

MOBILE WORLD INVESTMENT CORP (MWG)

ADD (Maintained)

CONSUMER SERVICES

Current Price	VND68,100
52Wk High/Low	VND70,000/34,823
Target Price	VND80,400
Previous TP	VND72,100
TP vs Consensus	10.7%
Upside	18.1%
Dividend Yield	0.8%
Total stock return	18.9%

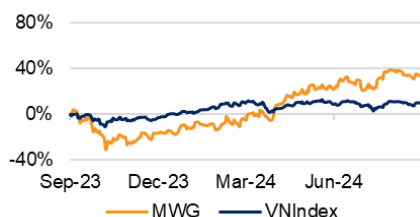
Growth rating	Positive
Value rating	Positive
ST Technical Analysis	Positive

Market Cap	USD4,046.2mn
3m Avg daily value	USD21.6mn
Avail Foreign Room	USD88.6mn
Outstanding Shares	1,461.9mn
Fully diluted O/S	1,461.9mn

	MWG	Peers	VNI
P/E TTM	39.1x	37.5x	14.0x
P/B Current	3.8x	6.0x	1.7x
ROA	3.6%	2.1%	2.1%
ROE	8.9%	14.9%	12.3%

*as of September 25, 2024

Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	-2.7	10.7	31.8
Relative to index	-0.6	1.8	7.0

Ownership

Mobile World Retail Advisory Co. Ltd	10.5%
Arisaig Asia Consumer Fund Limited	7.0%
Tri Tam Company Limited	7.0%
Others	76.0%

Business Description

MWG is Vietnam's largest phone and electronics retail chain, (TGDD and DMX chains), boasting over 3,400 stores nationwide and commanding over 50% market share. Additionally, MWG operates the BHX grocery chain, featuring more than 1,700 stores across central and southern Vietnam.

Analyst(s):


Hien Ha Thu

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BHX becomes profitable after nine years of losses

- We reiterate ADD with 18.1% upside. We increased our TP by 11.5% from our old TP while the share price has risen 13.8% since our last report.
- Our TP is higher because we raised our FY24/25 earnings projections by 44.4%/49.0%.
- Trailing P/E of 39.1x is higher than peers but is justified by strong EPS growth of 25.4x in FY24.

Financial Highlights

- 2Q24 net revenue jumped 15.8% YoY to VND34tn (USD1.3bn). TGDD/DMX revenue increased 0.2%/8.9% YoY while Bach Hoa Xanh (BHX) revenue climbed by 41.3% YoY after the chain was revamped starting in 2022.
- Bach Hoa Xanh marked a milestone by achieving 2Q24 net profit of VND7bn (USD284,553) after reporting losses for nine years. We expect BHX to record pre-tax profit of VND121bn (USD4.9mn) for FY24.
- We expect revenue to increase 8.6% YoY in 2H24 with 6.5% YoY growth in TGDD&DMX revenue and 11.6% YoY growth in BHX revenue. We expect net profit to grow 25.4x/29.4% YoY in FY24-25.

Investment Thesis

Restructuring improves same store sales, drives long-term revenue growth

In 8M24, MWG primarily closed TGDD and DMX stores in areas with intensive store coverage, allowing customers to continue shopping at nearby stores, which we estimate helped increase the average revenue per store by 15% YoY. Thus, we expect revenue per store for TGDD and DMX will increase by 24.6%/24.0% in 2024 and 5.5% YoY/1.6% YoY in FY25 thanks to a recovery in demand for non-essential goods. Going forward, we expect the company to continue to expand its distribution system in 2025-26, which we believe to be the long-term growth driver.

Less competitive environment as well as restructuring improves margins

We forecast gross margin to expand 1.8% pts/0.3% pts YoY in FY24-25 mainly thanks to the end of a price war, which alleviated pressure on price competition among ICT retailers. Additionally, MWG began restructuring its store system from 2H23, resulting in a significant reduction in SG&A expenses/revenue. We expect SG&A/revenue to narrow by 1.2% pts/0.4% pts YoY in FY24-25, which will support net profit to increase 25.4x YoY in FY24 and 29.4% YoY in FY25.

Low modern trade penetration leaves huge expansion opportunities for BHX

According to McKinsey & Company, Vietnam's modern trade penetration was at 12.2% in 2023, still quite low compared with other regional countries. We still see room for modern grocery penetration, which will benefit grocery chains like Bach Hoa Xanh. BHX recorded a record-high VND2.16bn (USD87,805) of monthly sales/store in 2Q24 and opened 20 new stores in July/August. We expect BHX's revenue to increase by 24.9%/15.0% YoY in FY24-25, respectively, while FY24 net profit reaches VND121bn (USD4.9mn) and increases 7.0x to VND849bn (USD34.5mn) in FY25.

Potential re-inclusion into VNDiamond index to be short-term catalyst

We believe MWG is likely to be included in the VNDiamond index basket in the next review (details in valuation below), which creates a short-term catalyst for the stock.

	2023	2024E	2025F	2026F
Revenue growth	(11.3%)	12.1%	6.6%	6.8%
EPS growth	(95.9%)	2446.2%	29.4%	17.3%
Gross margin	19.0%	20.9%	21.2%	21.4%
Net profit margin	0.1%	3.2%	3.9%	4.3%
P/E (x)	370.6	23.4	18.1	15.4
Rolling P/B (x)	2.7	3.5	3.0	2.6
ROAE	0.7%	14.9%	16.5%	16.5%
Net debt to equity	84.5%	63.5%	48.5%	41.4%

Source: VNDIRECT RESEARCH

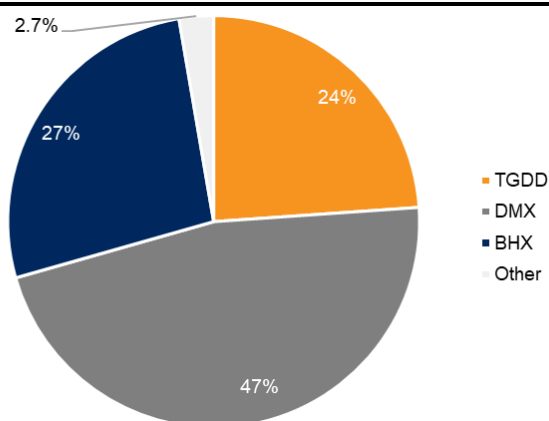
Company Profile

MWG was established in 2004, introducing the Thegioididong (TGDD/Mobile Phone World) chain, a retail platform focusing on phone and ICT products. As TGDD saturated the number of attractive locations, the company expanded its scope into the electronics sector with the Dienmayxanh chain. Presently, MWG operates a vast network comprising more than 1,100 Thegioididong stores and 2,200 Dienmayxanh outlets across the country.

