

27 Jun 2022

Mobile World (MWG)

May 2022 operational updates: Earnings growth slows down

Mobile World (MWG) released some worthy headlines on the May update business of the company. Here are some key issues worthy of note.

Subdued net margin in 5M22

- MWG posted 5M22 business results with revenue of VND59,324bn (+14% yoy) and NPAT of VND2,202bn (+1% yoy), fulfilling 42%/35% guidance.
- In which, separate May revenue of VND11,416bn (+3.1% yoy, -0.2% mom), and NPAT of VND383bn (-8.3% yoy, +2.4% mom).
- May-22 NPAT has continued to grow compared to some last months but was lower than the abnormally high base of May-21.
- 5M22 net margin was 3.7%, lower than 4.2% in 5M21, but higher than 3.6% in 5M20. The subdued net margin has been driven by: higher operating and supplier expenses; offering competitive selling prices; one-off costs relating to changing the sales strategy of Bach Hoa Xanh (BHX).

TGDD and DMX led the revenue growth

- Thegioididong (TGDD) and Dien May Xanh (DMX) remained the mainstay with VND48.1tn revenue (+16.7% yoy) and contributed 81.1% of MWG's revenue.
- In 5M22, MWG continued to expand DMX Supermini (DMS) and Topzone chain. The company opened 371 new DMS stores, reached 906 DMS stores, and accumulated sales value was 1.8x yoy, equivalent to VND4.266bn. The number of Topzone stores was 46 (vs 35 stores in April-22), contributing to VND840bn revenue.
- Additionally, other key revenue drivers were positive growth of average sales per store and online revenue surging (+129% yoy).

	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

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

Stock Data

VNIndex (26 Jun, pt)	1,185
Stock price (26 Jun, VND)	71,900
Market cap (USD mn)	4,532
Shares outstanding (mn)	1,464
52-Week high/low (VND)	79,583/48,041
6M avg. daily turnover (USD mn)	9.64
Free float / Foreign ownership (%)	76.5/48.9
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 (%)	4.1	7.4	51.8
Relative to VNIndex (%p)	10.4	27.2	65.1

Stock price trend



Source: Bloomberg

Hoang Phung
hoang.pm@kisvn.vn

BHX - comprehensive restructuring in 2022F

- BHX recorded 5M22 revenue of VND10.5tn (-1% yoy), accounting for 17.7% of total revenue, of which BHX's online revenue grew 18% yoy.
- In May-22, the company revamped the layout for half of 2,104 BHX stores, focusing on 2,000-3,000 high-demand SKUs, improving the freshness of food.
- In 3Q22F, BHX will revamp the layout for all stores, finishing inventory clearance, and closing ineffective stores.
- In 4Q22F, BHX targets to digitalize and automate the back-end system: forecasting, product ordering and allocating, customizing product assortment at store level, and optimizing operational processes.
- BHX aims to achieve average monthly sales per store of VND1.3bn in 4Q22F from the current level of VND1.09bn.

An Khang pharmacy chain was expanded continuously

- In May-22, the company had 301 An Khang pharmacies (vs 250 stores in April-22 and 100 stores in May-21), and accumulated sales value was 3.6x yoy.
- AVA Kids chain reached 38 stores (vs 21 stores in April-22), contributing revenue of VND100bn in 5M22.

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Prepared by: Hoang Phung

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