

25 Nov 2020

Mobile World (MWG)

YoY NPAT growth to extend in 4Q20

- Earning rebounded in 3Q20
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- Maintain BUY at TP of VND155,000

Facts: Earning rebounded in 3Q20

Mobile World delivered VND25,714bn revenue (+2.3% yoy) in 3Q20, driven by revenue surge of Bach Hoa Xanh (+85.3% yoy). On the contrary, The Gioi Di Dong & Dien May Xanh recorded VND19,940bn revenue (-9.7% yoy).

By the end of Oct 2020, Mobile World owned 3,802 stores, including 948 The Gioi Di Dong stores, 1,198 Dien May Xanh stores and 1,656 Bach Hoa Xanh stores.

Mobile World reached VND951 NPAT (+11.2% yoy) in 3Q20. Aggregate 9M20, Mobile World completed 74% and 86% of 2020 revenue target and 2020 NPAT target, respectively.

(*) For more information about MWG business results, please refer to our recent [MWG 3Q20 brief](#) and [3Q20 AM brief](#).

Pros & cons: YoY NPAT growth to extend in 4Q20

We maintain our view that Bach Hoa Xanh will hold revenue key driver, estimated to grow 69.3% yoy in 4Q20, premised by revenue contribution of 615 stores opened in 9M20. Although Bach Hoa Xanh's expense optimization strategy is still on track, we do not revise up Bach Hoa Xanh's profit margins in 4Q20 due to (1) the increase of operating expense ratio in store conversion period of "VND05bn" Bach Hoa Xanh stores and (2) the increase of depreciation ratio (on revenue) due to the large-scale store upgrade and new DCs operation.

We are concerned that market demand of mobile phones (ICTs) and consumer electronics (CEs) will remain weak in 4Q20. However, The Gioi Di Dong & Dien May Xanh can achieve better performance versus rest of market thanks to large scale advantage, strong brand, high generated cash flow and Dien May Xanh's footstep in small areas via Super-mini format. We estimate The Gioi Di Dong & Dien May Xanh to post VND20,898bn revenue in 4Q20 (-4.2% yoy).

12M rating **BUY (Maintain)**

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

Up/Downside **+39.7%** (incl 1.3% cash dividend)

Stock data

VNIndex (24 Nov, pt)	996
Stock price (24 Nov, VND)	112,000
Market cap (USD mn)	2,189
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 (%)	89.8/49.0
Major shareholders (%)	
Nguyen Duc Tai & Affiliates	14.0
Tran Le Quan & Affiliates	8.5
Dragon Capital	8.4

Valuation

	2019A	2020F	2021F
PE (x)	12.9	12.8	9.4
PB (x)	4.1	3.2	2.5
ROE (%)	36.3	28.5	30.7
DY (%)	1.3	1.3	1.3
EV/EBITDA (x)	9.1	7.3	5.9
EPS (VND)	8,665	8,731	11,930
BPS (VND)	27,415	34,487	44,204

Performance

	1M	6M	12M
Absolute (%)	1.8	33.6	1.4
Relative to VNIndex (%p)	(1.9)	15.5	(2.2)

Stock price



Source: Bloomberg

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Overall, we estimate Mobile World to reach VND27,341bn revenue (+7.6% yoy) and VND977bn NPAT (+13.6% yoy) in 4Q20. Furthermore, we estimate Mobile World to achieve VND108,693bn revenue (+2.3% yoy) and VND3,955bn NPAT (+11.2% yoy), completing 99% and 115% of 2020 revenue target and 2020 NPAT target, respectively.

Action: Maintain BUY at TP of VND155,000

Despite weakening demand of ICTs and CEs, we expect that earnings protection efforts of The Gioi Di Dong & Dien May Xanh and effective expansion of Dien May Xanh Super-mini format, will support Mobile World to achieve positive yoy NPAT growth in 2020.

Based on 3-Y average PE multiple of 13.0x, we evaluate MWG share value at VND155,000 per share. At today (Nov 24, 2020) price of VND112,000, the total expected return is 39.7%, including 1.3% cash dividend yield. Our recommendation on MWG is **BUY**.