In 2016, MWG diversified its retail portfolio into the grocery products segment with the Bach Hoa Xanh chain (BHX), which has grown to encompass over 1,700 stores, strategically located across southern and central Vietnam.

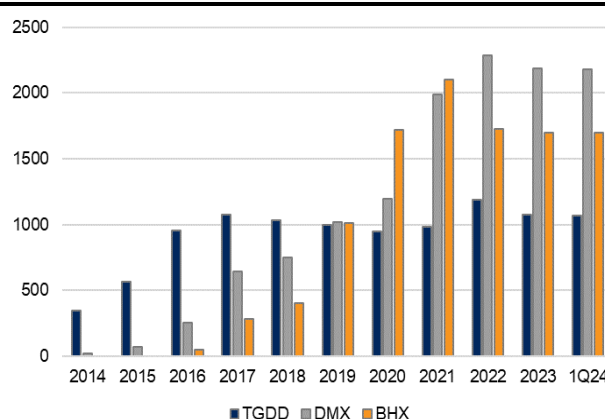
Additionally, alongside the aforementioned retail chains, MWG owns key entities such as the An Khang pharmacy chain with more than 500 stores nationwide. Furthermore, the company manages the Avakids store chain, specializing in mother and baby products, with nearly 70 stores. In collaboration with Erajaya, MWG has successfully entered the Indonesian market, establishing more than 30 Erablue stores by the end of December 2023 as part of its expansion strategy.

Figure 1: MWG's FY23 revenue by business



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 2: Breakdown of number of MWG main brand stores



Source: VNDIRECT RESEARCH, COMPANY REPORT

MWG consists of nine subsidiary companies consolidated within the corporate reporting structure, each held at an approximate ownership rate of 100%. This approach segregates and clarifies the management and business operations within distinct business segments.

Figure 10: MWG's subsidiaries

Mobile World JSC <ul style="list-style-type: none"> Business field: Electronic product commerce Ownership ratio: 99.95% 	Bach Hoa Xanh Trading JSC <ul style="list-style-type: none"> Business field: Food commerce Ownership ratio: 99.95% 	Tran Anh Digital World JSC <ul style="list-style-type: none"> Business field: Electronic product commerce Ownership ratio: 99.33%
MWG (Cambodia) Co., Ltd <ul style="list-style-type: none"> Business field: Electronic product commerce Ownership ratio: 99.95% 	Tan tam Installation – repair and warranty service Co., Ltd <ul style="list-style-type: none"> Business field: Repair of machinery and equipment Ownership ratio: 99.99% 	An Khang Pharma Pharmaceutical JSC <ul style="list-style-type: none"> Business field: Pharmaceutical retail Ownership ratio: 99.99%
Bach Hoa Xanh Technology and Investment JSC <ul style="list-style-type: none"> Business field: Investment Management Ownership ratio: 94.99% 	TGDD Information Technology Co.,Ltd <ul style="list-style-type: none"> Business field: Information technology Ownership ratio: 100% 	Vui Vui Co., Ltd <ul style="list-style-type: none"> Business field: Ecommerce Ownership ratio: 100%

Source: VNDIRECT RESEARCH

Results Recap: Bach Hoa Xanh takes the spotlight

Figure 3: 2Q24 earnings revision

VNDbn	2Q24	% YoY	6M24	% YoY	FY24		
					forecast	6M24/FY24	6M23/FY23
Net sales	34,134	15.8%	65,621	16.0%	129,679	50.6%	47.8%
TGDD	6,727	0.2%	13,518	1.3%	28,859	46.8%	47.2%
DMX	16,251	8.9%	30,776	9.0%	57,853	53.2%	51.1%
BHX	10,340	41.3%	19,489	42.4%	39,093	49.9%	43.3%
Gross profit	7,308	34.3%	14,020	31.6%	25,633	54.7%	47.3%
SG&A	5,870	7.9%	11,560	9.6%	22,928	50.4%	47.8%
Net financial income	286	51.9%	496	97.2%	1,171	42.4%	41.2%
PBT	1,516	1068.1%	2,722	842.8%	3,743	72.7%	41.8%
NPAT-MI	1,172	6635.0%	2,075	5264.8%	2,958	70.1%	23.0%
GPM	21.4%	2.9%	21.4%	2.5% pts	19.8%	1.6% pts	-0.2% pts
NPM	3.4%	3.4%	3.2%	3.1% pts	2.3%	0.9% pts	-0.1% pts

Source: VNDIRECT RESEARCH, COMPANY REPORT

2Q24 revenue increased in both segments

MWG's net revenue jumped 15.8% YoY to VND34tn (USD1.3bn) in 2Q24. Dien May Xanh contributed the largest proportion at 46.9%, followed by Bach Hoa Xanh (29.7%) and The Gioi Di Dong (21.6%).

- TGDD/DMX revenue increased 0.2%/8.9% YoY in 2Q24 mainly because: 1) revenue from mobile phones increased slightly; and 2) TV products recorded double-digit growth MoM in June, which offset a decline in air conditioner revenue due to the end of peak season. Meanwhile, in 2Q24, MWG closed 25 TGDD and 91 DMX stores compared to 1Q24 to restructure its store system. This strategy led to positive results in 2Q24 with revenue per store in TGDD and DMX increasing by 11.5% YoY/15.5% YoY, respectively.
- Bach Hoa Xanh (BHX) revenue climbed by 41.3% YoY after the chain was revamped starting in 2022, with monthly revenue per store consistently gaining momentum, culminating in VND2.15bn (USD84,479) in June 2024 (+43% YoY).

For 1H24, total revenue completed 50.6% of our full-year forecast.

GM and financial income improvement boosted earnings growth

MWG's 2Q24 gross margin increased 2.9% pts YoY to 21.4%, resulting in 34.3% YoY growth in gross profit to VND7.3tn (USD287mn). Meanwhile, SG&A expenses recorded a smaller increase of 7.9% YoY to VND5.8tn (USD230.6mn), thanks to cost cutting measures reflected in selling expenses.

In addition, interest expenses decreased 36.8% YoY in 2Q24, leading net financial income to jump 51.9% YoY to VND286bn (USD11.3mn). As a result, net profit increased 67.4x YoY to VND1.1tn (USD46.1mn) in 2Q24. For 6M24, net profit rose 9.4x YoY and fulfilled 70.1% our full-year forecast.

