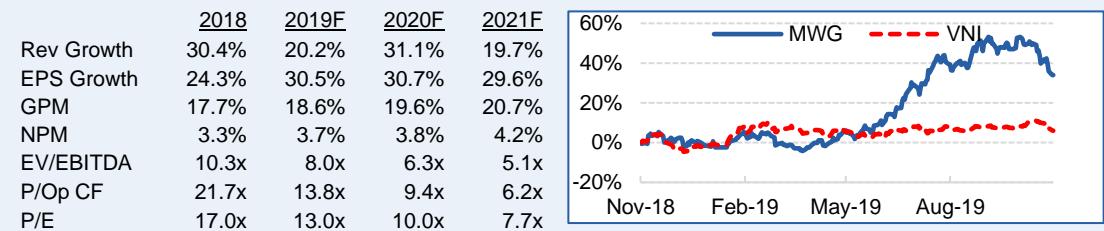


Mobile World (MWG) [BUY +90.7%]

Update Report

Industry:	Retailing
Report Date:	November 26, 2019
Current Price:	VND113,500
Current Target Price:	VND215,000
Last Target Price:	VND215,000
Upside to TP:	+89.4%
Dividend Yield:	1.3%
TSR:	+90.7%



Market Cap:	USD2.1bn	MWG	VNI
Foreign Room:	USD0	P/E (ttm)	13.7x
ADTV30D:	USD3.8mn	P/B (curr)	4.5x
State Ownership:	0%	Net D/E	0.2x
Outstanding Shares:	442.7mn	ROE	37.7%
Fully Diluted Shares:	442.7mn	ROA	12.7%
3-yr PEG	0.5		2.5%

Company Overview

MWG owns the leading mobile phone and consumer electronics chains in Vietnam with YE2018 market shares of 45% and 35%, respectively. To sustain strong long-term growth, MWG is rolling out the Bach Hoa Xanh minimart chain.

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Grocery profitability miss is not a structural concern

- We reiterate BUY and keep our target price as we revise our 2019F/2020F/2021F NPAT-MI by -3%/-6%/0%; however, this was offset by a rollover of our valuation to YE2020.
- Our lower earnings forecasts for 2019F-2020F are mainly driven by BHX's (minimart chain) higher-than-expected opex, which is partly offset by an increase in the combined GPM of TGDD (mobile phone chain) and DMX (consumer electronics chain).
- MWG looks attractive at a 3-yr PEG of 0.5, per our forecasts. Thanks to its top-notch execution, we believe MWG is best equipped to ride on Vietnam's fast-growing modern retail sector.
- While BHX is poised to miss its target of breaking even before G&A by YE2019 due to high opex, management's outlook on its potential GPM exceeds our expectation. As such, we continue to be optimistic on BHX's long-term profitability and project that it will contribute 16%/23% to MWG's total NPAT-MI in 2022/2023.
- In terms of store expansion, we trim our new store assumptions for DMX by 100 stores p.a. for 2020F-2022F amid management's priority of optimizing same-store sales. Meanwhile, we raise our YE2020F/YE2022F store count for BHX from 1,800/3,800 to 2,000/4,000.

We anticipate continued strong growth from DMX in 2020 despite cutting our new store assumptions. We forecast DMX's revenue to jump 26% in both 2019F and 2020F. Our upbeat 2020 forecast is premised on (1) high single-digit SSSG backed by store layout upgrades in 2019, (2) a full contribution from 250 new stores opened in 2019F and (3) 50 new stores in 2020F. Regarding (1), nearly 500 DMX stores will be converted to a new layout in 2019F, which generally helps to improve sales/store by 30% vs the current layout thanks to a more extensive range of SKUs for electronics, small home appliances and kitchenware, per MWG. For store expansion, management hints at a deceleration in 2020F as it will focus on optimizing the existing stores' performance.

