

# Mobile World Investment (MWG VN) At inflection point

## Reiterate BUY with higher TP of VND58,155

We changed our valuation method from DCF to sum of the parts (to better capture the value of MWG's grocery chain, BHX, which has reached an inflection point in operating efficiency) and rolled forward to FY24. Our revised TP of VND58,155 is 21% higher than our previous FY23-end TP and represents 14% upside (including dividend yield). Along with MWG's earnings recovery outlook, a potential strategic stake sale of BHX could be a major re-rating catalyst for MWG. Reiterate BUY.

## Possibly bottomed out in 2Q23

Despite the low season, MWG's sales started picking up in 2Q23 (+9% vs 1Q23). Its aggressive market-consolidation tactics supported TGDD/DMX sales to recover ahead of the market. The decline in sales is narrowing. In particular, for the first two months of 3Q23, MWG achieved c.VND19.8t in sales, down by 8% YoY (vs 2Q23: -14% YoY/1Q23: -26% YoY). This, coupled with BHX's notable improvement, suggests the worst performance had occurred in 2Q23, and MWG is bottoming out from a cyclical downturn. We expect profit will resume growth in 4Q23.

## Expecting stronger recovery in FY24

Easing macro headwinds bode well for consumption recovery in FY24E onwards. We believe MWG will continue to lead overall sector recovery with FY24E earnings growth of c.254% YoY, driven by 16.5% YoY sales increase and 160bps YoY EBIT margin improvement. Over the longer term (i.e. over the next decade), we believe Vietnam's consumerism remains in a strong growth cycle. Given the fragmented retail landscape, MWG is well positioned to lead the transition from traditional to modern trade, especially grocery, which is the largest category in Vietnam's retail sales but it's also the most under-penetrated of modern trade.

## Upbeat improvement in BHX in Jul-Aug'23

Following the upbeat sales improvement in Jul'23 (+10% MoM and +20% YoY), BHX sales grew by more than 2% MoM in Aug'23, and the monthly average sales per store improved to VND1.65b from VND1.45b in Jun'23. This positive improvement and momentum help to strengthen our expectation that BHX will become profitable in 4Q23, which would provide timely needed support to MWG's bottom-line amid ICT/CE (major profit contributor) weakness. We forecast BHX will contribute c.26% and 5% of MWG's 4Q23 top line and EBIT. To recall, BHX incurred a loss of c.VND1.3t for 4Q22, equivalent to nearly 50% of PBT generated by TGDD/DMX.

FYE Dec (VND b)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	122,958	133,405	120,746	140,662	160,691
EBITDA	8,809	10,185	3,987	6,269	7,511
Core net profit	4,897	4,097	935	3,323	4,174
Core EPS (VND)	3,435	2,800	639	2,226	2,742
Core EPS growth (%)	19.1	(18.5)	(77.2)	248.3	23.2
Net DPS (VND)	1,000	500	1,000	1,500	2,000
Core P/E (x)	19.8	15.3	81.4	23.4	19.0
P/BV (x)	4.8	2.6	2.9	3.1	3.1
Net dividend yield (%)	1.5	1.2	1.9	2.9	3.8
ROAE (%)	27.3	18.5	3.7	12.8	16.4
ROAA (%)	9.0	6.9	1.6	5.7	7.3
EV/EBITDA (x)	11.7	6.3	17.3	11.4	9.8
Net gearing (%) (incl perps)	30.8	6.1	net cash	net cash	net cash
Consensus net profit	-	-	1,322	4,086	5,637
MIBG vs. Consensus (%)	-	-	(29.0)	(18.7)	(25.9)

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# **BUY**

 Share Price
 VND 52,000

 12m Price Target
 VND 58,155 (+14%)

 Previous Price Target
 VND 48,000

#### **Company Description**

Vietnam's largest retailer, currently offering portable electronics ("TGDD"), white/brown goods ("DMX"), FMCG ("BHX")

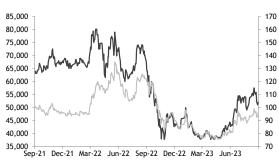
#### **Statistics**

52w high/low (VND)	65,000/37,700
3m avg turnover (USDm)	14.4
Free float (%)	86.0
Issued shares (m)	1,464
Market capitalisation	VND76.1T
	USD3.1B

#### Major shareholders:

Retail World Investment	4.3%
Vietnam Enterprise Investments Limited	3.5%
Tri Tâm Ltd.Co	3.2%

#### **Price Performance**



Mobile World - (LHS, VND) ——Mobile World / Vietnam Composite Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	3	18	(23)
Relative to index (%)	6	16	(22)

Source: FactSet

Abbreviations explained:

ICT: Information and communication technologies

CE: Consumer electronics GPM: Gross profit margin



Mobile World Investment

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## **Value Proposition**

- Vietnam's largest retailer, MWG differentiates itself by pioneering a customer-centric culture and operating efficiently via an evolving, highly-customized ERP system.
- Focus products are portable electronics (TGDD) and white/brown goods (DMX). Its FMCG minimart chain (BHX) is gearing up for growth.
- Competitive strengths are entrepreneurial, yet prudent management, looking for high-growth areas, on-the-ground local expertise, and an efficient workforce.
- Robust sales/profit CAGR of c.34%/42% over the past 10 years (FY12-22).
- Secular growth story. Traditional channels still dominate Vietnam's retailing, but MWG's scalable platform is wellpositioned to capture mass-market modern trade growth.