BHX reached profitability

In 2Q24, BHX's revenue per store jumped 42.1% YoY to VND6.1bn (USD239,400) with the main growth drivers being the fresh food and FMCG categories. In June, average monthly revenue per store reached about VND2.1bn (USD84,470), which is the highest level since July 2021. Based on our estimate, BHX recorded net profit of VND7bn (USD275,000) in 2Q24. This is the first quarter that BHX recorded a net profit after nine years of losses.

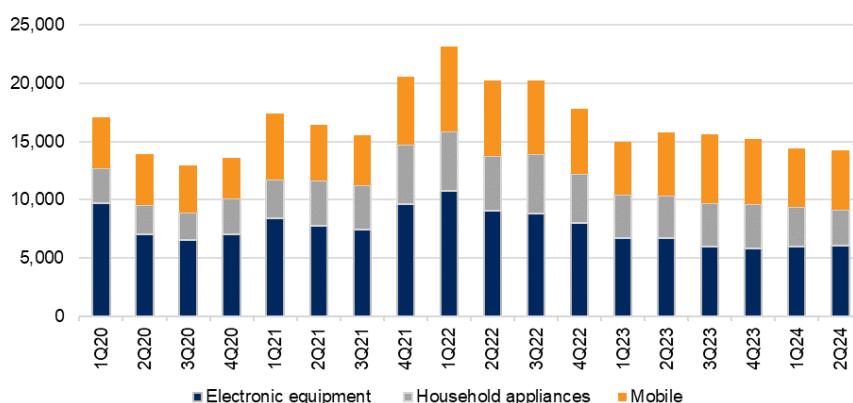
Figure 4: 2Q24 balance sheet

VNDbn	2Q24	1Q24	4Q23	3Q23	2Q23
Cash	30,957	30,244	24,303	23,254	24,421
A/R Days	1	1	1	1	1
Inventory Days	70	77	80	82	81
A/P Days	32	31	30	34	31
Capex	(25)	(23)	84	(170)	(128)
Depreciation	678	719	702	1007	796
Fixed Assets	4,963	5,800	6,500	7,371	8,196
Net Debt / Equity	0.9	0.9	1.1	1.0	1.0

Source: VNDIRECT RESEARCH, COMPANY REPORT

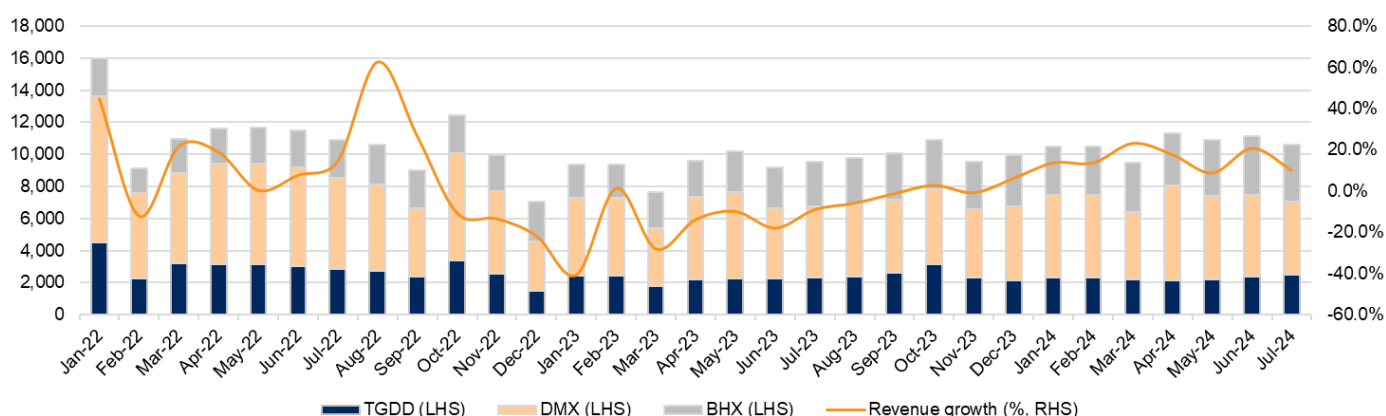
MWG has made efforts to reduce inventory since 2H23. As of the end of 2Q24, inventory of ICT products has diminished by 6.2% compared to the beginning of the year, based on our estimate. We believe that this substantial reduction in inventory will enable MWG to mitigate the pressure of clearing excess stock, particularly in the context of a slow recovery in demand for non-essential goods. This, in turn, is expected to enhance gross profit margins in upcoming quarters.

Figure 5: MWG's ICT inventory value from 1Q20 to 2Q24 (unit: VNDbn)



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 6: MWG's revenue by segment from Jan-2022 to Jul-2024 (unit: VNDbn)



Source: VNDIRECT RESEARCH, COMPANY REPORT

FY24-25F outlook: Robust earnings growth

FY24-25 earnings forecast revision

Figure 7: FY24-25 earnings forecast revision

'NDbn)	FY23	Old forecast		New forecast		% YoY		Comment
		FY24	FY25	FY24	FY25	FY24	FY25	
Revenue per store								
TGDD	2.0	2.2	2.3	2.5	2.6	24.6%	5.5%	We revise up our same-store sales forecast by 11.5%/13.7% in FY24-25 compared to our previous report as the number of store closures has been higher-than-expected, resulting in higher customer traffic at existing stores.
DMX	2.0	2.2	2.3	2.5	2.5	24.0%	1.6%	We revise up our same-store sales forecast by 12.1%/10.9% in FY24-25 compared to our previous report as the number of store closures has been higher-than-expected, resulting in higher customer traffic at existing stores.
BHX	1.5	1.9	2.0	1.9	2.1	22.0%	8.7%	
Revenue	118,280	129,679	137,849	132,629	141,399	12.1%	6.6%	
TGDD	28,269	28,859	29,859	30,524	32,201	8.0%	5.5%	We revise down TGDD/DMX stores forecast by 55/146 stores in FY24 as more store closings took place than expected. In 8M24, MWG closed 54 TGDD stores and 158 DMX stores.
DMX	55,237	57,853	59,961	60,499	62,100	9.5%	2.6%	
BHX	31,581	39,093	43,139	39,453	45,353	24.9%	15.0%	
Gross profit	22,521	25,633	27,817	27,702	30,005	23.0%	8.3%	
% gross margin	19.0%	19.8%	20.2%	20.9%	21.2%	1.8% pts	0.3% pts	
Net financial income	611	1,171	1,278	1,047	1,330	71.4%	27.0%	
SG&A expenses	22,084	22,928	24,282	23,221	24,246	5.1%	4.4%	
SG&A expenses/Rev	18.7%	17.7%	17.6%	17.5%	17.1%	-1.2% pts	-0.4% pts	
Operating profit	436	2,704	3,536	4,481	5,760	927.3%	28.5%	
Pretax profit	690	3,743	4,673	5,393	6,945	682.0%	28.8%	
Net profit	168	2,958	3,710	4,269	5,526	2443.8%	29.4%	