BHX's profitability has progressed slower than expected in 2019, but large headroom for GPM expansion bodes well for its long-term outlook. We lift our 2019F net loss/sales for BHX from 5.5% to 8.9% as (1) opex is tracking ahead of our expectation, partly due to low utilization of new distribution centers (DCs), and (2) as we curtail our average monthly sales/store for 2019F by 7% to VND1.4bn (USD61,000) because BHX's sales/store temporarily dropped in September-October 2019 due to rainy weather and understocking of fresh produce. We project BHX's net margin to improve to -3.8% in 2020F and enter positive territory in 2021F on (1) GPM expansion, (2) operating leverage and (3) better store opex control. Per management, BHX's GPM could widen by 3-4 ppts by YE2020 to ~24%-25%, aided by a broadening scale and larger contribution from private labels. These GPM targets are higher than our previous steady-state GPM assumption of 23.5% for BHX. Meanwhile, the understocking issues were caused by BHX's excessive focus on minimizing its fresh produce wastage and spoilage rate; management already rectified this problem in mid-October. We project BHX's average monthly sales/store will rise to VND1.5bn (USD66,000) in 2020F.

10M 2019 recap: DMX leads strong earnings

The following comments were published in our [November 22, 2019 edition of Vietnam Today](#).

Figure 1: MWG's 10M 2019 results

VND bn	10M 2019	YoY	Store count as of October 2019
Revenue	84,723	17%	
TGDD	28,080	-4%	1,009 ⁽¹⁾
DMX	48,333	22%	937
BHX	8,224	152%	886
Others	86	51%	
NPAT	3,260	35%	
<i>Online sales</i>	<i>10,895</i>	<i>11%</i>	

Source: MWG, VCSC estimates (⁽¹⁾ including 14 Super Cheap Phones/DTSR stores)

MWG's upbeat earnings growth in 10M 2019 was primarily driven by DMX, GPM expansion and strengthening net financial income.

- **DMX spearheads growth.** DMX's 10M 2019 revenue jumped 22% YoY, driven by solid SSSG, new store openings (187 new stores in 10M 2019, including conversions of high-performing mobile stores to mini-DMX, to reach a total store count of 937 vs 750 as of YE2018) and layout optimization (425 mini-DMX stores were converted to the new layout in 10M 2019, including 90 in October 2019).
- **TGDD's revenue slid due to conversion of high-performing stores to mini-DMX format.** Due to this conversion, as of October 2019, TGDD's store count shrunk to 995 (1,009 if including 14 "Super Cheap Phones" stores, MWG's new low-price format) vs 1,032 as of YE2018. Having said that, on a category basis, MWG's mobile phone sales still grew by single digits in 10M 2019 despite an industry-wide decline.
- **TGDD and DMX's combined GPM improved on the back of scale and product mix.** Per management, TGDD and DMX's combined GPM stepped up from 18% in Q2 2019 to 19.5% in Q3 2019 and October 2019. We attribute this improvement to MWG's widening scale and improved product mix that included a larger contribution from high-margin small appliances and kitchenware.
- **Roll-out of watches remains at high pace.** MWG's watch point-of-sales (shop-in-shop format) reached 174 as of October 2019 vs 42 as of July 2019. In October 2019, MWG sold ~75,500 watches (including both fashion and smart watches) vs nearly 50,000 watches in September 2019 and ~34,000 in August 2019. In 10M 2019, MWG generated VND480bn (USD21mn) in watch revenue, equivalent to 0.6% of its total revenue.
- **YoY online sales growth continued to slow due to pricing adjustment.** Online sales growth tapered down to 11% YoY in 10M 2019 vs 39% YoY in H1 2019. Per management, this growth slowdown was because MWG has cut down on promotions (e.g., price discount vouchers) since May 2019 on its online channel to better align its offline/online pricing. 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. The 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.

