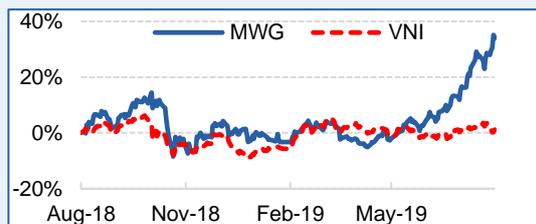


Industry:	Retailing	2018	2019F	2020F	2021F	
<b>Report Date:</b>	<b>August 12, 2019</b>	Rev Growth	30.4%	24.5%	32.5%	23.0%
Current Price:	VND115,900	EPS Growth	24.3%	34.6%	34.8%	21.7%
Current Target Price:	VND215,000	GPM	17.7%	18.0%	18.4%	18.9%
Last Target Price:	VND164,700	NPM	3.3%	3.7%	3.8%	3.9%
Upside to TP:	+85.5%	EV/EBITDA	10.2x	8.0x	6.3x	5.2x
Dividend Yield:	1.3%	P/Op CF	22.2x	7.6x	9.9x	6.1x
TSR:	+86.8%	P/E	17.4x	12.9x	9.6x	7.9x



Market Cap:	USD2.2bn	<u>MWG</u>	<u>VNI</u>	
Foreign Room:	USD0	P/E (ttm)	14.7x	16.4x
ADTV30D:	USD4.2mn	P/B (curr)	4.9x	2.4x
State Ownership:	0%	Net D/E	0.1x	N/A
Outstanding Shares:	442.7mn	ROE	38.6%	14.7%
Fully Diluted Shares:	442.7mn	ROA	12.1%	2.5%
3-yr PEG	0.6			

Company Overview

MWG owns the leading mobile phone and consumer electronics chains in Vietnam with YE2018 market shares of 45% and 35%, respectively. It also has the number one online platform in Vietnam by revenue. To sustain strong long-term growth, MWG is rolling out the BachhoaXANH minimart chain.

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**Top-notch execution continues to fuel strong growth**

- We reiterate BUY and raise our TP by 31% as we lift our 2019F/2020F/2021F NPAT-MI forecasts by 5%/12%/15%, increase long-term minimart sales/store and roll over our valuation to mid-2020.
- At a three-year PEG of 0.6, based on our forecasts, we find MWG's valuations highly attractive. We forecast a 30% EPS CAGR during 2018-2021F, primarily driven by DMX and our forecast that BHX (minimart chain) will start contributing net profits on a full-year basis in 2021.
- Our earnings forecasts increase as we ratchet up our YE2021 store count assumption for DMX (consumer electronics chain) from ~1,000 previously to 1,300. We also taper down our G&A projections, which are trending below our previous forecasts.
- We lift our YE2019/YE2021/YE2023 store count assumption for BHX from 900/2,200/4,200 previously to 950/2,800/4,800 given BHX's accelerating store expansion.
- We also revise up our long-term monthly sales/store assumption for BHX from ~VND1.3bn (USD56,000) to ~VND1.7bn (USD73,000). Based on our projections, BHX will contribute almost 20% to MWG's NPAT-MI in 2023F.

**Management still sees plenty of headroom for expanding DMX store coverage.** As of today, MWG has close to 890 DMX stores vs 750 at YE2018. MWG targets to have a total of ~1,000 DMX stores by YE2019 and ~1,500 DMX stores by 2021-2022. This aggressive store opening plan is due to management thinking that MWG's market share in consumer electronics (37% currently) could approach its current market share level in mobile phones (~47%). Accordingly, we factor in 250/150/150 new DMX stores in 2019F/2020F/2021F, in which we assume 30-50 new DMX stores per year will come from conversions of high-performing TGDD (mobile phone) stores.

**Store layout conversion and contribution from watches/sunglasses boost SSSG.** In Q2 2019, MWG converted 210 mini-DMX stores to a new layout that boasts a wider range of SKUs for both consumer electronics and home appliance/kitchenware products. Per MWG, the new DMX layout generally helps to improve sales/store by 30%. MWG plans to convert the remaining ~300 mini-DMX stores by YE2019. Meanwhile, the roll-out of watches and, to a smaller extent, sunglasses, is gaining positive traction. As of today, MWG has more than 50 watch points of sales (shop-in-shop format that is located inside TGDD and DMX stores). Management aims to raise watch points of sales to 100 by September 2019, 200 by YE2019 and 500 by June 2020. Based on these initiatives, we project that the combined SSSG for DMX and TGDD will reach 9%/9%/7% in 2019F/2020F/2021F.

