MOBILE WORLD INVESTMENT CORP (MWG) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND135,700	VND173,000	1.09%	Add	CONSUMER SERVICES

26 February 2021

Outlook – Short term:	Positive
Outlook – Long term:	Positive
Valuation:	Positive

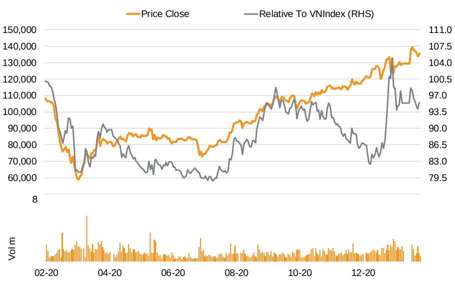
Consensus*: Add:16 Hold:1 Reduce:0

Target price / Consensus: 8.3%

Key changes in the report

- FY21F NP increased by 1.4%/0.6%
- Target price increased by 14.4%

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	139,500
52w low (VND)	58,900
3m Avg daily value (VNDmn)	147,451
Market cap (VND bn)	62,367
Free float (%)	93
TTM P/E (x)	16.2
Current P/B (x)	4.1

Ownership

Mobile World Retail Advisory Co.	11.4%
Tri Tam Co. Ltd	8.5%
Vietnam Enterprise Investments Limited	3.5%
Others	76.6%

Source: VND RESEARCH

Analyst(s):

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A bull year ahead

- MWG posted VND108,546bn (+6.2% yoy) in FY20 revenue and VND3,918bn (+2.2% yoy) in FY20 net profit, in line with our expectation.
- We expect a strong rebound in FY21 with 23.4% and 37.7% growth in revenue and NP, respectively.
- We reiterate our Add call with a higher TP of VND173,000**.**

FY20's results in line with our projections

MWG's 4Q20 revenue grew 7% yoy to VND27,913bn, driven by 71% yoy growth in Bach Hoa Xanh (BHX)'s revenue, which contributed 22.5% to 4Q20 total revenue. MWG's 4Q20 NP grew 9.6% yoy to VND941.8bn. MWG's FY20 revenue rose 6.2% yoy to VND108,546bn and NP grew 2.2% yoy to VND3,918bn, in line with our expectations.

Dien May Xanh supermini (DMS) to drive growth of MWG's CE segment

DMS, a new small-sized model of consumer electronic (CE) chain, located in communes, wards and towns in remote areas, has marked a good rollout in FY20 with 302 nationwide stores (12.9% of total CE stores at end-2020). We believe DMS will be MWG's new driving force to maintain the growth of CE business and expect the number of DMS stores to reach 902/1,302 by the end of FY21F/22F, with respective revenues of VND7,428bn/VND14,104bn, contributing 7.4%/11.8% to CE revenue in FY21F/22F.

MWG targets 2-digit growth in FY21F NP

For FY21, MWG's guidance of revenue and net profit are VND125,000bn and VND4,750bn, up 15.1% yoy and 21.2% yoy, respectively. We believe MWG can beat their guidance with FY21F top line and bottom line reaching VND134,024bn /VND5,392bn, or 7.2%/13.5% higher than the company's guidance. This is on the back of 1) BHX revenue continues to grow strongly by 56.5% yoy in FY21F and 2) MWG's CE segment will rebound with 2-digit growth rate at 15.4% yoy thanks to larger market share, the success of Dien May Xanh model to drive growth of MWG's CE revenue in the context of risky market where Covid-19 is still present.

Reiterate our Add call with a higher TP of VND173,000/share

We lift our SOP-based TP by 14.4% to VND173,000 to reflect 1) a rollover to FY21F, 2) a 12% increase in 10-year EBITDA of BHX chain, and 3) lower RFR (3% vs 4% in previous report). Key downside risks are: 1) lower-than-expected GPM due to lower bargaining power with suppliers or higher spoilage and shrinkage rate, and 2) another nationwide social distancing period due to new Covid-19 outbreak, especially in the business hubs of Hanoi and HCMC.

Financial summary (VND)	12-19A	12-20A	12-21E	12-22E
Net revenue (bn)	102,174	108,546	134,024	165,630
Revenue growth	18.1%	6.2%	23.5%	23.6%
Gross margin	19.1%	22.1%	22.3%	22.5%
EBITDA margin	6.9%	7.6%	7.0%	7.4%
Net profit (bn)	3,834	3,918	5,392	7,431
Net profit growth	33.2%	2.2%	37.6%	37.8%
Recurring profit growth				
Basic EPS	8,422	8,395	11,135	14,786
Adjusted EPS	8,422	8,395	11,135	14,786
BVPS	26,657	33,153	42,026	54,180
ROAE	36.3%	28.4%	30.1%	31.2%

Source: VND RESEARCH, Company reports

A BULL YEAR AHEAD

FY20 recap: results in line with our projections

MWG's 4Q20 revenue grew 7% yoy to VND27,913bn, and net profit climbed 9.6% to VND941.8bn due to the combination of:

- BHX's revenue surged 71% yoy to VND6,144bn in 4Q20, contributing 22.5% to 4Q20 revenue, offsetting the decline in The Gioi Di Dong (mobile phone chain) and Dien May Xanh (consumer electronics chain), which recorded revenue contraction of 1.1% yoy and 4.8% yoy, respectively.
- 4Q20 gross profit margin reached 22.4%, increased 2% pts yoy and 0.7% pts qoq, thanks to better bargaining power when negotiating with suppliers in all segments, especially for food and FMCG items.
- 4Q20 SG&A expenses increased 19.6% yoy due to the sharp increase in the number of BHX stores in 1H20, upfront costs for new models such as DMX super mini (DMS), An Khang drugstore chain, investments in purchasing processes, logistics systems and operating platforms.