Source: VNDIRECT RESEARCH, COMPANY REPORT

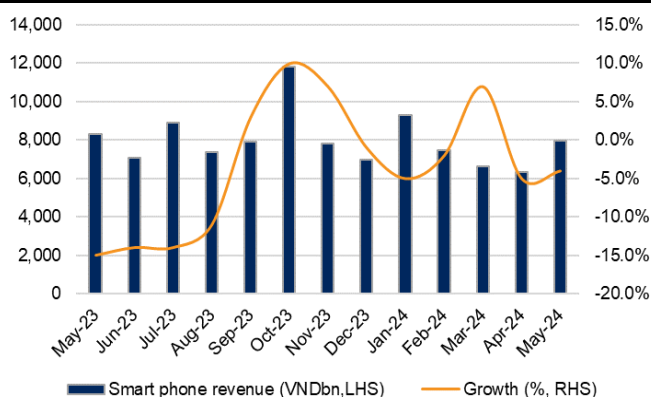
Net profit regains upward momentum

The Gioi Di Dong and Dien May Xanh: Same-store sales keep improving...

The technology and electronics retail sector has yet to show significant recovery, with revenue growth of 2% YoY in 1H24, according to GFK data. This growth was driven primarily by a strong increase in household appliances (mainly air conditioning products), while revenue from technology products like smartphones continues to show negative growth. This indicates that consumers remain cautious to spend on non-essential goods.

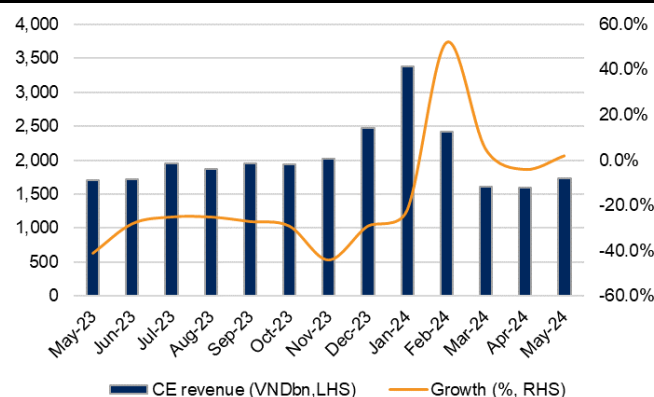
Additionally, demand for imported smartphones increased by 11% YoY in August 2024 (according to GSO data) but was still 52% lower compared to August 2021 during a period of high demand for phone replacement. While we maintain the assumption that the new phone replacement cycle will occur in 2H24-1H25, we believe demand for phones will be weaker than the previous period (4Q21-1Q22).

Figure 8: Smartphone revenue from May 2023 to May 2024



Source: VNDIRECT RESEARCH, GFK

Figure 9: Consumer electronics sales from May 2023 to May 2024

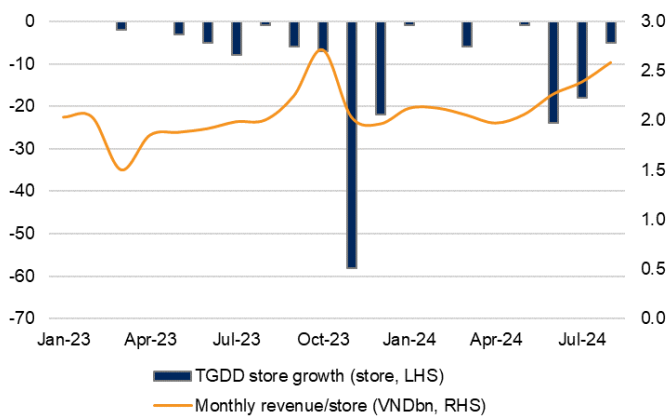


Source: VNDIRECT RESEARCH, GFK

In July 2024, despite closing 74 TGDD stores and 18 DMX stores, revenue from TGDD and DMX still grew by 10% YoY. The company primarily closed stores in areas with intensive store coverage, allowing customers to continue shopping at nearby MWG's stores, which helped increase the average revenue per store by 20.1% YoY in July 2024. According to management, the plan of restructuring the store system was completed in August, and we believe that revenue per store for TGDD and DMX will increase by 24.6% and 24.0% in 2024, respectively, as closing underperforming stores will boost customer traffic at existing stores. In 2025, we expect TGDD and DMX's same-store sales to rise by 5.5% YoY and 1.6% YoY, respectively, thanks to a recovery in demand for non-essential goods amid improving consumer income and increasing replacement demand for new phones in 1H25.

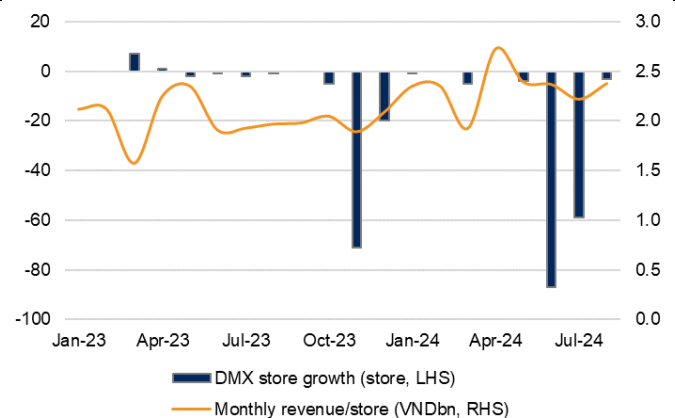
The TGDD and DMX chains recorded sales increases of 10% YoY and nearly 5% MoM in August, driven by positive growth of phone products as well as air conditioners. We expect sales to keep increasing in the coming months thanks to iPhone 16 and laptop (back to school season) sales. According to statistics from Apple, on the first day of pre-orders for the iPhone 16, MWG achieved a record number of 57,000 pre-orders (2.5x higher compared to iPhone 15).

