

Mobile World Group (MWG)

Sep 2022: BHX target revenue of VND1.5bn per store in Dec 2022

By Oct 31, Mobile World Group (MWG) released the financial statement for 3Q22. Here are some noticeable updates.

MWG's performance rebounded strongly on the yearly basis

- In Sep 2022, MWG's net revenue sharply rose by 27% yoy to VND10.5tn and net profit fell by 8% yoy to VND307bn. Revenue in 3Q22 surged 32% yoy to VND32tn while PAT rose 15% yoy to VND907bn thanks to the strong recover of ICT sales. On the quarterly basis, MWG's revenue slightly decreased 7%, mainly due to the fall by 9% in ICT sales, driven by lower selling prices.
- Accumulating 9M22, MWG's net revenue went up by 18% yoy to VND102.8tn and net profit edged up by 4% yoy to VND3.5tn. By 9M22, MWG has met 73%/55% of the revenue/NPAT guidance.
- In 9M22, TGDD & DMX respectively contributed VND27tn and VND54tn, summing up to 79% of MWG revenue. Revenue of TGDD&DMX in 9M22 grew by 27% yoy, specifically, smartphone and CE sales in 3Q22 surged 62% yoy.
- Per MWG management, in 3Q22, MWG has completed recording G&A expenses related to BHX's restructuring, promised to improve net profit in 4Q22 as compared to 3Q22. MWG also restructured debt from short-term (ready to pay in 4Q22) to long-term loans (disbursed in 3Q22).

BHX planed to post revenue of VND1.5-1.6bn/store in Dec 2022

- In 9M22, BHX's revenue fell by 12% yoy to VND20tn, equaling 19% of MWG's revenue. Revenue of BHX in 3Q22 fell by 23% compared to the peak in 4Q21, however was still the third highest sales in MWG's history. BHX posted the average sales per stores of VND1.36bn in Sep 2022. As vegetables is stored during one day only, rain season accelerated the amount of discounted vegetable late of the day, which led to lower revenue from vegetable. BHX planned to raise average revenue per store to VND1.5-1.6bn at the peak season in December 2022.

12M rating **HOLD (Maintain)**

12M TP **N/A**

Up/Downside **N/A**

Stock Data

VNIndex (31 Oct, pt)	1,028
Stock price (31 Oct, VND)	51,600
Market cap (USD mn)	3,039
Shares outstanding (mn)	1,464
52-Week high/low (VND)	79,583/50,600
6M avg. daily turnover (USD mn)	9.63
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 (%)	(19.4)	(30.4)	(20.9)
Relative to VNIndex (%p)	(10.3)	(6.4)	6.8

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	5,895
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	8,815
PE (x)	7.4	8.0	6.0	6.0	7.5
EV/EBITDA (x)	5.7	5.1	4.8	3.3	4.9
PB (x)	2.8	2.5	1.9	1.5	1.8
ROE (%)	45.3	38.7	36.3	28.4	27.3
Dividend yield (%)	1.4	2.1	2.9	2.9	0.7

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Online revenue dropped by 17% in Sep 2022

- Online revenue in 9M22 increased 52% yoy to VND14.4tn, attributing 14% of MWG revenue. In which, online sales proportion in TGDD&DMX and BHX's revenue were correspondingly 17% and 3%. In 9M22, online revenue of TGDD&DMX increased by 61% yoy to VND13.9tn, meanwhile online revenue of BHX collapsed 12% yoy to VND600bn and remained stable at VND72bn per month since August 2022.
- However, in Sep 2022, online revenue dropped by 17% yoy, mainly due to the fall in ICT online sales by 15% yoy to VND1.4tn.

