

8 Jun 2020

Mobile World (MWG)

Bach Hoa Xanh to make profit at EBIT level post pandemic

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- On 06 Jun, we joined 2020 AGM of Mobile World to update about its business situation, which mainly focuses on Mobile World's post-pandemic plan.
- Per management, Bach Hoa Xanh will reach revenue of over VND20,000bn in 2020 (+86% yoy). Store network is expected to reach 1,800-1,900 stores by the end of 2020, placing footprint in 25 provinces.
- Bach Hoa Xanh has reached gross margin of 24%-25% in Apr 2020 and May 2020, at which all operating expenses are totally covered.
- In 2021, Bach Hoa Xanh targets to make profit at EBIT level, driven by:
 - **The increase of average revenue per store**, which is expected to reach over VND2bn/store in 2021, compared to VND1.4bn/store in April 2020.
 - **Gross margin enhancement thanks to DC expense optimization post pandemic.** After opening new 14 DCs by the end of 2020, Bach Hoa Xanh will focus on improving utility of DCs and reducing spoilage rate to widen operating margin in 2021.

Dien May Xanh to see revenue recovery in May 2020

- Monthly revenue of Dien May Xanh is recovering well after social distancing as average revenue can reach growth rate of 10%-15% yoy in May 2020. Laptop and refrigerator can even achieve revenue growth rate of 100% yoy. At the market share of 38%, Dien May Xanh has larger room for revenue growth than that of The Gioi Di Dong, which has shown market saturation and will face extending revenue drop in coming months.
- In Cambodia, Dien May Xanh is reaching monthly average revenue per store at VND1.2-1.5bn. Mobile World targets to have 50-60 Dien May Xanh stores in Cambodia by the end of 2020. Benchmarking to monthly average revenue per store of Dien May Xanh in Vietnam (VND5-7bn), Mobile World believes Dien May Xanh can reach higher revenue growth in Cambodia in coming years.

Mobile World targets net income to slid by 10% yoy in 2020

- Per management, weakening social purchasing power will definitely drag down revenue of services sector in 2020. Mobile World believes this negative impact will be reflected more clearly on operating performance of The Gioi Di Dong and Dien May Xanh in the next two months.
- Due to the impact of pandemic, Mobile World revised down its 2020 business guidance. Revenue targets to reach VND110,000bn (+8% yoy) and NPAT targets to record VND3,450bn (-10% yoy) in 2020. In case Mobile World completes 2020 business guidance, ESOP issuance rate will remain at 3%.

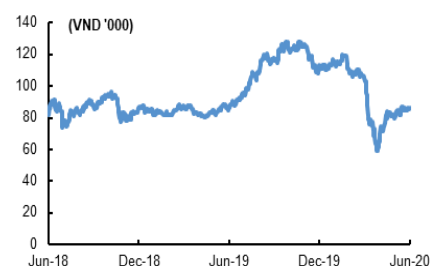
Stock Data

| | |
|------------------------------------|----------------|
| VNIndex (05 Jun, pt) | 886 |
| Stock price (05 Jun, VND) | 86,100 |
| Market cap (USD mn) | 1,676 |
| Shares outstanding (mn) | 453 |
| 52-Week high/low (VND) | 128,000/58,900 |
| 6M avg. daily turnover (USD mn) | 4.15 |
| Free float / Foreign ownership (%) | 90./49. |
| Major shareholders (%) | |
| Retail World Ltd | 11.4 |
| Tri Tam Ltd | 8.5 |
| Dragon Capital | 7.5 |

Performance

| | 1M | 6M | 12M |
|--------------------------|-------|--------|-------|
| Absolute (%) | 8.6 | (22.3) | (2.5) |
| Relative to VNIndex (%p) | (7.5) | (14.9) | 3.6 |

Stock price trend



Source: Bloomberg

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| | 2015A | 2016A | 2017A | 2018A | 2019A |
|---------------------------|--------|--------|--------|--------|---------|
| Sales (VND bn) | 25,253 | 44,613 | 66,340 | 86,516 | 102,174 |
| chg. (% YoY) | 60.3 | 76.7 | 48.7 | 30.4 | 18.1 |
| Operating profit (VND bn) | 1,322 | 1,992 | 2,779 | 3,871 | 4,977 |
| Net profit (VND bn) | 1076 | 1578 | 2207 | 2880 | 3836 |
| EPS (VND) | 2,722 | 3,892 | 5,311 | 6,689 | 8,665 |
| chg. (% YoY) | 52.8 | 43.0 | 36.5 | 25.9 | 29.5 |
| EBITDA (VND bn) | 1,519 | 2,378 | 3,469 | 5,094 | 6,420 |
| PE (x) | 31.6 | 22.1 | 16.2 | 12.9 | 9.9 |
| EV/EBITDA (x) | 9.5 | 7.2 | 8.9 | 8.1 | 7.7 |
| PB (x) | 13.7 | 9.1 | 6.1 | 4.3 | 3.1 |
| ROE (%) | 54.3 | 49.9 | 45.3 | 38.7 | 36.3 |
| Dividend yield (%) | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |

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

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