

Mobile World Group (MWG)

Waiting for the long-term growth to kick-off

In 21th Feb, we attended MWG's analyst meeting reporting the business results in 4Q24. Here are some notable updates:

MWG reported a weak NPAT in 4Q24

- In 4Q24, MWG reported a net revenue of VND34,574bn (+10.0% yoy):
 - o **TGDD** (24.4% of total sales) increased to VND8,443bn (+11.1% yoy) in the peak season for mobile phones, while **DMX** (41.7% of total sales) rose to 14,418bn (+6.4% yoy). Despite showing a recovery trend, the rate was slow due to the weak consumer demand. In 4Q24, TGDD & DMX's stores number remained almost unchanged at 1,021 stores (-2 qoq; -57 YTD) and 2,026 stores (-4 qoq; -164 YTD), respectively.
 - o **BHX** (31.2% of total sales) increased to VND10,779bn (+16.4% yoy). In 4Q24, BHX opened 44 stores (to 1,770 stores; +72 YTD). Sales / store was maintained at a profitable level VND2.0 – 2.1bn / month. Per our estimation, BHX could have reported about VND110bn in profit in 4Q24 (from VND90bn in 3Q24) – the second quarter after expanding.
- Gross margin decreased to 19.1% (-0.6%p yoy; -1.1%p qoq) which was due to (1) the support program for farmers affected by the Yagi Typhoon (per MWG) and (2) higher contribution of mobile phones in the peak season.
- NPAT rose to VND852bn (from VND90bn in 4Q23; from VND806bn in 3Q24). Generally, we think that MWG's NPAT in 4Q24 was not strong (typically MWG's NPAT would be highest in 4Q, while 4Q24's NPAT was even lower than 1Q24 and 2Q24) due to (1) lower gross margin (due to change in product mix) and (2) a slower growth of ICT-CE sales (due to weak consumer demand).
- For 2024, MWG reported a net revenue of VND134,341bn (+13.6% yoy) and NPAT of VND3,722bn (+21x yoy), completing 107%/156% of the guidance.

	2020A	2021A	2022A	2023A	2024A
Sales (VND bn)	108,546	122,958	133,405	118,279	135,225
chg. (% YoY)	6.2	13.3	8.5	(11.3)	13.6
Operating profit (VND bn)	5,216	5,888	6,644	1,017	5,227
Net profit (VND bn)	3,918	4,899	4,100	167	3,733
EPS (VND)	8,650	6,861	2,802	114	2,546
chg. (% YoY)	(0.1)	(20.7)	(59.1)	(95.9)	2114.3
EBITDA (VND bn)	7,412	8,809	10,185	2,137	6,997
PE (x)	15.2	19.2	15.3	428.5	22.9
EV/EBITDA (x)	8.2	11.3	6.3	28.1	15.3
PB (x)	3.8	4.6	2.6	2.8	3.1
ROE (%)	28.4	27.3	18.5	0.71	14.5
Dividend yield (%)	1.1	0.3	1.2	0.8	0.0

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

12M rating **Hold (Maintain)**

12M TP
Up/Downside

Stock Data

VNIndex (24 Feb, pt)	1,305
Stock price (24 Feb, VND)	58,400
Market cap (USD mn)	3,350
Shares outstanding (mn)	1,462
52-Week high/low (VND)	70,000/43,652
6M avg. daily turnover (USD mn)	19.6
Free float / Foreign ownership (%)	80.0 / 47.9
Major shareholders (%)	
Mobile World Group	10.5
Arisaig Asia Fund Ltd	3.5
Nguyen Duc Tai	2.2

Performance

	1M	6M	12M
Absolute (%)	(2.8)	(16.6)	28.8
Relative to VNIndex (%p)	(6.0)	(18.1)	21.2

