

Mobile World Group (MWG)

2023: Difficulty ahead

By Feb 16 2023, Mobile World Group (MWG) established AM for 2022 performance and 2023F expectation. Here are some noticeable updates.

Revenue in 2022 grew by 8% yoy but NPAT dropped by 16% yoy

- Accumulating 2022, MWG's net revenue went up by 8% yoy to VND133tn, MWG had met 95% of the revenue guidance.
- NPAT fell by 16% yoy to VND4.1tn, fulfilling 65% of guidance.
- Online sales increased 32% yoy to VND18.9tn, accounted for 14% of total revenue in 2022.

Conservative expectation in 1H23 for ICT sales

- TGDD and DMX sales in 2022 increased 10% yoy to VND104tn, contributed to 78% total MWG's revenue. Sales of mobile phones, electronics and home appliance posted
- Total TGDD grew from 970 to 1,090 stores and DMX increased from 1,992 to 2,284 stores in 2022. In which, DMX stores included 15% DML, 40% DMM and 45% DMS.
- SSSG was at negative 31% in 4Q22, followed positive SSSG of 52% in 3Q22.
- GPM of TGDD&DMX was 21%, dropped 2%p qoq in 4Q22.
- Online sales reached 20% of TGDD&DMX's revenue in 4Q22 and 17% in 2022. Online sales rose by 35% yoy to VND18tn in 2022.
- DMS and Topzone contributed respectively 10% and 5% into revenue of TGDD&DMX.
- In 2023F, TGDD&DMX keep being the cash cow, contributing 75%-80% of MWG's revenue. Strategy for TGDD&DMX are: (1) improve SSSG and (2) intense promotions, that could drag GPM down, compared to 2021-2022.

12M rating **HOLD (Maintain)**

12M TP **N/A**

Up/Downside **N/A**

Stock Data

VNIndex (17 Feb, pt)	1,059
Stock price (17 Feb, VND)	43,250
Market cap (USD mn)	2,668
Shares outstanding (mn)	1,463
52-Week high/low (VND)	79,583/37,700
6M avg. daily turnover (USD mn)	7.34
Free float / Foreign ownership (%)	74.8/49.0
Major shareholders (%)	
Retail World Company Ltd	10.48
Arisaig Asia Fund Limited	7.2
Tran Huy Investment Consulting Ltd	2.2

Performance

	1M	6M	12M
Absolute (%)	0.5	(33.5)	(35.3)
Relative to VNIndex (%p)	3.0	(17.1)	(6.6)

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022P
Sales (VND bn)	86,516	102,174	108,546	122,958	133,405
chg. (% YoY)	30.4	18.1	6.2	13.3	8.5
Operating profit (VND bn)	3,871	4,977	5,216	5,895	6,644
Net profit (VND bn)	2,879	3,834	3,918	4,899	4,100
EPS (VND)	6,490	8,657	8,650	6,861	2,803
chg. (% YoY)	(6.7)	33.4	(0.1)	(20.7)	(59.1)
EBITDA (VND bn)	5,094	6,420	7,412	8,815	10,227
PE (x)	6.7	5.0	5.0	6.3	15.4
EV/EBITDA (x)	4.4	4.2	2.8	4.2	6.3
PB (x)	2.1	1.6	1.3	1.5	2.6
ROE (%)	38.7	36.3	28.4	27.3	18.5
Dividend yield (%)	2.5	3.5	3.5	0.8	1.2

Research Department

Researchdept@kisvn.vn

Optimizing BHX operation in 2023F

- BHX's SSSG was 35% yoy in 4Q22, followed negative growth of previous quarter. BHX reached revenue of VND1.35b/store in 2H22, post restructuring.
- BHX revenue in 2022 was primarily from Fresh/chilled/frozen foods (38%), other foods and drinks (42%) and home/personal care products (20%).
- BHX reached 1,728 stores by YE22, closed 378 stores in 2022. In which, 29% stores was located in HCMC, 25% in Southeast area, 34% in Mekong River Delta and 12% in Central and Highlands area.
- Gross margin improved from 25% in 9M22 to 27% in 4Q22.
- Online sales contributed to 3% of BHX's revenue in 2022, with 2.4 million transactions that brought VND900bn of revenue.
- In 2023F, BHX is expected to contribute 20%-25% of MWG's revenue. The strategies to improve SSSG are (1) increase average bucket value (2) improve current customer's frequency (3) attract traffic from traditional markets & supermarkets. BHX will also change houseware operation to improve product quality and reduce damaged goods, that may pull GPM up and optimize logistics.

