

MOBILE WORLD INVESTMENT CORP (MWG) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND133,500	VND178,100	0.26%	Add	CONSUMER SERVICES

11 March 2022

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

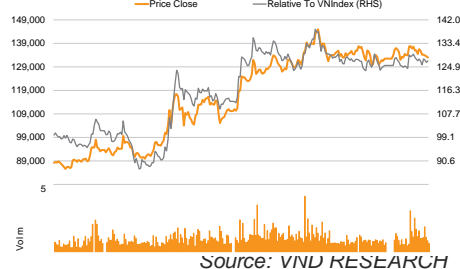
Consensus*: Add:13 Hold:2 Reduce:0

Target price / Consensus: 3.6%

Key changes in the report

➤ Decrease FY22/23F NP by 2.5%/2.9%

Price performance



Key statistics

52w high (VND)	176,600
52w low (VND)	110,200
3m Avg daily value (VNDmn)	121,396
Market cap (VND bn)	95,377
Free float (%)	43
TTM P/E (x)	19.2
Current P/B (x)	4.7

Ownership

Mobile World Retail Advisory Co.	10.8%
Tri Tam LLC	8.1%
Arisaig Asia Consumer Fund Limited	7.2%
Others	73.9%

Source: VND RESEARCH

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New plan provides growth sustainability

- In 2022, MWG targets to pause BHX network expansion in order to optimise its business model and develop new businesses.
- We expect MWG to deliver solid earnings growth of 31.3% yoy and 21.8% yoy for FY22F and FY23F, respectively.
- Reiterate ADD rating with target price of VND178,100.

Bach Hoa Xanh (BHX) network expansion hit a pause button in 2022

After scaling up to 2,106 stores in the South, MWG management decide to pause the BHX network expansion in order to optimize the operation. Mr. Nguyen Duc Tai, MWG Chairman, has been appointed as BHX's CEO since 1/1/2022 which re-affirmed the company's effort to improve this grocery business' quality to provide growth sustainability. Thus we decrease number of BHX stores by 192 but increase revenue per BHX store by 1.4% vs. previous forecast FY22 to reflect its better operation control. We expect BHX to reach the break-even point in 2H22F and to set its footprint in the North since 2023F.

In the search of new success formulas

In 2022, MWG will speed up expanding its Apple's product shop, Topzone, from current 27 stores to 54 at end-1Q22 and 200 at end-2022. We estimate Topzone will boost revenue from Apple products with additional value of VND4,207bn /VND4,388bn, contributing about 2.8%/2.5% to total revenue in FY22/23F. On 10 Jan, MWG officially launched 5 new AVA chains with 12 independent stores of AVAKids (Mom and kid products), AVAFashion and AVASports, as well as integrated stores AVAJi (jewelry retail) and AVACycle (bicycle retail). In our view, we believe AVAKids could be the new success formula of MWG riding on the growing awareness about healthcare and product quality for mom and kid.

A strong growth of MWG's net profit in FY22-23F

We expect MWG to deliver 22.2%/18.3% yoy growth of FY22/23F revenue, driven by: (1) 36.9%/21.2% yoy growth of BHX, contributing about 25.7%/28.3% to total revenue, (2) 13.3%/12.3% yoy growth of Thegioididong (TGDD) thanks to acquiring more market share of selling Apple products, and (3) 21%/15% yoy growth of Dienmayxanh (DMX) bolstered by the recovery of consumer electronics demand. In bottom-line, FY22/23F earnings are forecasted to grow 31.3% yoy and 21.8% yoy.

We reiterate ADD rating with target price of VND178,100

We reiterate ADD rating with target price of VND178,100 by using sum-of-parts methodology to value MWG's two core businesses: consumer electronics (TGDD and DMX) at VND92,800 per share and BHX at VND85,300 (WACC: 11.6%). Downside risks: Lower-than-expected Topzone expansion or lower-than-expected revenue per stores, especially BHX chain. Re-rating catalysts: faster/higher-than-expected expansion, revenue per store or gross margin and success in their new AVA chains.