#### Unabated network expansion to support growth



## **Financial Metrics**

- The balance sheet appears healthy with a low net gearing ratio of 6% at FY22-end, narrowing from 31% at FY21-end.
- Cash-conversion days likely rose to nearly 69 days in FY22 (vs 60 days in FY21) due to sluggish demand in ICT/CE. However, we expect this to fall in FY23E, supported by more efficient inventory levels and demand recovery.
- Despite headwinds in FY23, we expect MWG maintains strong OCF/FCF, mostly due to management's prudent response to the challenging business environment.

#### Despite FY23 challenges, cash flows remain strong in FY23E



Source: Company, Maybank IBG Research forecasts

#### **Price Drivers**

## Historical share price trend



Source: Company, Maybank IBG Research

- BHX delivered positive results and aggressively accelerated store expansion.
- 2. Panic selling due to Covid-19.
- 3. Strong business results despite Covid re-affirmed the company's strengths and ability to grow further, supporting its share price recovery.
- 4. Market's panic selling due to liquidity crunch under the government's bond scrutiny that triggered serious cross forced-selling. Weak market sentiment due to concerns about sluggish demand and earnings softness for 1Q23/1H23 followed and continued to pressure the share price.
- 5. Share price rebounded thanks to reversal in sentiment and recovery expectation based on the government's stimulus policies and MWG's competitive price strategy to expand its market share. Street's discussions about the progress of BHX's strategic stake sale also supports sentiment.

## **Swing Factors**

## Upside

- Faster and stronger recovery of the ICT/CE segment than we expect.
- Successful strategic BHX stake sale with reasonable valuation. Better-than-expected value could surprise the market.
- Potential for expansion into Indonesia.
- Other potential catalysts could include boom in ecommerce and successful strategy for its drug stores (An Khang Pharmacy) as well as baby & mom specialty stores (AVAKids).

#### **Downside**

- Demand slows down amid concerns about inflation and global recession.
- Lower-than-expected operating efficiency of BHX postrestructuring.
- Aggressive expansion by BHX in the future could lead to losses
- Competitive pressure from big players in groceries is still a notable risk for BHX.

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Risk Rating & Score <sup>1</sup>	na
Score Momentum <sup>2</sup>	na
Last Updated	na
Controversy Score <sup>3</sup>	na

## **Business Model & Industry Issues**

- As a leading retailer in Vietnam, MWG has shown commitment to adhering to environmental and social guidelines for retail network development while enforcing integrity and professionalism as its core corporate culture.
- Being a labour-intensive industry, MWG has policies to ensure the health, safety, welfare and development opportunities for employees.
- 4KFarm, if successful, will play a meaningful role to provide safety-grown fresh vegetables to consumers and help to bring prosperity to Vietnamese farmers, while at the same time helping protect the environment.

## Material E issues

- MWG has policies to improve energy savings. All of its stores are equipped with energy-saving and environment-friendly apparatus such as equipment made from recyclable materials, LED lights and auto-off timers, and each location fully meets requirements on fire-prevention best practices.
- Instead of plastic bags, MWG uses biodegradable plastic packages for environmental reasons.
- 4KFarm, a new entity MWG recently acquired, is transferring technology and supporting farmers to grow vegetables under "4 No" policies of zero pesticides, non-GMO seeds, zero preservatives and zero growth substances.

#### Material S issues

- 4KFarm to provide safety-grown fresh products to end customers and help to bring prosperity for Vietnamese farmers.
- Labour policies to ensure health, safety and welfare, i.e. employees are entitled to discounts on the company's products (TGDD and DMX); health insurance for themselves and their families, as well as accident insurance. MWG also offers attractive bonuses based on productivity, service rewards and one-time rewards from motivational programmes.
- The Mai Am The Gioi Di Dong charity fund was established in early 2019 by MWG, with the aim of: 1) supporting the living expenses of students in the form of scholarships or non-interest loans repayable after graduation and finding employment; and 2) building and operating charity houses for orphans and disadvantaged children.
- The company also participates in various social and charitable events, i.e. donated blood, and helping disadvantaged members of society by giving gifts to poor households nationwide.

