Mobile World Investment Corp. (MWG : HSX)

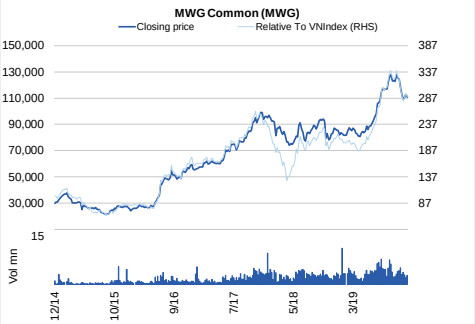
Flashnote

25 December 2019

Buy
Target price: VND164,400
Up/downside: 48.1%

Stock data, as of 23 December 2019	
Price (VND)	111,000
52 week high / low (VND)	128,000 / 80,024
Px. perf: (3 / 6 / 12 months) (%)	-7.3/ 21.0/ 24.6
Shares outstanding (mn)	443
Free float shares (mn)	288
Trading value (5D avg) (VND mn)	49,675
Market Cap (VNDbn)	49,139
Market Cap (USDmn)	2,126
Total FOL shares room (mn)	217
Current FOL shares room (mn)	0.000
Foreign owned ratio	49.1%
Foreign ownership limit	49.0%

Price chart



Key metrics	12-18A	12-19F	12-20F
Basic financials and growth			
Net sales (VNDbn)	86,516	102,758	124,634
Net sales growth	30.4%	18.8%	21.3%
EBITDA (VNDbn)	5,094	6,352	7,904
EBITDA growth	46.8%	24.7%	24.4%
EPS (VND)	6,301	8,245	10,163
EPS diluted (VND)	6,301	8,245	10,163
EPS growth	17.3%	30.8%	23.3%
DPS (VND)	1,500	1,500	1,500
BVPS (VND)	20,258	27,085	35,721
Valuation			
EV/EBITDA (x)	10.3	8.1	6.3
P/E (x)	17.6	13.5	10.9
P/E diluted (x)	17.6	13.5	10.9
Dividend yield	1.4%	1.4%	1.4%
Profitability			
EBITDA margin	5.9%	6.2%	6.3%
Net margin	3.3%	3.7%	3.9%
SG&A/sales	13.2%	13.8%	14.3%
ROAE	38.7%	35.8%	33.3%
BS/leverage			
Current ratio	1.31	1.36	1.42
Quick ratio	0.33	0.52	0.56
Total debt (VNDbn)	7,045	10,191	10,988
Net debt (VNDbn)	3,295	2,142	665
Total debt/equity	78.5%	82.4%	65.4%
Net debt/equity	36.7%	17.3%	4.0%
EBIT interest coverage ratio	8.87	8.45	9.86

Analysts

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Institutional research team

November results near expectations

- MWG November results were in line with our forecasts. The top line reached its highest level in the last four months at VND8,363bn, up 23.7% y/y and 5.1% m/m. The bottom line was VND282bn, down slightly by 1.2% m/m, although 22.1% above the same period last year.
- The gross margin expanded, however, SG&A rose at the same time.
- We maintain our Buy rating and DCF-derived VND164,400 TP.

Event: November results announced

November results are close to our forecasts. Net sales were VND8,363bn, up 23.8% y/y and 5.1% m/m. Net profit was VND282bn, up 22.1% y/y, while down 1.2% m/m. Cumulative 11M net sales came in at VND93,086bn, up 17.8% y/y, while net profit was VND3,542bn, up 34.0% y/y. MWG almost completed its full-year net profit target of VND3,571bn and fulfilled 92.6% of HSC's full-year forecast.

All three chains saw sales recovery

TGDD, DMX, and BHX all reported positive m/m sales growth, of 3.4%, 6.6% and 10.3%, respectively, the main reasons being as set our below.

- Store expansion helped boost sales, with 46 new DMX stores and 72 new BHX stores.
- Rising average sales per store also supported growth. TGDD reached VND2.58bn in November versus VND2.49bn in October, thanks to higher laptop and watch sales. DMX reached VND4.74bn in November versus VND4.63 in October, while BHX saw VND1.33bn per store in in November versus VND1.31bn in October, as newly opened stores in previous months performed better over time.

Figure 1: MWG 11 months result

(in VND billion)	Nov-18	Nov-19	y/y%	m/m%	11M18	11M19	y/y%
Net sales	**6,758**	**8,363**	**23.7%**	**5.1%**	**79,033**	**93,086**	**17.8%**
The Gioi Di Dong	2,697	2,604	-3.4%	3.4%	32,083	30,684	-4.4%
Dien May Xanh	3,570	4,552	27.5%	6.6%	43,135	52,885	22.6%
Bach Hoa Xanh	485	1,197	146.8%	10.3%	3,752	9,421	151.1%
NPAT	**231**	**282**	**22.1%**	**-1.2%**	**2,644**	**3,542**	**34.0%**
Net margin	**3.4%**	**3.4%**			**3.3%**	**3.8%**	

Source: Company data

The gross margin approached 20%, but was more than offset by higher SG&A

The overall gross margin improved to 20% in October and November (and 19.7% in 3Q), from 17.8% in 1H. This happened across all three chains thanks to: (1) economies of scales, (2) better product mixes (more private label products, more high margin products) and (3) changes in the booking of transportation costs from suppliers to MWG. From August, transportation costs have been treated as an SG&A component instead of a COGs item.

At the same time SG&A/sales increased from 12.5% in 1H to 15.3% in 3Q and around 15% in the October-November period due to: (1) higher promotional costs during the 2H low season (which is expected), and (2) increases in transportation costs as mentioned above.