Financial summary (VND)	12-21A	12-22E	12-23E	12-24E
Net revenue (bn)	122,958	150,252	177,771	209,216
Revenue growth	13.3%	22.2%	18.3%	17.7%
Gross margin	22.5%	22.8%	22.6%	22.3%
EBITDA margin	8.2%	6.4%	7.4%	7.2%
Net profit (bn)	4,899	6,431	8,089	9,566
Net profit growth	25.0%	31.3%	25.8%	18.3%
Recurring profit growth				
Basic EPS	6,870	8,744	10,723	12,454
Adjusted EPS	6,870	8,744	10,723	12,454
BVPS	28,562	35,731	44,307	54,644
ROAE	27.3%	27.6%	27.1%	25.4%

Source: VND RESEARCH

NEW PLAN PROVIDES GROWTH SUSTAINABILITY

We reiterate ADD rating with target price of VND178,100

We like MWG for:

- For mobile phones and consumer electronic (CE) business, MWG has maintained a dominating market share position with 60% of the mobile phone market and 50% of the electronics market. TGDD chain revenue continues to grow thanks to Topzone stores to increase market share from Apple products, while revenue from DMX chain will return to growth momentum in 2022F when demand for CE products returns after being affected by the pandemic.
- For the grocery business, MWG management decide to pause the BHX network expansion in order to optimize the operation in 2022F. Mr. Nguyen Duc Tai, MWG Chairman, has been appointed as BHX's CEO since 1/1/2022 which re-affirmed the company's effort to improve this grocery business' quality to focus in long-term growth view. We expect BHX to reach the break-even point in 2H22 and to set its footprint in the North since 2023F.
- Moreover, MWG continuously deploys new AVA chain stores including AVAJi, AVAKids, AVASport, AVAFashion and AVACycle. These will probably be new growth drivers of MWG in the future, similar to the BHX chain and the DMX super mini chain in the past.

We reiterate ADD rating with target price of VND178,100 (vs VND180,500 in previous forecast) by using sum-of-parts methodology to value MWG's two core businesses: mobile phone and consumer electronics (TGDD and DMX) at VND92,800 per share and grocery retailing (BHX) at VND85,300 per share (WACC: 11.6%).

- We raise valuation of TGDD&DMX chain by 4.3% to VND92,800 per share thanks to better-than-expected revenue from Apple's products and raise revenue of TGDD chain in FY22/23F by 16.8%/20.2% vs previous forecast.
- We decrease valuation of BHX chain by 6.8% to VND85,300 per share due to decrease in BHX chain revenue in 2022/23F by 7.2%/6.6% vs previous report as MWG pause the expansion plan in 2022 to focus in operating optimization process. The decrease in revenue was mainly due to store closures (-192 stores in FY22F vs previous report) while revenue per store is expected to be slightly better than previously reported (VND1,46bn per stores, +1.4% vs previous forecast).

Downside risks: Lower-than-expected Topzone expansion or lower-than-expected revenue per stores, especially BHX chain.

Re-rating catalysts: faster-than-expected expansion, higher-than-expected revenue per store or higher-than-expected gross margin and success in their new chains such as AVAJi, AVAKids, AVASport, AVAFashion and AVACycle.

Figure 1: Target price

	Method	Equity value per share (VND)
TGDD and DMX	DCF	92,800
BHX	DCF	85,300
Target price		178,100

Source: VND RESEARCH

Figure 2: DCF valuation – TGDD and DMX

PV of FCF	40,776.0
PV of terminal value (2% growth)	25,441.8
Enterprise Value	66,217.8
Less: Total debt	14,788.5
Plus: Cash and Cash Equivalents	14,752.3
Equity value	66,174.4
Outstanding shares	713,065,495
Equity value per share	92,800

Source: VND RESEARCH

Figure 3: DCF valuation – BHX

PV of FCF	31,951
PV of terminal value (2% growth)	35,079
Enterprise Value	67,030
Less: Total debt	9,859
Plus: Cash and Cash Equivalents	3,688
Equity value	60,859
Outstanding shares	713,065,495
Equity value per share	85,300