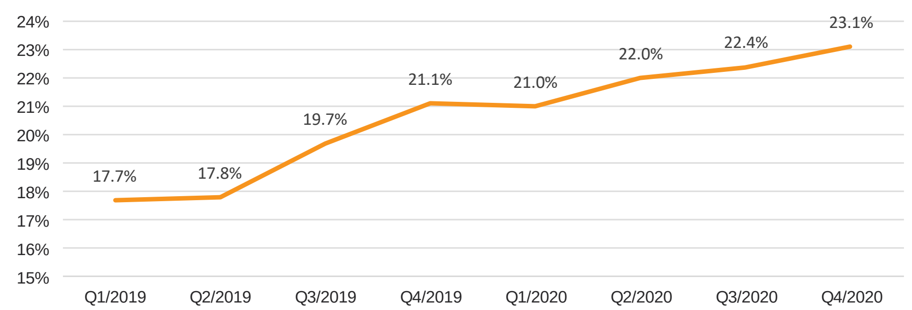
In FY20, MWG's revenue leapt 6.2% yoy to VND108,546bn and net profit grew 2.2% yoy, reaching VND3,918bn, in line at 101.2% of our expectation.

Figure 1: Results comparison

	4Q20	yoy	3Q20	qoq	FY20	%yoy	vs VND's forecast	Comment
Net revenue	**27,193.69**	**7.0%**	**25,713.55**	**5.8%**	**108,546.02**	**6.2%**	**99.4%**	**Inline with our expectation**
TGDD					29,525	-11.1%	104.1%	
DMX					57,746	-0.8%	96.1%	
BHX					21,275	98.3%	102.4%	
Gross profit	**6,274.67**	**17.0%**	**5,749.72**	**9.1%**	**23,954.50**	**22.9%**	**104.8%**	Inline with our expectation
Gross margin	*23.1%*	*2.0 pts %*	*22.4%*	*0.7 pts %*	*22.1%*	*3.0 pts %*		
Net financial income	96.47	283.3%	124.57	-22.6%	199.97	225.5%	163.1%	Above our expectation due to MWG enjoyed higher financial income from short-term financial investmentst in FY20 than we expected at VND122bn in FY20.
Selling expense	-4,259.17	15.3%	-3,753.49	13.5%	-15,333.80	23.3%	104.9%	Inline with our expectation
G&A expense	-783.69	50.8%	-840.34	-6.7%	-3,404.43	64.2%	103.9%	Inline with our expectation
Selling expense/Revenue	*15.7%*	*1.2 pts %*	*14.6%*	*1.1 pts %*	*14.1%*	*1.9 pts %*		
G&A/Revenue	*2.9%*	*0.9 pts %*	*3.3%*	*-0.4 pts %*	*3.1%*	*1.1 pts %*		
SG&A/Revenue	*18.6%*	*2.1 pts %*	*17.9%*	*0.7 pts %*	*17.2%*	*3.0 pts %*		
Operating profit	1,328.36	13.1%	1,279.24	3.8%	5,412.53	7.5%	105.6%	Inline with our expectation
Profit before tax	1,333.73	13.1%	1,278.28	4.3%	5,409.74	7.1%	106.0%	
CIT%	29.3%		25.6%		27.5%			
Profit after tax	942.30	9.6%	951.03	-0.9%	3,919.87	2.2%		
Net profit	**941.80**	**9.6%**	**950.54**	**-0.9%**	**3,917.77**	**2.2%**	**101.2%**	**Inline with our expectation**

Source: VNDIRECT RESEARCH, Company reports

Figure 2: MWG keeps improving its gross margin of all segments, especially Grocery segment - Bach Hoa Xanh, to make 4Q20 blended GM reach 23.1% (+2% pts yoy)



Source: VNDIRECT RESEARCH, Company reports

FY21F OUTLOOK: A STRONG GROWTH IN ALL SEGMENTS

We expect MWG's CE segment growth to rebound to 2-digit during FY21F-22F

For CE market, before the Covid-19 vaccines are widely distributed and the world economy shows signs of recovery, we believe that demand of CE products will be flat or grow slightly in FY21F due to the impacts of the Covid-19 epidemic on non-essential products. But we believe that demand for each CE products type will have differentiations as follows:

1) Mobile phones: According to Euromonitor, revenue of mobile phone market will grow at a CAGR of 19% in the FY20-FY24F period; in which, consumption volume increases at a CAGR of about 3.9%. This shows that the increase in average selling price (ASP) is the main driver of sales growth of mobile phone market. But due to the impacts of Covid-19, we believe suppliers can't raise ASP as high as projected, while demand of mobile phone remains low due to market saturation. This could lead to the growth of mobile phones staying below 10% in FY21F before rising again from FY22F as 1) the deploy of 5G network requires customers to upgrade their phones and 2) Decree No. 98/2020/ND-CP of the Government tightening portable goods into Vietnam would support authorized distributors.

