

Mobile World (MWG)

BUY +32.1%

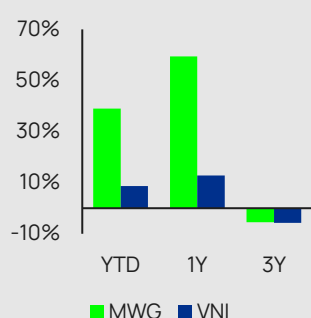
Industry	Retail
Report Date	December 4, 2024
Current Price	VND60,200
Target Price	VND79,000
Last Target Price	VND78,100
Upside to TP	+31.2%
Dividend Yield	0.8%
TSR	+32.1%
Market Cap	USD3.3bn
Foreign Room	USD64mn
30D ADTV	USD23.8mn
State Ownership	0.0%
Outstanding Shares	1.46 bn
Fully Diluted O/S	1.46 bn

	MWG	VNI
P/E (ttm)	29.0x	14.4x
P/B (cur.)	3.2x	1.6x
ROE	11.7%	12.5%
ROA	4.6%	1.9%

Company overview

MWG is the owner of the leading mobile phone retail, consumer electronics retail, and modern grocery retail chains in Vietnam.

Share price performance



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	2023	2024F	2025F	2026F	2027F
Revenue (VND bn)	118,280	133,212	143,079	155,829	168,992
Revenue % YoY	-11.3%	12.6%	7.4%	8.9%	8.4%
NPAT-MI (VND bn)	168	3,784	5,775	7,764	8,509
NPAT-MI % YoY	-95.9%	2156.9%	52.6%	34.4%	9.6%
EPS % YoY	-95.9%	2156.9%	50.4%	31.8%	8.3%
GPM	19.0%	20.3%	20.3%	20.8%	21.1%
EBITDA margin	2.9%	4.9%	6.0%	6.8%	6.7%
OPM	0.3%	3.5%	4.1%	5.0%	5.0%
NPM	0.1%	2.8%	4.0%	5.0%	5.0%
FCFE/Sales	10.6%	4.7%	5.0%	5.7%	5.7%
EV/EBITDA	23.3x	12.3x	9.4x	7.6x	7.1x
P/E	525.4x	23.3x	15.5x	11.7x	10.9x
ROE	0.7%	14.7%	18.7%	20.9%	19.2%
ROIC	0.2%	7.3%	8.6%	10.4%	9.7%

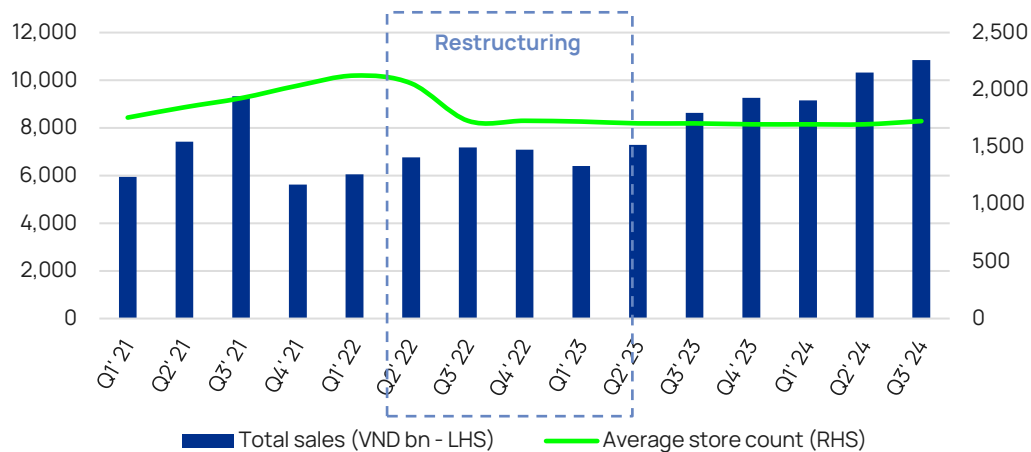
Strong earnings growth outlook despite lower ICT forecasts