**BHX continues to see acceleration in store expansion and profitability improvement.** As of June 2019, nearly 40% of BHX's store count was able to cover all direct operating costs, including distribution center costs and depreciation expenses. As such, BHX is on track to accomplish management's target of achieving profitability for the entire chain before G&A expenses by YE2019. In terms of store expansion, in addition to a continued focus on opening new stores in the South, management plans to open BHX stores in the central region in 2020.

## H1 2019 recap: DMX leads strong earnings; BHX continues to show improvements

Figure 1: MWG's H1 2019 results

VND bn	H1 2018	H1 2019	YoY	Store count as of YE2018	Store count as of H1 2019	VCSC comments on H1 2019
<b>Revenue</b>	<b>44,570</b>	<b>51,621</b>	<b>16%</b>			
TGDD	18,039	17,241	-4%	1,032	1,011	* Store count reduction mostly due to MWG's conversion of strong-performing TGDD stores into DMX stores to boost sales. * On a category basis, MWG's systemwide mobile phone revenue inched up 3% YoY.
DMX	24,949	30,302	21%	750	838	Combined SSSG of DMX and TGDD, led by DMX, improved to 7% in H1 2019 vs 5% in Q1 2019. * Per our estimates, average sales/store reached ~VND1.6bn (USD68,000) per store in June 2019, +7% MoM and ~30% higher than the Q4 2018 average.
BHX	1,552	4,078	163%	405	600	* Store openings accelerated (131 new stores in Q2 2019 vs 64 in Q1 2019).
Others	30	0	N/M			
Online sales	5,540	7,720	39%			Online sales growth eased to 11% YoY in Q2 2019 vs 67% YoY in Q1 2019. Per management, this growth slowdown is because MWG has cut down on promotions (e.g., price discount vouchers) for its online channel to better align its offline/online pricing since May 2019. This adjustment will enable MWG to more effectively utilize its omnichannel in the sense that its online platform will better target customers who seek the convenience and service quality of online shopping rather than those chasing price discounts. This online pricing adjustment has not affected total sales, per management, as customers who were previously incentivized to order online because of promotional vouchers simply switched to purchasing directly at stores.
<b>Gross profit</b>	<b>7,836</b>	<b>9,182</b>	<b>17%</b>			
Selling expenses	-4,773	-5,458	14%			
G&A expenses	-986	-1,004	2%			
<b>EBIT</b>	<b>2,077</b>	<b>2,720</b>	<b>31%</b>			
<b>PBT</b>	<b>2,011</b>	<b>1,341</b>	<b>36%</b>			Rose at a higher pace than EBIT as MWG recorded a net financial income in H1 2019 vs net financial expenses in H1 2018 thanks to an improving net cash/debt position.
<b>NPAT-MI</b>	<b>1,539</b>	<b>2,120</b>	<b>38%</b>			
GPM	17.6%	17.8%				
EBIT margin	4.7%	5.3%				
NPAT-MI margin	3.5%	4.1%				

Source: MWG & VCSC

## Business updates

Most of the following content was published in our Analyst Meeting Note [Store expansion ahead of expectation](#) dated August 9, 2019.

### Market share expansion in mobile phones and consumer electronics

- Combined H1 2019 SSSG of TGDD (mobile phone chain) and DMX was 7%, which was higher than the 5% in Q1 2019.
- MWG's market shares in mobile phones and consumer electronics have widened to 47% and 37%, respectively, compared to 45% and 35% as of YE2018. In air conditioners, MWG's market share has already surpassed 40%. In H1 2019, MWG outgrew the overall market across categories.

**Figure 2: MWG's H1 2019 revenue growth by category vs market**

Category	Overall market growth (YoY)	MWG's revenue growth (YoY)
Mobile	-5%	+3%
TVs	-10%	+2%
Air conditioners	+46%	+80%
Refrigerators	+3%	+15%
Washing machines	0%	+15%

Source: MWG

### Consumer electronics business (DMX)

- As of today, MWG has close to 890 DMX stores. Management targets to have a total of ~1,000 stores by YE2019 and ~1,500 DMX stores by 2021-2022.
- In Q2 2019, MWG converted 210 mini-DMX stores to a new layout that boasts a wider range of SKUs for both consumer electronics and home appliance/kitchenware products. Per MWG, the new DMX layout generally helps to improve sales/store by 30% vs the current layout. MWG plans to convert the remaining ~300 mini-DMX stores by YE2019.