## Key G metrics and issues

- The board of directors (BOD) consists of 10 members (of which 3 are independent members and 4 are non-executive members). Besides the founders (some of whom hold dual ownership/management positions) and long-standing personnel, MWG has also brought onto the board extensive expertise, i.e. Mr. Robert Willett, former CEO of Best Buy.
- MWG's BOD structure is in line with the international corporate governance standards of the OECD. Its structure is balanced and diversified in terms of experience, age and nationality.
- Retail World Investment owns 10.5% of MWG. The entity is related to the chairman of MWG, Mr. Nguyen Duc Tai.
- Ernst & Young Co. Ltd has been the company's auditor since 2013.
- MWG's generous ESOP (employee stock ownership plan) may lead to dilution risks. MWG issued 2.5% of its total outstanding shares on average each year in the past four years. Despite the lower issuance ratio, compared to c.5% in the previous years, this has been a notable risk to investors regardless of the motivation effects of this policy to MWG's staff to drive enterprise value creation going forward.

We have not identified any controversial activities in terms of corporate governance of the company so far.





	Quantitative Parameters (Score: 37)									
	Particulars	Unit	2019	2020	2021	PNJ VN (2021)				
	Scope 1 GHG emissions	k tCO2e	20.5	24.2	26.4	10.4				
	Scope 2 GHG emissions	k tCO2e	46.3	50.9	52.8	10.0				
	Total	k tCO2e	66.7	75.2	79.1	20.4				
	Scope 3 GHG emissions	k tCO2e	153.3	180.5	258.5	45.4				
	Total	k tCO2e	220.1	255.7	337.6	65.8				
	GHG emission intensity by revenue	tCO2e/VNDb	2.2	2.4	2.7	3.4				
E	Average energy consumption by store	Mwh/store	123.1	131.5	128.8	NA				
	Share of renewable energy use in operations	NA	NA	0.6%	NA	NA				
	% of solid waste utilisation/recycling of waste	%	NA	NA	NA	25.0%				
	Cost savings from energy-saving initiatives	VNDb	NA	NA	2.2	NA				
	Nox intensity	kg/tonne	NA	NA	NA	NA				
	Sox intensity	kg/tonne	NA	NA	NA	NA				
	Dust emission	kg/tonne	NA	NA	NA	NA				
	% of women in workforce	%	NA	42.0%	38.9%	62.0%				
c	% of women in management roles	%	23.5%	29.4%	NA	NA				
3	Average number of training hours per employee	number	10.0	NA	29.5	5.7				
	Lives impacted by CSR outreach ('000)	number	NA	NA	105.0	NA				
	MD/CEO salary as % of reported net profit	%	NA	NA	NA	NA				
	Board salary as % of reported net profit	%	NA	NA	NA	NA				
G	Independent directors on the Board	%	0%	30%	30%	33%				
	Female directors on the Board	%	0%	0%	0%	56%				

#### Qualitative Parameters (Score: 50)

a) Is there an ESG policy in place and is there a standalone ESG committee or is it part of the risk committee?

Yes - it has an established framework and working sustainability committee that reports annually. There is not a standalone ESG committee yet.

b) Is the senior management salary linked to fulfilling ESG targets?

No

- c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?
- d) Has the company been involved in controversies which have impacted their management/stock price performance No
- e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?
- 1) MWG has policies to improve energy savings. All of its stores are equipped with energy-saving and environment-friendly apparatus such as equipment made from recyclable materials, LED lights and auto-off timers.
- 2) Using solar power.
- f) Does carbon offset form part of the net zero/carbon neutrality target of the company?

Township (Course TE)					
Target (Score: 75)					
Particulars	Target	Achieved			
Net-zero carbon emissions	NA	NA			
Increase RE energy usage by adding solar power to 200 additional stores in 2022 vs 68 in 2021	200	NA			
100% stores using inverter air-conditioner	100%	70%			
100% stores using LED lights	100%	100%			
Impact					
NA					
Overall Score: 50					

ESG score	Weights	Scores	Final Score
Quantitative	50%	37	18
Qualitative	25%	50	13
Target	25%	75	19
Total			50

As per our ESG matrix, Mobile World (MWG VN) has an overall score of 50.

As per our ESG assessment, MWG has an established framework, internal policies but needs to make headway in improving its quantitative "E" metrics YoY and setting tangible mid/long-term targets. MWG's overall ESG score is 50, which makes its ESG rating average in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).



## 1. Earnings to bottom out from 3Q23

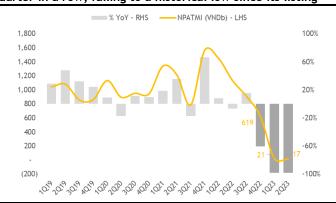
#### 2Q23 has witnessed the worst

The disappointing performance in 2Q23 with net profit of only VND17b/USD0.07m (-99% YoY/-18% QoQ) was mostly attributed to the ICT/CE segment, which was hit hard by escalation in the pricing war among ICT retailers.