Source: VND RESEARCH

Figure 4: WACC assumptions

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

Figure 5: Peer comparison

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS		P/BV (x)			ROE (%)			ROA (%)		
						TTM	FY22F	FY23F	CAGR (%)	TTM	FY22F	FY23F	TTM	FY22F	FY23F	TTM	FY22F	FY23F
CE&Grocery retailer																		
Mobile World Investment Corp	MWG VN	ADD	133,500	178,100	4,166	19.2	15.3	12.4	12.4%	4.7	3.7	3.0	27.3%	27.6%	27.1%	9.0%	10.0%	11.1%
Consumer electronics peers																		
Erajaya Swasembada Tbk PT	ERAA IJ	na	555.0	na	621	8.6	8.7	7.3	58.8%	1.5	1.4	1.2	18.9%	17.2%	18.0%	9.9%	8.9%	8.7%
FPT DIGITAL RETAIL JSC	FRT VN	na	128,200	na	443	22.8	17.7	13.9	627.6%	6.1	4.7	3.7	30.9%	30.7%	29.9%	5.5%	na	na
Challenger Technologies Ltd	CHLG SP	na	0.59	na	173	11.5	na	na	-1.1%	1.4	na	na	12.6%	na	na	8.8%	na	na
Sunfar Computer Co Ltd	6154 TT	na	18.10	na	51	11.8	na	na	-13.1%	1.1	na	na	10.0%	na	na	5.9%	na	na
Tsann Kuen Enterprise Co Ltd	2430 TT	na	45.20	na	266	11.5	na	na	51.0%	1.4	na	na	13.1%	na	na	4.4%	na	na
Average - Consumer electronics peers						13.2	13.2	10.6	144.6%	2.3	3.0	2.5	17.1%	24.0%	23.9%	6.9%	8.9%	8.7%
Grocery retailing peers																		
Taiwan FamilyMart Co Ltd/Taiwan	5903 TT	na	213.0	na	1,681	32.4	35.1	21.6	14.8%	8.1	7.6	6.3	24.4%	20.9%	32.2%	2.4%	2.8%	4.3%
Sumber Alfaria Trijaya Tbk PT	AMRT IJ	na	1,170	na	3,406	31.7	27.5	22.1	61.0%	6.0	5.7	5.0	20.5%	24.8%	27.9%	5.9%	7.1%	8.5%
Average - Grocery retailing peers						32.1	31.3	21.9	37.9%	7.0	6.7	5.7	22.5%	22.9%	30.1%	4.1%	5.0%	6.4%

Data as at 10 Mar 2022

Source: VND RESEARCH, Bloomberg

2021 recap: In-line with our forecast

Figure 6: 4Q21 and 2021 results comparison (unit: VNDbn)

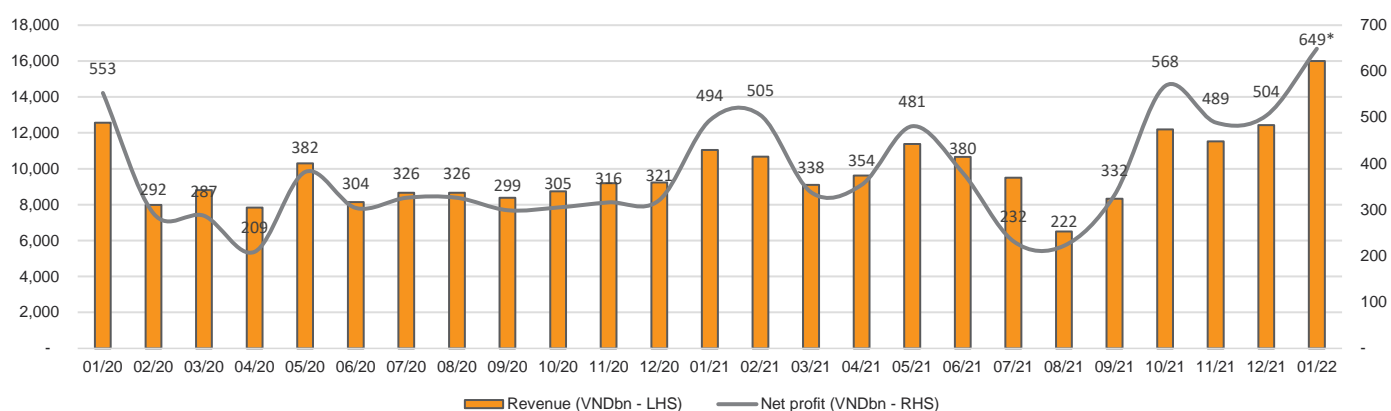
(VNDbn)	4Q21	4Q20	yoy %	2021	2020	yoy %	VND's forecast	%vs VND's forecast	Comments
Number of stores (End period)									
TGDD	980	948	3.4%	980	948	3.4%	958	102.3%	
DMX	1192	896	33.0%	1192	896	33.0%	1,170	101.9%	
BHX	2106	1719	22.5%	2106	1719	22.5%	2,038	103.3%	
DMS	800	302	164.9%	800	302	164.9%	802	99.8%	
Revenue per stores (Monthly)									
TGDD	3.78	2.66	42.2%	2.69	2.60	3.5%	2.34	114.8%	Above our forecast due to the over-than-expected sale from Apple product, as MWG boosted Topzone chain since 4Q21
DMX	4.73	4.74	-0.3%	3.91	5.29	-26.1%	4.19	93.3%	
BHX	0.88	1.19	-25.8%	1.11	1.03	8.0%	1.26	88.4%	Below our forecast due to weak sale per store since Aug 21
DMS	1.00	0.83	20.8%	0.71	0.23	202.0%	0.68	104.2%	
Revenue	36,138	27,194	32.9%	122,958	108,546	13.3%	123,071	99.91%	Inline with our forecast
TGDD	11,111	7,560	47.0%	31,600	29,525	7.0%	26,890	117.5%	
DMX	16,899	12,741	32.6%	55,909	56,896	-1.7%	58,842	95.0%	
BHX	5,584	6,144	-9.1%	28,157	21,275	32.3%	30,762	91.5%	
DMS	2,400	750	220.0%	6,800	850	700.0%	6,577	103.4%	
COGS	28,763	20,919	37.5%	95,326	84,592	12.7%	95,034	100.3%	
Gross profit	7,375	6,275	17.5%	27,632	23,954	15.4%	28,037	98.6%	Inline with our forecast
Gross profit margin	20.4%	23.1%	-2.7 pts %	22.5%	22.1%	0.4 pts %	22.8%	-0.3 pts %	
Net financial income	159	96	64.9%	552	200	176.2%	505	109.4%	
Selling expenses	4,853	4,259	13.9%	17,914	15,334	16.8%	17,954	99.8%	
G&A expenses	666	784	-15.0%	3,830	3,404	12.5%	4,554	84.1%	Below our forecast
SG&A expenses	5,519	5,043	9.4%	21,744	18,738	16.0%	22,508	96.6%	Inline with our forecast
<i>Selling expenses / Revenue</i>	<i>13.4%</i>	<i>15.7%</i>	<i>-2.2 pts %</i>	<i>14.6%</i>	<i>14.1%</i>	<i>0.4 pts %</i>	<i>14.6%</i>	<i>0.0 pts %</i>	
<i>G&A expenses / Revenue</i>	<i>1.8%</i>	<i>2.9%</i>	<i>-1.0 pts %</i>	<i>3.1%</i>	<i>3.1%</i>	<i>0.0 pts %</i>	<i>3.7%</i>	<i>-0.6 pts %</i>	
<i>SG&A expenses / Revenue</i>	<i>15.3%</i>	<i>18.5%</i>	<i>-3.3 pts %</i>	<i>17.7%</i>	<i>17.3%</i>	<i>0.4 pts %</i>	<i>18.3%</i>	<i>-0.6 pts %</i>	
Operating profit	2,027	1,328	52.6%	6,445	5,413	19.1%	6,034	106.8%	Above our forecast due to SG&A of MWG lower-than-expected, only reached 84% of our forecast. We think its may come from the strategy to optimize logistics and operation process of BHX when sale of BHX stores declines post social distancing period in 4Q21.
Profit before tax	2,050	1,334	53.7%	6,472	5,410	19.6%	6,034	107.3%	
Net profit	1,562	942	65.9%	4,899	3,918	25.0%	4,707	104.1%	Inline with our forecast