- We increase our target price (TP) by 1% and upgrade our rating to BUY from OUTPERFORM. MWG's 14% price correction over the past three months has brought its valuation to an attractive level, with a 2025F forecast P/E of 15x vs a 2024-27F EPS CAGR of 29%.
- Our higher TP is due to rolling our TP horizon forward to end-2025, partly offset by reducing our 2025-27F aggregate NPAT-MI of MWG's ICT business by 12%, as we trim our GPM forecast for its ICT business in 2025 by 80 bps due to slower-than-expected broad-based recovery in Vietnam ICT's industry, which softens the prospects of GPM enhancements.
- We lower our 2025F NPAT-MI by 12%, as we reduce our NPAT-MI forecast for ICT by 14%. This is partly offset by raising our NPAT-MI forecast for BHX by 6% as we observed better-than-expected 9M 2024 operational efficiency. We lower our 2024F NPAT-MI forecast for MWG by 14% due to a 68% increase in our forecast for one-off expenses.
- Potential upside/downside risks:** Stronger/weaker-than-expected ICT profitability; stronger/weaker-than-expected store expansion and operational efficiency at BHX.

Well-positioned as Vietnam's leading minimart with a strong competitive advantage in fresh food to capture rising demand for convenience-driven grocery retailing: After NPM turned positive at 0.1% in Q2 2024. BHX delivered an NPM of 0.8% in Q3 2024, with strong sales of fresh food (accounting for 40% of total sales in Q3 2024) (**Figures 1 and 2**). BHX has resumed its store openings with 57 new stores (ahead of our forecast of 18 stores) year-to-date, mainly in the south and central of Vietnam. Huge expansion opportunities for BHX remain across Vietnam (**Figures 3 and 4**), especially in the south where BHX is a leading modern grocer. We project BHX to reach over 2,100/3,000 stores by YE 2026/YE 2029. We project BHX to open 150/200 in 2025/26, respectively, and 300 stores/year in 2027-29, driving its sales 2024-29F CAGR of 14% and NPM increasing to 3% in 2029.

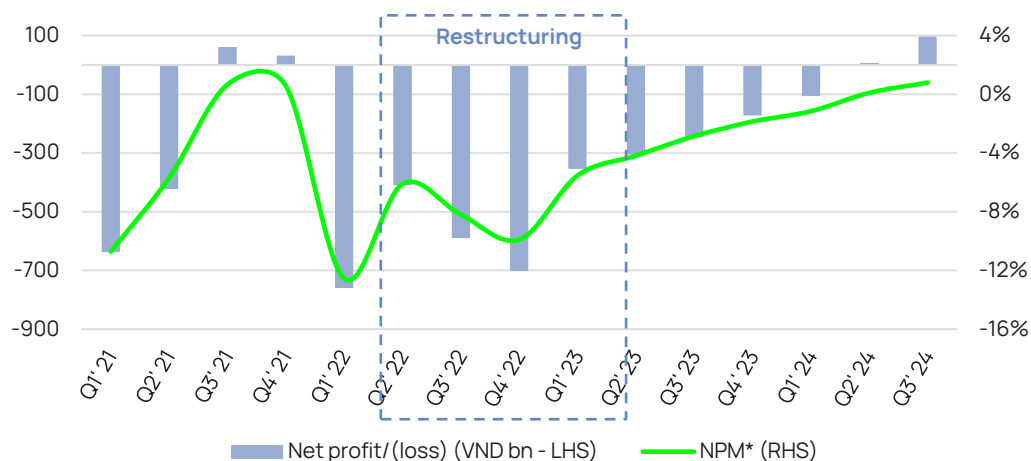
ICT business has enhanced bargaining power over the past two years with increased market share: According to MWG's disclosure and Gfk's data, we estimate that MWG's smartphone value market share increased by 4 ppts from 2022 - 9M 2024, reaching nearly 50% in 9M 2024. MWG also maintained over 50% market share in the consumer electronics and home appliances market, according to management. As a result, MWG's strategic role to consumer credit partners grows, as we believe phones, electronics, and appliances represent a material share in durable goods lending in Vietnam. In Q4 2023, MWG partnered with Home Credit, followed by a strategic agreement with Shinhan Finance in Q4 2024, both aiming to provide more favorable credit terms to MWG's customers (i.e., lower interest rates, with some products offering 0% interest). We believe this will allow MWG's sales 2024-27F CAGR to reach 5% (outperforming industry growth) in the future. In addition, we believe closing 216 stores this year will translate into better operational efficiency for MWG's ICT business in 2025. A full recovery of Vietnam's consumption should support GPM to improve by 50 bps/30bps in 2026-27, reaching 19.4% in 2027.