### Minimart business (BHX)

- GPM reached 19% in June 2019 vs ~18% in March 2019 on the back of BHX's broadening scale and increased direct sourcing.
- As of June 2019, nearly 40% of BHX's store count was able to cover all direct operating costs, including distribution center costs and depreciation expenses. As such, BHX is on track to accomplish management's target of achieving profitability for the entire chain before G&A expenses by YE2019. Management said this target could be accomplished sooner than December 2019.
- In June 2019, the standard format (~200 sqm/store, 83% of BHX's store count) averaged monthly sales of VND1.4bn (USD60,000) per store while the big format (~300 sqm/store, 17% of BHX's store count) averaged more than VND2.3bn (USD100,000) per store. Per our estimate, the blended average monthly sales of BHX reached ~VND1.6bn (USD68,000) per store in June 2019, +7% MoM and ~30% higher than the Q4 2018 average.

- Management expects BHX's store count will reach between 900-1,000 by YE2019. It also believes it can open 70-80 new BHX stores per month in 2020.
- Management believes BHX's store coverage in HCMC still has extensive headroom to expand. As of June 2019, BHX had more than 380 stores in HCMC. Management estimates that BHX could ultimately open a total of 1,500 stores in HCMC alone.
- In addition to a continued focus on opening new stores in the South, management plans to open BHX stores in the central region in 2020. Penetration into the North is likely to happen after 2021 or in 2021 at the earliest.
- BHX is experimenting a new process to reduce spoilage rate that currently is in practice at 20-30 stores. Management finds the spoilage rate in these experimented stores amounts to ~1.8% compared to ~3% for the whole BHX chain. Thus, MWG expects to roll out this new process to the remainder of BHX stores in the near future, which should meaningfully improve the chain's profitability.

### **Mobile business**

MWG is piloting a "low-price" mobile phone store format, called "Dien Thoai Sieu Re" ("Super Cheap Phones" in English). With this format, MWG intends to further take market share away from mom-and-pop shops (~20% of the market) by tapping into price-sensitive consumers. Prices in this store format are at least 10% lower than those of the same products in TGDD stores. In exchange, MWG will (1) minimize capex (e.g., small size of 16-20 sqm per store; no air conditioners) and operating expenses (e.g., only one employee per shift) and also (2) cut down on customer services (e.g., no product return/exchange; no warranty from MWG and only a manufacturer warranty) in this store format.

### **Watches and sunglasses**

- As of today, MWG has more than 50 watch points of sales (shop-in-shop format that is located inside TGDD and DMX stores). Management aims to raise watch points of sales to 100 by September 2019, 200 by YE2019 and 500 by June 2020. On average, MWG is selling about 25 watches per shop per day with an ASP of ~VND1.4mn-VND1.5mn (USD60-USD64).
- Assuming 500 points of sales, we estimate that watches will contribute VND3.4tn (USD145mn) in revenue to MWG in 2021F.
- Meanwhile, as of today, MWG has six sunglass points of sales (shop-in-shop format that is located inside TGDD and DMX stores). On average, MWG sells about ten pairs of sunglasses per shop per day with an ASP of ~VND1.8mn (USD77).

