

14 Nov 2020

# Mobile World (MWG)

## Total revenue grew 10% yoy in Oct 2020

### Total revenue reached nearly VND8,700bn (+10% yoy)

- On Nov 14, Mobile World held 3Q20 analyst meeting to update more information about business results.
- Mobile World's revenue delivered VND8,700bn in Oct 2020, increasing 10% yoy and 4% mom, mainly premised by the positive contribution of Bach Hoa Xanh's revenue.
- Bach Hoa Xanh's revenue surpassed VND2,000bn in Oct 2020 with more than 1,650 stores in operation. Bach Hoa Xanh maintains store expansion at around 30 new stores per month and accelerates the upgrade of "VND5bn" stores in 2H20.
- Total revenue for The Gioi Di Dong & Dien May Xanh in Oct 2020 reached nearly VND6,700bn, reducing 3% yoy, due to:
  - Slow recovery of mobile phones demand and consumer electronics demand post-pandemic.
  - Negative impact of severe floods and storms in the Central, causing operational interruption at more than 170 The Gioi Di Dong & Dien May Xanh stores located in this area.
 However, total revenue of The Gioi Di Dong & Dien May Xanh still increased 3% mom in Oct 2020 thanks to the aggressive expansion of Dien May Xanh Super-mini.

### The Gioi Di Dong & Dien May Xanh: Revenue in the Central has rebounded since Nov 2020

- Although revenue dropped 5% yoy in 9M20, The Gioi Di Dong & Dien May Xanh still performed better than rest of market, which recorded revenue decrease of 13% yoy and 8% yoy for mobile phones and electronics (audio & video devices), respectively.

	2017A	2018A	2019A	2020F	2021F
Sales (VND bn)	66,340	86,516	102,174	109,121	142,002
chg. (% YoY)	48.7	30.4	18.1	6.8	30.1
Operating profit (VND bn)	2,779	3,871	4,977	5,344	7,018
Net profit (VND bn)	2,206	2,879	3,834	3,955	5,554
EPS (VND)	5,311	6,689	8,665	8,737	11,911
chg. (% YoY)	36.5	25.9	29.5	0.8	36.3
EBITDA (VND bn)	3,469	5,094	6,420	6,980	9,059
PE (x)	20.9	16.6	12.8	12.7	9.3
EV/EBITDA (x)	15.5	10.5	9.1	7.2	5.9
PB (x)	8.0	5.5	4.1	3.2	2.5
ROE (%)	45.3	38.7	36.3	28.5	30.7
Dividend yield (%)	1.0	1.4	1.4	1.4	1.4

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

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12M rating **BUY (Maintain)**

12M TP **155,000** from 155,000

Up/Downside **+40.9%** (incl 1.4% cash dividend)

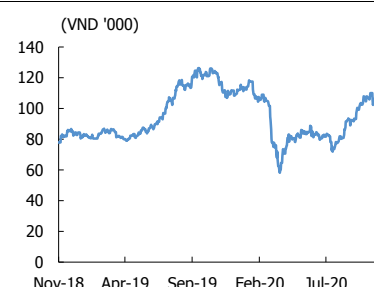
#### Stock data

VNIndex (13 Nov, pt)	966
Stock price (13 Nov, VND)	111,100
Market cap (USD mn)	2,170
Shares outstanding (mn)	453
52-Week high/low (VND)	118,340/58,085
6M avg. daily turnover (USD mn)	3.77
Free float / Foreign ownership (%)	89.1/49.0
Major shareholders (%)	
Nguyen Duc Tai & Affiliates	14.0
Tran Le Quan & Affiliates	8.5
Dragon Capital	8.4

#### Performance

	1M	6M	12M
Absolute (%)	6.1	34.3	(6.0)
Relative to VNIndex (%p)	2.0	17.2	(3.1)