This is a historical low quarterly performance since MWG listed on HOSE, and it's the third quarter in a row that MWG's earnings fell to unexpected low levels. Sluggish demand in the ICT/CE segment since 4Q22 continued into 1H23, as we had expected. However, we underestimated the extent of the impact on margins due to the aggressive price war to win market share and inventory clearance.

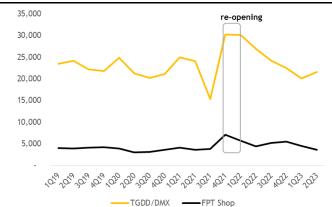
As shared by management, MWG's market share in the ICT/CE segment expanded by at least 5% in 2Q23. Therefore, despite ongoing sluggish demand, TGDD/DMX's sales picked up in 2Q23 (+8% QoQ), ahead of the market, and its dominant position was further strengthened. For comparison, the No.2 player FPT Retail (FRT VN, CP VND83,900, NR) suffered a significant loss of VND219b in 2Q23 (vs -VND5b in 1Q), i.e. also its worst performance since listing.

Fig 1: MWG's earnings disappointed the market for the third quarter in a row, falling to a historical low since its listing



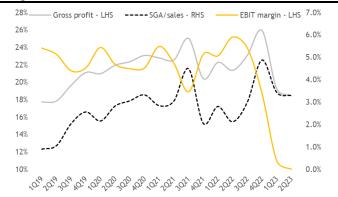
Source: Company, Maybank IBG Research

Fig 3: TGDD/DMX's sales vs FPT Shop



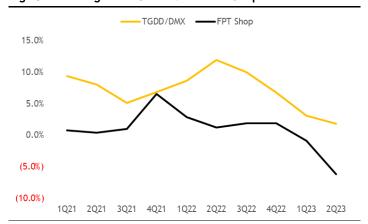
Source: Company, Maybank IBG Research (Unit: VNDb)

Fig 2: Margins fell sharply as TGDD/DMX launched aggressive pricing tactics to win market share



Source: Company, Maybank IBG Research

Fig 4: EBIT margin of TGDD/DMX vs FPT Shop



Source: Company, Maybank IBG Research



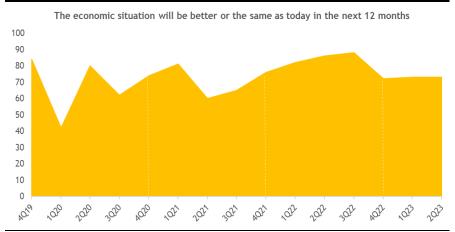
#### Early signs of bottoming out

 Macro headwinds have started to ease thanks to the government's quick policy pivot and actions to save the economy from falling into a long cyclical downturn, such as interest rate cuts, VAT rate reductions of 2% or solutions to support the real estate sector as well as exportrelated sectors, etc.

The government is placing more priority on boosting economic growth after the disappointing 1H23 GDP growth of just 3.72% vs the 2023 target of 6.5%. Accelerating public investments, coupled with pick up in exports, could support better GDP growth in 2H23.

Altogether these will support consumers' disposable income and confidence to improve, leading to recovery in overall consumption from 2H23, in our view.

Fig 5: Consumer sentiment in 2Q23 slightly improved, according to Kantar's survey, due to easing macro headwinds



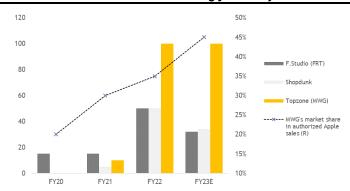
Source: Kantar, Maybank IBG Research

2) We believe MWG could lead the recovery thanks to its accelerated market-consolidation strategy. The year-end season ahead is likely to be driven by the new iPhone launch. As shared by management, MWG had expanded its iPhone market share to c.45% by end-2Q23 (from 35% in late 2022) and it targets to secure another 10% market share by the end of this year.

Apple's sales policies are now much more supportive of the Vietnam market, making it more competitive with neighbouring tier-1 countries (i.e. Singapore and Thailand) in terms of selling price as well as shortening the waiting time for new product delivery. In particular, the new iPhone 15 products will be officially on shelves of authorized resellers in Vietnam just two weeks after tier-1 markets, significantly reducing the delay from two months previously. This could benefit authorized resellers like MWG to win domestic demand from smuggled products (so-called 'grey market'), which still account for nearly 1/3 of the Apple market in Vietnam. Based on our observations, MWG is leading in the number of iPhone 15 pre-orders. Besides its competitive pricing, MWG owns the largest Apple-authorized mono-store chain in Vietnam, Topzone, along with more than 3.4k TGDD/DMX stores nationwide.