Figure 1: BHX's historical performance: Total sales vs store count



Source: MWG, Vietcap

Figure 2: BHX's historical performance: Profitability



Source: MWG, Vietcap; *BHX's NPM closely resembles its OPM because of little to no interest expense during the period.

Figure 3: BHX's store count by region

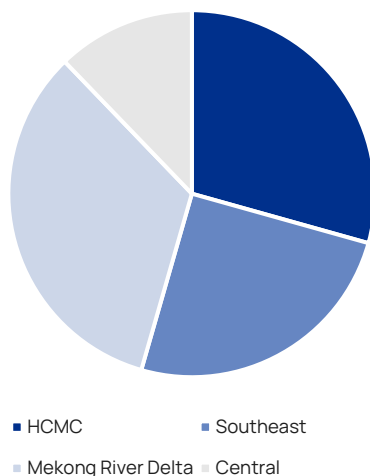
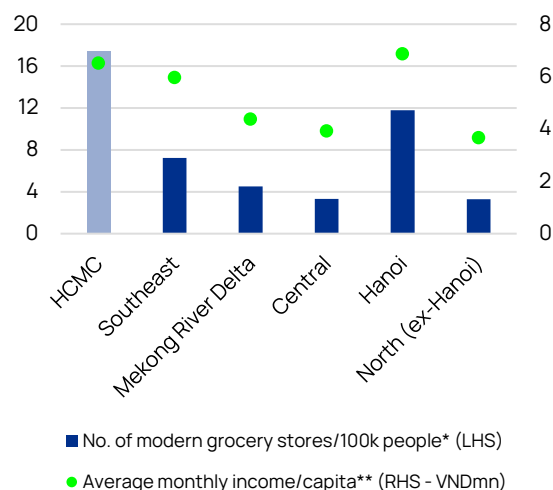
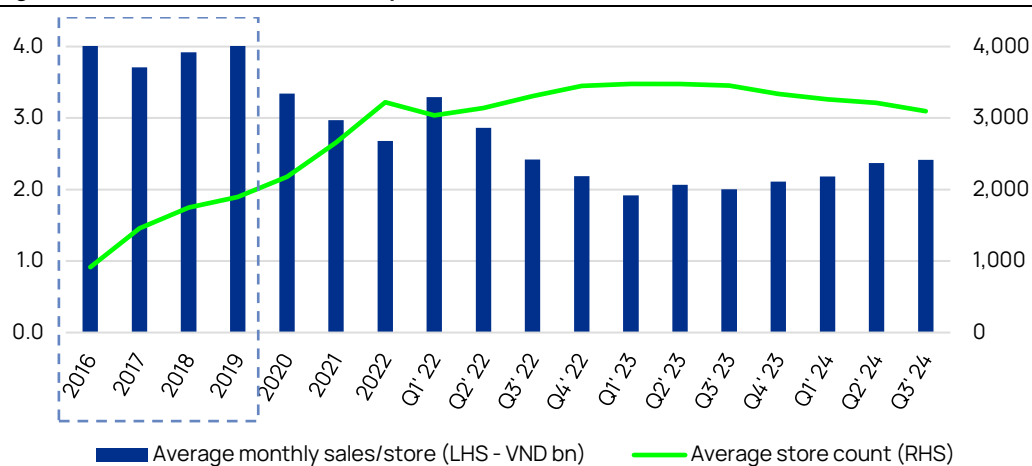