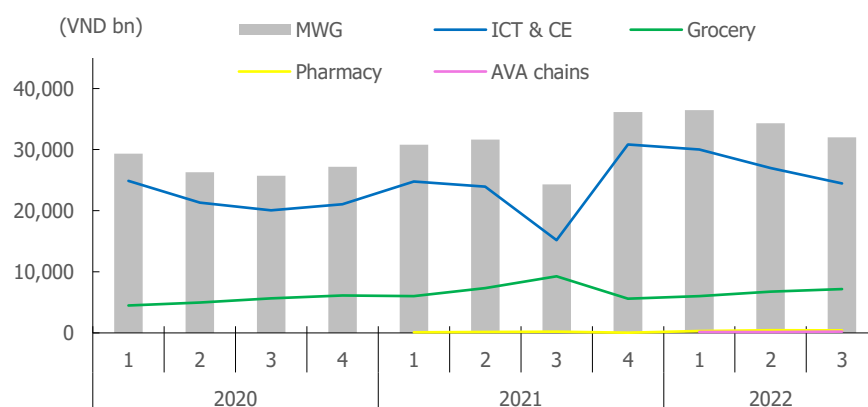
Tightening supervisor before the year-end season

- By Sep 2022, MWG has a total of 1,116 TGDD stores (1,086 stores in July 2022), 2,246 DMX stores (August: 2,222 stores), 1,727 BHX stores (August: 1,726 stores), 529 An Khang pharmacies (August: 509 stores), 71 AVAKids stores (August: 80 stores) and 14 AVASports stores (August: 12 stores).
- Preparing for 4Q22 business, MWG will postpone new stores opening, except for a few sample stores or fast-profitable chains. The management will also minimize cost, utilize operations and keep a close eye on inventory management for peak season of 4Q22 and post-peak-season.

Valuation

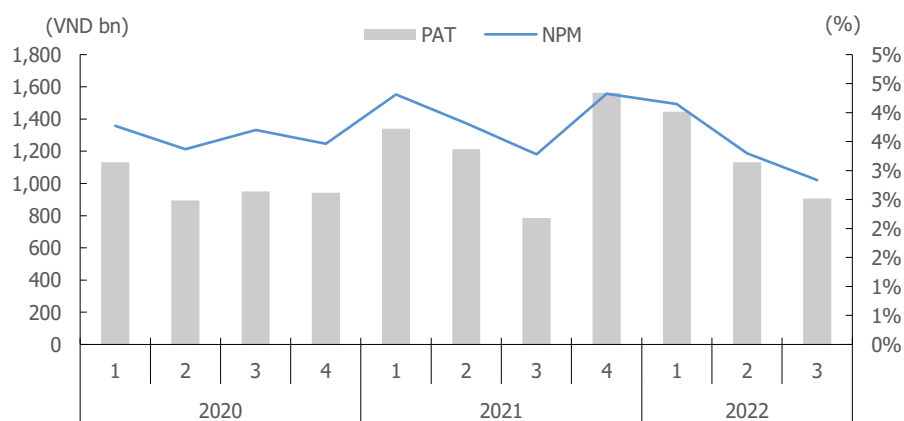
MWG is trading at TTM PE of 15.7x and TTM PB of 3.5x, lower than two years average of 18.4x and 4.4x correspondingly.