- **BHX's sales/store were affected by rainy weather and understocking in September-October 2019; GPM and store expansion continue to make positive progress.** We estimate BHX's average sales/store fell to ~VND1.3bn (USD56,000) in October 2019 vs ~VND1.35bn (USD58,000) in September 2019 and more than VND1.5bn (USD64,000) in August 2019. Per MWG, this decline was due to rainy weather during September-October that affected the quality of fresh produce and also undermined store traffic during peak hours. In addition, MWG's excessive focus on minimizing fresh produce spoilage caused understocking in BHX in September and the first half of October 2019. Management rectified this issue in mid-October and sales have improved since.

On the other hand, BHX's GPM exceeded 20% at the end of October 2019 vs ~18% in December 2018 on the back of increased direct sourcing and optimization of procurement.

In terms of store expansion, BHX's footprint coverage has widened to 20 provinces in the southern and South-Central Coast regions in addition to HCMC. We estimate that 91% of new BHX stores in 10M 2019 (net of store closures) were outside of HCMC. As such, stores in these provinces now constitute 52% of BHX's total store count as of October 2019 vs only 8% as of YE2018. Meanwhile, in October 2019, MWG upgraded 57 big-format BHX stores (~300 sqm/store) to the Double Shop format (which sells small appliances and kitchenware in addition to groceries), which increased the Double Shop store count to 63. Per management, in this format, small appliances and kitchenware contribute ~10% to store revenue.

BHX's target of reaching its breakeven point before G&A could be pushed out several months, mainly due to a low utilization of two DCs and four temporary warehouses outside of HCMC. As BHX ramps up its store openings in these provinces, their utilization will improve. Meanwhile, BHX's two DCs in HCMC have operated at full capacity, serving more than 400 stores in total.

Other business updates

The following content was published in our analyst meeting note [Business progress largely aligns with our expectations](#), dated November 13, 2019.

Market share expansion in mobile phones and consumer electronics

- Combined 9M 2019 SSSG of TGDD (mobile phone chain) and DMX (consumer electronics) was 7%, similar to H1 2019.
- MWG significantly outperformed the market across mobile phone and consumer electronics categories in 9M 2019.

MWG's 9M 2019 revenue growth by category vs market

Category	Overall market growth (YoY)	MWG's revenue growth (YoY)
Mobile	-4%	+4%
TVs	-6%	+4%
Air conditioners	+39%	+67%
Refrigerators	+4%	+18%
Washing machines	+1%	+16%

Source: MWG

- Management expects the TV market will strengthen in 2020 thanks to multiple major soccer events, similar to what happened in 2018. In addition, management anticipates another strong year for air conditioners in 2020 as it expects to sell ~1.2 million units in 2020 vs ~850,000 units in 2019.

