

25 Sep 2024

# Mobile World Group (MWG)

## BHX expanded after a long wait

On 23<sup>rd</sup> Sep, MWG has released the 8M24 performance report. Here are some notable updates:

### Sales continued to rise in Aug 24

- In Aug 24, MWG's net revenue rose to VND11,426bn (+14.7% yoy), attributed to (1) sales of laptops and mobile phones and (2) grocery products. For 8M24, MWG posted a net revenue of VND87,967bn (+15.1% yoy), completing 70% of the guidance.

### Laptops grew at a double-digit

- In Aug 24, DMX's sales (45.7% of total sales) increased to VND4,839bn (+7.3% yoy) thanks to the sales of air conditioners. According to the data of Viet Nam Meteorological and Hydrological Administration, we saw that the temperature on average in Aug 24 was a bit higher than in Aug 23, particularly in the North (figure 3).
- In addition, TGDD's sales (21.2% of total sales) grew stronger than Jul 24 to VND2,652bn (+12.8% yoy) which was attributed to (1) the double-digit growth of laptops in the "Back to School" season and (2) the sales of the older version before the release of iPhone 16.
- As we are approaching the peak "mobile phones" sale season, we think that mobile phones would be the main recovery driver for DMX & TGDD due to (1) the fall of the replacement cycle (4Q21 – 4Q24) and (2) mobile phone is the largest category in the ICT-CE segment which has not been recovered amid the weak consumer demand in 1H24.

12M rating **HOLD (Maintain)**

12M TP **NA**

Up/Downside **NA**

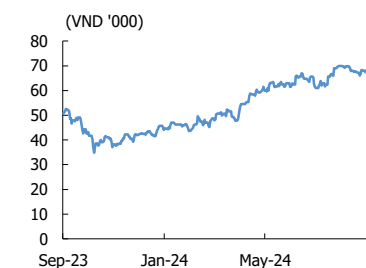
### Stock Data

VNIndex (24 Sep, pt)	1,277
Stock price (24 Sep, VND)	68,100
Market cap (USD mn)	4,055
Shares outstanding (mn)	1,462
52-Week high/low (VND)	70,000/34,824
6M avg. daily turnover (USD mn)	22.31
Free float / Foreign ownership (%)	77.5/46.7
Major shareholders (%)	
Mobile World Group	10.5
Arisaig Asia Fund Ltd	3.5
Nguyen Duc Tai	2.2

### Performance

	1M	6M	12M
Absolute (%)	(2.7)	42.1	34.6
Relative to VNIndex (%p)	(2.5)	40.0	21.6

### Stock price trend



Source: Bloomberg

	2019A	2020A	2021A	2022A	2023A
Sales (VND bn)	102,174	108,546	122,958	133,405	118,279
chg. (% YoY)	18.1	6.2	13.3	8.5	(11.3)
Operating profit (VND bn)	4,977	5,216	5,888	6,644	1,017
Net profit (VND bn)	3,834	3,918	4,899	4,100	167
EPS (VND)	8,657	8,650	6,861	2,802	114
chg. (% YoY)	33.4	(0.1)	(20.7)	(59.1)	(95.9)
EBITDA (VND bn)	6,420	7,412	8,809	10,185	2,137
PE (x)	15.2	15.2	19.2	15.3	428.5
EV/EBITDA (x)	10.3	8.2	11.3	6.3	40.3
PB (x)	4.8	3.8	4.6	2.6	2.8
ROE (%)	36.3	28.4	27.3	18.5	0.71
Dividend yield (%)	1.1	1.1	0.3	1.2	1.1

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

## Research Department

Researchdept@kisvn.vn

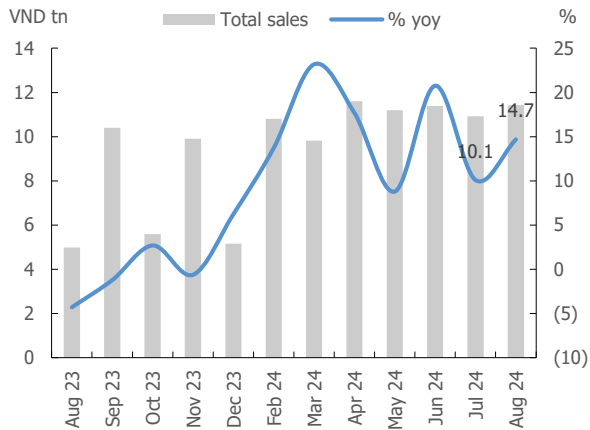
## BHX opened 17 stores; Sales per stores was VND2.15bn

- In Aug 24, BHX's sales (32.4% of total sales) climbed to VND3,703bn (+26.4% yoy), coming from both fresh food and FMCG products.
- In Aug 24, BHX opened 17 stores to increase the total number to 1,721 stores (+23 stores YTD), which is faster than the open of 2 – 3 stores in previous months. This is an important point because BHX has been able to expand and maintain the profitability (sales / store remained at VND2.15bn – versus making losses in the past) (figure 6).
- In the upcoming months, we think that BHX could continue to expand to achieve management's goal of 50-100 new groceries for the whole year 2024, while positively contributed to MWG's NPAT in 3Q24F and 4Q24F.
- In the mid - long term, we think that BHX still have a lot of room to grow since the grocery modern trade penetration in Vietnam is now just about 12.2% (compared to about 50% of Thailand and Malaysia) and BHX's stores are concentrated just in Ho Chi Minh City and surrounding areas.