2) Electronic products such as television: According to the Population Census, by the end of 2019, 91.9% of households in Vietnam uses TVs, showing an saturation in TV products. In the era of mobile phones and when world events such as major soccer tournaments get delayed by Covid-19, we believe the revenue growth of electronics like TV segment in FY21F will not be high.

3) Household appliances and work-from-home products: The tendency to work from home due to fears of disease and social distancing period caused by Covid-19 has increased demand for household products and work-from-home products such as laptops, webcams, refrigeration, household appliances,… In FY20, MWG's laptop segment increased 40% yoy and the household electricity segment increased more than 20% yoy. We believe MWG can maintain a strong growth in revenue from these products in 2021F.

Thus, we project MWG's CE 2021/22F revenue to increase 15.4%/18.7% yoy in FY21/FY22F, contributing 75.8% and 72.2% to MWG's total revenue thanks to:

1) MWG focuses in work-from-home products and household appliances to offset the low growth rate in mobile phones and electronics segment.

2) MWG's CE market share increasing to about 45-50% at end-FY20 from 40% at early-FY20 due to the termination of small-sized shop and the rollout of Dien May Xanh supermini in 2H20 would help MWG continue to expand its market share to remote regions and support MWG's CE revenue growth.

Dien May Xanh supermini (DMS) to drive growth of MWG's CE segment

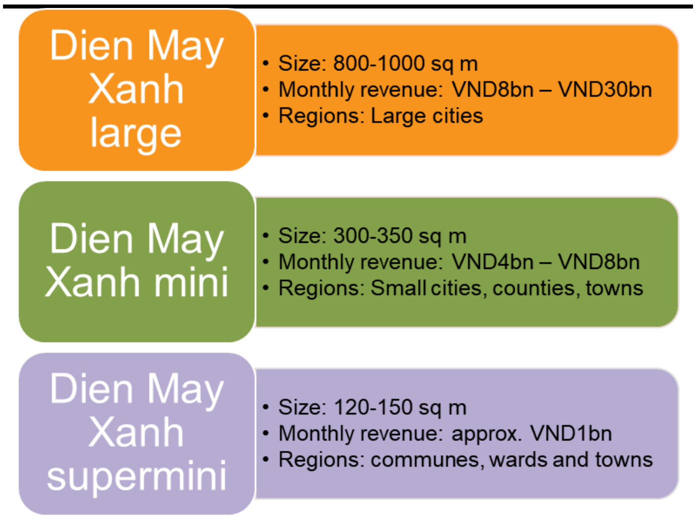
Dien May Xanh supermini (DMS) is a new store format of Dien May Xanh chain, which was rolled out by MWG since mid-FY20. This is a small-sized model, with an area of 120 - 150 sq m (compared with mini format of 300-350 sq m or large format of 800-1000 sq m), located in commures, wards and towns in remote areas. By end-FY20, MWG has deployed 302 DMS in 61/63 provinces and cities nationwide with the revenue of each store reaching about VND1bn/month (compared with mini format of VND4-8bn or large format of VND8-30bn) .

We believe DMS will be MWG's key to maintain the growth of electronics business at a low cost and utilize its existing platform. Specifically:

- DMS store size equal to 1/2 of DMX mini's size, but the rental cost of DMS is only ¼ of DMX mini because the communes, wards and town have low rental costs.

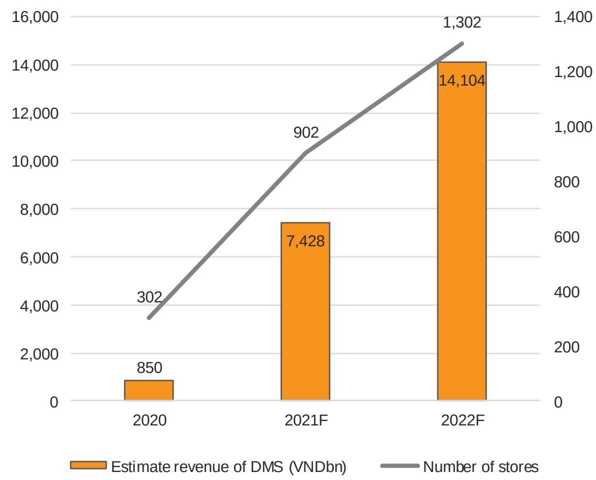
- Construction cost can be saved by using the existing houses/construction without renovating to build large-area shops.
- The number of employees per DMS is only 4 people, or only 25% of the number of staff at DMX mini stores.
- Human resource is standardized according to the all-in-one model (increasing productivity, one employee doing all the work, working through smartphone), one manager in charge of 2-3 DMS without increases in senior management cost.
- Other operating platforms such as management systems, warehouses, logistics ... can use those of existing DMX mini.