## 2019 outlook: DMX's growth to accelerate, aided by more aggressive store openings and store layout optimization

Figure 3: VCSC's 2019 forecasts

VND bn	2018	2019F (old)	2019F (new)	2019F (new) YoY	VCSC comments on 2019F
<b>Revenue</b>	<b>86,516</b>	<b>106,812</b>	<b>107,749</b>	<b>25%</b>	
TGDD	34,607	32,777	32,483	-6%	* We assume 50 high-performing TGDD stores will be converted to mini-DMX in 2019 (total store count by YE2019: 982). * Revenue will be cushioned by elevated online sales.
DMX	47,584	64,088	63,716	34%	* Bolstered by 16% SSSG, 250 new stores (total store count by YE2019: 1,000) and full contribution from stores opened in 2018. * The slight downward revision, despite a higher YE2019 store count assumption, is due to our downward adjustment to sales/new store. * We expect DMX's revenue growth will speed up in H2 2019 vs H1 2019 due to faster store openings and stepped-up sales/store backed by store layout conversion.
BHX	4,326	9,947	11,550	167%	* We project a total store count of 950 by YE2019 (vs 900 in the previous report) vs 405 stores as of YE2018. * We lift our projected blended monthly sales/store from VND1.3bn (USD55,800) to more than VND1.5bn (USD65,000) as BHX's sales/store outperforms our previous expectation.
Online sales	12,350	19,720	16,022	30%	We tone down our projected contribution from online sales following MWG's pricing adjustment mentioned in Figure 1.
<b>Gross profit</b>	<b>15,292</b>	<b>19,201</b>	<b>19,354</b>	<b>27%</b>	
Selling expenses	-9,660	-12,071	-12,166	26%	We expect SG&A growth to intensify in H2 2019 vs H1 2019 owing to more aggressive store expansion for both DMX and BHX.
G&A	-1,762	-2,323	-2,163	23%	
<b>EBIT</b>	<b>3,871</b>	<b>4,807</b>	<b>5,025</b>	<b>30%</b>	
<b>PBT</b>	<b>3,786</b>	<b>4,860</b>	<b>5,139</b>	<b>36%</b>	Growing faster than EBIT aided by a strengthening net cash/debt position.
<b>NPAT-MI</b>	<b>2,879</b>	<b>3,785</b>	<b>3,982</b>	<b>38%</b>	* Estimated net loss from BHX projected to increase from VND572bn (USD25mn) in 2018 to VND670bn (USD29mn) in 2019 despite a ~2.5x increase in store count, driven by higher sales/store and GPM, improved opex and only 20 store closures in 2019F vs more than 100 stores in 2018, per our estimate. * Excluding BHX, NPAT-MI would grow 34% YoY in 2019, per our projections.
<b>EPS (VND)</b>	<b>6,678</b>	<b>8,526</b>	<b>8,986</b>	<b>35%</b>	2019 EPS will be diluted by a 3% ESOP issuance completed at YE2018.
GPM	17.7%	18.0%	18.0%		We project BHX's GPM to expand by ~3 pts in 2019 vs 2018 to ~19% on the back of its ballooning scale, increased direct sourcing and initiatives to reduce the spoilage rate for fresh produce.
Selling exp/revenue %	11.2%	11.3%	11.3%		
G&A/revenue %	2.0%	2.2%	2.0%		G&A expenses are rising slower than we anticipated.
EBIT margin	4.5%	4.5%	4.7%		
NPAT-MI margin	3.3%	3.5%	3.7%		
Effective tax rate	23.9%	22.1%	22.5%		Losses from BHX are not tax-deductible and will be carried forward.

Source: VCSC

## 2020 outlook: DMX and BHX to buoy bottom line

Figure 4: VCSC's 2020 forecasts

VND bn	2019F (new)	2020F (new)	YoY	VCSC comments on 2020F
<b>Revenue</b>	<b>107,749</b>	<b>142,818</b>	<b>33%</b>	
TGDD	32,483	30,020	-8%	We assume 50 high-performing TGDD stores will be converted to mini-DMX in 2020 (total store count by YE2019: 932).
DMX	63,716	85,340	34%	Bolstered by 13% SSSG, 150 new stores (total store count by YE2020: 1,150), and full contribution from stores opened in 2019. * We project a total store count of 1,800 by YE2020 vs 950 by YE2019.
BHX	11,550	27,457	138%	* We further project that BHX's blended monthly sales/store will advance by 9% YoY to nearly VND1.7bn (USD71,000) in 2020 thanks to SSSG and a larger contribution from big store format.
Online sales	16,022	20,829	30%	
<b>Gross profit</b>	<b>19,354</b>	<b>26,298</b>	<b>36%</b>	
Selling expenses	-12,166	-16,794	38%	
G&A	-2,163	-2,949	36%	
<b>EBIT</b>	<b>5,025</b>	<b>6,555</b>	<b>30%</b>	
<b>PBT</b>	<b>5,139</b>	<b>6,940</b>	<b>35%</b>	Growing faster than EBIT, aided by a strengthening net cash/debt position.
<b>NPAT-MI</b>	<b>3,982</b>	<b>5,492</b>	<b>38%</b>	* Estimated net loss from BHX projected to narrow from VND670bn (USD29mn) in 2019 to VND281bn (USD12mn) in 2020, driven by higher sales/store and GPM as well as improved opex. * Excluding BHX, NPAT-MI would grow 25% YoY in 2020, per our projections.
<b>EPS (VND)</b>	<b>8,986</b>	<b>12,116</b>	<b>35%</b>	2020 EPS will be diluted by a 2.4% ESOP issuance expected to be completed at YE2019.
GPM	18.0%	18.4%		We project BHX's GPM to expand by ~2 ppts in 2020 vs 2019 to 20.6% on the back of its ballooning scale, increased direct sourcing and initiatives to reduce the spoilage rate for fresh produce.
Selling exp/revenue %	11.3%	11.8%		BHX is estimated to have higher selling expenses as a percentage of sales.
G&A/revenue %	2.0%	2.1%		BHX is estimated to have higher G&A expenses as a percentage of sales.
EBIT margin	4.7%	4.6%		
NPAT-MI margin	3.7%	3.8%		
Effective tax rate	22.5%	20.8%		Losses from BHX are not tax-deductible and will be carried forward.