## The store closure was almost completed

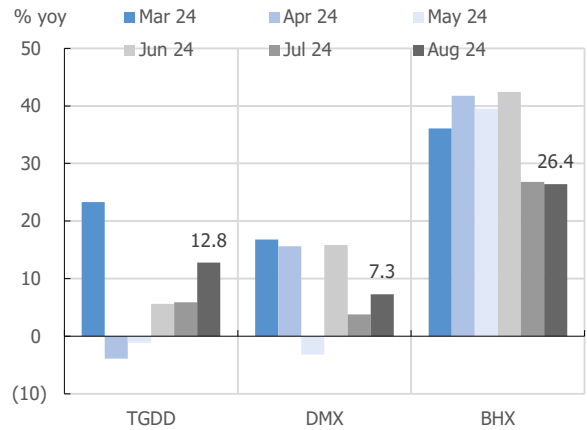
- In Aug 24, the store closure of the two ICT-CE retail chains has been almost completed. Specifically, TGDD has 1,024 stores (-5 stores mom), while DMX operated 2,031 stores (-3 stores mom) – compared to the total closure of 77 stores in Jul 24 (figure 5).
- Since TGDD and DMX's sales continued to grow despite operating a lower number of stores, this would have a positive effect on SG&A margin thereby increasing NPAT.
- In Aug 24, An Khang continued to close 61 stores to have 326 pharmacies. We expect An Khang would continue contracting its pharmacies in line with management's goal of 300 pharmacies at the end of 2024.
- Era Blue (Indonesia) opened 6 stores to have 71 stores (+ 31 stores YTD).
- Compared to the closure of 156 stores in 2Q24, MWG closed the total number of 221 stores solely in Jul – Aug 24 hence we expect MWG would continue to recognize a notable one-off expense amount in 3Q24F. However, we expect this amount would be smaller in 4Q24F since MWG has already achieved its store closure target.

**Figure 1. MWG's sales growth by 14.7% yoy**



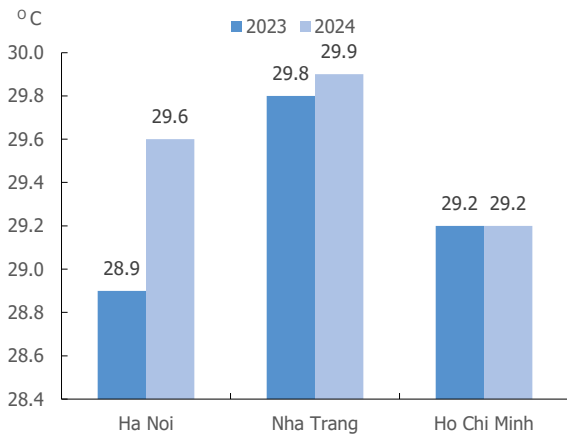
Source: Company Data. KISVN

**Figure 2. DMX's sales growth was slower, leaving room for TGDD; BHX maintained high**



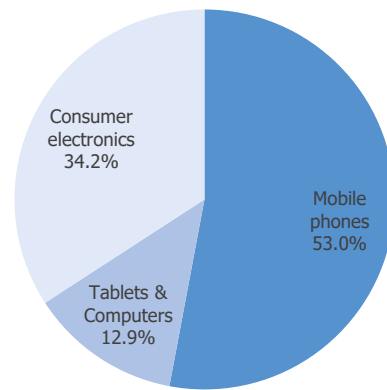
Source: Company Data. KISVN

**Figure 3. The temperature was higher in Aug 24 compared to Aug 23, especially in the North**



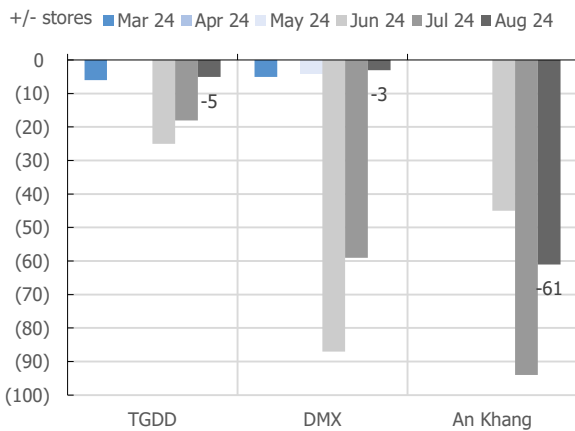
Source: Viet Nam Meteorological and Hydrological Administration, KISVN

**Figure 4. Mobile phone is the largest category in the ICT-CE segment which has not yet been recovered**



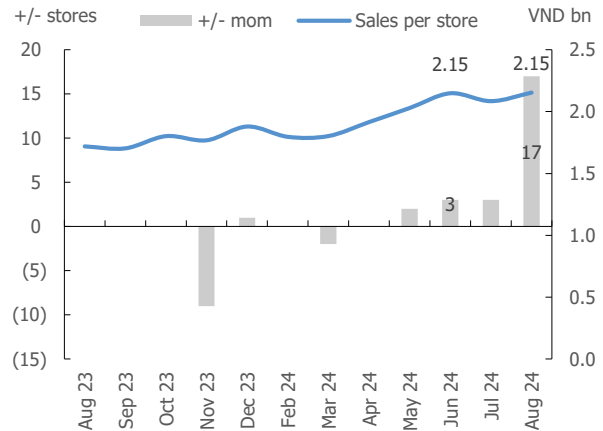
Source: Euromonitor, KISVN

**Figure 5. ICT chains' store closure nearly ceased while An Khang continued contracting**



Source: Company Data. KISVN

**Figure 6. BHX opened 17 stores while monthly sales per store was VND2.15bn**



Source: Company Data. KISVN

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