Source: VNDIRECT RESEARCH, Company reports

Jan 22 set a new record in revenue

In Jan 22, MWG set a new record with revenue of more than VND16,000bn (+44.8% yoy) of which TGDD&DMX chains contributed more than VND13,500 billion (+49.8% yoy) thanks to (1) high demand in pre-Tet season; (2) well-prepared inventory of MWG; and (3) increasing iPhones sales with the expansion of Topzone chain stores to 19 (+9 store mom in Jan 22). Estimated net profit can reach VND650bn, the highest level in the period from 2020 until now.

Figure 7: 2020-2022 monthly revenue and net profit (unit: VNDbn)



*Estimated based on net profit margin of Dec 21
Source: VNDIRECT RESEARCH, Company reports

FY22-23 Outlook: New plan provides growth sustainability

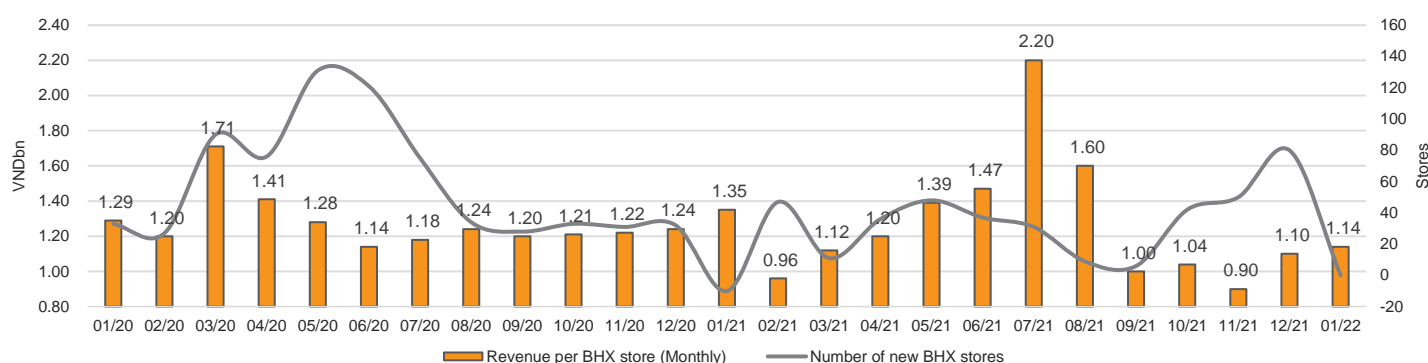
Bach Hoa Xanh (BHX) network expansion hit a pause button in 2022