Figure 10: TGDD same-store sales improved following store closures



Source: VNDIRECT RESEARCH, COMPANY REPORT

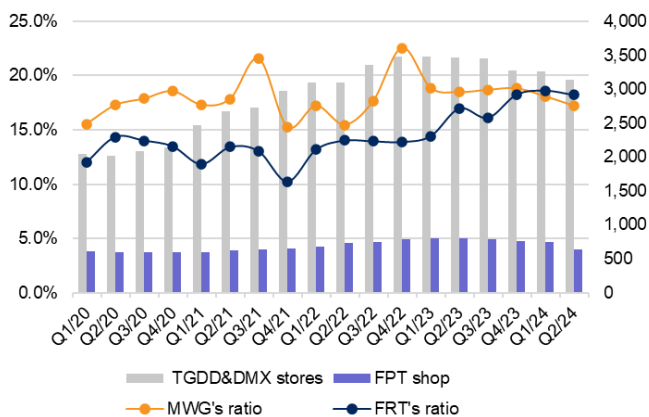
Figure 11: DMX same-store sales improved following store closures



Source: VNDIRECT RESEARCH, COMPANY REPORT

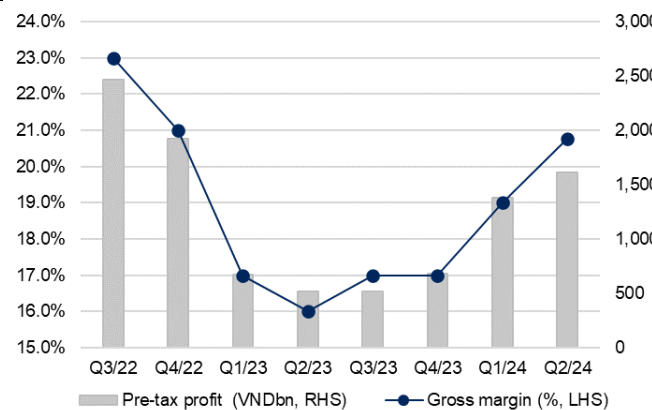
In 2Q24, TGDD and DMX's gross margin improved by 3.8% YoY and 1.8% QoQ, mainly thanks to the end of the price war, which alleviated pressure on price competition among ICT retailers. Additionally, MWG began restructuring the TGDD and DMX chains from 2H23, including closing many underperforming stores. In 2Q24, MWG closed 144 TGDD stores and 253 DMX stores, resulting in a significant reduction in SG&A expenses/revenue, which decreased by 0.9% pts MoM and 1.3% pts YoY. Consequently, pre-tax profit of TGDD and DMX increased 3.0x YoY and 16.7% QoQ in 2Q24. We expect the gross margin uptrend, and reasonable operating costs will support pre-tax profit growth for TGDD and DMX of 2.1x YoY in 2H24.

Figure 12: SG&A/revenue ratio of some ICT retailers



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 13: TGDD and DMX pre-tax profit increased strongly in 2Q24



Source: VNDIRECT RESEARCH, COMPANY REPORT

..... meanwhile Bach Hoa Xanh shines as earnings growth engine

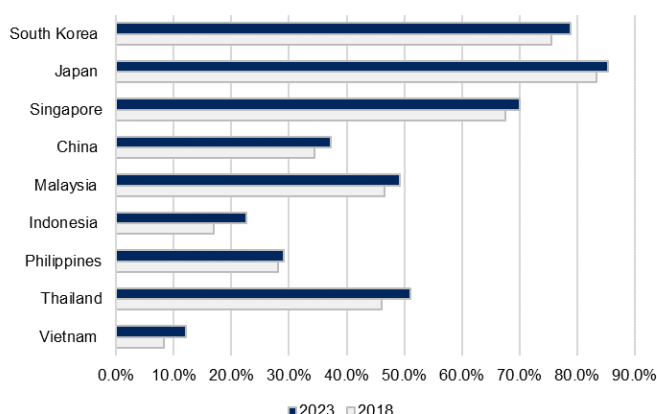
According to McKinsey & Company, modern trade holds great promise in Vietnam. In the larger grocery segment, Vietnam's modern trade penetration, at 12.2% in 2023, is still quite low compared with that of other regional countries. We believe there is still more room for modern grocery penetration as:

- Expenditure on FMCG is projected to grow at a CAGR of 10.6% per year, while disposable income per household is expected to increase at a CAGR of 10% in 2023-27. This creates opportunities for grocery retailers to develop essential product categories, as consumers are willing to spend more on higher-priced food and beverage items.
- Rapid urbanization is also contributing to stronger growth in the grocery retail sector. According to Fitch Solutions, the main target market for

grocery retail is urban consumers, specifically households with middle to high incomes (over USD10,000/year). This consumer group typically has less time but more disposable income to access a diverse range of products sold in supermarkets, as opposed to traditional retail, where individuals have to visit multiple stores to buy different items.

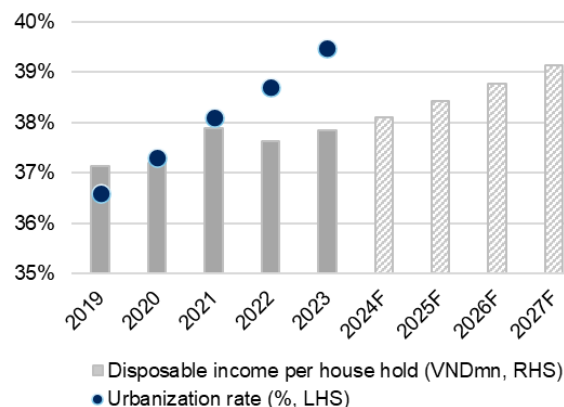
We believe this trend will benefit grocery chains like Bach Hoa Xanh and Wincommerce.

