

23 Apr 2022

Mobile World (MWG)

AGM Briefing: High growth in 2022F guidance earnings

AM Briefing

- On April 23, Mobile World held its Annual General Meeting which gave the audience a walkthrough of the 2022F business expansion plan. Key focus areas are Bach Hoa Xanh (BHX) and An Khang chains.

Solid 2022F outlook

- MWG sets optimistic 2022F guidance with net revenue of VND140tn (+14% yoy) and NPAT of VND6,350bn (+30% yoy). The higher profit growth rate implies that BHX will reduce its losses in 2022F.
- Shareholders approved a 10% at par cash dividend and stock dividend at a 1:1 ratio from undistributed earnings for 2021.
- Conditions of NPAT growth rate $\geq 10\%$, the issue rate of ESOP 2022F is determined as the growth rate of NPAT x 0.1, maximum 2.5% of total outstanding shares, and the offer price for ESOP share is VND10,000.
- The company plans to build a "CEO policy" to share the net increase in subsidiaries' company value for the General Directors and top executives having an important contribution to the successful development by offering private issuance at the subsidiaries level.
- The company plans to apply IFRS (International Financial Reporting Standards) from 2023F.

12M rating **HOLD (Maintain)**

12M TP **134,000** from 134,000

Up/Downside #N/A% (incl 10% cash dividend)

Stock Data

VNIndex (22 Apr, pt)	1,379
Stock price (22 Apr, VND)	155,800
Market cap (USD mn)	4,965
Shares outstanding (mn)	732
52-Week high/low (VND)	160,200/89,926
6M avg. daily turnover (USD mn)	8.38
Free float / Foreign ownership (%)	74.8/50.3
Major shareholders (%)	
Retail World Company Ltd	10.8
Tri Tam Company Ltd	9.9
Arisaig Asia Fund Limited	7.2

Performance

	1M	6M	12M
Absolute (%)	15.2	22.1	64.5
Relative to VNIndex (%p)	23.5	22.4	50.8

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	66,340	86,516	102,174	108,546	122,958
chg. (% YoY)	48.7	30.4	18.1	6.2	13.3
Operating profit (VND bn)	2,779	3,871	4,977	5,216	5,888
Net profit (VND bn)	2,206	2,879	3,834	3,918	4,899
EPS (VND)	6,959	6,490	8,657	8,650	6,861
chg. (% YoY)	(32.1)	(6.7)	33.4	(0.1)	(20.7)
EBITDA (VND bn)	3,469	5,094	6,420	7,412	8,809
PE (x)	18.9	20.2	15.2	15.2	19.2
EV/EBITDA (x)	13.0	12.1	10.3	8.2	11.3
PB (x)	7.0	6.5	4.8	3.8	4.6
ROE (%)	45.3	38.7	36.3	28.4	27.3
Dividend yield (%)	0.6	0.8	1.1	1.1	0.3

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

TGDD and DMX will remain the Cash Cow business

- Thegioididong (TGDD) and Dien May Xanh (DMX) will remain the Cash Cow business and are expected to contribute 75%-80% of MWG's revenue. Per management, MWG expects TGDD and DMX will grow at a CAGR of 8-10% in the coming years by taking market share.
- In 2022F, MWG will continue to expand DMX Supermini and Topzone chain. Besides, the company will upgrade stores to bigger sizes/ convert from TGDD to DMX, and add new products/services to optimize sales for existing stores.
- Abroad business: the company accelerates Bluetronics' sales in Cambodia to bring the chain to the break-even point and opens the first store to penetrate the electronics retailing business in Indonesia.
- With an online channel, MWG targets to grow its online sales by 50% YoY and estimate the online contribution in total revenue of 15%. MWG will continue to innovate, create points of difference, and simplify the shopping experience in online channels to be more convenient for customers.

BHX strengthens the backend platform to expand strongly from 2023 onwards

- The company will stop opening new BHX stores and strengthens the backend platform to be ready to expand strongly to the North and Central regions from 2023 onwards.
- In 2022, BHX will focus on boosting foot traffic and pushing store sales by improving the product quality, changing the layout, and implementing many promotions for customers.
- The management expects revenue per BHX store to increase by 30% by the end of 2022.
- BHX is expected to generate 20%-25% sales of MWG but it will still be a loss in 2022F, per MWG.

An Khang chain will be in the top 3 by the end of 2022F

- After An Khang's performance is officially consolidated to MWG's business results, this chain was invested strongly to scale up after proving its business efficiency.
- Per MWG, revenue per An Khang store went up from VND350mn to VND650mn between Dec 2021 and Mar 2022. The chain will be scaled up from 178 (in Dec 2021) to 400 stores in June 2022, and be in the top 3 by the end of 2022F.
- Besides, AVASport, AVAFashion, AVAJi, and AVACycle new chains have shown encouraging initial results.

Valuation

- Based on management's guidance of 2022F profit, 12MF PE is 14.8x and 12MF PB is 3.7x, lower than the 2-year median PE of 15.6x and PB of 4.0x.

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