Figure 3: Type of Dien May Xanh stores



Source: VNDIRECT RESEARCH, Company reports

Figure 4: VNDirect's growth forecast of DMS stores number and revenue in FY21-22F



Source: VNDIRECT RESEARCH, Company reports

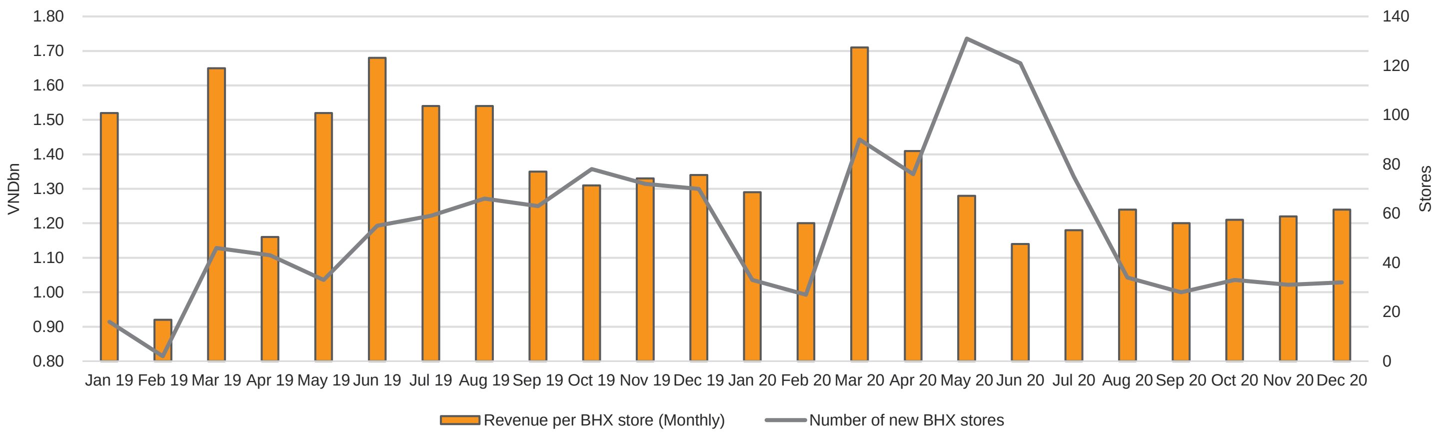
According to MWG's plan, we forecast the number of DMS stores will reach 902/1,302 stores by the end of FY21F/22F, with revenue of VND7,428bn/ VND14,104bn to contribute 5.4% and 8.5% to MWG's total revenue in FY21F /22F.

Grocery: Bach Hoa Xanh will play a more important role since FY21F

BHX's opening process slowed down, with only 96 new stores in 4Q20 (vs. 137 new stores in 3Q20) to focus on efficiency of existing stores and pushing large format "Bach Hoa Xanh VND5bn" stores. As a result, monthly revenue per BHX store in Dec 20 increased back to VND1.24bn from VND1.20bn in Sep 20. As of Dec 20, BHX had 182 "Bach Hoa Xanh VND5bn" stores, up 147 stores from 35 stores in Sep 20.

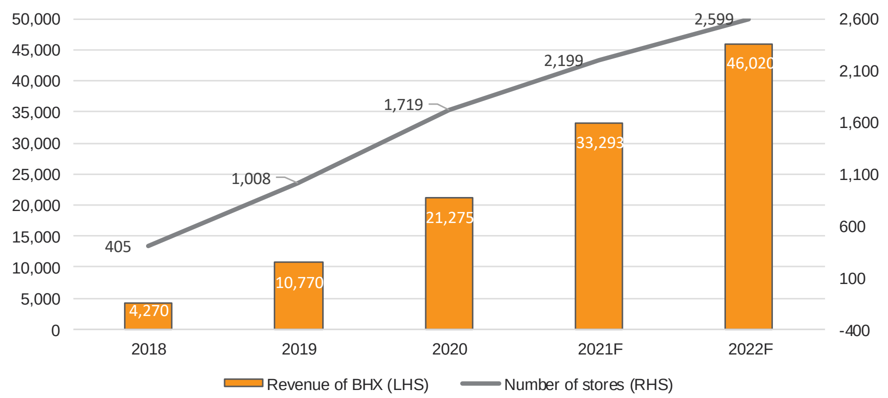
While the Covid-19 risk affects discretionary products, this is an opportunity for essential products to maintain growth momentum in FY21-22F and MWG's BHX chain will be one of the retail chains that can benefit from this growth. BHX continues to be the main driver of MWG's revenue and NP growth thanks to 1) strong expansion of BHX stores in FY20 (1,719 stores at end-FY20, +70.5% yoy) and 2) its continuous improvements in the ability to negotiate with suppliers which could help boost GPM (In 2H20 BHX's GPM increased 5% pts yoy to 24%). We project BHX store counts to reach 2199/2599 in FY21-22F, thus chain revenue is expected to increase 56.5%/38.2% yoy in FY21/FY22F, contributing 24.8% and 27.8% to MWG's total revenue.