Source: VCSC

## Valuation

We value MWG using a sum-of-the-parts method including (1) a five-year DCF for the mobile and consumer electronics businesses and (2) a ten-year DCF for the minimart business. We apply a higher cost of equity (20%) to the minimart business to reflect the high uncertainty of our long-term assumptions given that BHX remains in its early stages. Meanwhile, we do not employ a peer-based valuation for MWG owing to a limited comparable universe.

**Figure 5: Summary of VCSC's valuation for MWG**

	Method	Equity value (VND bn)	Equity value/share (VND)
TGDD & DMX	DCF	83,909	185,102
BHX	DCF	13,706	30,235
<b>Target Price</b>			<b>215,337</b>
2019F/2020F PER at TP			23.9x/17.7x
2019F/2020F PER at TP (TGDD & DMX)			17.8x/14.5x

Source: VCSC

## Discounted Cash Flows – TGDD and DMX

**Figure 6: DCF Valuation**

Cost of Capital	Previous Report	Revised	FCFF (Five Year) – VND bn	
Beta	0.8	0.8	PV of Free Cash Flows	27,197
Market Risk Premium %	8.4	8.4	PV of Terminal Val (1.5% g)	57,496
Risk Free Rate %	4.5	4.5	<b>PV of FCF and TV</b>	<b>84,693</b>
Cost of Equity %	11.2	11.2	+ Cash & ST investments	9,426
Cost of Debt %	8.0	8.0	- Debt	-10,210
Debt %	10	10	- Minority Interest	0
Equity %	90	90	<b>Equity Value</b>	<b>83,909</b>
Corporate Tax Rate %	20	20	Shares (mn)	453*
<b>WACC %</b>	<b>10.7</b>	<b>10.7</b>	<b>Value per share, VND</b>	<b>185,102</b>

Source: VCSC (\*including a 2.4% ESOP issuance expected to be completed by YE2019)

**Figure 7: Cash flows (VND bn)**

Discounted Cash Flow	2019F	2020F	2021F	2022F	2023F
EBIT	6,287	7,723	8,770	9,817	10,797
- Tax	-1,257	-1,545	-1,754	-1,963	-2,159
+ Depreciation	1,266	1,224	1,139	835	733
- Capex	-1,176	-811	-836	-258	-277
- Working cap increase	1,817	-1,688	-415	-124	-813
Free Cash Flow	6,937	4,904	6,904	8,306	8,281
Present Value of FCF	6,592	4,208	5,350	5,813	5,233
<b>Cumulative PV of FCF</b>	<b>6,592</b>	<b>10,801</b>	<b>16,151</b>	<b>21,963</b>	<b>27,197</b>

Source: VCSC

**Figure 8: Sensitivity analysis of our target price for MWG in relation to TGDD and DMX DCF's WACC and terminal growth rate, ceteris paribus**

MWG Target Price (VND)	WACC					
	9.7%	10.2%	10.7%	11.2%	11.7%	
Terminal growth (g)	0.5%	206,542	204,152	201,820	199,546	197,327
	1.0%	213,220	210,695	208,231	205,829	203,484
	1.5%	220,621	217,946	<b>215,337</b>	212,791	210,308
	2.0%	228,870	226,027	223,255	220,551	217,912
	2.5%	238,119	235,089	232,134	229,252	226,440

