

# Mobile World Group (MWG)

## AM brief: Challenge on the horizon

On Aug 19, Mobile World Group (MWG) held the Analyst Meeting. The company presented to us the 1H22 results as well as the 2H22-2023 business plan.

### MWG meets challenge to fulfill the earning guidance

- MWG's net revenue and net profit of 1H22 were VND70.8tn and VND2.6tn, increased by +16% yoy and +1% yoy respectively. The slower growth of net profit was mainly driven by higher expenses for renovations of BHX stores. In July, MWG's revenue was VND11tn (+16% yoy), in which: revenue of TGDD&DMX: VND8.4 tn (+63% yoy); BHX: VND2.35tn (-14% yoy).
- MWG is expected to meet the revenue target, however, it seems to be highly challenging to reach the net profit growth target of 34% as guided.

### TGDD&DMX performance stayed positive in 1H22

- TGDD&DMX does not expect a soaring performance of ICT sales in 2H22 as compared to 2H21. However, as their market share was 50% in each of cellphone & electric appliance fields, they are confident of a larger share in 2023.
- Topzone has a positive view of their future, according to MWG's high historical revenue of Apple products, with over USD400m in 2021 and estimation of USD750m/USD1b in 2022/2023 respectively. In the short-term, they expect the coming iPhone 14 with many upgrades in design and configuration to be the boost of sales in 4Q22.
- MWG is also planning for the establishment of the first Era Blue stores in Indonesia in 4Q22F, hoping to beat local retailers thanks to the advantage of a focused supply chain, faster delivery, and better customer care.

12M rating **HOLD (Maintain)**

12M TP  
Up/Downside

#### Stock Data

VNIndex (22 Aug, pt)	1,260
Stock price (22 Aug, VND)	66,500
Market cap (USD mn)	4,152
Shares outstanding (mn)	1,464
52-Week high/low (VND)	79,583/52,201
6M avg. daily turnover (USD mn)	10.62
Free float / Foreign ownership (%)	76.5/49.0
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 (%)	2.9	(2.9)	22.6
Relative to VNIndex (%)	(2.5)	12.5	26.4

#### 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

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### Some positive signals from BHX's restructuring in Jul-22

- By the end of 1H22, BHX had completed revising layout of 80% total stores. BHX's sale decrease in 2Q22 was explained by high base due to customers' stocking in 2Q21.
- According to the management, BHX is completing restructuring in 3Q22, including: reducing the size and relocating stores, making redundant of some failed product lines, improving protocols of operation, utilizing customers' average shopping time, revising prices, optimizing machinery systems, logistics, and warehouse, upgrading new storage technology etc. Target revenue was expected to rise from VND1.2b/month/store in Jun-22 to VND1.3bn/month/store in 3Q22.
- BHX currently has 1,735 stores, closed 400 stores compared to the year-beginning.
- BHX expects to meet BEP (Break-even point) in 4Q22F, before massive expand the standardized store model in current operated cities in 2023F and potentially in other provinces in 2024F.
- BHX's management is working with an advisor related to the private placement no later than 1Q23.

### An Khang is boosting the energy

- By 15-Jul, An Khang has 500 pharmacies, planning to reach 800 stores by year-end.
- An Khang's GPM is over 20%, lower than 1Q22 due to recovery from Covid-19.
- An Khang has standardized the business model, with average revenue of VND400mn/store, came from sale of drugs (50%), medical equipment (25%), and supplement food (15%).
- They expect to meet the BEP in 4Q22 with the revenue per store of VND500mn. By optimizing small-size pharmacies, it's convenient for An Khang to expand fast, flexibly, and massively in 2023.

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