Figure 4: Huge growth opportunity across regions



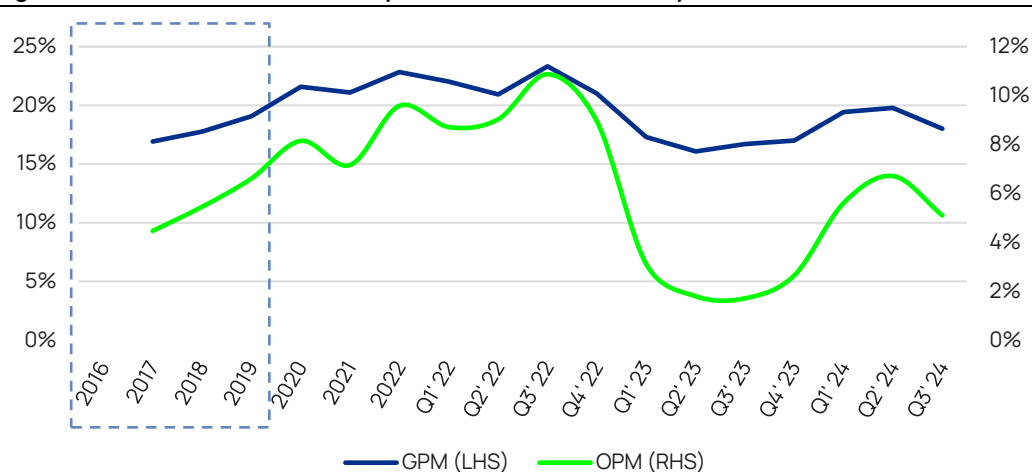
Source: Company data, GSO, Vietcap; *Total number of stores from the eight biggest modern grocery players in Vietnam, data as of September 2024; **Data as of 2023.

Figure 5: TGDD & DMX's historical performance: Sales/store vs store count



Source: MWG, Vietcap

Figure 6: TGDD & DMX's historical performance: Profitability



Source: MWG, Vietcap

2024F: Reducing NPAT-MI forecast by 14%, mainly due to increasing forecasted one-off expenses by 68%

Figure 7: Vietcap's 2024F forecasts

VND bn	2023	2024F old	2024F new	2024F new YoY	Vietcap's comments
Net revenue	118,280	133,212	133,212	13%	
– TGDD	28,269	30,036	30,036	6%	* Mainly driven by 7% SSSG at both TGDD (excl. TopZone) and TopZone stores. We expect the chain to close 55 stores in 2024, reducing its total store count to 1,023.
– DMX	55,237	58,797	58,797	6%	* Mainly driven by 10% SSSG. We expect the chain to close 160 stores in 2024, reducing its total store count to 2,030.
– BHX	31,603	41,874	41,874	33%	* Mostly caused by 36% SSSG, leading to its average sales/store of ~VND2.1bn in 2024. We expect BHX to open 57 new stores this year (revised up from 18).
– An Khang	2,214	2,505	2,505	13%	* Mainly driven by 10% SSSG due to the positive effect of (1) increasing the sales contribution from medicine and (2) store renovations in 2023. We expect An Khang to close 227 underperforming stores in 2024.
Online sales ¹	16,630	17,381	17,381	5%	
Gross profit	22,521	27,274	27,005	20%	
SG&A expenses	-22,114	-22,087	-22,333	1%	
EBIT	407	5,187	4,672	11.5x	
Net financial income	611	918	917	50%	
Associates' profit/(loss)	0	-82	-45	N.M.	* Reduce forecasted loss by 45% due to better-than-expected performance of Era Blue in Q3 2024.
Net other income/(loss)	-328	-451	-757	131%	* Our forecasted one-off expenses for 2024 includes: (1) VND440bn of closing stores and the partial write-off of Tran Anh following its dissolution which happened in 9M 2024, and (2) our additional forecast of one-off expense in Q4 2024, including the write-off of Tran Anh's remaining net carrying value (i.e., VND107bn) and store maintenance expenses as guided by MWG in its analyst meeting dated November 2024.
NPAT-MI	168	4,424	3,784	22.6x	
– TGDD & DMX	1,717	4,579	3,990	132%	* The YoY jump in TGDD & DMX's NPAT-MI is primarily from a 3.1 ppts YoY improvement in OPM due to (1) GPM improvement, and (2) a decrease in SG&A/sales YoY due to cost-cutting measures in Q4 2023.
– BHX	-1,210	133	135	N.M.	* Mainly driven by ~36% growth in sales/store.
– An Khang	-340	-272	-332	-2%	
Gross margin	19.0%	20.5%	20.3%		
– TGDD & DMX	17.1%	18.9%	18.6%		* We trim our forecast by 30 bps to reflect Q3 2024's result.
– BHX	25.4%	24.0%	24.0%		
SG&A/revenue	18.7%	16.6%	16.8%		
EBIT margin	0.3%	3.9%	3.5%		
– TGDD & DMX	2.3%	6.0%	5.4%		
– BHX	-3.3%	0.3%	0.3%		
NPAT-MI margin	0.1%	3.3%	2.8%		

Source: MWG, Vietcap; ¹ Included in total revenue of TGDD, DMX, and BHX.