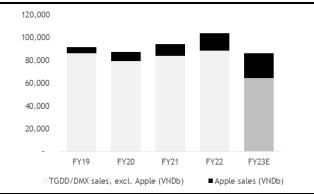
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Fig 6: Topzone emerged as the largest Apple-authorized monostore chain in Vietnam after launching just one year



Source: Company, Maybank IBG Research

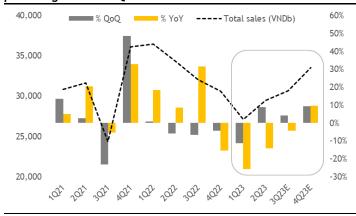
Fig 7: Apple sales contribution growing, representing a key growth driver for MWG



Source: Company, Maybank IBG Research

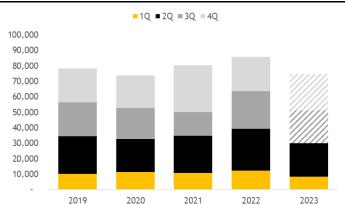
3) Magnitude of decline in sales is narrowing. For the first two months of 3Q23, MWG achieved c.VND19.8t in sales, down by 8% YoY (vs 2Q23: -14% YoY and 1Q23: -26% YoY). The improvement came from both key businesses, ICT/CE and grocery. We expect this momentum will continue and MWG's sales growth will revert to positive growth in 4Q23E, partly supported by low-base effect.

Fig 8: We expect sales improvement to continue and turn to positive growth in 4Q23



Source: Company, Maybank IBG Research

Fig 9: 4Q22 represents a relatively low base as consumption started weakening since late 3Q22



Source: Company, Maybank IBG Research

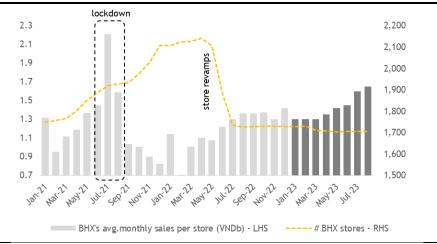
4) BHX keeps improving and heading towards breakeven point. Following upbeat sales improvement in Jul'23 (+10% MoM and +20% YoY), BHX's sales kept increasing by more than 2% MoM in Aug'23 and the monthly average sales per store improved to VND1.65b.

The improvement mostly came from traffic increase (i.e. number of bills), and fresh food volumes, which rose by 4% and 10% MoM, respectively. This positive improvement momentum helps to strengthen our expectation that BHX will become profitable in 4Q23 and bring about timely needed support to MWG's bottom-line amid weakness in ICT/CE (major profit contributor).

As shared in its recent 2Q23 earnings call, MWG's management was confident about the possibility that BHX could become profitable by year-end, as its FY23 target. They expect 10% further sales growth by end-FY23 (vs Jul'23) along with continued efforts to optimize logistics costs in 2H23.

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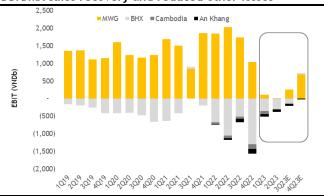
Fig 10: BHX's sales/stores improved strongly in Jul-Aug'23



Source: Company, Maybank IBG Research

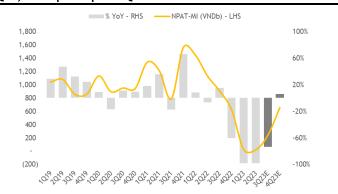
5) Profit margins will remain under pressure but BHX will support the bottom-line. As the price war in the ICT/CE segment persists, we believe pressure on TGDD/DMX's profit margins will continue in 2H23. Hence, our expectation for 2H23 earnings recovery mostly stems from: 1) sales improvement; and 2) narrower losses from BHX and other businesses. All in all, we forecast MWG's NPAT-MI will resume positive growth in 4Q23. We forecast BHX will contribute c.5% to MWG's EBIT in 4Q23E (vs a loss of c.VND1.3t in 4Q22, equivalent to nearly 50% of PBT generated by TGDD/DMX).

Fig 11: We expect EBIT to improve from 3Q23E, led by TGDD/DMX sales recovery and reduced other losses



Source: Company, Maybank IBG Research

Fig 12: We forecast NPAT-MI will resume positive growth in 4Q23, after pick-up in 3Q23



Source: Company, Maybank IBG Research



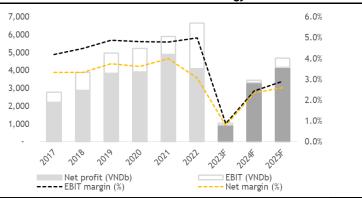
## 2. Revising our forecasts

Taking into account impacts of the pricing war in the ICT/CE segment (which was actually more aggressive than we had expected), we reduced our FY23E top-line forecast for MWG by 7% to VND120.7t (-9.5% YoY). We also lowered our profit margin assumptions, which resulted in FY23E NPAT-MI of VND938b (-77% YoY).

With expectation of recovery in consumer spending from late 2023, we forecast FY24E sales will grow 16.5% YoY. When demand recovers, we believe the price war would gradually ease and partly ease the current pressures on margins for TGDD/DMX. However, as the business environment and strategy for the ICT/CE segment has changed, we just expect FY24E EBIT margin to improve to 2.4%, (vs 5.0% in FY22 and 0.9% in FY23E).