After a solid scaling up in store counts (2,106 stores in the South, +22.5% yoy) and chain's revenue (+32.3% yoy) in FY21, MWG's "core value" in the BHX chain related to "product and service quality" has been negatively impacted after a rapid expansion and 3Q21 revenue boom period. Monthly revenue per store of BHX remained low from 4Q21 when it was only about VND1.0bn per store and only recovered slightly in Jan 22 when it reached VND1.14bn thanks to Tet season demand.

Thus, MWG will pause BHX network expansion in FY22F to optimise the operation and improving "products and services quality". Mr. Nguyen Duc Tai, MWG Chairman, has been appointed as BHX's CEO since 1/1/2022 which re-affirmed the company's effort to improve this grocery business' quality. We expect BHX to reach the break-even point in 2H22 and to set its footprint in the North since 2023F.

We decrease number of BHX stores by 192 but increase revenue per BHX store by 1.4% vs. previous forecast FY22 as 1) better operation control in BHX chain will help revenue per BHX store stay at high level and 2) working people, who left southern economic zones due to Covid-19, will return to work and increase the grocery consumption. As the results, we decrease BHX's revenue forecast by 7.2%/6.6% in FY22/23F.

Figure 8: BHX's monthly revenue per store and number of new stores from 2020-2021



Source: VNDIRECT RESEARCH, Company reports

... while Topzone shines ...

As of Mar 22, after 6 months of launching Topzone, MWG has opened 27 stores to quickly seized the opportunity when high-income consumers are less affected by Covid-19 as well as the tightening of high-carried goods to enable MWG to increase Apple's product market share rapidly. MWG aims to increase the number of Topzone stores to 50 by the end of 1Q22 to boost revenue from Apple products.

We believe revenue from Apple's products is the driving force for MWG's revenue when MWG can quickly dominate the Apple product market in Vietnam in the FY22/23F thanks to large size of Apple product market, about VND34,500bn with a potential growth of about 7%/year, of which about 50% of the market belongs to portable products, giving MWG the advantage of expanding its market share. strong since 2021 when the carry-on restriction is applied.

MWG's revenue of Apple products in 2021 has reached about 35% market share, with a value of about VND11,500bn, exceeding our estimate of VND8,000bn. Therefore, we revise our forecast for TGDD chain revenue to increase by 16.8%/20.2% vs previous report in FY22/23F to reflect better-than-

expected revenue from Apple products to soon reach 50%/60% market share of Apple products in Vietnam in FY22/23F.

Figure 9: MWG's APR Topzone Store in Ha Noi

Figure 10: Map of Topzone stores in Vietnam in Jan 22



Source: VND RESEARCH, Soha

Source: VND RESEARCH, COMPANY REPORTS

And the AVA chains are on their pilot phase

Figure 11: AVAWorld's information

AVA chain	Products	Type of stores	Number of stores by End-Jan 22	Note
AVASport	Sport clothing, sports shoes, bicycles, accessories, sports watches	Standalone	4	Multi-segment product lines with famous brands such as Adidas, Nike, Puma, Reebok, Skechers
AVAKids	Mother and baby products + toys	Standalone	4	Products for mothers and children from 0-9 years old include baby food, specific products for baby like diapers, daily supplies for mother and baby, childrenswear, toys or bicycles for babies. AVAKids's products are from popular brands and good quality such as powdered milk and liquid milk with Abbott and Enfa; diapers with Bobby, Huggies, Merries; shower gel, laundry detergent, bottle cleaner with Pigeon, Johnson & Johnson
AVAFashion	Fashion products + accessories	Standalone	4	Privated label, focus in popular segment, with be ordered from large garment factories and are known for their quality products, processed for famous brands such as H&M, Uniqlo as well as exported to Europe. Some of garment factories include Garment 10 JSC or Nha Be Garment JSC
AVAJi	Watches, glasses, jewelry (rings, bracelets, earrings, necklaces, bracelets,...)	Shop-in-shop	5	Eyewear and jewelry products are mass products, aimed at popular fashion and affordable prices
AVACycle	Bike: street bike, mountain bike, racing bike, kids bike	Shop-in-shop	150	These are the shop-in-shops that accompany the large DMX stores with a wide range of bicycle products, from many brands including: Giant, Martin 107, Asama