2025F: BHX to be key earnings growth driver

Figure 8: Vietcap's 2025F forecasts

VND bn	2024F new	2025F	2025F YoY	Vietcap's comments
Net revenue	133,212	143,079	7%	
– TGDD	30,036	31,904	6%	* Mainly driven by 5% SSSG at both TGDD (excl. TopZone) and TopZone stores. We expect no new stores in 2025.
– DMX	58,797	61,720	5%	* Mainly driven by 5% SSSG. We expect no new stores in 2025.
– BHX	41,874	46,700	12%	* Mostly driven by (1) 150 new stores opened in 2025, (2) SSSG of 5%, and (3) full-year contributions from 57 stores opened in 2024.
– An Khang	2,505	2,754	10%	* Mainly driven by 10% SSSG as we expect An Khang to continue to refine its product assortment and value propositioning in 2025.
Online sales ¹	17,381	19,858	14%	
Gross profit	27,005	29,113	8%	
SG&A expenses	-22,333	-23,255	4%	
EBIT	4,672	5,857	25%	
Net financial income	917	1,220	33%	* Mainly due to a 16%-YoY increase in the total balance of cash, short-term investments, and short-term loan receivables.
Associates' profit/(loss)	-45	21	N.M.	* We expect EraBlue to contribute a full-year associates' profit to MWG in 2025.
Net other income/(loss)	-757	0	N.M.	* We expect no one-off expenses in 2025.
NPAT-MI	3,784	5,775	53%	
– TGDD & DMX	3,990	5,109	28%	* Mainly driven by the positive impact of closing underperforming stores in 2024 on EBIT's margin in 2025.
– BHX	135	838	519%	
– An Khang	-332	-175	-47%	
Gross margin	20.3%	20.3%		
– TGDD & DMX	18.6%	18.6%		
– BHX	24.0%	24.0%		
SG&A/revenue	16.8%	16.3%		
EBIT margin	3.5%	4.1%		
– TGDD & DMX	5.4%	5.5%		
– BHX	0.3%	1.9%		
NPAT-MI margin	2.8%	4.0%		

Source: MWG, Vietcap; ¹ Included in total revenue of TGDD, DMX, and BHX.

Valuation

We maintain our valuation approach, which consists of (1) a five-year DCF model for ICT businesses, (2) a 10-year DCF for the grocery business, (3) a P/S valuation for the An Khang pharmacy chain with a target P/S of 0.5x, and (4) a P/S valuation for the Indonesian JV, EraBlue, with a target P/S of 0.8x.

Our valuation for MWG is 1% higher compared to our last Update Report mainly because of rolling our TP horizon forward to end-2025. This is partly offset by reducing our 2025-27F aggregate NPAT-MI of MWG's ICT business by 12%, as we trim our GPM forecast for its ICT business in 2025 by 80 bps due to slower-than-expected broad-based recovery in Vietnam ICT's industry, which softens the prospects of GPM enhancements.

To factor in the dilution impact of annual ESOP issuances from the perspective of an external shareholder, we assign our projected FCFE with weightings that reflect the cumulative dilution of projected future ESOP issuances.

Figure 9: Summary of Vietcap's valuation for MWG

Method		100% equity value (VND bn)	MWG's ownership	Contributed equity value (VND bn)
ICT	DCF (FCFE)	75,995	100%	75,995
Grocery	DCF (FCFE)	40,583	95%	38,549
Pharmacy	P/S (0.5x) ¹	1,625	100%	1,625
EraBlue	P/S (0.8x) ¹	3,914	45%	1,761
Total equity value for MWG				117,931
YE 2025 outstanding shares (million)				1,493
Target Price (VND/share)				79,000
Implied 2025F/26F P/E at TP for MWG				20x/15x
Implied 2025F/26F P/E at TP for ICT				15x/13x
Implied 2025F/26F P/S at TP for BHX				0.9x/0.8x

Source: Vietcap; ¹ Our sales forecasts in 2025.