Figure 14: Vietnam's modern trade penetration is still quite low compared with other regional markets



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 15: Rapid urbanization and higher disposable income may contribute to stronger growth for grocery retail chains



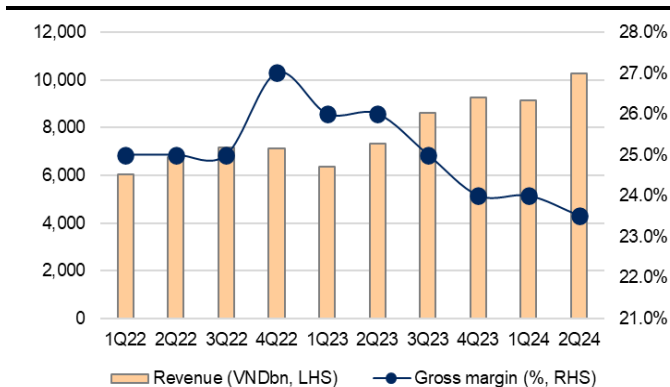
Source: VNDIRECT RESEARCH, COMPANY REPORT

In 2Q24, Bach Hoa Xanh marked a milestone by achieving a net profit of VND7bn (USD284,553), despite only opening five new stores. Monthly same-store sales reached a record high of VND2.1bn (USD85,366) in June, primarily due to increased customer traffic after the product portfolio was restructured with a higher proportion of fresh goods. We expect average monthly revenue per store for Bach Hoa Xanh to remain stable at VND1.9bn/VND2.1bn (USD77,236/USD85,366) in FY24-2025.

Additionally, we believe that BHX will focus on expanding the store system after achieving net profit in 2Q24, with 41 new stores in 2024 and 100 new stores in 2025, based on our estimates. In August, BHX opened 17 new stores and plans to add another 10 stores in September-October. Therefore, we forecast BHX's revenue to increase by 24.9% and 15.0% YoY in FY24-25, respectively.

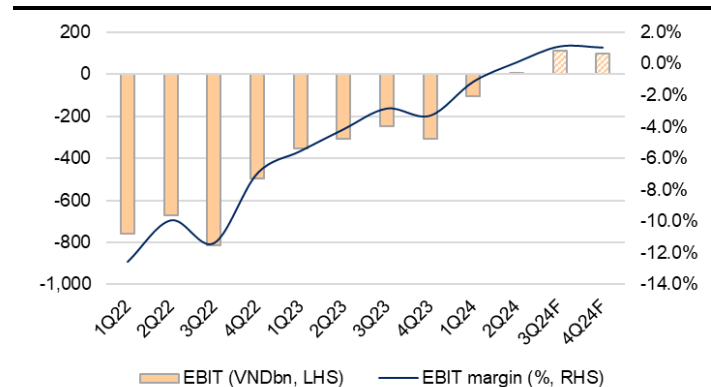
According to leadership, with a larger scale, BHX is now able to collaborate with larger farms to ensure consistent quality of fresh produce. This strategy allows the chain to negotiate more favorable prices with suppliers, leveraging economies of scale, and to reduce spoilage rates for fresh food. Furthermore, as revenue stabilizes, BHX will be positioned to automate repetitive in-store operations, thereby optimizing operational costs. We expect BHX's gross margin will maintain at 23.5%-24% during FY24-25, leading to a pre-tax profit of VND 121bn (USD4.9mn) in FY24, and increase 7.0x to VND849bn (USD34.5mn) in FY25.

Figure 16: BHX's revenue and gross margin by quarter



Source: VNDIRECT RESEARCH, COMPANY REPORT

Figure 17: We expect BHX to record pre-tax profit of VND121bn in FY24



Source: VNDIRECT RESEARCH, COMPANY REPORT

We expect net profit to grow 25.4x/29.4% YoY in FY24-25

For FY24, we expect MWG to record earnings growth of 25.4x YoY thanks to:

- Net revenue increases 12.1% YoY, in which revenue from TGDD and DMX surges 9.0% YoY while revenue from BHX jumps 24.9% YoY.
- We forecast gross margin to expand 1.8% pts YoY mainly thanks to improvement in TGDD and DMX's gross margin while BHX's gross margin remains stable.
- SG&A/revenue narrows by 1.2% pts YoY as the company's efforts to restructure the store system as well as optimize operating costs has been effective.
- In 1H24, MWG's short-term investment increased by 32.9% to VND25.2tn (USD1.0bn) mainly through bank deposits and profitable investments. We expect interest income to increase 6.4% YoY while interest expense may drop 19.7% YoY thanks to lower interest rates. In 1H24, MWG's interest expense plunged 25.0% YoY, which boosted net financial income by 97.7%, completing 47.4% our full-year forecast.

For FY25, we forecast net profit to increase 29.5% to VND5.5tn (USD224.6mn)

Valuation: Maintain ADD with a higher TP of VND80,400

We maintain our ADD recommendation with a one-year target price of VND80,400/share. Our valuation is based on the sum-of-parts of MWG's TGDD, DMX and BHX with assumptions of WACC of 10.0% and RFR of 2.79%. We revised up our TP by 11.5% due to the mixed impact of:

- We increased our FY24-25 EPS forecast by 44.4%/49.0%.
- We lower WACC from 10.8% to 10.0% as we revise up our risk-free rate from 2.63% to 2.79% (based on the 10-year bond yield as of June 30) and lower our [equity risk premium](#) from 9.0% to 7.8%.

Downside risk:

- Prolonged weakness in consumption or slower-than-expected profitability of BHX.

Potential re-rating catalysts

- Higher-than-expected revenue per store or higher-than-expected gross margin of TGDD and DMX.

Potential re-inclusion into VNDiamond index basket

On August 30, 2024, HOSE issued version 3.0 of the rules for constructing the VNDiamond Index, replacing version 2.1 issued on September 30, 2022. In the adjustments in the VNDiamond Index Construction Rules version 3.0, MWG meets nearly all criteria, except for FOL ratio (Foreign Ownership Limit), which is currently below 95%. MWG and CMG are likely to have good opportunities for inclusion in the VNDiamond index basket in the next review (2Q25), if their FOL rises above 95% or if VRE is officially removed from the index. Further details are provided in the [ETF report](#).