Source: VCSC

## Discounted Cash Flows – BHX

Figure 9: DCF Valuation

Cost of Capital	Previous Report	Revised	FCFF (Five Year) – VND bn	
Beta	NA	NA	PV of Free Cash Flow	3,640
Market Risk Premium %	NA	NA	PV of Terminal Val (5.0% g)	10,066
Risk Free Rate %	NA	NA	<b>PV of FCF and TV</b>	<b>13,706</b>
Cost of Equity %	20%	20%	+ Cash & ST investments	0
Cost of Debt %	NA	NA	- Debt	0
Debt %	NA	NA	- Minority Interest	0
Equity %	100%	100%	<b>Equity Value</b>	<b>13,706</b>
Corporate Tax Rate %	20%	20%	Shares (mn)	453*
<b>WACC %</b>	<b>20%</b>	<b>20%</b>	<b>Value per share, VND</b>	<b>30,235</b>

Source: VCSC (\*including a 2.4% ESOP issuance expected to be completed by YE2019)

Figure 10: Cash flows

VND bn	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F
EBIT	-635	-281	273	1,195	2,397	3,943	5,985	7,626	8,967	10,168
- Tax	0	0	0	0	-448	-789	-1,197	-1,525	-1,793	-2,034
+ Depreciation	288	575	949	1,293	1,641	1,875	1,993	2,023	2,023	2,227
- Capex	-1,158	-1,740	-2,045	-2,045	-2,045	-2,045	-2,045	-2,045	-2,045	-2,045
- WC increase	-604	-401	-181	-18	-222	-225	-234	-206	-187	-188
Free Cash Flow	-2,110	-1,847	-1,005	425	1,322	2,759	4,502	5,873	6,964	8,128
PV of FCF	-1,926	-1,405	-637	225	582	1,012	1,376	1,496	1,479	1,438
<b>Cumulative PV of FCF</b>	<b>-1,926</b>	<b>-3,331</b>	<b>-3,968</b>	<b>-3,743</b>	<b>-3,161</b>	<b>-2,149</b>	<b>-773</b>	<b>723</b>	<b>2,202</b>	<b>3,640</b>

Source: VCSC

Figure 11: Sensitivity analysis of our target price for MWG in relation to BHX DCF's WACC and terminal growth rate, ceteris paribus

MWG Target Price (VND)	WACC					
	10.0%	15.0%	20.0%	25.0%	30.0%	
Terminal growth (g)	3.0%	314,009	239,623	212,351	199,330	192,236
	4.0%	332,998	243,764	213,750	199,913	192,510
	5.0%	359,582	248,733	<b>215,337</b>	200,553	192,807
	6.0%	399,459	254,806	217,149	201,262	193,128
	7.0%	465,919	262,397	219,241	202,048	193,477

Source: VCSC

Figure 12: VCSC's 2019-2028 forecasts for BHX

VND bn	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F
YE store count	950	1,800	2,800	3,800	4,800	5,800	6,800	7,800	8,800	9,800
<b>Revenue</b>	<b>11,550</b>	<b>27,457</b>	<b>46,547</b>	<b>67,702</b>	<b>88,646</b>	<b>110,114</b>	<b>132,147</b>	<b>151,024</b>	<b>169,675</b>	<b>188,089</b>
GPM	18.8%	20.6%	21.6%	22.1%	22.6%	22.9%	23.2%	23.5%	23.5%	23.5%
<b>Gross profit</b>	<b>2,171</b>	<b>5,656</b>	<b>10,054</b>	<b>14,962</b>	<b>20,034</b>	<b>25,216</b>	<b>30,658</b>	<b>35,491</b>	<b>39,874</b>	<b>44,201</b>
Selling expenses	2,472	5,169	8,525	12,007	15,421	18,630	21,633	24,542	27,343	30,271
% of revenue	21.4%	18.8%	18.3%	17.7%	17.4%	16.9%	16.4%	16.3%	16.1%	16.1%
G&A	335	769	1,257	1,760	2,216	2,643	3,039	3,323	3,563	3,762
% of revenue	2.9%	2.8%	2.7%	2.6%	2.5%	2.4%	2.3%	2.2%	2.1%	2.0%
<b>EBIT</b>	<b>-635</b>	<b>-281</b>	<b>273</b>	<b>1,195</b>	<b>2,397</b>	<b>3,943</b>	<b>5,985</b>	<b>7,626</b>	<b>8,967</b>	<b>10,168</b>
EBITDA	-347	294	1,222	2,488	4,038	5,818	7,978	9,649	10,990	12,395
Depreciation	288	575	949	1,293	1,641	1,875	1,993	2,023	2,023	2,227
PBT	-635	-281	273	1,195	2,397	3,943	5,985	7,626	8,967	10,168
<b>NPAT</b>	<b>-635</b>	<b>-281</b>	<b>273</b>	<b>1,195</b>	<b>1,948</b>	<b>3,154</b>	<b>4,788</b>	<b>6,101</b>	<b>7,174</b>	<b>8,134</b>
NPAT margin	-5.5%	-1.0%	0.6%	1.8%	2.2%	2.9%	3.6%	4.0%	4.2%	4.3%
EBITDA margin	-3.0%	1.1%	2.6%	3.7%	4.6%	5.3%	6.0%	6.4%	6.5%	6.6%

