May 2024



CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

CONTACT	Hanoi Head Office	HCMC Branch
Advising: (024) 35.730.073	R9-10, 1 st Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội	3 rd Floor, No. 2 BIS, Công Trường Quốc Tế, P. 6, Q.3, Tp.HCM
Stock ordering: (024) 35.779.999	Tel: (024) 35.730.073	Tel: (028) 38.239.966
Email: gtja@gtjas.com.vn Website: www.gtjai.com.vn	Fax: (024) 35.730.088	Fax: (028) 38.239.696

MWG

Company Report