Figure 5: Revenue per BHX store and number of new BHX stores in FY19-FY20



Source: VNDIRECT RESEARCH, Company reports

Figure 6: BHX's number of stores (at year-end) and revenue (VNDbn) in FY18 - FY22F

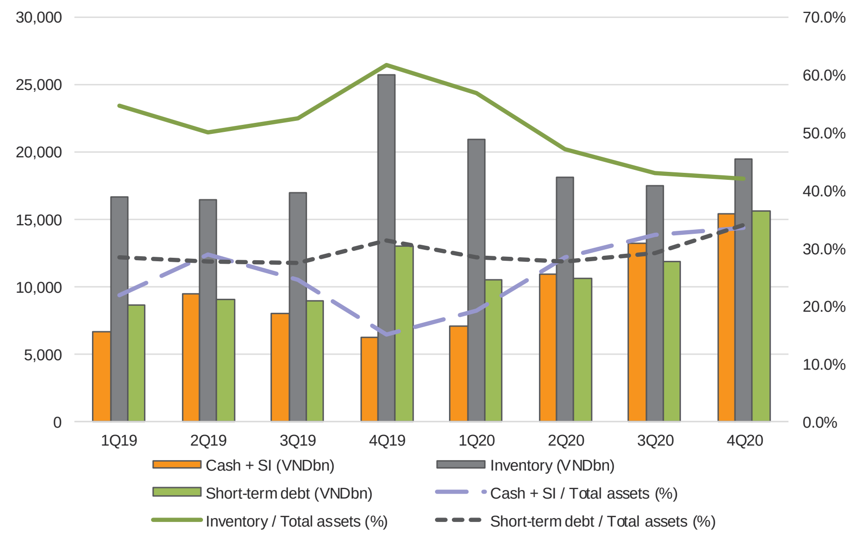


Source: VNDIRECT RESEARCH, Company reports

MWG has better financial position for the new growth phase

By the end of FY20, MWG's inventory value reached VND26,196bn, down 25.9% yoy as MWG maintained its conservative mode with low inventory, especially CE inventory when Covid-19 remains a big risk for discretionary retail sector. Inventories of electronics equipment and mobile phones declined 37.3% yoy and 51.5% yoy, respectively. On the contrary, inventory of home appliances, accessories and foods increased, following the growth of demand for home's use, high profit margin strategy of MWG and expansion of BHX chain.

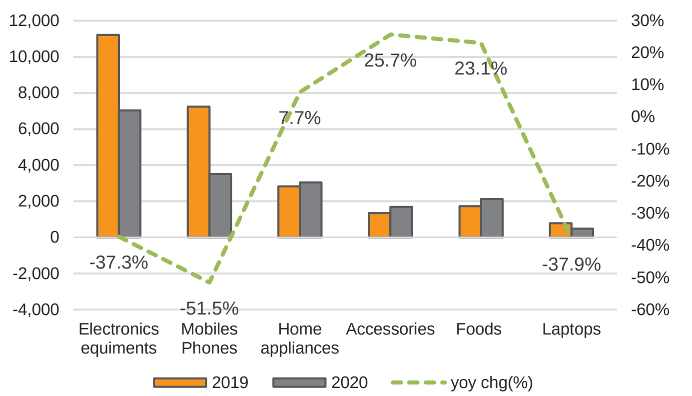
Figure 7: MWG's Inventory, Cash & SI, Short-term debt in FY19-20



Source: VNDIRECT RESEARCH, Company reports

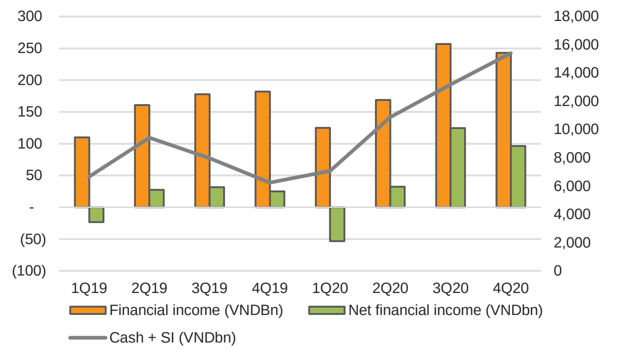
MWG increased its cash and cash equivalents, and short-term investments from 3Q20 after being heavily affected by Covid-19, reaching VND15,405bn at the end of FY20, up 146% yoy. As a result, FY20 financial income increased by 26% yoy to VND794bn. MWG's quick ratio jumped 28% pts yoy to 61% at end-FY20 and the net debt/equity ratio declined 56.4% pts yoy to 8.7% at end-2020.

Figure 8: MWG's inventory by products in FY19-20 (VNDbn)



Source: VNDIRECT RESEARCH, Company reports

Figure 9: MWG's financial income and Cash & Short-term investment in FY19-20



Source: VNDIRECT RESEARCH, Company reports

Despite having better cash balance, MWG kept increasing its short-term debt in 4Q20 to VND15,625bn, rising 31.5% qoq and 20% yoy to enjoy low interest rates. With this low cost of debt of 4.19% in FY20, MWG can 1) continue to increase short-term investments such as held-to-maturity bonds to enjoy interest rate arbitrage to increase interest income in FY21F (with the deposit interest from 6% to 8.65%) or 2) prepare financial resources for new investment plan or potential M&As.

CHANGES IN FORECASTS

We lift our FY21F/22F NP by 1.4%/0.6% on the back of 1) -1.04% yoy / +4.63% yoy revenue revision; in which we adjust FY21F revenue of TGDD and DMX chain down 1.8% and 2.02% compared to the previous report due to the concerns about new Covid-19 wave in Vietnam since Jan 21 while increase 9.77% revenue of DMX chain due to the recovery after Covid-19 vaccines are distributed; 2) 1.7% pts/1.5% pts increases in FY21F/22F GM assumption thanks to higher GM of DMX&TGDD GM with the rollout of DMX super mini to get a better negotiation term to suppliers, increases in MWG's CE brand products and strategy of focusing on high GM products to offset the upward revision of 1.5% pts/1.7% pts in SG&A expense due to the higher expense for operating platforms such as management systems, warehouses, logistics.