Figure 1. Quarterly revenue of MWG by chain during 2020 – 3Q22



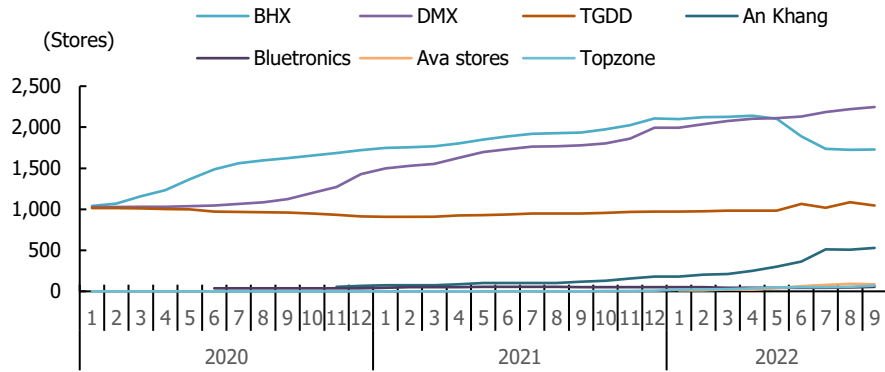
Source: Company data, KIS

Figure 2. Quarterly NPAT and NPM of MWG during 2020 – 3Q22



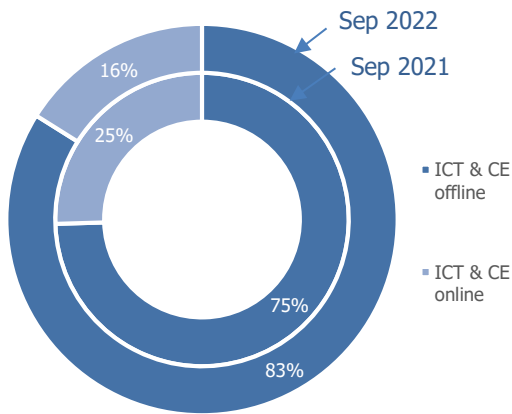
Source: Company data, KIS

Figure 3. MWG slows coverage expansion speed



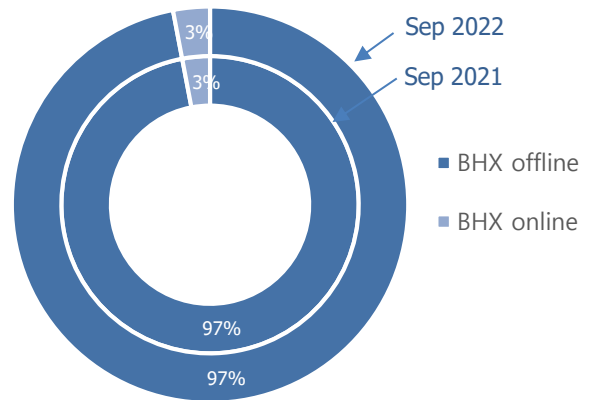
Source: Company data, KIS

Figure 4. Proportion of online ICT & CE sales in Sep 2022 dropped on the yoy basis



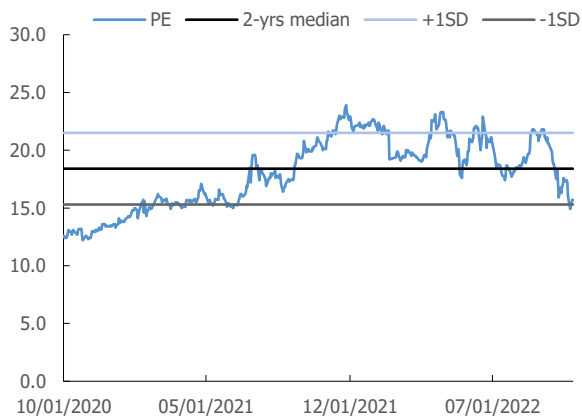
Source: Company data, Finpro

Figure 5. BHX revenue structure by channel in Sep 2022 remained the same on the yoy basis



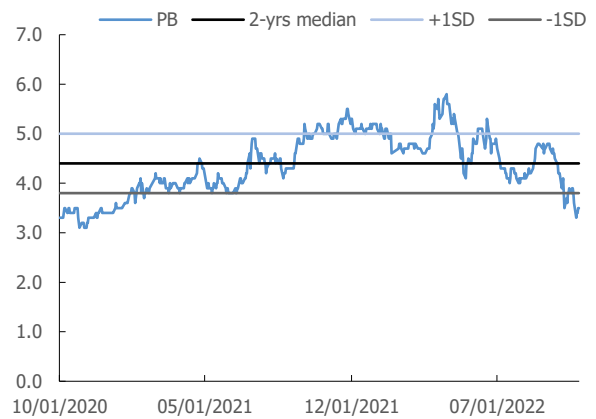
Source: Company data, Finpro

Figure 6. MWG's 2 years PE by Oct 31st, 2022



Source: Company data, Finpro

Figure 7. MWG's 2 years PB by Oct 31st, 2022



Source: Company data, Finpro

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