All in all, we forecast MWG's FY24E NPAT-MI will make a strong recovery of 254% YoY to VND3.3t.

Fig 13: Margins expected to recover in FY24E but still narrow vs previously due to different business environment and MWG's strategy



Source: Company, Maybank IBG Research

Fig 14: Key forecast changes

Key items (VNDb, unless	otherwise specified)	FY22A	FY23E - NEW	FY23E - OLD	% variant	FY24E
Total sales		133,405	120,746	130,223	-7.3%	140,662
	% YoY	8.5%	-9.5%	-2.4%		16.5%
TGDD+DMX		103,656	86,127	97,011	-11.2%	99,088
	% YoY	9.9%	-16.9%	-6.4%		15.0%
	% total sales	77.7%	71.3%	74.5%		70.49
BHX		27,081	31,333	30,023	4.4%	37,341
	% YoY	-3.8%	15.7%	10.9%		19.2%
	% total sales	20.3%	25.9%	23.1%		26.5%
Others		2,668	3,285	3,189	3.0%	4,233
Gross margin (%)		23.1%	19.0%	20.3%		19.69
SGA/sales (%)		18.2%	18.1%	16.8%		17.29
EBIT		6,644	1,046	4,684	-77.7%	3,432
	% YoY	12.8%	-84.3%	-29.5%		228.19
	EBIT margin (%)	5.0%	0.9%	3.6%		2.4
PBT		6,056	1,462	5,098	-71.3%	4,260
	% YoY	-6.4%	-75.9%	-15.8%		191.3%
	Effective tax rate	32.3%	35.9%	23.7%		22.0
NPAT-MI		4,100	938	3,890	-75.9%	3,323
	% YoY	-16.3%	-77.1%	-5.1%		254.39
	Net margin (%)	3.1%	0.8%	3.0%		2.4

Source: Company, Maybank IBG Research



## 3. Valuation

We changed our valuation method from DCF to sum of the parts (SOTP) and roll forward to FY24. Accordingly, we arrived at a new TP of VND58,155, higher than our previous TP and current price by 21% and 12%, respectively.

Fig 15: Sum of the parts (SOTP) valuation

Sum of the parts (SOTP)	Value (VNDb)	Value (USDb)	Economic Interest (%)	Rationale
TGDD/DMX	45,301	1.9	100%	Based on our FY24E net profit of VND2,746b and a target P/E of $16.5x$ , similar to 5-year mean of MWG.
внх	37,341	1.5	100%	Based on our FY24E sales of VND37,341b and 1.0x targeted P/S, 20% discounst vs Alfamart - a leading minimart chain in Indonesia with FY22 sales of USD6.5b and 21,000++ stores across the country.
An Khang/AVA	4,233	0.2	100%	Based on our FY24E sales of VND4,233b and 1.0x targeted P/S, in line with the recent valuation that South Korean's Dongwha Pharm acquired 51% stake of Trung Son Pharma, a pharmacy chain in Mekong Delta with 140 stores.
Enterprise value	86,834			
Net cash/(debt)	6,229			
Fair value	93,063			
Number of outstanding shares (m)	1,493			
Fair value per share (VND)	58,155			
Current price (VND/share)	52,000			
Upside/(downside)	12%			

Source: Company, Bloomberg, Maybank IBG Research forecasts

This SOTP method would be a more reasonable way to fully reflect the fair enterprise value of MWG at this stage, including the not profitable retail chains (such as BHX, An Khang pharmacy, etc.), in our view.

Grocery chain BHX is a leading mini-mart chain in Vietnam with revenue size similar to Wincommerce (WCM) of Masan Group (MSN VN, CP VND73,000, NR), which used to be valued at USD3.2b to USD4.5b. This valuation is roughly calculated based on some recent related deals in The CrownX (Fig.16), MSN's subsidiary, which owns WCM and Masan Consumer Holdings (MCH, CP VND75,900, NR). At the implied valuation of USD6.9-8.2b for The CrownX, if MCH's market cap at the time of those deals was around USD3.7b, the remaining value of USD3.2b to USD4.5b could be considered as WCM's valuation (equivalent to 2.5-3.6x P/S).