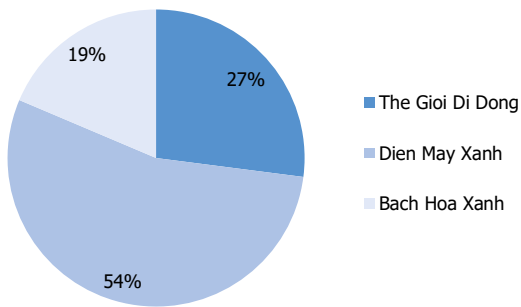
Table 1. Earnings and outlook

(VND bn, %, %p)

	2019				2020			2019	2020E	3Q20		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q			QoQ	YoY	Consensus
Sales	25,017	26,604	25,142	25,411	29,353	26,286	25,714	102,174	108,693	(2.2)	2.3	N.A
The Gioi Di Dong	8,756	8,486	8,321	7,645	8,365	6,101	7,499	33,207	1,743	22.9	(9.9)	
Dien May Xanh	14,510	15,792	13,760	14,177	16,496	15,218	12,441	58,239	21,209	(18.2)	(9.6)	
Bach Hoa Xanh	1,751	2,327	3,061	3,589	4,491	4,968	5,673	10,728	12	14.2	85.3	
Gross profit	4,434	4,748	4,941	5,365	6,160	5,770	5,750	19,488	23,447	(0.4)	16.4	N.A
Gross margin	17.7	17.8	19.7	21.1	21.0	22.0	22.4	19.1	21.6	0.4	2.7	
Operating costs	3,079	3,383	3,835	4,214	4,563	4,539	4,594	14,511	18,105	1.2	19.8	
Selling cost	2,466	2,992	3,285	3,695	3,783	3,538	3,753	12,437	15,899	6.1	14.3	
G&A cost	613	391	550	520	780	1,001	840	2,074	2,206	(16.0)	52.8	
Operating profit	1,355	1,366	1,106	1,151	1,597	1,231	1,156	4,977	5,342	(6.1)	4.5	N.A
Depreciation & Amortization	311	327	369	435	471	513	602	1,443	1,625	17.3	63.3	
OP margin	5.4	5.1	4.4	4.5	5.4	4.7	4.5	4.9	4.9	(0.2)	0.1	
EBT	1,341	1,396	1,137	1,180	1,544	1,254	1,278	5,053	5,209	2.0	12.4	N.A
Net profit	1,041	1,080	856	860	1,132	894	951	3,836	3,955	6.3	11.2	
Controlling-int. NP	1,040	1,079	855	860	1,132	894	951	3,834	3,953	6.3	11.2	
EBITDA	1,666	1,693	1,475	1,586	2,068	1,745	1,758	6,420	6,967	0.8	19.2	N.A
EBITDA margin	6.7	6.4	5.9	6.2	7.0	6.6	6.8	6.3	6.4	0.2	1.0	