Source: VCSC

## Recommendation History

Figure 13: Historical VCSC target price vs share price (VND, adjusted for stock splits)



Source: Bloomberg & VCSC

## Financial Statements

P&L (VND bn)	2018	2019F	2020F	2021F	B/S (VND bn)	2018	2019F	2020F	2021F
<b>Revenue</b>	<b>86,516</b>	<b>107,749</b>	<b>142,818</b>	<b>175,706</b>	Cash & equivalents	3,750	4,620	4,697	7,599
COGS	-71,224	-88,395	-116,520	-142,519	ST investment	51	6,000	8,000	10,000
<b>Gross Profit</b>	<b>15,292</b>	<b>19,354</b>	<b>26,298</b>	<b>33,187</b>	Accounts receivables	380	1,134	1,504	1,850
Sales & Marketing exp	-9,660	-12,166	-16,794	-21,541	Inventories	17,446	16,852	22,688	26,883
General & Admin exp	-1,762	-2,163	-2,949	-3,690	Other current assets	1,763	1,763	1,763	1,763
<b>Operating Profit</b>	<b>3,871</b>	<b>5,025</b>	<b>6,555</b>	<b>7,956</b>	<b>Total Current assets</b>	<b>23,390</b>	<b>30,370</b>	<b>38,651</b>	<b>48,095</b>
Financial income	342	624	884	1,084	Fix assets, gross	6,067	8,400	10,951	13,832
Financial expenses	-437	-513	-502	-502	- Depreciation	-2,489	-4,008	-5,772	-7,826
- o/w interest expense	-436	-513	-502	-502	Fix assets, net	3,578	4,392	5,179	6,006
Associates	-2	-2	-2	-2	LT investment	60	60	60	60
Net other income/(loss)	12	5	5	5	LT assets other	1,113	1,113	1,113	1,113
<b>Profit before Tax</b>	<b>3,786</b>	<b>5,139</b>	<b>6,940</b>	<b>8,540</b>	<b>Total LT assets</b>	<b>4,751</b>	<b>5,565</b>	<b>6,352</b>	<b>7,179</b>
Income Tax	-906	-1,155	-1,444	-1,654	<b>Total Assets</b>	<b>28,140</b>	<b>35,934</b>	<b>45,003</b>	<b>55,274</b>
<b>NPAT before MI</b>	<b>2,880</b>	<b>3,984</b>	<b>5,495</b>	<b>6,887</b>	Accounts payable	8,253	8,679	11,232	13,710
Minority Interest	-2	-2	-3	-4	Short-term debt	5,797	8,797	8,797	8,797
<b>NPAT less MI, reported</b>	<b>2,879</b>	<b>3,982</b>	<b>5,492</b>	<b>6,883</b>	Other ST liabilities	3,858	4,804	6,368	7,835
<b>NPAT less MI, adjusted<sup>(1)</sup></b>	<b>2,879</b>	<b>3,982</b>	<b>5,492</b>	<b>6,883</b>	Total current liabilities	17,907	22,280	26,397	30,341
EBITDA	5,094	6,544	8,316	10,007	Long term debt	1,248	1,248	1,248	1,248
EPS reported, VND	6,678	8,986	12,116	14,742	Other LT liabilities	2	2	2	2
EPS adjusted <sup>(1)</sup> , VND	6,678	8,986	12,116	14,742	<b>Total Liabilities</b>	<b>19,157</b>	<b>23,530</b>	<b>27,647</b>	<b>31,591</b>
EPS diluted, adj <sup>(1)</sup> , VND	6,678	8,986	12,116	14,742	Preferred Equity	0	0	0	0
DPS, VND	1,127	1,500	1,500	1,500	Paid in capital	4,435	4,537	4,673	4,813
DPS/EPS (%)	17%	17%	12%	10%	Share premium	552	552	552	552
<sup>(1)</sup> Adjusted for one-offs					Retained earnings	3,990	7,307	12,119	18,302