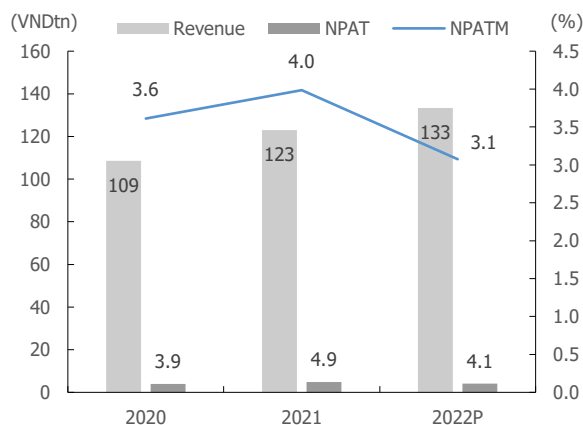
Other lines are still question marks

- Despite potential market growth, An Khang and AVAKids have not make profit. Thus MWG will strictly manage coverage and expenses, only focus on profitable stores.
- MWG will also restrict operation of AVASports and Bluetronics due to low potential to focus on other key business in 2023.

Valuation

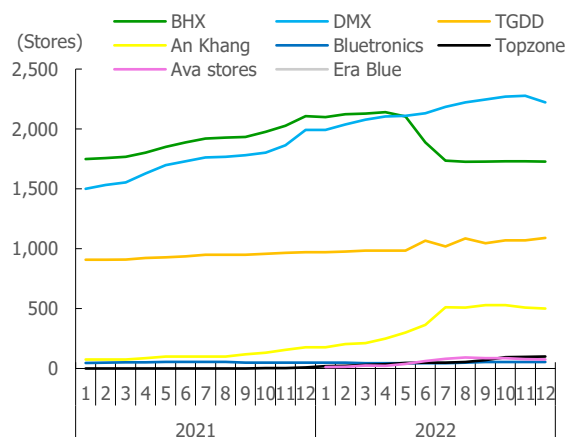
- MWG is trading at TTM PE of 15.4x and TTM PB of 4.0x, nearly equal to the three years average of 15.7x and 4.0x correspondingly.

Figure 1. NPATM dropped to 3.1% despite of the revenue growth



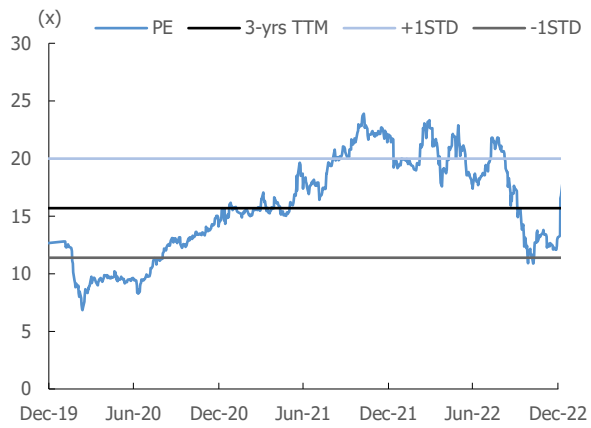
Source: Company data

Figure 2. MWG postponed expansion in YE22



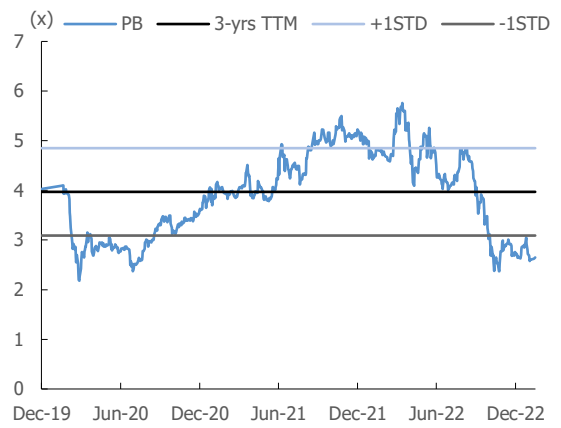
Source: Company data

Figure 3. MWG's 3 years PE by 17-Feb-23



Source: Company data, Finpro

Figure 4. MWG's 3 years PB by 17-Feb-23



Source: Company data, Finpro

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 17 Feb 2023.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 17 Feb 2023.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of Mobile World Group (MWG) and is the liquidity provider.

Prepared by: Research Department

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2023 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..