2019 outlook: We trim our NPAT-MI forecast by 3%, primarily attributed to BHX

Figure 2: VCSC's 2019 forecasts

VND bn	2018	2019F (old)	2019F (new)	2019F (new) YoY	VCSC comments on 2019F
Revenue	86,516	107,749	104,004	20%	
TGDD ⁽¹⁾	34,607	32,483	32,949	-5%	We assume 45 (50 in our previous report) high-performing TGDD stores will be converted to mini-DMX in 2019 (total store count by YE2019: 987). Our forecast increases as we incorporate contribution from watches and DTSR (15 DTSR stores by YE2019F).
DMX	47,584	63,716	59,949	26%	Bolstered by high single-digit SSSG, 250 new stores (total store count by YE2019: 1,000) and full contribution from stores opened in 2018.
BHX	4,326	11,550	11,106	157%	The downward forecast revision is due to our downward adjustment to SSSG as well as sales/new store. We project a total store count of 1,000 by YE2019 (vs 950 in our previous report) vs 405 stores as of YE2018. Despite a higher projected store count, we cut our forecast following the temporary slide in sales/store in September-October 2019.
Online sales	12,350	16,022	12,325	0%	We tone down our projected contribution from online sales owing to MWG's pricing adjustment (mentioned on page 2).
Gross profit	15,292	19,354	19,296	26%	Despite our smaller revenue forecast, our gross profit projection for 2019 stays almost unchanged as TGDD and DMX's combined GPM surpasses our previous projection.
Selling expenses	-9,660	-12,166	-12,180	26%	Despite a decrease in our revenue forecast, our selling expense projection for 2019 stays almost unchanged due to higher-than-expected opex at BHX.
G&A	-1,762	-2,163	-2,092	19%	
EBIT	3,871	5,025	5,025	30%	
PBT	3,786	5,139	5,078	34%	Growing faster than EBIT, aided by a strengthening net cash/debt position.
NPAT-MI	2,879	3,982	3,863	34%	We raise our estimated net loss from BHX in 2019 from VND635bn (USD27mn) to VND985bn (USD43mn) vs VND572bn (USD25mn) in 2018. Excluding BHX, NPAT-MI would grow 40% YoY in 2019, per our projections.
EPS (VND)	6,678	8,986	8,718	31%	2019 EPS will be diluted by a 3% ESOP issuance completed at YE2018.
GPM	17.7%	18.0%	18.6%		We maintain our projection that BHX's GPM will expand by ~3 ppts in 2019 vs 2018 to ~19% on the back of its ballooning scale and increased direct sourcing. Our forecast increases thanks to TGDD and DMX.
Selling exp/revenue %	11.2%	11.3%	11.7%		
G&A/revenue %	2.0%	2.0%	2.0%		
EBIT margin	4.5%	4.7%	4.8%		
NPAT-MI margin	3.3%	3.7%	3.7%		
Effective tax rate	23.9%	22.5%	23.9%		Losses from BHX are not tax-deductible and will be carried forward.

Source: MWG, VCSC; ⁽¹⁾ Including DTSR

2020 outlook: DMX to remain key growth driver while we expect BHX's net margin to improve

Figure 3: VCSC's 2020 forecasts

VND bn	2019F	2020F	YoY	VCSC comments on 2020F
Revenue	104,004	136,316	31%	
TGDD ⁽¹⁾	32,949	32,969	0%	We assume 30 (50 in our previous report) high-performing TGDD stores will be converted to mini-DMX in 2020 (total store count by YE2019: 957). However, we expect 2020F revenue will be propped up by a bigger contribution from watches (a total of ~500 watch shops by mid-2020 vs ~200 as of YE2019F).
DMX	59,949	75,734	26%	Bolstered by high single-digit SSSG, 50 new stores (total store count by YE2020: 1,050), and full contribution from stores opened in 2019.
BHX	11,106	27,613	149%	We project a total store count of 2,000 by YE2020 (1,800 in our previous report) vs 1,000 by YE2019. We further project that BHX's blended monthly sales/store will advance by 7% YoY to VND1.5bn (USD66,000) as it fixes the understocking problems that occurred during September-October 2019 in addition to underlying SSSG.
Online sales	12,325	12,325	0%	4M 2019 was a high base for online sales as MWG only started to implement the new pricing policy in May 2019 (as mentioned on page 2).
Gross profit	19,296	26,728	39%	
Selling expenses	-12,180	-17,520	44%	
G&A	-2,092	-2,665	27%	
EBIT	5,025	6,544	30%	
PBT	5,078	6,720	32%	Growing faster than EBIT, aided by a strengthening net cash/debt position.
NPAT-MI	3,863	5,165	34%	Estimated net loss from BHX is projected to inch up from VND985bn (USD43mn) in 2019 to VND1.04tn (USD45mn) in 2020. The expected improvement in net margin will be driven by higher sales/store as well as GPM, improved store opex and operating leverage. Excluding BHX, NPAT-MI would grow 28% YoY in 2020, per our projections.
EPS (VND)	8,718	11,393	31%	2020 EPS will be diluted by a 2.4% ESOP issuance expected to be completed at YE2019.
GPM	18.6%	19.6%		We project BHX's GPM to expand by ~3 ppts in 2020 vs 2019 to 22% on the back of its ballooning scale, increased direct sourcing, initiatives to reduce the spoilage rate for fresh produce and roll-out of private labels. We also conservatively assume the combined GPM of TGDD and DMX will step up by 0.5 ppt YoY to 19% in 2020F vs 19.5% achieved in Q3 2019.
Selling exp/revenue %	11.7%	12.9%		BHX is estimated to have higher selling expenses as a percentage of sales.
G&A/revenue %	2.0%	2.0%		
EBIT margin	4.8%	4.8%		
NPAT-MI margin	3.7%	3.8%		
Effective tax rate	23.9%	23.1%		Losses from BHX are not tax-deductible and will be carried forward.