#### Stock price



Source: Bloomberg

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- Dien May Xanh Super-mini reached avg monthly revenue per store of VND01bn and gross margin of 23%, higher than average gross margin of the whole The Gioi Di Dong & Dien May Xanh. Dien May Xanh keeps its target of 300 Dien May Xanh Super-mini stores by the end of 2020, and actual store count can even be higher as other consumer electronics retailers are facing difficulties amid weakening demand due to pandemic's impact. Moreover, Dien May Xanh Super-mini can penetrate to the North instead of only focusing on the Southeast.
- The Gioi Di Dong & Dien May Xanh has reached domestic market share of 45-48% for mobile phones and 38-40% for consumer electronics. Mobile World estimates domestic demand of consumer electronics can diminish post-2022. Hence, Dien May Xanh's strategies will focus on gaining domestic market share with Dien May Xanh Super-mini as well as placing footsteps in foreign countries.
- Due to the negative impact of flood, The Gioi Di Dong & Dien May Xanh's revenue in 5 Central provinces, suffering severely from the flood, dropped nearly 30% mom in Oct 2020. Thanks to price support from The Gioi Di Dong & Dien May Xanh, revenue is estimated to increase 60% mom in Nov 2020.
- In Cambodia market, Bluetronics has 25 stores until now with avg monthly revenue per store of VND1.2-1.5bn. Mobile World targets to own 50 Bluetronics stores and revenue of USD6.5nm in 2020. Bluetronics's revenue can reach USD55mn in the whole 2021 if Mobile World reaches 80 Bluetronics stores by the end of Jun 2021.
- The Gioi Di Dong & Dien May Xanh expects to deliver mobile phones revenue growth of nearly 15% qoq in 4Q20, backed by high demand of new launched products including Iphone 12 series and Samsung Galaxy S21. Until now, The Gioi Di Dong & Dien May Xanh has received 13,000 orders of Iphone 12 series, doubling orders of previous Iphone series. In 4Q20, The Gioi Di Dong & Dien May Xanh expects Iphone revenue can grow 30% and optimistic Iphone revenue growth can extend in 1Q21.
- In 2021, management board maintains cautious view about social expenditure for mobile phones due to remaining weakening demand. Management board estimates the whole market can record 5%-10% yoy revenue decrease of both mobile phones and consumer electronics in 2021. However, management board expects The Gioi Di Dong & Dien May Xanh's revenue can grow 10% yoy, based on:
  - The ability to gain larger market share of Dien May Xanh with Super-mini format.
  - Revenue increase of private brands, focusing on mobile phone models running 4G and 5G.
  - Added value services, starting with installment payment directly operated by Mobile World.
  - Distributing products to small stores instead of competing directly.

### **Bach Hoa Xanh accelerates store scale for “VND05bn” format**

- Bach Hoa Xanh reached revenue growth rate of 138% for FMCGs while the whole market's modern trade channel only reached revenue growth rate of 15% and traditional trade decreased 3%. Bach Hoa Xanh has doubled its revenue not only in FMCGs but also in fresh foods. Basing on AC Nielsen's FMCGs statistics in 8M20, Bach Hoa Xanh has increased its FMCGs market share in Ho Chi Minh City and urban areas to 23.5% and 13.2% in Aug 2020, respectively. This increasing trend of market share is expected to continue post-3Q20.

- By the end of Sep 2020, Bach Hoa Xanh owned 1,623 stores (+137 stores in 3Q20). Avg monthly revenue per store reached nearly VND1.2bn in 3Q20 and SSSG posted +9% in 9M20. Bach Hoa Xanh has 14 distribution centers (DCs) at the end of Sep 2020, including 12 FMCGs DCs and 2 cold storages.
- Gross margin after wastage & shrinkage maintained at 25%-26% in 3Q20. In 9M20, Bach Hoa Xanh has been EBITDA profitable at stores and DC level. Although scaling DCs network in 9M20, Bach Hoa Xanh has not shown much qoq improvement in approaching the break-even point before G&A expenses, caused by:
  - The increase of operating expense ratio in store conversion period of “VND05bn” Bach Hoa Xanh stores, whose sizes are converted to larger than 500m2.
  - The increase of depreciation ratio (on revenue) due to the large-scale store upgrade and new DCs operation.
  - Flat DC’s operating expense ratio (on revenue) in 3Q20, compared to that of 2Q20.
- By the end of Oct 2020, Bach Hoa Xanh has 72 “VND05bn” stores, whose revenue accounts for 11% of Bach Hoa Xanh’s revenue and avg monthly revenue per store of over VND03bn.
- Since 3Q20, Bach Hoa Xanh online has accelerated both transactions and sales value. The successful transactions of Bach Hoa Xanh online in 3Q20 exceeded 1H20 transactions and nearly equaling to the total transactions of the whole 2019.
- By the end of Jun 2020, Bach Hoa Xanh online widened its coverage area from 8 to 10 cities/provinces and increased the number of DCs online from 11 to 19.
- Bach Hoa Xanh stores located outside large cities has higher fresh food logistic expense ratio. To improve logistic expense ratio, Bach Hoa Xanh targets to completely use provinces’s fresh food supplies for its Bach Hoa Xanh stores located outside large cities in 2021, reducing wastage & shrinkage ratio and input price.
- Bach Hoa Xanh targets to have 1,750-1,800 stores by the end of 2020 and open new 500-700 stores in 2021, focusing on opening “VND05bn” stores in large cities and standard stores in provinces. In provinces, “VND05bn” Bach Hoa Xanh stores will play role of online DCs as management board views that online transactions in provinces has not been high enough to build online DCs.

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