Fig 16: Recent The CrownX (TCX) deals

Date	Investors	Invesment amount (USDm)	% stake	Implied valuation for 100% TCX (USDm)
Jun-21	Alibaba Group and Baring Private Equity Asia	380	5.5%	6,909
Nov-21	SK Group	340	4.9%	6,939
Dec-21	TPG, ADIA and SeaTown	350	4.3%	8,200

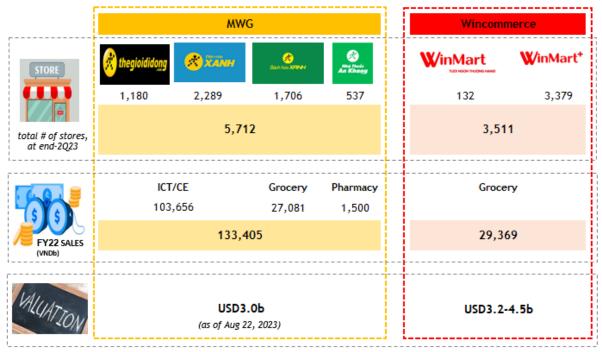
Source: Company, Maybank IBG Research

At this current market cap of USD3b, MWG has the largest retail network in Vietnam with 5.7k++ stores nationwide, capturing a substantial portion of the largest categories of Vietnam's retail sales, including fresh foods and FMCG, ICT/CE (with >50% market share) and pharmaceuticals, moms & kids products. It would be a valuation discrepancy if we compare MWG's current market cap with the valuation of WCM.



Therefore, along with earnings recovery expectations, we note that a potential strategic stake sale of a maximum of 20% in BHX could be a major re-rating catalyst for MWG.

Fig 17: MWG vs WCM



Source: Maybank IBG Research

 $Source: \ Company, \ Bloomberg, \ Maybank \ IBG \ Research$ 



#### Appendix I

Methodology of our proprietary ESG scoring.

We evaluate the ESG ratings based on quantitative, qualitative and ESG targets. We assign a score for each of these three parameters. The overall rating is based on the weighted average of the scores: quantitative (50%), qualitative (25%) and ESG target (25%).

For the quantitative, qualitative and ESG target, the sub-parameters are assigned a score - '0' for data not available, '+1' for improving trajectory, positive change, 'Yes', better than peers or a positive number if historical is not available and '-1' for declining trajectory, negative change, 'No', lower than peers or a negative number. The total of the scores of all the sub-parameters is divided by the total number of sub-parameters, to derive the score of each of the three parameters.

The sub-parameters may be different for different industries depending on the key areas to monitor for each industry. A company should achieve a minimum score of 50 for an average ESG rating.



FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics			0.4.4	22.4	40.0
P/E (reported) (x)	15.7	22.7	81.1	23.4	19.0
Core P/E (x)	19.8	15.3	81.4	23.4 3.1	19.0
P/BV (x) P/NTA (x)	4.8 4.8	2.6 2.6	2.9 2.9	3.1	3.1 3.1
Net dividend yield (%)	1.5	1.2	1.9	2.9	3.8
FCF yield (%)	nm	5.6	10.8	nm	1.3
EV/EBITDA (x)	11.7	6.3	17.3	11.4	9.8
EV/EBIT (x)	17.5	9.7	66.0	20.8	15.6
INCOME STATEMENT (VND b)					
Revenue	122,958.1	133,404.8	120,745.7	140,662.4	160,690.8
EBITDA	8,808.9	10,184.5	3,987.3	6,269.3	7,511.1
Depreciation	(2,920.7)	(3,540.3)	(2,941.4)	(2,837.3)	(2,823.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	5,888.2	6,644.2	1,045.9	3,431.9	4,687.2
Net interest income /(exp)	552.3	(69.5)	485.3	816.8	581.8
Associates & JV	4.2	0.0 0.0	0.0 0.0	0.0	0.0
Exceptionals Other pretax income	0.0 26.9	(518.3)	(69.0)	0.0 10.9	0.0 14.9
Pretax profit	6,471.6	6,056.4	1,462.1	4,259.6	5,283.9
Income tax	(1,570.2)	(1,954.6)	(524.4)	(937.1)	(1,109.6)
Minorities	(2.6)	(2.0)	0.0	0.0	0.0
Reported net profit	4,898.9	4,099.8	937.7	3,322.5	4,174.3
Core net profit	4,896.6	4,097.3	935.2	3,322.5	4,174.3
BALANCE SHEET (VND b)					
Cash & Short Term Investments	18,378.6	15,130.3	25,804.3	23,134.4	19,706.6
Accounts receivable	3,162.1	3,000.8	2,572.1	3,080.2	3,213.8
Inventory	29,180.3	25,696.1	21,734.2	23,912.6	26,514.0
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	9,567.0	9,653.3	6,989.4	5,509.6	4,745.2
Intangible assets	67.2	74.2	69.7	65.1	60.6
Investment in Associates & JVs	0.0	181.0	181.0	181.0	181.0
Other assets	2,627.9	2,098.4	1,883.1	1,883.1	1,883.1
Total assets	62,983.2	55,834.1	59,233.7	57,766.0	56,304.3
ST interest bearing debt	21,879.1 12,179.8	10,688.1 8,745.8	12,825.8 7,828.3	12,184.5 9,610.6	10,966.0 10,905.1
Accounts payable Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	2,768.4	5,901.3	5,901.3	4,721.0	2,832.6
Other liabilities	5,778.0	6,566.0	6,112.0	5,985.0	6,058.0
Total Liabilities	42,604.8	31,901.5	32,667.3	32,500.8	30,761.6
Shareholders Equity	20,366.4	23,918.1	26,552.0	25,250.7	25,528.2
Minority Interest	12.0	14.5	14.5	14.5	14.5
Total shareholder equity	20,378.4	23,932.6	26,566.5	25,265.2	25,542.7
Total liabilities and equity	62,983.2	55,834.1	59,233.7	57,766.0	56,304.3
CASH FLOW (VND b)					
Pretax profit	6,471.6	6,056.4	1,462.1	4,259.6	5,283.9
Depreciation & amortisation	2,920.7	3,540.3	2,941.4	2,837.3	2,823.9
Adj net interest (income)/exp	89.8	39.8	(1,799.6)	(2,158.0)	(1,709.4)
Change in working capital	(7,148.9)	815.3	3,473.1	(904.3)	(1,440.5)
Cash taxes paid	(1,533.1)	(1,805.3)	(978.7)	(1,064.3)	(1,036.5)
Other operating cash flow	(779.4)	(670.1)	0.0	0.0	0.0
Cash flow from operations Capex	20.7 (4,962.8)	7,976.3 (4,460.0)	8,473.1 (273.0)	585.7 (1,353.0)	3,069.7 (2,055.0)
Free cash flow	(4,962.6) (4,942.1)	3,516.3	(273.0) 8,200.1	(767.3)	1,014.7
Dividends paid	(239.5)	(731.9)	(1,463.4)	(2,239.0)	(3,045.0)
Equity raised / (purchased)	225.9	187.6	0.0	0.0	0.0
Change in Debt	7,891.1	(8,062.1)	2,137.6	(1,821.5)	(3,106.8)
Other invest/financing cash flow	(5,428.1)	5,974.7	(5,463.1)	7,185.6	6,671.3
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(2,492.7)	884.6	3,411.3	2,357.8	1,534.1



FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	13.3	8.5	(9.5)	16.5	14.2
EBITDA growth	18.8	15.6	(60.8)	57.2	19.8
EBIT growth	12.9	12.8	(84.3)	228.1	36.6
Pretax growth	19.6	(6.4)	(75.9)	191.3	24.0
Reported net profit growth	25.0	(16.3)	(77.1)	254.3	25.6
Core net profit growth	25.1	(16.3)	(77.2)	255.3	25.6
Profitability ratios (%)					
EBITDA margin	7.2	7.6	3.3	4.5	4.7
EBIT margin	4.8	5.0	0.9	2.4	2.9
Pretax profit margin	5.3	4.5	1.2	3.0	3.3
Payout ratio	29.1	17.8	156.1	67.4	72.9
DuPont analysis					
Net profit margin (%)	4.0	3.1	0.8	2.4	2.6
Revenue/Assets (x)	2.0	2.4	2.0	2.4	2.9
Assets/Equity (x)	3.1	2.3	2.2	2.3	2.2
ROAE (%)	27.3	18.5	3.7	12.8	16.4
ROAA (%)	9.0	6.9	1.6	5.7	7.3
Liquidity & Efficiency					
Cash conversion cycle	59.5	67.9	65.1	52.1	49.0
Days receivable outstanding	7.1	8.3	8.3	7.2	7.1
Days inventory outstanding	91.8	96.3	87.2	72.7	70.7
Days payables outstanding	39.3	36.7	30.5	27.8	28.8
Dividend cover (x)	3.4	5.6	0.6	1.5	1.4
Current ratio (x)	1.3	1.7	1.9	1.8	1.8
Leverage & Expense Analysis					
Asset/Liability (x)	1.5	1.8	1.8	1.8	1.8
Net gearing (%) (incl perps)	30.8	6.1	net cash	net cash	net cash
Net gearing (%) (excl. perps)	30.8	6.1	net cash	net cash	net cash
Net interest cover (x)	na	95.6	na	na	na
Debt/EBITDA (x)	2.8	1.6	4.7	2.7	1.8
Capex/revenue (%)	4.0	3.3	0.2	1.0	1.3
Net debt/ (net cash)	6,268.8	1,459.1	(7,077.2)	(6,228.9)	(5,908.0)

Source: Company; Maybank IBG Research



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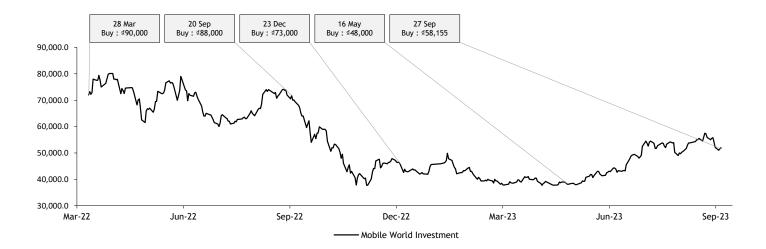
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