Source: VCSC; ⁽¹⁾ Including DTSR

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 nine-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 4: Summary of VCSC's valuation for MWG

	Method	Equity value (VND bn)	Equity value/share (VND)
TGDD & DMX	DCF	83,167	183,467
BHX	DCF	14,249	31,434
Target Price			214,901
2019F/2020F PER at TP			24.7x/18.9x
2019F/2020F PER at TP (TGDD & DMX)			16.8x/13.4x

Source: VCSC

Discounted Cash Flows – TGDD and DMX

Figure 5: DCF Valuation

Cost of Capital	Previous Report	Revised	FCFF (Five Year) – VND bn	
Beta	0.8	0.8	PV of Free Cash Flows	28,538
Market Risk Premium %	8.4	8.7	PV of Terminal Val (1.5% g)	56,691
Risk Free Rate %	4.5	4.5	PV of FCF and TV	85,228
Cost of Equity %	11.2	11.5	+ Cash & ST investments	7,973
Cost of Debt %	8.0	8.0	- Debt	-10,034
Debt %	10	10	- Minority Interest	0
Equity %	90	90	Equity Value	83,167
Corporate Tax Rate %	20	20	Shares (mn)	453*
WACC %	10.7	11.0	Value per share, VND	183,467

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

Figure 6: Cash flows (VND bn)

	2020F	2021F	2022F	2023F	2024F
Earnings before interest and tax	8,365	9,112	9,938	10,922	12,122
- Tax	-1,673	-1,822	-1,988	-2,184	-2,424
+ Depreciation	1,140	971	660	551	62
- Capex	-398	-412	-226	-241	-258
- Working cap increase	-862	-528	-455	-588	-622
Free Cash Flow	6,572	7,320	7,930	8,460	8,879
Present Value of FCF	5,924	5,946	5,806	5,582	5,280
Cumulative PV of FCF	5,924	11,869	17,675	23,257	28,538

Source: VCSC

Figure 7: 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				
	10.0%	10.5%	11.0%	11.5%	12.0%
0.5%	207,010	204,382	201,824	199,335	196,911
1.0%	213,507	210,734	208,034	205,407	202,849
1.5%	220,692	217,757	214,901	212,121	209,415
2.0%	228,680	225,566	222,535	219,585	216,714
2.5%	237,612	234,297	231,072	227,932	224,876

Source: VCSC

Discounted Cash Flows – BHX

Figure 8: DCF Valuation

Cost of Capital	Previous Report	Revised	FCFF (Five Year) – VND bn	
Beta	NA	NA	PV of Free Cash Flow	4,754
Market Risk Premium %	NA	NA	PV of Terminal Val (5.0% g)	9,496
Risk Free Rate %	NA	NA	PV of FCF and TV	14,249
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%	Equity Value	14,249
Corporate Tax Rate %	20%	20%	Shares (mn)	453*
WACC %	20%	20%	Value per share, VND	31,434

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

Figure 9: Cash flows

VND bn	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F
EBIT	-1,042	90	1,430	2,774	4,398	5,865	6,947	8,012	8,850
- Tax	0	0	0	-312	-880	-1,173	-1,389	-1,602	-1,770
+ Depreciation	628	1,035	1,381	1,732	1,957	2,035	2,036	2,037	2,244
- Capex	-2,061	-2,065	-2,069	-2,073	-2,073	-2,073	-2,073	-2,073	-2,073
- WC increase	-720	-187	-98	-294	-297	-310	-274	-255	-251
Free Cash Flow	-3,196	-1,128	644	1,827	3,105	4,344	5,247	6,117	6,999
PV of FCF	-2,663	-783	373	881	1,248	1,455	1,464	1,423	1,357
Cumulative PV of FCF	-2,663	-3,446	-3,074	-2,193	-945	510	1,975	3,397	4,754