Figure 18: Target price (Unit: VND)

	Method	Target price
TGDD&DMX	DCF	53,700
BHX	DCF	26,030
An Khang	DCF	700
MWG		80,400

Source: VNDIRECT RESEARCH

Figure 19: Assumptions

Cost of Capital	
Beta	1.1
Market Risk Premium	7.8%
Risk Free Rate	2.8%
Cost of Equity	11.5%
Cost of Debt	5.0%
WACC	10.0%

Source: VNDIRECT RESEARCH

Figure 20: DCF valuation – TGDD and DMX (Unit: VNDbn)

	Amount (VNDbn)	Unit
PV of FCF	38,680	VNDbn
PV of Terminal Value	46,058	VNDbn
Enterprise value	84,738	VNDbn
Equity Value	78,607	VNDbn
Shares	1,463	million
Price per share (VND/share)	53,716	VND/share

Source: VNDIRECT RESEARCH

Figure 21: DCF valuation – BHX (Unit: VNDbn)

	Amount	Unit
PV of Free Cash Flows	10,167	VNDbn
PV of Terminal Value	20,735	VNDbn
Enterprise value	30,902	VNDbn
Equity Value	40,026	VNDbn
Shares	1,463	million
Price per share (VND/share)	26,030	VND/share

Source: VNDIRECT RESEARCH

Figure 22: TGDD/DMX Free cash flow

(VNDbn)	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F
Pre-tax profit	5,498	6,245	6,931	7,574	8,222	8,971	10,345	10,510	10,688
Tax	(1,100)	(1,249)	(1,386)	(1,515)	(1,644)	(1,794)	(2,069)	(2,295)	(1,875)
Depreciation	663	543	572	389	285	336	323	316	272
Capex	(70)	(359)	(445)	(363)	(378)	(402)	(404)	(418)	(432)
Change in work cap	649	(565)	(534)	(580)	(440)	(202)	(449)	(474)	(553)
Free Cash Flows	5,641	4,614	5,138	5,505	6,044	6,909	7,745	7,639	8,100
Present Value of FCF	5,641	4,194	4,244	4,134	4,125	4,286	4,367	3,915	3,773

Source: VNDIRECT RESEARCH

Figure 23: BHX Free cash flow

(VNDbn)	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F
Pre-tax profit	121	849	1,331	1,835	2,278	2,758	3,277	3,400	3,548
Tax	(24)	(170)	(266)	(367)	(456)	(552)	(655)	(680)	(710)
Depreciation	1,136	906	652	578	608	646	592	566	527
Capex	(262)	(961)	(712)	(637)	(655)	(674)	(694)	(714)	(734)
Change in work cap	(352)	1,024	254	132	125	315	62	56	21
Free Cash Flows	618	1,648	1,259	1,541	1,900	2,494	2,581	2,628	2,651
Present Value of FCF	618	1,498	1,040	1,157	1,297	1,547	1,455	1,347	1,235

Source: VNDIRECT RESEARCH

Figure 24: Peer comparison (as of September 25, 2024)

Company	Country	Mkt cap USD	TTM net revenue USD	yoy %	TTM Net profit USD	yoy %	Debt/equity x	ROE %	TTM P/E x	Adj.P/E x	LQ P/B x
Mobilephone and Consumer electronic											
Erajaya Swasembada Tbk PT	ID	476	4,110.6	17.1	62	(7.6)	121.4	12.3	8.0	14.0	0.9
FPT DIGITAL RETAIL JSC	VN	988	1,435	13.2	(0)	(26.6)	336.4	(3.3)	N/a	N/a	14.6
Sunfar Computer Co Ltd	TW	41	115	(2.8)	1.3	(30.2)	20.9	3.4	30.8	N/a	1.1
Tsann Kuen Enterprise Co Ltd	TW	124	605	(7.3)	6.7	(46.4)	122.2	4.9	20.2	30.2	0.9
Average			1,566	5.1	17	(27.7)	150.2	4.3	19.7	22.1	4.4
Median			1,020	5.2	4	(28.4)	121.8	4.1	20.2	22.1	1.0
Grocery											
Taiwan FamilyMart Co Ltd/Taiwa	TW	1,335	3,230	7.7	54	(20.0)	428.4	24.0	26.7	39.8	6.1
Sumber Alfaria Trijaya Tbk PT	ID	8,922	7,174	9.2	236	11.5	11.6	26.8	37.9	66.0	9.0
Average			5,202	8.5	145	(4.2)	220.0	25.4	32.3	52.9	7.6
Median			5,202	8.5	145	(4.2)	220.0	25.4	32.3	52.9	7.6
Average			3,384	6.8	81	(16.0)	185.1	14.9	26.0	37.5	6.0
Mobile World Investment Corp	VN	4,067	5,189	6.9	90	40.9	87.0	8.9	39.1	39.1	3.8

Source: VNDIRECT RESEARCH, BLOOMBERG

Note: Adjusted P/E = P/E ratio divided by the relevant market average times the P/E of the VN-Index.

Income statement

Income statement

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Net revenue	102,174	108,546	122,958	133,405	118,280	132,629	141,399
The gioi di dong	33,207	29,542	26,958	34,689	28,292	30,524	32,201
Dien may xanh	58,239	62,726	65,426	68,999	55,365	60,499	62,100
Bach hoa xanh	10,728	20,417	30,427	23,705	31,424	39,453	45,353
Cost of sales	(82,686)	(84,592)	(95,326)	(102,623)	(95,759)	(104,927)	(111,393)
Gross Profit	19,488	23,955	27,632	30,782	22,521	27,702	30,005
Gen & admin expenses	(2,074)	(3,404)	(3,830)	(2,348)	(1,168)	(1,309)	(1,396)
Selling expenses	(12,437)	(15,334)	(17,914)	(21,790)	(20,917)	(21,912)	(22,850)
Operating profit	4,977	5,216	5,888	6,644	436	4,481	5,760
Operating EBITDA	6,420	7,412	8,809	10,227	3,788	6,282	7,209
Depreciation and amortisation	1,443	2,196	2,921	3,582	3,351	1,801	1,450
Operating EBIT	4,977	5,216	5,888	6,644	436	4,481	5,760
Interest income	631	794	1,266	1,313	2,167	2,297	2,595
Financial expense	(568)	(591)	(674)	(1,362)	(1,448)	(1,249)	(1,265)
Net other income	19	(3)	27	(518)	(357)	(135)	(144)
Income from associates & JVs	(3)	(4)	4	0	0	0	0
Pre-tax profit	5,053	5,410	6,472	6,056	690	5,393	6,945
Tax expense	(1,217)	(1,490)	(1,570)	(1,955)	(522)	(1,124)	(1,419)
Net profit	3,836	3,920	4,901	4,102	168	4,269	5,526

