July 13, 2016

Maybank Kim Eng

Consumer Disc.

Vietnam

Mobile World Investment (MWG VN)

Vietnam's No. 1 Retailer

BUY

Share Price	VND 132,000
12m Price Target	VND 165,000 (+25%)
Previous Price Target	*VND 96,000*

Clear vision to modernise Vietnam's retail industry

Our recent meeting with Chairman Nguyen Duc Tai provided us with a lot more confidence in the company's vision to modernise the retail industry. It is currently the market leader by revenues. We no longer view MWG as a pure electronics/appliances specialist retailer. We think it has the potential to be a retail giant, given its scalable human capital and management information system.

We raise our TP by 71% because: (1) the company convincingly exceeded its full-year store opening target for the *thegioididong.com* chain after only four months (2) even more impressively, the *DienmayXANH* store count exceeded our expectation, considering difficulties in finding sizeable land (3) the company has reached a critical point where economies of scale are working in favour of margins and productivity.

Our new DCF-based (WACC 10.3%, terminal growth 2%) TP of VND165,000 implies a reasonable12x FY16 PER. MWG is currently trading at a forward PER of 10.0x, a 12% discount to regional peers.

Thegioididong.com still key

Despite concerns over overexpansion in the flagship *thegioididong.com* stores, we argue that the room for growth via taking market share from mom-and-pop stores is still significant enough for this to remain the key business segment. We also argue in this report that the benefit from market share growth outweighs moderate cannibalisation risks.

DienmayXANH a growth driver

Lack of sizeable land appears to be less of a problem for the DienmayXANH chain than we expected. This should grow to account for 35% of total revenue in FY18E, from 28% currently.

Grocery retailing a question mark... still!

We conducted an in-depth field trip to review BachhoaXANH – the pilot grocery retailing format. Despite the positive big picture described above, we think it is too early to be overly bullish on this segment. We are, however, not pessimistic and think this is still a promising area.

FYE Dec (VND b)	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue	15,757	25,253	42,788	57,465	69,497
EBITDA	923	1,519	2,611	3,456	4,351
Core net profit	668	1,072	1,988	2,534	3,036
Core EPS (VND)	4,965	7,650	13,214	15,949	18,602
Core EPS growth (%)	150.5	54.1	72.7	20.7	16.6
Net DPS (VND)	0	1,500	2,500	3,000	3,500
Core P/E (x)	26.6	17.3	10.0	8.3	7.1
P/BV (x)	12.5	7.8	4.8	3.3	2.4
Net dividend yield (%)	0.0	1.1	1.9	2.3	2.7
ROAE (%)	58.7	54.2	59.1	47.7	39.7
ROAA (%)	23.7	20.1	21.7	19.1	17.1
EV/EBITDA (x)	13.2	8.4	8.0	6.4	4.9
Net debt/equity (%)	27.5	68.9	25.5	16.2	net cash
Consensus net profit	-	-	1,441	2,006	2,550
MKE vs. Consensus (%)	-	-	38.0	26.3	19.1

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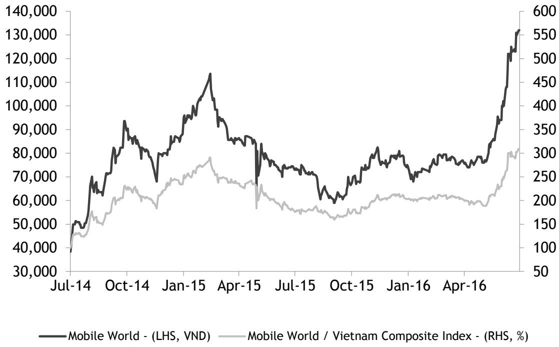
Company Description

Mobile World Investment is Vietnam's no.1 retailer by revenue, currently specializing in consumer electronics (incl. mobiles) and household appliances

Statistics

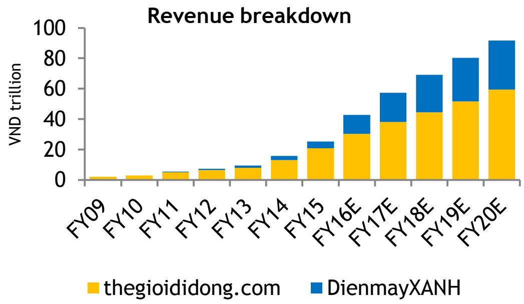
52w high/low (VND)	132,000/59,000
3m avg turnover (USDm)	1.2
Free float (%)	38.1
Issued shares (m)	147
Market capitalisation	VND19.4T
	USD868M
Major shareholders:	
Founders & related parties	36.0%
Mekong Capital	10.9%
CDH Electric Bee Lim	8.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	40	71	77
Relative to index (%)	36	52	70