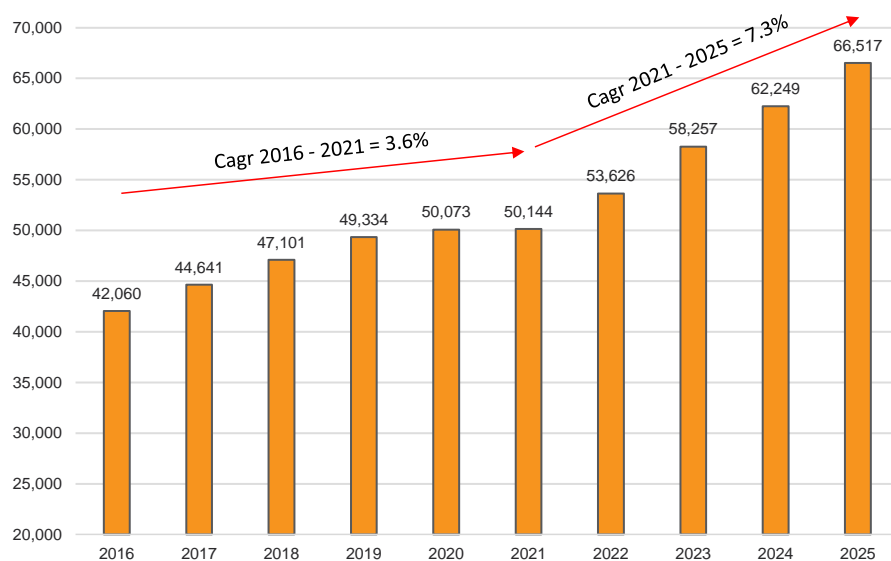
Source: VNDIRECT RESEARCH, Company reports

On 10 Jan, MWG officially launched 5 new AVA chains with 12 independent stores of AVAKids, AVAFashion and AVASports, as well as integrated stores AVAJi and AVACycle. Revenue from AVA chains reached about VND50bn in Jan 22 thanks to the high demand before Tet season with big promotions from AVA chains.

Among the AVA chains, we believe AVAKids is the most potential chain as:

- **Sizeable market with 80% belong to small stores:** According to Euromonitor, Vietnam revenue of mom and baby products (include baby food, specific products for baby and childrenswear) reached about VND50,100bn in 2021 and is expected to grow at about 7.3%/year in the period 2021 - 2025. In which, the largest modern retail chain is ConCung chain with more than 600 stores and 2021 revenue reached VND7,000bn. Other chains like Kids plaza, Bibo mart or Shoptretho have a smaller scale with their number of store are ranging from 35 to 150. According to our estimates, market share of modern retail chains in baby products only account for about 20% and the remaining 80% belong to small stores, which help this market to be potential for a large modern retailer like MWG to join.

Figure 12: Baby products market from 2016 – 2025F (Unit: VNDbn)



Source: VND RESEARCH, Euromonitor

- **MWG has the benefit of brand name and rapid network expansion:** we think that product quality is always the greatest priority in the mom and baby market, and MWG with "core value" in product and service quality will be a strong advantage in building the AVAKids chain. Furthermore, we believe that MWG - with a rapid network expansion - can easily dominate the industry if AVAKids achieves good results after the trial period as the largest player in market – Con Cung - just has 600 outlets.

In 1Q22, MWG will continue to open 5 more AVAKids stores to pilot on a larger scale and we expect to see further results from the AVAKids to confirm chain potential in order to reflect it in our model in the next report.