<b>RATIOS</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>	Other equity	1	1	1	1
<b>Growth</b>					Minority interest	6	8	11	15
Revenue growth	30.4%	24.5%	32.5%	23.0%	<b>Total equity</b>	<b>8,983</b>	<b>12,404</b>	<b>17,356</b>	<b>23,682</b>
Op profit (EBIT) growth	39.3%	29.8%	30.5%	21.4%	<b>Liabilities &amp; equity</b>	<b>28,140</b>	<b>35,934</b>	<b>45,003</b>	<b>55,274</b>
PBT growth	34.8%	35.7%	35.0%	23.1%	Y/E shares out, mn	443.1	453.3	466.9	480.9
EPS growth, adjusted	24.3%	34.6%	34.8%	21.7%	Y/E treasury shares, mn	0.4	0.4	0.4	0.4
<b>Profitability</b>					<b>CASH FLOW (VND bn)</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Gross Profit Margin	17.7%	18.0%	18.4%	18.9%	<b>Beginning Cash Balance</b>	<b>3,411</b>	<b>3,750</b>	<b>4,620</b>	<b>4,697</b>
Op Profit, (EBIT) Margin	4.5%	4.7%	4.6%	4.5%	Net Income	2,879	3,982	5,492	6,883
EBITDA Margin	5.9%	6.1%	5.8%	5.7%	Dep, & amortization	1,223	1,519	1,764	2,054
NPAT-MI Margin, adj,	3.3%	3.7%	3.8%	3.9%	Chge in Working Cap	-2,134	1,213	-2,088	-597
ROE	38.7%	37.3%	36.9%	33.6%	Other adjustments	346	2	3	4
ROA	11.3%	12.4%	13.6%	13.7%	<b>Cash from Operations</b>	<b>2,313</b>	<b>6,716</b>	<b>5,171</b>	<b>8,344</b>
<b>Efficiency</b>					Capital Expenditures, net	-1,484	-2,333	-2,551	-2,881
Days Inventory On Hand	75.6	70.8	61.9	63.5	Investments, net	-914	-5,949	-2,000	-2,000
Days Accts, Receivable	3.8	2.6	3.4	3.5	<b>Cash from Investments</b>	<b>-2,396</b>	<b>-8,283</b>	<b>-4,551</b>	<b>-4,881</b>
Days Accts, Payable	37.2	35.2	29.7	31.0	Dividends Paid	-486	-665	-680	-700
Cash Conversion Days	42.2	38.2	35.6	35.9	Δ in Share Capital	704	102	136	140
<b>Liquidity</b>					Δ in ST debt	193	3,000	0	0
Current Ratio x	1.3	1.4	1.5	1.6	Δ in LT debt	56	0	0	0
Quick Ratio x	0.2	0.5	0.5	0.6	Other financing C/F	-45	0	0	0
Cash Ratio x	0.2	0.5	0.5	0.6	<b>Cash from Financing</b>	<b>422</b>	<b>2,437</b>	<b>-544</b>	<b>-560</b>
Debt / Assets	25.0%	28.0%	22.3%	18.2%	<b>Net Change in Cash</b>	<b>339</b>	<b>871</b>	<b>76</b>	<b>2,903</b>
Debt / Capital	44.0%	44.7%	36.7%	29.8%	<b>Ending Cash Balance</b>	<b>3,750</b>	<b>4,620</b>	<b>4,697</b>	<b>7,599</b>
Net Debt / Equity	36.1%	-4.6%	-15.3%	-31.9%					
Interest Coverage x	8.8	9.8	13.1	15.8					

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**Stock ratings** are set based on projected total shareholder return (TSR), defined as  $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$ , and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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