Discounted cash flow – TGDD & DMX

Figure 10: FCFE valuation

VND bn	2025F	2026F	2027F	2028F	2029F
Net income	5,109	5,977	6,764	7,134	7,926
- Capex	-421	-437	-446	-431	-335
+ Depreciation	1,706	2,420	2,451	2,382	2,395
- WC increase	-1,869	-1,382	-1,298	-1,350	-837
+ Net borrowings	1,388	1,150	1,392	1,112	539
+ ESOP proceeds	293	299	152	0	0
FCFE + ESOP proceeds (1)	6,205	8,027	9,016	8,847	9,688
ESOP-adjustment weighting (2)	99%	97%	95%	95%	95%
ESOP-adjusted attributed FCFE (1 x 2)	6,114	7,753	8,601	8,419	9,220
Present Value of attributed FCFE	5,363	5,966	5,805	4,985	4,788
Cumulative PV of attributed FCFE	9,614	15,580	21,385	26,370	31,158

Cost of Equity	Old	New
Beta	1.0	1.0
Market Risk Premium %	8.0	8.0
Risk Free Rate %	6.0	6.0
Cost of Equity %	14.0	14.0

FCFE (five years)	VND bn
PV of Free Cash Flow	31,158
PV of Terminal Val (g = 3.0%)	44,837
PV of FCF and TV	75,995
Minus: Minority Interest	0
Equity Value	75,995

Source: Vietcap

Figure 11: Sensitivity analysis of our target price for MWG in relation to TGDD & DMX DCF's cost of equity and terminal growth rate, ceteris paribus

Terminal growth rate	Cost of equity (Ke)						
	13.1%	13.4%	13.7%	14.0%	14.3%	14.6%	14.9%
2.0%	80,100	78,700	77,400	76,200	75,100	74,000	72,900
2.5%	81,700	80,200	78,900	77,600	76,300	75,200	74,100
3.0%	83,400	81,900	80,400	79,000	77,700	76,400	75,300
3.5%	85,400	83,700	82,100	80,600	79,200	77,800	76,600
4.0%	87,500	85,700	84,000	82,300	80,800	79,400	78,000

Source: Vietcap

Discounted cash flow – BHX

Figure 12: FCFE valuation

VND bn	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Net income	882	1,993	1,860	2,260	2,210	2,692	3,251	4,230	6,354	7,093
- Capex	-512	-639	-883	-913	-943	-973	-1,003	-419	-380	-380
+ Depreciation	1,007	337	475	649	778	870	943	850	667	479
- WC increase	-5	-235	-391	-578	-270	-188	-181	261	463	1,110
+ Net borrowings	0	0	0	0	0	0	0	0	0	0
FCFE	1,372	1,456	1,061	1,418	1,776	2,401	3,010	4,923	7,104	8,302
Weighting ¹	99%	97%	95%	95%	95%	95%	95%	95%	95%	95%
Attributed FCFE¹	1,352	1,406	1,012	1,350	1,690	2,285	2,865	4,685	6,760	7,900
PV of attributed FCFE	1,188	1,086	687	805	885	1,052	1,159	1,666	2,112	2,169
Cumulative PV	3,085	4,171	4,858	5,662	6,548	7,600	8,759	10,424	12,536	14,705

Cost of Equity	Old	New	FCFE (10 years)	VND bn
Beta	N/A	N/A	PV of Free Cash Flow	14,705
Market Risk Premium %	N/A	N/A	PV of Terminal Val (g = 5.0%)	25,877
Risk Free Rate %	N/A	N/A	PV of FCF and TV	40,583
Cost of Equity %	14.0	14.0	Minus: Minority Interest	0
			Equity Value	40,583

Source: Vietcap; ¹ Adjusted for ESOP.