Source: VCSC

Figure 10: 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%	303,621	237,068	212,085	199,836
	4.0%	320,772	240,892	213,405	200,397
	5.0%	344,782	245,481	214,901	201,014
	6.0%	380,797	251,089	216,611	201,696
	7.0%	440,823	258,100	218,584	202,453

Source: VCSC

Figure 11: VCSC's 2019-2028 forecasts for BHX

VND bn	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F
YE store count	1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000	10,000
Revenue	11,106	27,613	46,875	66,922	86,652	106,808	127,425	144,896	162,071	178,935
GPM	19.0%	22.0%	25.0%	26.5%	27.5%	28.3%	28.5%	28.5%	28.5%	28.5%
Gross profit	2,110	6,075	11,719	17,734	23,829	30,173	36,316	41,295	46,190	50,996
Selling expenses	2,818	6,565	10,738	15,100	19,496	23,853	28,158	31,740	35,261	38,926
% of revenue	25.4%	23.8%	22.9%	22.6%	22.5%	22.3%	22.1%	21.9%	21.8%	21.8%
G&A	278	552	891	1,205	1,560	1,923	2,294	2,608	2,917	3,221
% of revenue	2.5%	2.0%	1.9%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
EBIT	-985	-1,042	90	1,430	2,774	4,398	5,865	6,947	8,012	8,850
EBITDA	-686	-414	1,125	2,811	4,506	6,355	7,900	8,984	10,048	11,094
Depreciation	299	628	1,035	1,381	1,732	1,957	2,035	2,036	2,037	2,244
PBT	-985	-1,042	90	1,430	2,774	4,398	5,865	6,947	8,012	8,850
NPAT	-985	-1,042	90	1,430	2,462	3,518	4,692	5,558	6,409	7,080
NPAT margin	-8.9%	-3.8%	0.2%	2.1%	2.8%	3.3%	3.7%	3.8%	4.0%	4.0%
EBITDA margin	-6.2%	-1.5%	2.4%	4.2%	5.2%	6.0%	6.2%	6.2%	6.2%	6.2%