Figure 10: Changes in our forecasts

	Old forecast		New forecast		%Chg		Comments
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	
Number of stores							
TGDD	944	944	927	927	-17 stores	-17 stores	
DMX	1134	1,134	2072	2472	938 stores	1338 stores	We increase the number of DMX stores due to 1) converts TGDD stores to DMX process and 2) MWG accelerates the rollout of DMX Super mini
BHX	2313	2,713	2313	2,713	0 stores	0 stores	
Revenue	**135,430**	**158,298**	**134,024**	**165,630**	**-1.04%**	**4.63%**	
TGDD	29,736	30,397	29,201	29,849	-1.80%	-1.80%	
DMX	73,008	81,773	71,530	89,761	-2.02%	9.77%	
BHX	32,686	46,128	33,293	46,020	1.86%	-0.23%	
COGS	(107,573)	(124,993)	(104,181)	(128,307)	-3.15%	2.65%	
Gross profit	27,857	33,305	29,843	37,323	7.13%	12.06%	We increase MWG's gross margin due to a higher DMX&TGDD GM, which perform better than we expected and the rollout of DMX super mini to get a better negotiation term to supplier, increase in MWG's CE brand products and strategy in focusing on high GM products.
% gross margin	*20.6%*	*21.0%*	*22.3%*	*22.5%*	1.70 pts %	1.50 pts %	
TGDD & DMX	19.0%	19.0%	21.2%	21.2%	2.20 pts %	2.20 pts %	
BHX	25.5%	26.0%	25.5%	26.0%	0.00 pts %	0.00 pts %	
Selling expenses	(17,740)	(20,826)	(18,932)	(22,945)	6.72%	10.17%	
G&A expenses	(3,386)	(3,166)	(4,021)	(4,969)	18.75%	56.95%	
Selling expenses/Rev	*13.1%*	*13.2%*	*14.1%*	*13.9%*	1.00 pts %	0.70 pts %	
G&A expenses/Rev	2.5%	2.0%	3.0%	3.0%	0.50 pts %	1.00 pts %	
Net financial income	248.7	389.9	221.1	391.2	-11.10%	0.33%	
Pretax profit	7,007	9,735	7,111	9,800	1.48%	0.67%	
Net profit	**5,318**	**7,389**	**5,392**	**7,431**	**1.39%**	**0.57%**	

Source: VNDIRECT RESEARCH

VALUATION

We reiterate our Add call with a higher TP of VND173,000 due to a rollover of valuation to FY21F and lower risk free rate to 3% from 4%. Based on our new estimates, 10-year EBITDA of BHX increases 12% versus previous forecast thanks to better gross margin expansion in FY20 and over the next 10 years. We use sum-of-parts methodology to value MWG's two core businesses: consumer electronics (TGDD and DMX) at VND85,900 per share (WACC: 11.6%) and grocery retailing (BHX) at VND87,100 (WACC: 14% to reflect our conservative view given the risks in terms of profitability and expansion capabilities).

We retain our Add call, premised on 1) BHX's ongoing expansion, and 2) widening gross margin for all businesses. Key downside risks are: 1) lower-than-expected gross profit margin, and 2) another nationwide social distancing period due to a third wave of Covid-19 infections, especially in the business hubs of Hanoi and HCMC. Re-rating catalysts are BHX's faster-than-expected expansion, higher-than-expected revenue per store or higher-than-expected gross margin.

Figure 11: Target price

	Method	Equity value per share (VND)
TGDD and DMX	DCF	85,900
BHX	DCF	87,100
Target price		173,000

Source: VND RESEARCH, COMPANY REPORTS

Figure 12: DCF valuation – TGDD and DMX

PV of FCF	**33,635.0**
PV of terminal value (2% growth)	12,166.9
Enterprise Value	45,801.9
Less: Total debt	17,464.0
Plus: Cash and Cash Equivalents	11,752.7
Equity value	40,075.9
Outstanding shares	466,612,423
Equity value per share	85,900

Source: VND RESEARCH, COMPANY REPORTS

Figure 13: DCF valuation – BHX (WACC = 15%)

PV of FCF	**22,917.0**
PV of terminal value (2% growth)	16,264.1
Enterprise Value	39,181.1
Less: Total debt	-
Plus: Cash and Cash Equivalents	1,482.0
Equity value	40,663.1
Outstanding shares	466,612,423
Equity value per share	87,100

Source: VND RESEARCH, COMPANY REPORTS

Figure 14: Discounted Cash Flows – TGDD and DMX

	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
EBIT	7,454	8,730	8,693	8,301	8,287	6,940	7,193	5,484	5,628	5,733
Tax	-1,846	-2,202	-2,232	-2,174	-2,193	-1,889	-1,970	-1,855	-1,924	-1,727
Depreciation	327	406	456	400	404	197	188	158	119	80
Capex	-309	-184	-188	-191	-195	-199	-203	-206	-211	-219
Change in WC	-120	519	-274	569	575	624	323	471	501	-562
FCF	5,506	7,269	6,455	6,905	6,878	5,673	5,531	4,052	4,113	3,305
Present value of FCF	4,955	5,815	4,648	4,419	3,989	2,950	2,544	1,702	1,522	1,091