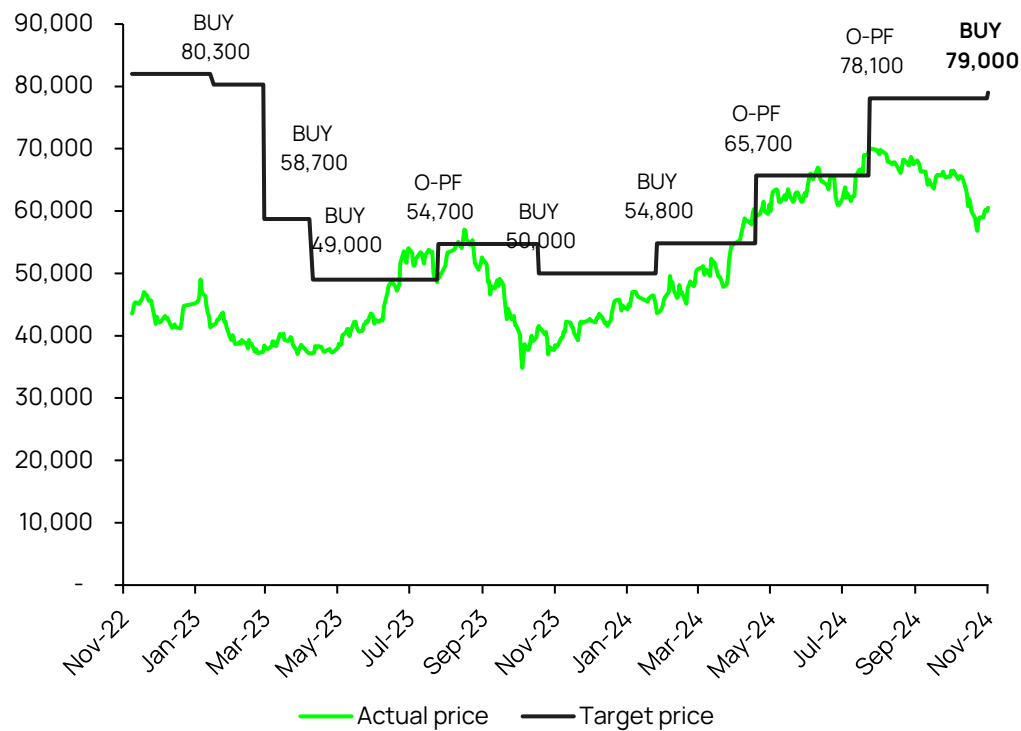
Figure 13: Sensitivity analysis of our target price for MWG in relation to BHX's cost of equity and terminal growth rate, ceteris paribus

Terminal growth rate	Cost of equity (Ke)						
	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%	20.0%
3.0%	117,000	94,600	82,800	75,700	71,000	67,800	65,400
4.0%	131,000	100,100	85,500	77,200	71,900	68,300	65,800
5.0%	155,000	107,900	89,000	79,000	73,000	69,000	66,200
6.0%	205,700	119,700	93,600	81,300	74,200	69,700	66,700
7.0%	383,300	140,100	100,300	84,300	75,800	70,600	67,200

Source: Vietcap

Recommendation History

Figure 14: Historical Vietcap target price vs share price (VND/share)



Source: FiinPro, Vietcap

Financial Statements

P&L (VND bn)	2023	2024F	2025F	2026F
Revenue	118,280	133,212	143,079	155,829
COGS	-95,759	-106,206	-113,966	-123,472
Gross Profit	22,521	27,005	29,113	32,357
Sales & Marketing exp.	-20,917	-20,393	-21,083	-22,109
General & Admin exp.	-1,196	-1,940	-2,173	-2,409
Operating Profit	407	4,672	5,857	7,840
Financial Income	2,167	2,008	2,376	2,685
Financial Expenses	-1,556	-1,091	-1,156	-1,217
- o/w Interest Expense	-1,448	-1,091	-1,156	-1,217
Associates	0	-45	21	52
Net Other Income/(Loss)	-328	-757	0	0
Profit Before Tax	690	4,786	7,098	9,361
Income Tax	-522	-995	-1,278	-1,497
NPAT Before MI	168	3,791	5,820	7,864
Minority Interest	0	-7	-44	-100
NPAT Less MI, Reported	168	3,784	5,775	7,764
NPAT Less MI, Adjusted	168	3,784	5,775	7,764
EBITDA	3,459	6,556	8,597	10,618
EPS Reported, VND	115	2,586	3,888	5,125
DPS Reported, VND	0	500	500	1,000
DPS/EPS (%)	0%	19%	13%	20%