Source: VCSC

Recommendation History

Figure 12: 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
Revenue	86,516	104,004	136,316	163,206	Cash & equivalents	3,750	1,445	1,761	4,876
COGS	-71,224	-84,708	-109,588	-129,384	ST investment	51	6,000	8,000	10,000
Gross Profit	15,292	19,296	26,728	33,822	Accounts receivables	380	570	747	894
Sales & Marketing exp	-9,660	-12,180	-17,520	-22,461	Inventories	17,446	19,580	22,931	25,815
General & Admin exp	-1,762	-2,092	-2,665	-3,147	Other current assets	1,763	2,119	2,778	3,326
Operating Profit	3,871	5,025	6,544	8,214	Total Current assets	23,390	29,714	36,216	44,911
Financial income	342	598	769	978	Fix assets, gross	6,067	8,507	10,966	13,444
Financial expenses	-437	-555	-603	-603	- Depreciation	-2,489	-4,018	-5,752	-7,723
- o/w interest expense	-436	-555	-603	-603	Fix assets, net	3,578	4,489	5,215	5,722
Associates	-2	-2	-2	-2	LT investment	60	60	60	60
Net other income/(loss)	12	12	12	12	LT assets other	1,113	1,113	1,113	1,113
Profit before Tax	3,786	5,078	6,720	8,599	Total LT assets	4,751	5,661	6,387	6,894
Income Tax	-906	-1,213	-1,553	-1,702	Total Assets	28,140	35,375	42,604	51,805
NPAT before MI	2,880	3,865	5,168	6,897					
Minority Interest	-2	-2	-3	-4	Accounts payable	8,253	8,883	10,195	11,984
NPAT less MI, reported	2,879	3,863	5,165	6,894	Short-term debt	5,797	8,797	8,797	8,797
NPAT less MI, adjusted⁽¹⁾	2,879	3,863	5,165	6,894	Other ST liabilities	3,858	4,160	5,453	6,528
					Total current liabilities	17,907	21,840	24,445	27,309
EBITDA	5,094	6,554	8,275	10,181	Long term debt	1,248	1,248	1,248	1,248
EPS reported, VND	6,678	8,718	11,393	14,764	Other LT liabilities	2	2	2	2
EPS adjusted ⁽¹⁾ , VND	6,678	8,718	11,393	14,764	Total Liabilities	19,157	23,090	25,695	28,559
EPS diluted, adj ⁽¹⁾ , VND	6,678	8,718	11,393	14,764					
DPS, VND	1,127	1,500	1,500	1,500	Preferred Equity	0	0	0	0
DPS/EPS (%)	17%	17%	13%	10%	Paid in capital	4,435	4,537	4,673	4,813
(⁽¹⁾ Adjusted for one-offs					Share premium	552	552	552	552
RATIOS	2018	2019F	2020F	2021F	Retained earnings	3,990	7,188	11,673	17,866
Growth					Other equity	1	1	1	1
Revenue growth	30.4%	20.2%	31.1%	19.7%	Minority interest	6	8	11	15
Op profit (EBIT) growth	39.3%	29.8%	30.2%	25.5%	Total equity	8,983	12,285	16,909	23,246
PBT growth	34.8%	34.1%	32.3%	28.0%	Liabilities & equity	28,140	35,375	42,604	51,805
EPS growth, adjusted	24.3%	30.5%	30.7%	29.6%					
					Y/E shares out, mn	443.1	453.3	466.9	480.9
					Y/E treasury shares, mn	0.4	0.4	0.4	0.4
Profitability					CASH FLOW (VND bn)	2018	2019F	2020F	2021F
Gross Profit Margin	17.7%	18.6%	19.6%	20.7%	Beginning Cash Balance	3,411	3,750	1,445	1,761
Op Profit, (EBIT) Margin	4.5%	4.8%	4.8%	5.0%	Net Income	2,879	3,863	5,165	6,894
EBITDA Margin	5.9%	6.3%	6.1%	6.2%	Dep, & amortization	1,223	1,529	1,734	1,971
NPAT-MI Margin, adj,	3.3%	3.7%	3.8%	4.2%	Chge in Working Cap	-2,134	-1,747	-1,582	-715
ROE	38.7%	36.4%	35.4%	34.4%	Other adjustments	346	2	3	4
ROA	11.3%	12.2%	13.3%	14.6%	Cash from Operations	2,313	3,647	5,319	8,153
Efficiency									
Days Inventory On Hand	75.6	79.8	70.8	68.8	Dividends Paid	-486	-665	-680	-700
Days Accts, Receivable	3.8	1.7	1.8	1.8	Δ in Share Capital	704	102	136	140
Days Accts, Payable	37.2	36.0	30.8	30.6	Δ in ST debt	193	3,000	0	0
Cash Conversion Days	42.2	45.4	41.7	40.0	Δ in LT debt	56	0	0	0
					Other financing C/F	-45	0	0	0
Liquidity					Cash from Financing	422	2,437	-544	-560
Current Ratio x	1.3	1.4	1.5	1.6	Net Change in Cash	339	-2,305	316	3,115
Quick Ratio x	0.2	0.4	0.4	0.6	Ending Cash Balance	3,750	1,445	1,761	4,876
Cash Ratio x	0.2	0.3	0.4	0.5					
Debt / Assets	25.0%	28.4%	23.6%	19.4%					
Debt / Capital	44.0%	45.0%	37.3%	30.2%					
Net Debt / Equity	36.1%	21.2%	1.7%	-20.8%					
Interest Coverage x	8.8	9.0	10.9	13.6					

Rating and Valuation Methodology

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + 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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