

**BUY** (maintain)**Mobile World Group (HSX: MWG)**

Report date	Mar 25, 2020
Current price	VND 68,800
Previous target price	VND 144,000
Target price	VND 117,200
Upside	70%
Bloomberg	MWG VN
Market cap	USD 2,175 mn
52 weeks movement	VND 78,160 – VND 128,000
Average daily value	USD 4.24 mn
FOL	49%
Current FO	49%

**Grocery segment as the primary driver****Our takeaway**

- In 2M20, MWG's revenue and EAT increased by 18% yoy and 16% yoy respectively, which were lower than our expectations due to the impact of Coronavirus disease.
- For FY20, we decreased our forecasted revenue by 9.4% compared to our previous forecast as we lower the sales per store growth of all segments.
- However, thanks to the improvement of BHX's gross profit margin (GPM), we decrease FY20 EAT forecast by only 8.5%. Thus, our target price is VND 117,200/share (-23% from last report).

**What's new**

**2M20 lower than anticipated results.** MWG reported an 13.4% yoy increase in revenue and a 5% yoy decrease in EAT in Feb 2020. It led to 2M20 results falling short of expectations with a 16% yoy rise in EAT, compared to an increase of 20% in EAT in 2M19. MWG stated that the profit in Mar 2020 will be stable compared to that of 2019. Overall, 1Q20 earnings growth rate is likely to be around 16% (1Q19 +29% yoy).

**Improving GPM of BHX.** This improvement will come from (i) higher discount from suppliers in line with bigger revenue size and (ii) finding new suppliers and reducing the number of intermediaries. We expect a 106% yoy increase in revenue of VND 21,184 bn and higher GPM of 20.8% in FY20 (4Q19 20%). The sales per store will slightly improve to VND 1.2bn/month (+7% yoy) and 700 more grocery stores will be opened, leading to total stores of 1,708 by the end of FY20. We forecast BHX will still lose VND 665 bn in FY20 compared to VND 561 bn in FY19. This result will come in under the company's target GPM of 22% - 23% in FY20.

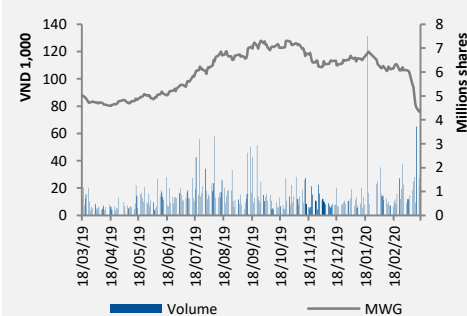
**Vietnam coronavirus expected to hit peak and start easing by end of May 2020.** Thus, CE and mobile segments' revenue will continue to be affected from March to May 2020. As a result, revenue growth rate of CE segment will be 15.4% yoy (FY19 +22.4% yoy), reaching VND 67,247bn in FY20. 40% of revenue growth will come from 120 new stores (FY19 +268 stores), leading to total stores of 1,138 by the end of FY20. The balance 60% of this growth will come from full-year operation of the new stores opened in FY19 and same store sales growth of 10% (FY19 +12%). Selling watches is key to maintain FY20 revenue in mobile chain.

**Valuation**

We reduce our target price by 23% to VND 117,200/share (+70% upside) from VND 144,000/share, taking into account the Coronavirus effect. The stock price has already reflected the adverse impact of the outbreak with FY20F P/E of 7.9 and FY21F P/E of 6.6. These P/Es are the lowest historical forward P/E of MWG. Hence, we maintain our buy recommendation.

Unit: VND billion	FY19A	FY20F	FY21F	FY21F
<b>Revenue</b>	<b>102,174</b>	<b>121,555</b>	<b>145,909</b>	<b>171,722</b>
EBIT	4,977	5,894	8,029	9,922
<b>Net profit</b>	<b>3,836</b>	<b>4,537</b>	<b>5,922</b>	<b>7,302</b>
Net profit (basic)	3,836	4,537	5,922	7,302
EPS (VND)	8,656	10,237	13,363	16,477
EPS growth rate (%)		18.3%	30.5%	23.3%
<b>P/E (x)</b>	<b>7.9</b>	<b>6.7</b>	<b>5.1</b>	<b>4.2</b>
EV/EBITDA (x)	6.0	4.9	4.3	3.8
Dividend yield (%)	2.18%	2.18%	2.18%	2.18%
P/B (x)	1.5	1.2	0.9	0.7
<b>ROE (%)</b>	<b>31.6%</b>	<b>30.7%</b>	<b>29.9%</b>	<b>27.9%</b>
Net debt/equity (%)	107.3%	113.6%	101.0%	87.1%

Source: MBS Research

**Price movement**

Stock performance	1M	3M	12M
MWG (%)	-46%	-46%	-16%
VNIndex (%)	-28%	-31%	-39%

Source: Bloomberg

**Major Shareholders**

Investment Advisory Retail World JSC	11.63%
Tri Tam JSC	8.73%
PYN Elite Fund	3.24%
Nguyen Duc Tai	2.62%

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## Financials and Valuation Summary