Stock price trend



Source: Bloomberg

Research Department

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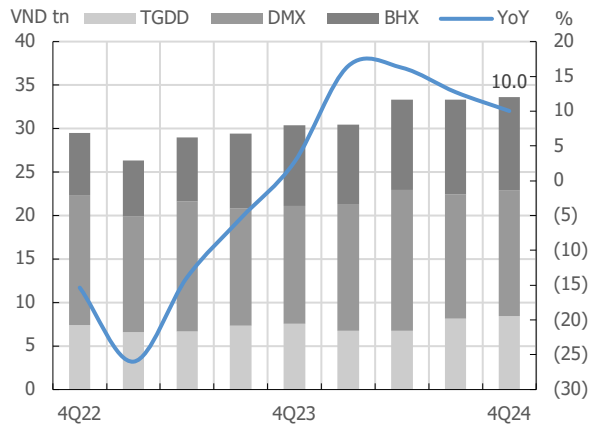
BHX plans to open 200 – 400 stores in 2025F

- In 2025F, MWG plans to earn a net revenue of 150,000bn (+12% yoy) and a NPAT of VND4,850bn (+30% yoy). In which:
 - o TGDD and DMX's sales would be driven by the recovery of consumer demand. MWG shares that store restructure could possibly continue but only at a small scale.
 - o BHX's sales would be driven by 200 – 400 new stores (increasing the total store number by +11.3% yoy – +22.6% yoy), in which 70% of the stores would be opened in the Central / 30% would be opened in the current established provinces.
 - o BHX's new stores would reach the break-even point in 3 – 6 months after opening. Besides, BHX could achieve about VND500bn in profit (from about VND103bn in 2024).
- As mentioned in our retail 2025 outlook, we think that NPAT would continue to recover driven by (1) a higher ICT-CE sales and (2) a higher gross margin. For BHX, we think that they could prioritize market share over profitability in a duopoly market.
- However, in 1Q25F, we think that the weak consumer demand could continue to cause difficulty for MWG's net revenue and NPAT.

BHX's long-term prospect is bright

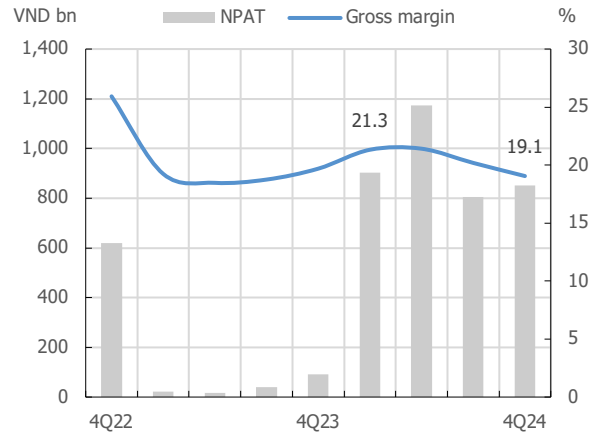
- MWG shared the vision for BHX to achieve \$10bn in revenue by 2030 with a possibility to expand beyond the minimart store format (full-size supermarkets, hypermarkets, convenience stores,...).
- We maintain our view that the modern grocery retail in Vietnam still have a lot of room to grow as this channel only accounted for 12.2% of the grocery retail market value, compared to ~50% of Thailand and Indonesia (figure 05).
- Per our research, we saw that major grocery retailers in South East Asia and Asia also operates multiple store format to meet different customer demand. For example, Lotus's (Thailand) operated Lotus's Go Fresh (minimarts) and Lotus's full-size supermarket, while GS Retail (South Korea) operated GS25 (convenience stores) and GS supermarket.