Balance sheet

Balance sheet

(VNDbn)	12-19A	12-20A	12-21A	12-22A	12-23A	12-24E	12-25F
Cash and equivalents	3177	7348	4944	5061	5366	7177	10003
Short term investments	3,075	8,057	13,435	10,059	18,937	21,234	22,638
Accounts receivables	1815	1703	3162	3072	5159	5582	5905
Inventories	25745	19422	29180	25696	21824	21306	21302
Other current assets	1199	895	1255	743	665	946	863
Total current assets	35,012	37,426	51,976	44,631	51,950	58,562	64,736
Fixed assets	5,375	7,267	9,567	9,653	6,431	5,067	5,043
Total investments	56	53	0	241	747	538	574
Other long-term assets	774	794	811	671	452	507	540
Total assets	41,708	46,139	62,983	55,834	60,111	65,318	71,565
Short-term debt	13,031	15,625	21,879	10,688	19,129	18,692	19,786
Accounts payable	12,055	8,659	12,180	8,746	7,927	7,702	8,240
Other current liabilities	0	0	0	0	0	0	0
Total current liabilities	28,442	29,531	39,836	26,000	30,765	29,924	31,639
Total long-term debt	1,122	1,127	2,768	5,901	5,985	6,711	6,448
Other liabilities	0	0	0	0	1	1	1
Share capital	4,435	4,532	7,131	14,639	14,634	14,634	14,634
Retained earnings reserve	7,150	10,390	12,675	8,724	8,160	13,468	18,258
Shareholders' equity	12,136	15,472	20,366	23,918	23,346	28,668	33,463
Minority interest	8	9	12	15	13	13	13
Total liabilities & equity	41,708	46,139	62,983	55,834	60,111	65,318	71,565

Cash flow statement

Cash flow statement

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Pretax profit	5,053	5,410	6,472	6,056	690	5,393	6,945
Depreciation & amortisation	1,443	2,196	2,921	3,582	3,351	1,801	1,450
Tax paid	(1,092)	(1,495)	(1,533)	(1,805)	(860)	(1,124)	(1,419)
Other adjustments	(235)	(436)	(690)	(671)	(1,580)	(369)	112
Change in working capital	(6,454)	5,117	(7,149)	761	1,835	(222)	272
Cash flow from operations	(1,286)	10,793	21	7,923	3,436	5,479	7,360
Capex	(3,067)	(3,911)	(4,964)	(4,412)	(523)	(336)	(1,325)
Proceeds from assets sales	1	2	1	4	31	(98)	(100)
Increase in financial investment	0	0	0	(181)	(106)	(2,053)	(1,494)
Other non-current assets changes	(3,024)	(5,000)	(6,259)	5,053	(11,346)	(170)	(62)
Cash flow from investing activities	(5,818)	(8,574)	(10,302)	1,602	(10,831)	(2,657)	(2,981)
New share issuance	90	105	228	193	0	0	0
Shares buyback	(5)	(6)	(2)	(5)	(10)	10	10
Net borrowings	7,104	2,594	7,891	(8,062)	8,440	(289)	(831)
Other financing cash flow	0	0	0	0	0	0	0
Dividends paid	(658)	(679)	(240)	(732)	(731)	(731)	(731)
Cash flow from financing activities	6,532	2,014	7,877	(8,606)	7,700	(1,010)	(1,552)
Beginning cash and equivalents	3,750	3,177	7,348	4,944	5,061	5,365	7,177
Total cash generated	(572)	4,233	(2,404)	919	304	1,811	2,827
Ending cash and equivalents	3,177	7,410	4,944	5,863	5,365	7,177	10,003

Key ratios

Key ratios

Valuation Ratios	2019A	2020A	2021A	2022A	2023A	2024E	2025F
EPS (VND)	8,702	8,606	6,955	2,801	115	2,917	3,776
Price Earnings	4.2	4.5	9.5	15.0	370.6	23.4	18.1
1-yr PEG	0.1	-4.1	-0.5	-0.3	-3.9	0.0	0.6
Price to Sales	0.5	0.5	0.8	0.5	0.5	0.8	0.7
Price to Book	1.3	1.1	2.3	2.6	2.7	3.5	3.0
Dividend Yield	4.1%	3.9%	0.8%	2.4%	1.2%	0.7%	0.7%
Dividend Payout Ratio	17.3%	17.3%	7.3%	35.7%	435.6%	17.1%	13.2%

Growth Rates	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Net Revenue YoY	18.1%	6.2%	13.3%	8.5%	-11.3%	12.1%	6.6%
Gross Profit YoY	27.4%	22.9%	15.4%	11.4%	-26.8%	23.0%	8.3%
Net Profit YoY	33.2%	2.2%	25.0%	-16.3%	-95.9%	2443.8%	29.4%
EPS YoY	30.3%	-1.1%	-19.2%	-59.7%	-95.9%	2446.2%	29.4%

Profitability Ratios							
Gross Margin	19.1%	22.1%	22.5%	23.1%	19.0%	20.9%	21.2%
EBITDA Margin	6.3%	6.8%	7.2%	7.7%	3.2%	4.7%	5.1%
Operating Margin	28.6%	4.8%	12.9%	12.8%	-93.4%	927.3%	28.5%
Net Profit Margin	3.8%	3.6%	4.0%	3.1%	0.1%	3.2%	3.9%
Return on Avg Assets	9.2%	8.5%	7.8%	7.3%	0.3%	6.5%	7.7%
Return on Avg Equity	31.6%	25.3%	24.1%	17.1%	0.7%	14.9%	16.5%

Leverage Ratios	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Interest Coverage Ratio (EBIT/I)	8.7	8.8	8.2	4.8	0.3	3.6	4.6
EBITDA / (I + Cap Ex)	1.8	1.6	1.6	1.8	1.9	4.0	2.8
Tot Debt/Capital	0.5	0.5	0.5	0.4	0.5	0.5	0.4
Tot Debt/Equity	1.2	1.1	1.2	0.7	1.1	0.9	0.8
Net Debt/Equity	0.9	0.6	1.0	0.5	0.8	0.6	0.5

Liquidity Ratios	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Asset Turnover	2.9	2.5	2.3	2.2	2.0	2.1	2.1
Accounts Receivable Turnover	60.5	61.7	50.5	42.8	28.7	24.7	24.6
A/R DOH	6.0	5.9	7.2	8.5	12.7	14.8	14.8
Accounts Payable Turnover	8.1	8.2	9.1	9.8	11.5	13.4	14.0
A/P DOH	44.8	44.7	39.9	37.2	31.8	27.2	26.1
Inventory Turnover	3.8	3.7	3.9	3.7	4.0	4.9	5.2
Inv DOH	95.3	97.4	93.0	97.6	90.6	75.0	69.8
Current Ratio	2.7	2.4	2.4	4.2	2.7	3.1	3.3
Quick Ratio	0.5	1.0	0.8	1.4	1.3	1.5	1.6

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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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