

Digiworld (DGW)

2Q24: Highlight of laptops

Recently, we attended DGW's analyst meeting presenting the 2Q24 business performance. Here are some notable updates:

Sales growth slowed down in an off-peak season.

- In 2Q24, DGW reported a revenue of VND5,008bn (+9.0% yoy). In which:
 - o *Mobile phones* (44.3% of total sales) stayed almost flat with sales of VND 2,231bn (+1.4% yoy) – 2Q is an off-peak season for this category.
 - o *Laptops & tablets* (31.3%) were the key sales driver at VND 1,568bn (+16.8% yoy) since retailers import more goods for the “Back to School” season, which is expected to be better than last year due to (1) the fall of the replacement cycle of laptops (2021 – 2024) and (2) expectation on higher consumer spending (figure 2).

Per management, sales of Lenovo and Dell laptops grew, while sales of Acer, HP, and Apple laptops stayed flat or slightly decreased yoy. In 3Q24F, DGW would start to distribute MSI products (PC, laptops and accessories). MSI is a leading laptop gaming producer, who currently owns 18% market share of laptop gaming in Vietnam.
 - o *Office equipment* (17.1%) increased to VND858bn (+19.9% yoy) but was behind the year guidance (only completed 34% in 6M24) because the distribution of Achison products was slower than expected.
- In 3Q24F, we expect that DGW's sales would be better attributed to (1) the contribution of MSI products and (2) the recovery of mobile phones as retailers prepare for the sales of older models before the release of iPhone 16.

	2019A	2020A	2021A	2022A	2023A
Sales (VND bn)	8,488	12,536	20,923	22,028	18,817
chg. (% YoY)	43.0	47.7	66.9	5.3	(14.6)
Operating profit (VND bn)	210	332	821	868	469
Net profit (VND bn)	163.2	267.3	654.9	683.6	362.6
EPS (VND)	163	267	655	684	363
chg. (% YoY)	44.8	58.0	(33.6)	1.5	(48.8)
EBITDA (VND bn)	205.5	284.5	692.3	813.6	459.5
PE (x)	20.8	18.0	5.4	13.1	27.7
EV/EBITDA (x)	19.0	16.0	4.5	12.5	23.4
PB (x)	3.7	4.2	2.0	3.7	3.8
ROE (%)	19.5	25.7	44.6	32.8	14.2
Dividend yield (%)	1.2	0.9	2.5	1.8	NA

Note: Net profit, EPS, and ROE are based on figures attributed to controlling interest

12M rating **NON-RATED**

12M TP
Up/Downside

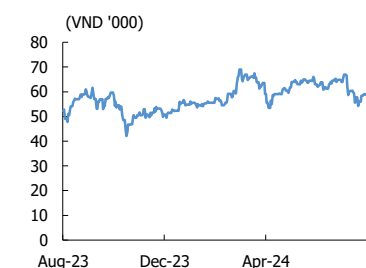
Stock Data

VNIndex (15 Aug, pt)	1,224
Stock price (15 Aug, VND)	58,800
Market cap (USD mn)	392
Shares outstanding (mn)	167
52-Week high/low (VND)	69,000/42,050
6M avg. daily turnover (USD mn)	5.55
Free float / Foreign ownership (%)	58.5/25.0
Major shareholders (%)	
Created Future Ltd Company Ltd	32.0
Dkp Mtv Company Ltd	5.1
Dhv Mtv Company Ltd	4.2

Performance

	1M	6M	12M
Absolute (%)	(9.3)	2.3	10.8
Relative to VNIndex (%p)	(4.9)	(0.4)	9.8

Stock price trend



Source: Bloomberg

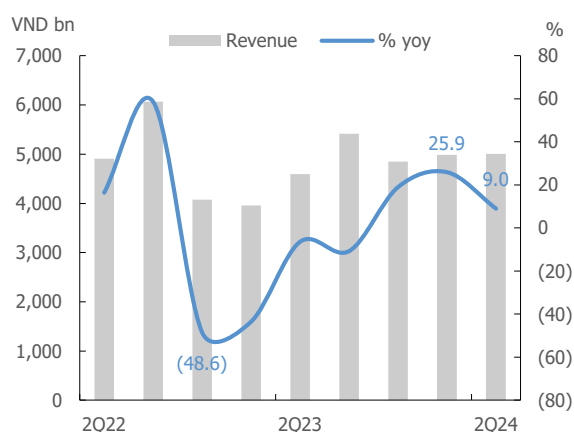
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NPAT stayed flat due to high SG&A expenses