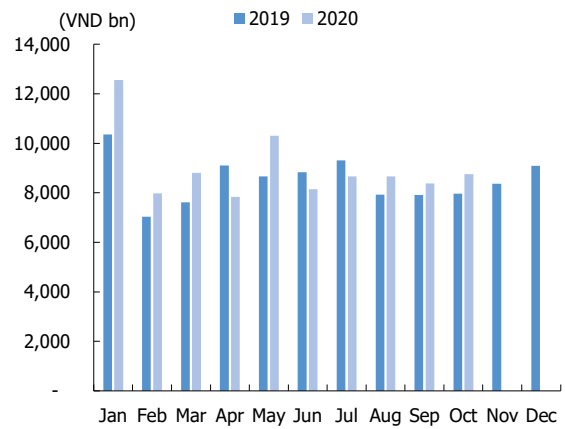
Source: Company data, KIS

Figure 1. MWG's revenue structure by segment, 9M20



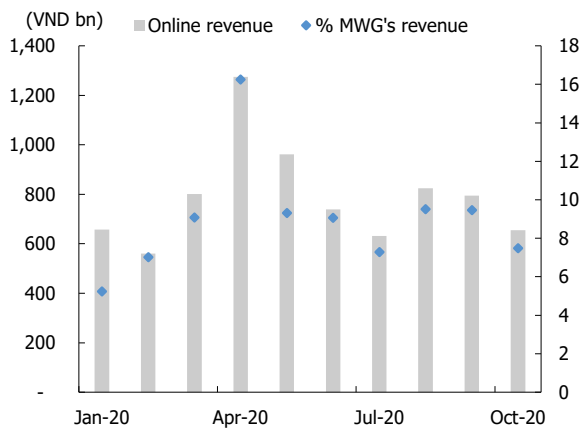
Source: Mobile World

Figure 2. MWG's monthly revenue



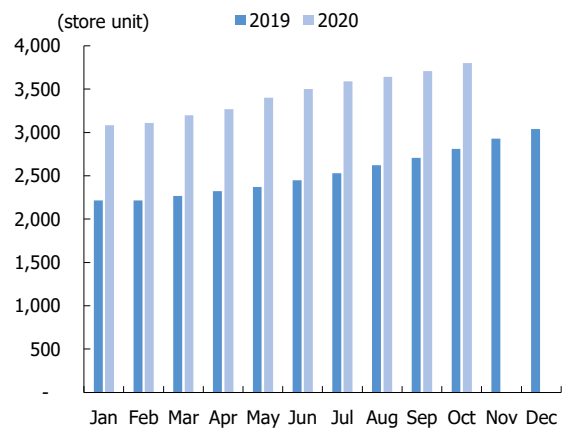
Source: Mobile World

Figure 3. MWG's contribution of online revenue, 9M20



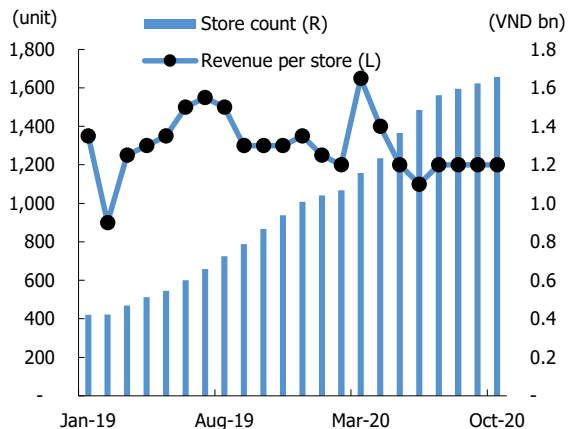
Source: Mobile World

Figure 4. MWG's store count



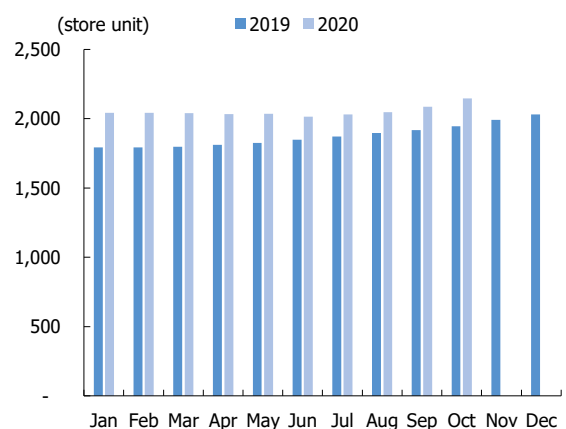
Source: Mobile World

Figure 5. BHX's store count & avg monthly revenue per store



Source: Mobile World

Figure 6. TGDD + DMX's store count, 2019-2020



Source: Mobile World

Table 2. Fair value calculation

(VND bn, mn shares, VND, %)

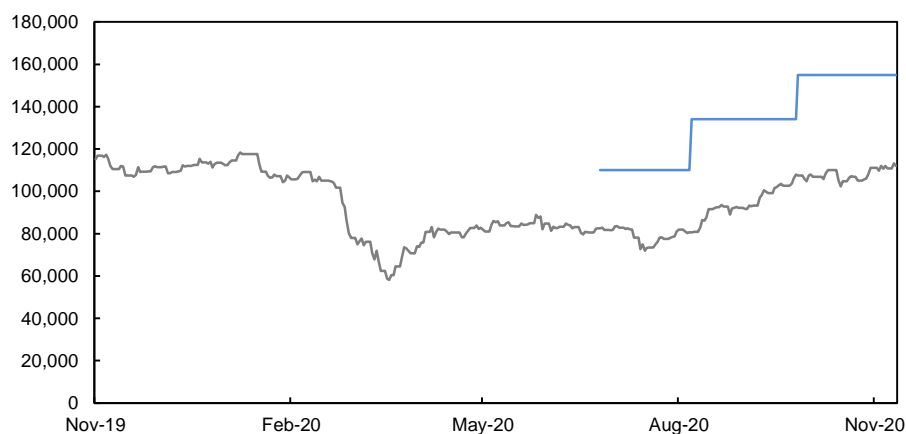
	2020E	2021E	Remarks
Fair PE multiple		13.0	3-Y average PE of Mobile World's share
Net attributable profit	3,953	5,563	
Common outstanding shares	452.7	466.3	
Basic EPS	8,731	11,930	
Market Price		112,000	
Target Price	155,000		By the end of 2021
Annualized price return	38.4		
Expected dividend yield	1.3		
Total expected return	39.7		

■ Company overview

Mobile World is the largest retailer of mobile phone and consumer electronics in Vietnam with current market shares of 50% and 40%, respectively. Besides, MWG operates Bach Hoa Xanh chain, which specializes in grocery and fresh food retailing and has ballooning scale with 1,656 stores by the end of Oct 2020.