FY22-23 earnings revision

We change our forecasts as follow:

- We increase revenue of TGDD chain in FY22/23F by 16.8%/20.2% vs previous forecast thanks to increasing 70 stores/70 stores to reflect new Topzone stores in the same previous and increasing revenue per store by 8.6%/12.0% to reflect better-than-expected revenue from Apple products.
- We decrease revenue of BHX chain in FY22/23F by 7.2%/6.6% due to decreasing number of BHX stores in FY22F by 192 stores due to MWG

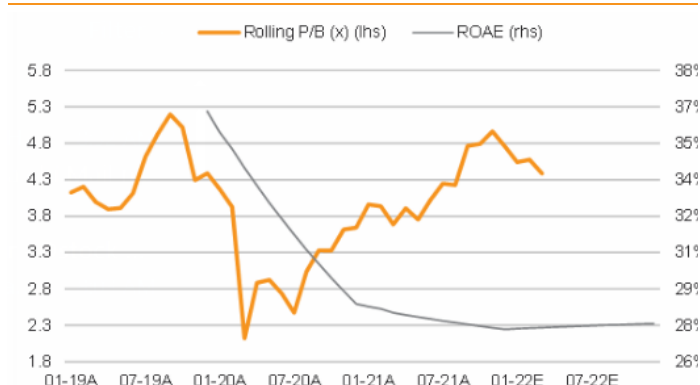
focus on optimizing the operation and focus on MWG's core value of "quality of products and services" in FY22F. We also increase number of BHX store in FY23F by 68 stores to reflect the expansion plan to northern region.

- We reduce number of DMS (Dien May Xanh supermini) stores in FY22/23F by 200 stores/200 stores respectively due to MWG is changed DMS's expansion plan to focus in size than number of stores.
- Thus, MWG's revenue in FY22F/23F change by 0.5%/0.2% vs. previous forecast.
- We also change net financial income of MWG in FY22/23F by 12.1%/-0.4% thanks to the stable businesses without big projects/expansion plan in the next period with capacity to raise capital at low cost of fund rate to increase in valuable papers investments.
- We increased SG&A expenses by 1.1%/0.6% vs. previous report due to the optimizing operation of BHX during this period.
- As the results, we reduce our forecast for FY22F/23F net profit by 2.5%/2.9% to VND6,431bn (+31.2% yoy)/VND8,329bn (+25.9% yoy).

Figure 13: Changes in our FY22-23F earnings forecasts

		Old forecast		New forecast		Chg(%)		
	2021A	2022F	2023F	2022F	2023F	2022F	2023F	2024F
Number of stores								
TGDD	980	958	958	1,028	1,028	70 stores	70 stores	1,028
DMX	1,192	1,170	1,170	1,170	1,170	0 stores	0 stores	1,170
BHX	2,106	2,398	2,598	2,206	2,666	-192 stores	68 stores	2,736
DMS	800	1,202	1,602	1,002	1,402	-200 stores	-200 stores	1,502
Revenue per store								
TGDD	2.69	2.67	2.91	2.90	3.26	8.61%	12.03%	3.59
DMX	3.91	4.52	4.97	4.52	4.97	0.00%	0.00%	5.83
BHX	1.11	1.44	1.73	1.46	1.57	1.39%	-9.25%	1.94
DMS	0.71	0.96	1.06	1.04	1.04	8.33%	-1.89%	1.08
Revenue	122,958	149,513	177,459	150,252	177,771	0.49%	0.18%	209,216
TGDD	31,600	30,656	33,434	35,807	40,195	16.80%	20.22%	44,307
DMX	55,909	63,427	69,768	63,427	69,768	0.00%	0.00%	81,793
BHX	28,157	41,534	53,880	38,549	50,323	-7.19%	-6.60%	63,727
DMS	6,800	13,896	20,377	12,469	17,485	-10.27%	-14.19%	19,389
COGS	95,326	(115,291)	(137,229)	(116,020)	(137,671)	0.63%	0.32%	(162,504)
Gross profit	27,632	34,222	40,230	34,232	40,100	0.03%	-0.32%	46,712
% gross margin	22.5%	22.9%	22.7%	22.8%	22.6%	-0.10% pts	-0.10% pts	22.3%
Net financial income	552	611	741	685	738	12.11%	-0.40%	855
Selling expenses	17,914	(21,240)	(24,338)	(21,510)	(24,495)	1.27%	0.65%	(28,274)
G&A expenses	3,830	(5,233)	(6,211)	(5,259)	(6,222)	0.50%	0.18%	(7,323)
SG&A expenses	21,744	(26,473)	(30,549)	(26,769)	(30,717)	1.12%	0.55%	(35,597)
Selling expenses/Rev	14.6%	-14.2%	-13.7%	-14.3%	-13.8%	-0.10% pts	-0.10% pts	-13.5%
G&A expenses/Rev	3.1%	-3.5%	-3.5%	-3.5%	-3.5%	0.00% pts	0.00% pts	-3.5%
SG&A expenses/Rev	17.7%	-17.7%	-17.2%	-17.8%	-17.3%	-0.10% pts	-0.10% pts	-17.0%
Operating profit	6,444.7	7,749.0	9,681.0	7,463.0	9,383.0	-3.69%	-3.08%	11,115.0
Pretax profit	6,472	8,360	10,422	8,148	10,121	-2.54%	-2.89%	11,970
Net profit	4,899	6,598	8,329	6,431	8,089	-2.53%	-2.88%	9,566