Source: VND RESEARCH, COMPANY REPORTS

Figure 15: Discounted Cash Flows – BHX

	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
EBIT	-563	680	1,954	4,698	5,696	6,837	8,041	9,207	10,500	10,689
Tax	0	-160	-459	-1,104	-1,339	-1,607	-1,890	-2,164	-2,468	-2,512
Depreciation	1,227	1,394	1,499	1,342	910	778	834	888	942	898
Capex	-1,729	-1,523	-881	-913	-945	-978	-632	-652	-673	-695
Change in WC	1,006	942	903	644	2,268	1,033	904	858	928	-144
FCF	73	1,333	3,016	4,667	6,590	6,063	7,257	8,137	9,229	8,236
Present value of FCF	64	1,026	2,021	2,754	3,427	2,789	2,903	2,848	2,861	2,224

Source: VND RESEARCH, COMPANY REPORTS

Figure 16: WACC assumptions for DMX and TGDD chains

Cost of capital	
Beta	0.9
Market premium	11.0%
Risk free rate	3.0%
Cost of equity	13.3%
Cost of debt	8.00%
WACC	**11.6%**

Source: VND RESEARCH, COMPANY REPORTS

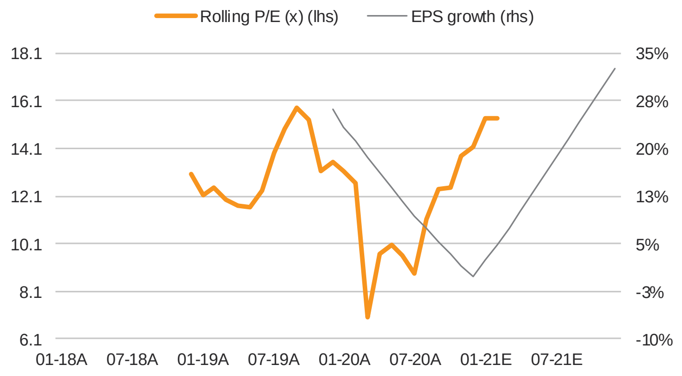
Figure 17: Peer comparison

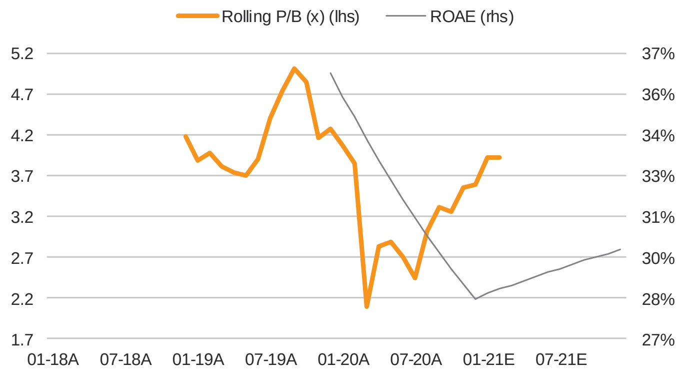
Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	P/E (x)			3-year EPS CAGR (%)	P/BV (x)			ROE (%)			ROA (%)		
						TTM	FY21F	FY22F		TTM	FY21F	FY22F	TTM	FY21F	FY22F	TTM	FY21F	FY22F
CE&Grocery retailer																		
Mobile World Investment Corp	**MWG VN**	**ADD**	**135,700**	**173,000**	**2,748**	**16.2**	**12.2**	**9.2**	**20.6%**	**4.1**	**3.2**	**2.5**	**28.4%**	**30.1%**	**31.2%**	**8.9%**	**10.5%**	**12.0%**
Consumer electronics peeers																		
Erajaya Swasembada Tbk PT	ERAA IJ	na	2,690	na	600	19.4	18.5	12.9	32.1%	1.6	1.5	1.4	8.7%	8.7%	11.3%	4.3%	4.6%	6.2%
FPT DIGITAL RETAIL JSC	FRT VN	na	28,050	na	96	89.8	17.5	13.3	-36.4%	1.8	1.8	1.7	2.0%	9.2%	13.4%	0.4%	2.0%	3.0%
Challenger Technologies Ltd	CHLG SP	na	0.54	na	140	8.2	na	na	14.7%	1.6	na	na	20.8%	na	na	13.5%	na	na
Sunfar Computer Co Ltd	6154 TT	na	12.75	na	37	25.7	na	na	-28.7%	0.9	na	na	3.2%	na	na	1.9%	na	na
Tsann Kuen Enterprise Co Ltd	2430 TT	na	20.50	na	123	13.0	na	na	-22.2%	0.7	na	na	5.6%	na	na	1.9%	na	na
Average - Consumer electronics peeers						**31.2**	**18.0**	**13.1**	**-8.1%**	**1.3**	**1.7**	**1.5**	**8.0%**	**9.0%**	**12.3%**	**4.4%**	**3.3%**	**4.6%**
Median - Consumer electronics peeers						**19.4**	**18.0**	**13.1**	**-22.2%**	**1.6**	**1.7**	**1.5**	**5.6%**	**9.0%**	**12.3%**	**1.9%**	**3.3%**	**4.6%**
Grocery retailing peers																		
Taiwan FamilyMart Co Ltd/Taiwan	5903 TT	na	260.0	na	2,086	27.5	26.6	23.8	10.1%	9.4	8.6	7.9	36.1%	34.0%	34.0%	3.5%	4.4%	4.8%
Sumber Alfaria Trijaya Tbk PT	AMRT IJ	na	1,010	na	2,933	39.0	41.8	35.9	45.9%	6.3	5.6	4.9	16.7%	14.3%	5.7%	4.5%	4.8%	5.7%
Average - Grocery retailing peers						**33.3**	**34.2**	**29.9**	**28.0%**	**7.9**	**7.1**	**6.4**	**26.4%**	**24.1%**	**19.9%**	**4.0%**	**4.6%**	**5.2%**