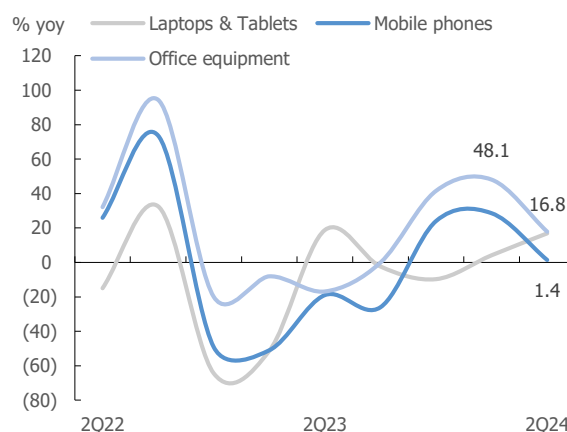
- In 2Q24, DGW's gross margin slightly rose to 9.1% (+60 bps yoy), leading the gross profit to increase by 16.5% yoy. However, NPAT stayed flat at VND88bn (+0.8% yoy) as SG&A ratios remained high at 6.9% (+70 bps yoy, figure 3).
- DGW shares that the high selling expenses (VND286bn; +18.5% yoy) were to support sales in the current weak consumption demand. In addition, DGW just moved to a new office, which lead to higher G&A expenses (VND58bn; +45.3% yoy).
- In 3Q24, DGW expects to maintain the high SG&A expenses level, hence we think that the growth of sales would be the key driver for NPAT.

Figure 1. DGW's sales growth slowed down in an off-peak season



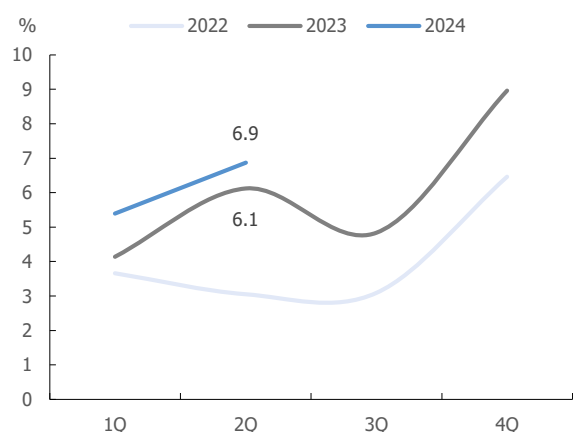
Source: Company Data, KISVN

Figure 2. Sales of tablets and laptops were a highlight in 2Q24



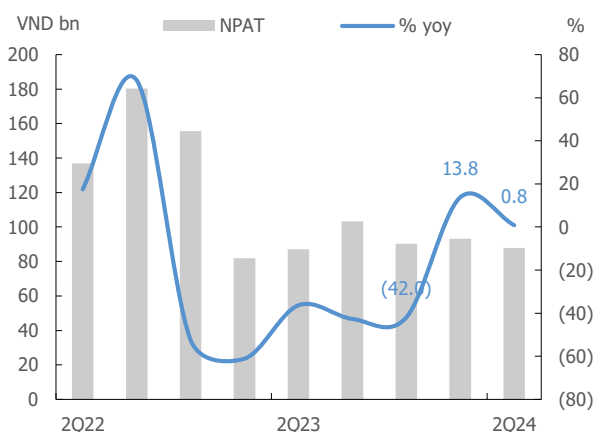
Source: Company Data, KISVN

Figure 3. Spending to support sales and on a new office led to a high SG&A ratio



Source: Company Data, KISVN

Figure 4. Hence, NPAT stayed flat yoy



Source: Company Data, KISVN

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