Source: VNDIRECT RESEARCH

Valuation

Income statement

(VNDbn)	12-22E	12-23E	12-24E
Net revenue	150,252	177,771	209,216
Cost of sales	(116,020)	(137,671)	(162,504)
Gen & admin expenses	(5,259)	(6,222)	(7,323)
Selling expenses	(21,510)	(24,495)	(28,274)
Operating profit	7,463	9,383	11,115
Operating EBITDA	7,977	11,427	13,007
Depreciation and amortisation	(514)	(2,044)	(1,892)
Operating EBIT	7,463	9,383	11,115
Interest income	1,618	1,771	2,036
Financial expense	(933)	(1,033)	(1,181)
Net other income	0	0	(0)
Income from associates & JVs	0	0	0
Pre-tax profit	8,148	10,121	11,970
Tax expense	(1,711)	(2,024)	(2,394)
Minority interest	(6)	(8)	(10)
Net profit	6,431	8,089	9,566
Adj. net profit to ordinary	6,431	8,089	9,566
Ordinary dividends	(735)	(1,132)	(1,152)
Retained earnings	5,695	6,957	8,414

Balance sheet

(VNDbn)	12-22E	12-23E	12-24E
Cash and equivalents	12,173	21,379	32,744
Short term investments	13,523	13,333	14,645
Accounts receivables	2,932	3,395	3,899
Inventories	28,071	30,777	32,465
Other current assets	1,522	1,705	2,023
Total current assets	58,220	70,588	85,776
Fixed assets	6,346	6,758	6,599
Total investments	60	53	63
Other long-term assets	1,583	1,693	1,820
Total assets	66,210	79,092	94,258
Short-term debt	15,691	17,975	20,585
Accounts payable	14,195	16,807	19,604
Other current liabilities	9,412	10,409	11,579
Total current liabilities	39,298	45,191	51,769
Total long-term debt	618	451	478
Other liabilities	0	0	0
Share capital	7,354	7,544	7,682
Retained earnings reserve	18,370	25,327	33,741
Shareholders' equity	26,276	33,423	41,975
Minority interest	18	26	36
Total liabilities & equity	66,210	79,092	94,258

Cash flow statement

(VNDbn)	12-22E	12-23E	12-24E
Pretax profit	8,148	10,121	11,970
Depreciation & amortisation	514	2,044	1,892
Tax paid	(1,711)	(2,024)	(2,394)
Other adjustments	(3,220)	(180)	(283)
Change in working capital	7,243	625	1,877
Cash flow from operations	10,974	10,586	13,062
Capex	(999)	(2,383)	(1,675)
Proceeds from assets sales	4	4	5
Others	(269)	(185)	(190)
Other non-current assets changes	(148)	197	(1,322)
Cash flow from investing activities	(1,413)	(2,368)	(3,182)
New share issuance	2	2	1
Shares buyback	0	0	0
Net borrowings	(1,661)	2,118	2,636
Other financing cash flow	0	0	0
Dividends paid	(735)	(1,132)	(1,152)
Cash flow from financing activities	(2,395)	988	1,486
Cash and equivalents at beginning of period	5,006	12,173	21,379
Total cash generated	7,167	9,206	11,365
Cash and equivalents at the end of period	12,173	21,379	32,744

Key ratios

	12-22E	12-23E	12-24E
Dupont			
Net profit margin	4.3%	4.6%	4.6%
Asset turnover	2.33	2.45	2.41
ROAA	10.0%	11.1%	11.0%
Avg assets/avg equity	2.77	2.43	2.30
ROAE	27.6%	27.1%	25.4%
Efficiency			
Days account receivable	1.6	1.5	1.3
Days inventory	88.3	81.6	73.1
Days creditor	44.7	44.6	44.2
Fixed asset turnover	18.71	27.13	31.33
ROIC	15.1%	15.6%	15.2%
Liquidity			
Current ratio	1.5	1.6	1.7
Quick ratio	0.8	0.9	1.0
Cash ratio	0.7	0.8	0.9
Cash cycle	45.3	38.5	30.3
Growth rate (yoy)			
Revenue growth	22.2%	18.3%	17.7%
Operating profit growth	26.7%	25.7%	18.5%
Net profit growth	31.3%	25.8%	18.3%
EPS growth	27.3%	22.6%	16.1%

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

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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