Changes to recommendation and target price

Company (code)	Date	Recommendation	Target price	% vs. avg. price	% vs. high (low)
Mobile World (MWG)	08 Jul 20	BUY	110,000		
	19 Aug 20	BUY	134,000		
	09 Oct 20	BUY	155,000		



Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	18,384	23,103	34,187	37,876	51,031
Cash & cash equivalents	3,411	3,800	6,252	13,043	16,865
Accounts & other receivables	2,923	1,856	2,190	3,207	4,146
Inventory	12,050	17,446	25,745	21,626	30,020
Non-current assets	3,499	3,650	5,548	6,751	7,198
Fixed assets	3,499	3,590	5,491	6,694	7,142
Investment assets	-	60	56	56	56
Others	939	1,370	1,973	657	657
Total assets	22,823	28,123	41,708	45,284	58,886
Advances from customers	22	38	81	82	106
Unearned revenue	-	-	0.3	-	-
Trade payables	7,373	8,245	12,055	12,487	13,276
Others	2,715	3,812	3,274	4,074	5,399
ST debt & due bonds	5,604	5,836	13,031	11,898	18,360
LT debt & bonds	1,200	1,208	1,122	1,122	1,122
Total liabilities	16,914	19,139	29,565	29,663	38,263
Controlling interest	5,906	8,977	12,136	15,612	20,610
Capital stock	3,170	4,435	4,435	5,190	5,328
Capital surplus	37	551	555	558	558
Other reserves	1	1	(5)	(559)	(562)
Retained earnings	2,699	3,990	7,150	10,423	15,286
Minority interest	3	6	8	10	13
Shareholders' equity	5,909	8,983	12,144	15,621	20,623

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	2,664	2,261	(1,286)	10,793	630
Net profit	2,207	2,880	3,836	3,955	5,565
Dep'n & Amort'n	690	1,223	1,443	1,625	2,003
Net incr. in W/C	(233)	(1,842)	(6,565)	5,213	(6,938)
C/F from investing	(2,120)	(2,344)	(5,873)	(2,395)	(2,716)
Capex	(2,065)	(1,495)	(3,066)	(2,337)	(2,450)
Incr. in investment	(55)	(850)	(2,807)	(58)	(266)
C/F from financing	1,875	460	6,529	(1,610)	5,899
Incr. in equity	92	705	86	202	136
Incr. in debt	2,014	241	7,109	(1,133)	6,462
Dividends	(232)	(486)	(665)	(679)	(699)
C/F from others	(5)	13	3,082	3	8
Increase in cash	2,414	389	2,452	6,791	3,821

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	66,340	86,516	102,174	108,693	140,538
COGS	55,198	71,224	82,686	85,247	109,345
Gross profit	11,142	15,292	19,488	23,447	31,194
SG&A expenses	8,363	11,421	14,511	18,105	24,168
Operating profit	2,779	3,871	4,977	5,342	7,026
Financial income	251	342	631	313	652
Interest income	35	85	344	313	652
Financial expenses	234	437	570	750	691
Interest expenses	233	436	568	750	691
Other non-operating profit	228	269	305	305	345
Gains (Losses) in associates, subsidiaries and JV	-	(2)	(3)	-	-
Earnings before tax	2,809	3,786	5,053	5,209	7,331
Income taxes	602	906	1,217	1,255	1,766
Net profit	2,207	2,880	3,836	3,955	5,565
NP of controlling interest	2,206	2,879	3,834	3,953	5,563
EBITDA	3,469	5,094	6,420	6,967	9,028

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	5,311	6,689	8,665	8,731	11,930
BPS	13,828	20,258	27,415	34,487	44,204
DPS	1,112	1,500	1,500	1,500	1,500
Growth (%)					
Sales growth	48.7	30.4	18.1	6.4	29.3
OP growth	39.5	39.3	28.6	7.3	31.5
NP growth	39.8	30.5	33.2	3.1	40.7
EPS growth	(30.1)	(6.6)	29.5	0.8	36.6
EBITDA growth	45.9	46.8	26.0	8.5	29.6
Profitability (%)					
OP margin	4.2	4.5	4.9	4.9	5.0
NP margin	3.3	3.3	3.8	3.6	4.0
EBITDA margin	5.2	5.9	6.3	6.4	6.4
ROA	11.7	11.3	11.0	9.1	10.7
ROE	45.3	38.7	36.3	28.5	30.7
Dividend yield	1.0	1.3	1.3	1.3	1.3
Dividend payout ratio	20.9	22.4	17.3	17.2	12.6
Stability					
Net debt (VND bn)	3,392	3,244	7,901	(23)	2,618
Net debt/equity (%)	57.4	36.1	65.1	(0.1)	12.7
Valuation (x)					
PE	21.1	16.7	12.9	12.8	9.4
PB	8.1	5.5	4.1	3.2	2.5
EV/EBITDA	15.6	10.6	9.1	7.3	5.9

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