With both the gross margin and SG&A rising, the net margin in November was kept to just 3.4%, close to the average net margin from July to October of 3.5%, but lower than the 1H net margin of 4.1%, as expected.

Maintaining Buy rating and target price of VND164,400

We maintain our FY19 net profit forecast of VND3,823bn, up 32.8% y/y. We also maintain our FY20 net profit forecast of VND4,854bn, up 27.0% y/y. Our FY20 forecast is very close to the company's target of VND4,835bn.

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Financial Statements and Key Data

Income statement (VNDbn)	12-17A	12-18A	12-19F	12-20F
Net sales	66,340	86,516	102,758	124,634
COGS	(55,198)	(71,224)	(83,651)	(100,630)
Gross profit	**11,142**	**15,292**	**19,107**	**24,004**
Net financial income	16	(94)	18	96
SG&A	(8,363)	(11,421)	(14,194)	(17,851)
Operating profit	**2,795**	**3,774**	**4,929**	**6,250**
EBITDA	3,469	5,094	6,352	7,904
PBT	2,809	3,786	4,930	6,250
NPAT	2,207	2,880	3,825	4,856
Net profit	2,206	2,879	3,823	4,854

Balance sheet (VNDbn)	12-17A	12-18A	12-19F	12-20F
Assets				
Current assets	**18,863**	**23,390**	**27,850**	**34,163**
Cash & cash equivalents	3,411	3,750	8,049	10,324
Short-term investments	0	51	0	0
Receivables	2,766	1,560	1,853	2,247
Inventories	12,050	17,446	17,198	20,688
Other current assets	636	583	751	903
Long-term assets	**3,960**	**4,751**	**6,220**	**7,760**
Long-term receivables	242	314	360	436
Fixed assets	3,464	3,333	5,032	6,501
Investment properties	0	0	0	0
Long-term investments	0	60	57	53
Other long-term assets	219	799	771	770
Goodwill				
Total assets	**22,823**	**28,140**	**34,070**	**41,923**
Liabilities and equity				
Liabilities	**16,914**	**19,157**	**21,701**	**25,121**
Current Liabilities	15,714	17,907	20,553	24,104
Long-term Liabilities	1,200	1,250	1,148	1,018
Owners' equity	**5,906**	**8,977**	**12,363**	**16,794**
Share capital	3,170	4,435	4,568	4,705
Retained earnings	2,699	3,990	7,243	11,537
Funds and other capital	38	552	552	552
Minority interest	3	6	7	8
Total liabilities and equity	**22,823**	**28,140**	**34,070**	**41,923**
Net debt	3,392	3,295	2,142	665

Cashflow statement (VNDbn)	12-17A	12-18A	12-19F	12-20F
Operating cashflow	2,664	2,249	4,112	4,662
Investing cashflow	(2,120)	(2,332)	(2,293)	(2,500)
Financing cashflow	1,871	422	2,481	112
Net cashflow	**2,414**	**338**	**4,299**	**2,275**
Cash & equivalents at period start	997	3,411	3,750	8,049
Forex effects	0	0	0	0
Cash & equivalents at period end	**3,411**	**3,750**	**8,049**	**10,324**
Free cash flow	599	765	1,219	1,442

Key ratios	12-17A	12-18A	12-19F	12-20F
Basic Financials and Valuation				
EPS (VND)	5,371	6,301	8,245	10,163
EPS diluted (VND)	5,371	6,301	8,245	10,163
EBITDA (VNDbn)	3,469	5,094	6,352	7,904
BVPS (VND)	13,984	20,258	27,085	35,721
DPS (VND)	1,500	1,500	1,500	1,500
P/E (x)	20.7	17.6	13.5	10.9
P/E diluted (x)	20.7	17.6	13.5	10.9
EV/EBITDA (x)	15.1	10.3	8.1	6.3
P/B (x)	7.94	5.48	4.10	3.11
Dividend yield	1.4%	1.4%	1.4%	1.4%
Profitability				
Gross margin	16.8%	17.7%	18.6%	19.3%
EBITDA margin	5.2%	5.9%	6.2%	6.3%
Pretax margin	4.2%	4.4%	4.8%	5.0%
Net margin	3.3%	3.3%	3.7%	3.9%
SG&A/sales	12.6%	13.2%	13.8%	14.3%
ROAE	45.3%	38.7%	35.8%	33.3%
ROAA	11.7%	11.3%	12.3%	12.8%
Liquidity				
Current ratio	1.20	1.31	1.36	1.42
Quick ratio	0.43	0.33	0.52	0.56
Leverage				
Total debt/equity	115.2%	78.5%	82.4%	65.4%
Total debt ratio	74.1%	68.1%	63.7%	59.9%
EBIT interest coverage ratio	11.9	8.9	8.5	9.9
Efficiency				
Days sales outstanding	11.5	9.1	6.1	6.0
Days in inventories	70.8	75.6	75.6	68.9
Days payables outstanding	39.9	40.0	32.6	26.8
Cash conversion cycle (days)	42.5	44.7	49.0	48.1

Source: Company data, (F): HSC forecasts

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Buy: Expected to rise by more than 20% on an absolute basis in the next 12 months
Add: Expected to rise by between 5% and 20% on an absolute basis in the next 12 months
Hold: Expected to rise or decline by less than 5% on an absolute basis in the next 12 months
Reduce: Expected to decline by between 5% and 20% on an absolute basis in the next 12 months
Sell: Expected to decline by more than 20% on an absolute basis in the next 12 months

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