Figure 01: Sales of MWG grew slow in 4Q24 from both the slowdown of ICT-CE and grocery segment



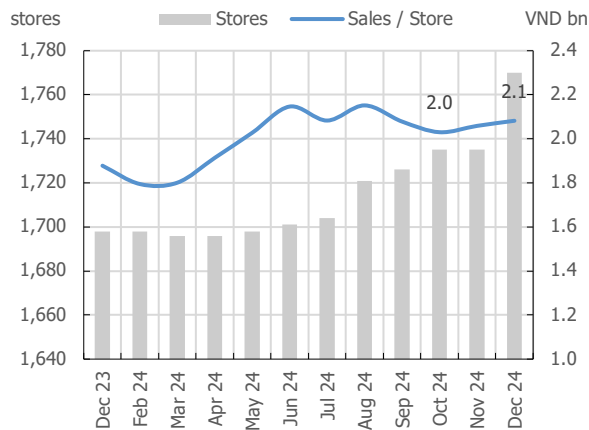
Source: Company Data

Figure 02: MWG's NPAT was weak in 4Q24 from slower sales growth and a lower gross margin



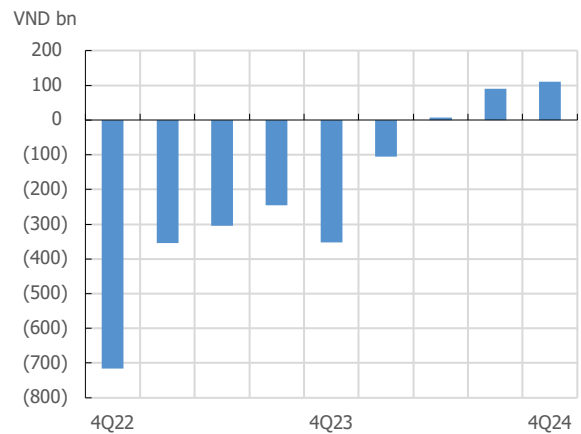
Source: Company Data

Figure 03: BHX started to expand in 3Q24 and 4Q24, while sales / store was maintained at a profitability level



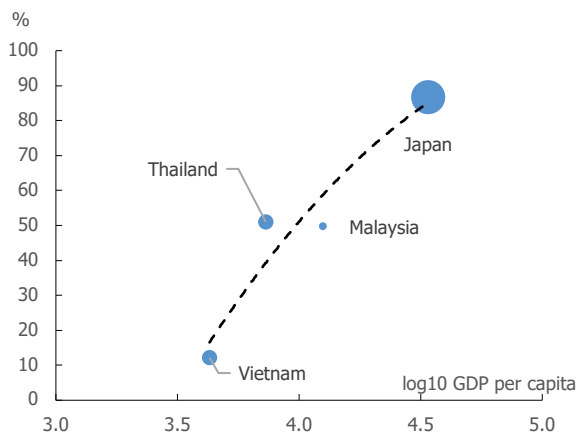
Source: Company Data

Figure 04: BHX continue to report a positive profit in 4Q24 and the whole year 2024.



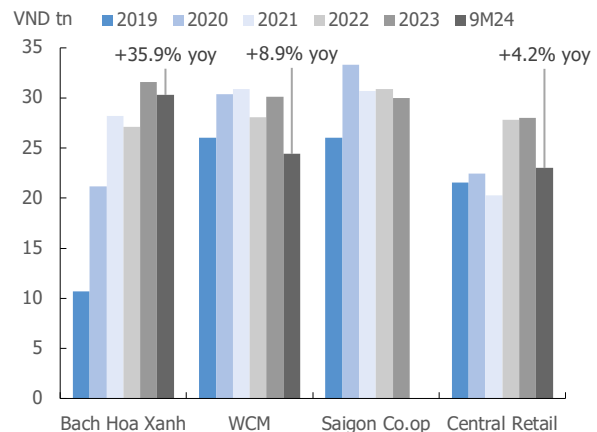
Source: Company Data

Figure 05: The modern channel just accounted for 12.2% of the grocery retail market in Vietnam, implying still a lot of room to grow



Source: Company Data

Figure 06: BHX was currently the biggest grocery retailer in Vietnam



Source: Company Data

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