RATIOS	2023	2024F	2025F	2026F
Growth YoY				
Revenue	-11.3%	12.6%	7.4%	8.9%
Op. Profit (EBIT)	-93.9%	1047.9%	25.4%	33.9%
PBT	-88.6%	594.0%	48.3%	31.9%
Reported EPS	-95.9%	2156.9%	50.4%	31.8%
Profitability				
Gross Profit Margin	19.0%	20.3%	20.3%	20.8%
Op. Profit, (EBIT) Margin	0.3%	3.5%	4.1%	5.0%
EBITDA Margin	2.9%	4.9%	6.0%	6.8%
NPAT-MI Margin	0.1%	2.8%	4.0%	5.0%
ROE	0.7%	14.7%	18.7%	20.9%
ROA	0.3%	6.1%	8.4%	10.0%
Efficiency				
Days Inventory On Hand	90.6	73.1	70.5	72.1
Days Accts, Receivable	0.8	1.0	1.3	1.6
Days Accts, Payable	33.1	28.9	29.0	29.7
Cash Conversion Days	58.2	45.1	42.8	44.0
Liquidity				
Current Ratio	1.7	2.0	2.1	2.3
Quick Ratio	0.8	1.1	1.2	1.4
Cash Ratio	0.8	1.1	1.2	1.4
Debt / Assets %	42%	36%	34%	31%
Debt / Capital %	52%	45%	42%	38%
Net Debt / Equity	0%	-34%	-45%	-54%
Interest Coverage	0.3	4.3	5.1	6.4

B/S (VND bn)	2023	2024F	2025F	2026F
Cash & Equivalents	5,366	7,693	13,398	18,746
ST Investment	18,937	24,937	25,937	28,937
Accounts Receivables	308	401	588	768
Inventories	21,824	20,709	23,331	25,437
Other Current assets	5,512	6,207	6,667	7,261
Total Current Assets	51,947	59,948	69,921	81,150
Fixed Assets, Gross	20,234	20,371	21,304	22,680
- Depreciation	-13,729	-16,423	-19,185	-22,011
Fixed Assets, Net	6,505	3,949	2,119	669
LT investments	747	410	410	410
LT assets, other	910	910	910	910
Total LT Assets	8,161	5,268	3,438	1,988
Total Assets	60,108	65,216	73,359	83,138
Accounts Payable	7,927	8,724	9,803	10,631
ST Debt	19,129	17,408	18,796	19,946
Other ST Liabilities	3,706	4,174	4,483	4,883
Total Current Liabilities	30,762	30,305	33,082	35,460
LT Debt	5,985	5,985	5,985	5,985
Other LT liabilities	1	1	1	1
Total Liabilities	36,748	36,292	39,069	41,447
Preferred Equity	0	0	0	0
Paid in capital	14,634	14,634	14,926	15,225
Share premium	558	1,592	1,592	1,592
Retained earnings	8,160	11,944	16,973	23,976
Other equity	-6	-6	-6	-6
Minority interest	13	760	804	904
Total equity	23,360	28,924	34,290	41,691
Liabilities & equity	60,108	65,216	73,359	83,138
Y/E shares out, mn	1,463	1,463	1,493	1,522

CASH FLOW (VND bn)	2023	2024F	2025F	2026F
Beginning Cash Balance	5,061	5,366	7,693	13,398
Net Income	168	3,784	5,775	7,764
Dep. & Amortization	3,381	2,693	2,763	2,825
Δ in Working Capital	-1,876	1,591	-1,880	-1,653
Other Adjustments	2,876	7	44	100
Cash from Operations	4,549	8,076	6,703	9,036
Capital Expenditures, Net	-523	-137	-933	-1,375
Investments, Net	-11,421	-5,663	-1,000	-3,000
Cash from Investments	-11,944	-5,800	-1,933	-4,375
Dividends Paid	-731	0	-746	-761
Δ in Share Capital	0	0	293	299
Δ in ST Debt	8,440	-1,721	1,388	1,150
Δ in LT Debt	84	0	0	0
Other financing C/F	-84	1,773	0	0
Cash from Financing	7,700	53	935	687
Net Change in Cash	305	2,328	5,704	5,348
Ending Cash Balance	5,366	7,693	13,398	18,746

Source: MWG, Vietcap forecasts

Vietcap Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
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