Income Statement (VND bn)	FY19	FY20F	FY21F	FY22F
<b>Revenue</b>	<b>102,174</b>	<b>121,555</b>	<b>145,909</b>	<b>171,722</b>
Cost of good sold	82,686	98,166	116,526	136,280
<b>Gross profit</b>	<b>19,488</b>	<b>23,390</b>	<b>29,383</b>	<b>35,441</b>
Financial income	631	459	551	648
Financial expenses	570	1,218	1,467	1,704
SG & A expenses	14,511	16,816	20,801	25,023
Profit before tax	5,053	5,831	7,685	9,386
<b>Profit after tax</b>	<b>3,836</b>	<b>4,537</b>	<b>5,922</b>	<b>7,302</b>
Profit after tax for parent company	3,835	4,535	5,920	7,299
Not-controlling interest	2	2	2	3

Balance Sheet (VND bn)	FY19	FY20F	FY21F	FY22F
<b>Current assets</b>	<b>36,021</b>	<b>44,018</b>	<b>54,275</b>	<b>66,114</b>
I. Cash & cash equivalents	3,115	6,957	10,690	15,521
II. Short-term investments	3,137	1,938	1,938	1,938
III. Receivables	1,815	2,159	2,592	3,051
IV. Inventory	25,745	30,565	36,282	42,433
V. Other current assets	1,199	1,427	1,712	2,015
<b>Non-current assets</b>	<b>5,687</b>	<b>6,982</b>	<b>8,179</b>	<b>9,281</b>
I. Long-term receivables				
II. Fixed assets	5,404	6,646	7,775	8,805
1. Tangible fixed assets	5,375	6,621	7,751	8,781
2. Intangible fixed assets	28	25	25	24
III. Property	0	1	2	3
IV. Long-term work in progress	87	35	35	35
V. Long-term investments	60	56	0	0
VI. Other non-current assets	283	336	404	475
<b>Total assets</b>	<b>41,708</b>	<b>51,000</b>	<b>62,454</b>	<b>75,394</b>
<b>Liabilities</b>	<b>29,565</b>	<b>36,245</b>	<b>42,665</b>	<b>49,190</b>
<b>I. Current liabilities</b>	<b>28,442</b>	<b>35,066</b>	<b>41,711</b>	<b>48,235</b>
1. Short-term payables	15,411	18,302	21,730	25,417
2. Short-term borrowings	13,031	16,764	19,981	22,818
<b>II. Non-current liabilities</b>	<b>1,122</b>	<b>1,180</b>	<b>954</b>	<b>955</b>
1. Short-term payables	0	1	2	3
2. Long-term borrowings	1,122	1,179	952	952
<b>Equity</b>	<b>12,142</b>	<b>14,756</b>	<b>19,792</b>	<b>26,207</b>
1. Share capital	4,435	4,435	4,435	4,435
2. Share premium	555	555	555	555
3. Retain earnings	7,150	9,754	14,788	21,201
4. Non-controlling interest	8	10	12	15
5. Other capital	-	-	-	-
<b>Total resources</b>	<b>41,708</b>	<b>51,000</b>	<b>62,454</b>	<b>75,394</b>

Ratios	FY19	FY20F	FY21F	FY22F
<b>Valuation</b>				
EPS	8,656	10,237	13,363	16,477
Book value per share (BVPS)	27,376	33,267	44,621	59,086
P/E	7.9	6.7	5.1	4.2
P/B	1.5	1.2	0.9	0.7
P/S	0.3	0.3	0.2	0.2
Dividend yield	2.2%	2.2%	2.2%	0.0%
<b>Profitability</b>				
Gross profit margin	19.1%	19.2%	20.1%	20.6%
EBITDA margin	19.1%	18.6%	19.5%	20.0%
Net profit margin	3.8%	3.7%	4.1%	4.3%
ROE	31.6%	30.7%	29.9%	27.9%
ROA	9.2%	8.9%	9.5%	9.7%
<b>Growth</b>				
Revenue growth		19.0%	20.0%	17.7%
Profit before tax growth		15.4%	31.8%	22.1%
Profit after tax growth		18.3%	30.5%	23.3%
EPS		18.3%	30.5%	23.3%
Total Asset		22.3%	22.5%	20.7%
Equity		21.5%	34.1%	32.4%
<b>Liquidity</b>				
Current ratio	126.6%	125.5%	130.1%	137.1%
Quick ratio	17.3%	26.0%	31.8%	38.5%
Debt/Total assets	33.9%	35.2%	33.5%	31.5%
Debt/Equity	107.3%	113.6%	101.0%	87.1%
Interest coverage	14.8	20.2	37.8	37.8
<b>Operating efficiency</b>				
Receivables turnover	56.3	56.3	5.3	5.3
Days sales outstanding	6.5	6.5	69.5	69.5
Inventory turnover	3.2	3.2	3.2	3.2
Days sales of Inventory	113.6	113.6	113.6	113.6
Payables turnover	5.4	5.4	5.4	5.4
Days payables outstanding	68.0	68.1	68.1	68.1

Source: MBS Research

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Rating	When (target price – current price)/ current price
BUY	>=15%
HOLD	From -15% to +15%
SELL	<= -15%

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