Data as at 25 Feb 2021

Source: VND RESEARCH, Bloomberg

Valuation





Income statement

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	108,546	134,024	165,630
Cost of sales	(84,592)	(104,181)	(128,307)
Gen & admin expenses	(3,404)	(4,021)	(4,969)
Selling expenses	(15,334)	(18,932)	(22,945)
Operating profit	**5,216**	**6,890**	**9,409**
Operating EBITDA	7,412	8,464	11,211
Depreciation and amortisation	**(2,196)**	**(1,574)**	**(1,802)**
Operating EBIT	**5,216**	**6,890**	**9,409**
Interest income	794	898	1,126
Financial expense	(594)	(677)	(735)
Net other income	(3)	0	(0)
Income from associates & JVs	(4)	0	0
Pre-tax profit	**5,410**	**7,111**	**9,800**
Tax expense	(1,490)	(1,714)	(2,362)
Minority interest	(2)	(5)	(7)
Net profit	**3,918**	**5,392**	**7,431**
Adj. net profit to ordinary	3,918	5,392	7,431
Ordinary dividends	(682)	(709)	(736)
Retained earnings	**3,235**	**4,683**	**6,695**

Balance sheet

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	7,410	14,691	21,644
Short term investments	8,057	4,034	4,985
Accounts receivables	1,623	2,666	3,183
Inventories	19,422	25,650	28,111
Other current assets	913	1,244	1,678
Total current assets	**37,426**	**48,285**	**59,601**
Fixed assets	7,428	6,980	6,885
Total investments	53	68	66
Other long-term assets	1,233	1,017	1,280
Total assets	**46,139**	**56,350**	**67,832**
Short-term debt	15,625	16,622	16,967
Accounts payable	8,659	12,796	15,656
Other current liabilities	5,247	5,711	7,344
Total current liabilities	**29,531**	**35,129**	**39,967**
Total long-term debt	1,127	842	648
Other liabilities	(0)	14	(33)
Share capital	4,532	4,725	4,908
Retained earnings reserve	10,390	15,073	21,767
Shareholders' equity	**15,472**	**20,351**	**27,228**
Minority interest	9	15	22
Total liabilities & equity	**46,139**	**56,350**	**67,832**

Cash flow statement

(VNDbn)	12-20A	12-21E	12-22E
Pretax profit	**5,410**	**7,111**	**9,800**
Depreciation & amortisation	2,196	1,574	1,802
Tax paid	(1,495)	(1,714)	(2,362)
Other adjustments	(388)	(651)	(422)
Change in working capital	**5,070**	**(2,349)**	**1,504**
Cash flow from operations	**10,793**	**3,970**	**10,322**
Capex	(3,911)	(2,038)	(1,707)
Proceeds from assets sales	2	3	4
Others	(5,000)	(336)	(131)
Other non-current assets changes	335	4,009	(951)
Cash flow from investing activities	**(8,574)**	**1,638**	**(2,785)**
New share issuance	105	2	2
Shares buyback	(6)	0	0
Net borrowings	2,594	2,379	151
Other financing cash flow			
Dividends paid	(679)	(709)	(736)
Cash flow from financing activities	**2,014**	**1,672**	**(584)**
Cash and equivalents at beginning of period	3,177	7,410	14,691
Total cash generated	**4,233**	**7,281**	**6,953**
Cash and equivalents at the end of period	7,410	14,691	21,644

Key ratios

	12-20A	12-21E	12-22E
Dupont			
Net profit margin	3.6%	4.0%	4.5%
Asset turnover	2.47	2.62	2.67
ROAA	8.9%	10.5%	12.0%
Avg assets/avg equity	3.18	2.86	2.61
ROAE	28.4%	30.1%	31.2%
Efficiency			
Days account receivable	0.7	1.7	1.5
Days inventory	84.0	89.9	80.0
Days creditor	37.5	44.8	44.5
Fixed asset turnover	16.80	18.60	23.89
ROIC	12.2%	14.3%	16.6%
Liquidity			
Current ratio	1.3	1.4	1.5
Quick ratio	0.6	0.6	0.8
Cash ratio	0.5	0.5	0.7
Cash cycle	47.2	46.8	36.9
Growth rate (yoy)			
Revenue growth	6.2%	23.5%	23.6%
Operating profit growth	4.8%	32.1%	36.6%
Net profit growth	2.2%	37.6%	37.8%
EPS growth	(0.3%)	32.6%	32.8%

Source: VND RESEARCH

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Stock Ratings	Definition:
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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