Source: FactSet



Note: excluding Bach Hoa XANH, which is under testing
Source: Company, MKE estimates

1. Investment thesis revisited

1.1 Clear vision: to modernise Vietnam's retail landscape

Our initiation report, "Smartphones and MORE", on MWG dated in June 2015 focused primarily on the secular growth story of Vietnamese smartphone users. We also hypothesized that MWG's human capital and management information system were both highly scalable and that the company would "likely not be content with just selling smartphones/tablets".

At the time of writing, MWG has reportedly surpassed Vietnam's previous #1 retailer Co.opMart – a supermarket chain – in monthly revenue, per our estimates, and is now also Vietnam's #1 online retailer.

We met Chairman Nguyen Duc Tai last week and had a chance to discuss what lies ahead for the company. We no longer see MWG as a pure electronics/appliances retailer. We believe the piloting of grocery retailing is only the beginning, and think the company has the potential to become a retail giant.

We asked Mr. Tai if he was to take a one-year leave of absence, what would be the first metric he would look at upon returning. His answer was the market-wide modern retail penetration rate. This reveals two things:

- The fact that his main concern would be market-related rather than business-specific implies that he has confidence his company can run on its own. This reinforces our prior belief, and indicates management has ample room to focus on strategy development. Its customer-centric workforce is also difficult to replicate in the Vietnam market, which serves as an entry barrier.
- The company has a clear vision to modernise the entire retail industry. Mr. Tai further elaborated that the company's room for growth will start to narrow once the share of mom-and-pop stores in shrinks to 20%. Until then, MWG will remain a pure retailer, but will continue to look for mass-market segments to enter.

The company's clear vision, backed by its recent convincing footprint expansion, provided us with a lot more confidence in revising our FY16-18E sales and earnings CAGR to 40% and 41%, respectively. More details on our assumptions for each of MWG's business lines will follow.

That said, we think there are short-term challenges for ***Bach Hoa XANH*** – the company's newest foray. In our recent store visit, we surveyed one of the store managers as well as the local competitors in the neighbourhood (such as Co.opFood, Satrafoods, VinMart+). While revenue per store has grown encouragingly, we are neither overly bullish nor pessimistic on this segment at this stage. This will also be addressed later.

1.2 Online retailing the next big thing

Our initiation report discussed the high level of tech-savviness amongst Vietnamese consumers. While this has translated into rising penetration rates of portable consumer electronics (including smartphones, the focus of MWG's flagship ***thegioididong.com*** stores), shopping is yet to be a frequent activity performed online by Vietnamese consumers.

There are several reasons, one of them being the lack of trust from customers, as Mr. Tai put it. Anecdotally, there have been complaints about product quality from pure online retailers, even with the well-known Lazada. Also, a low banking penetration rate limits the number of customers who can purchase via a credit card when required.

Online retailing in Vietnam still has a lot of room to grow. Data on market sizing are varied and difficult to ascertain, but online retailing probably only accounts for anywhere between less than 1% and about 2% of total gross retail sales, according to an article on Channel NewsAsia. Even for MWG, reportedly the #1 Internet retailer, online revenue has only outgrown overall revenue by a small margin, and still accounts for only 6-8% of total sales.

Given that Vietnamese consumers are tech-savvy but are still yet to be totally receptive to online shopping, a change in their mind-set is needed before online retailing takes off exponentially. Until it becomes the next big thing, we believe MWG is well-positioned, and its current click-and-mortar model makes economic sense. Here are the reasons:

- The current 100-200sqm *thegioididong.com* store model remains economically viable, even though its rapid expansion towards remote areas has reduced sales per store (more on this to follow).

  This is partly because for mid- and low-end smartphones (ASP<USD500), there still appears to be strong demand from customers to visit chained stores for reliable quality, credible pricing, product diversity/availability, and physical testing.

  Pure online retailers such as Tiki.vn and Lazada.vn have compelling price advantages over premium products such as iPhone 6S or Samsung Galaxy Note 5. For these products, the brand name speaks for itself, and discounts can be meaningful because of the high price tag.

  For mass-market customers with a low budget (e.g. below the prevailing ASP of USD150), online shopping has proved risky, and discounts from purchasing via pure online retailers is less compelling.

  Overall, we still consider *thegioididong.com* to be the central business line, and will address its outlook in detail later.

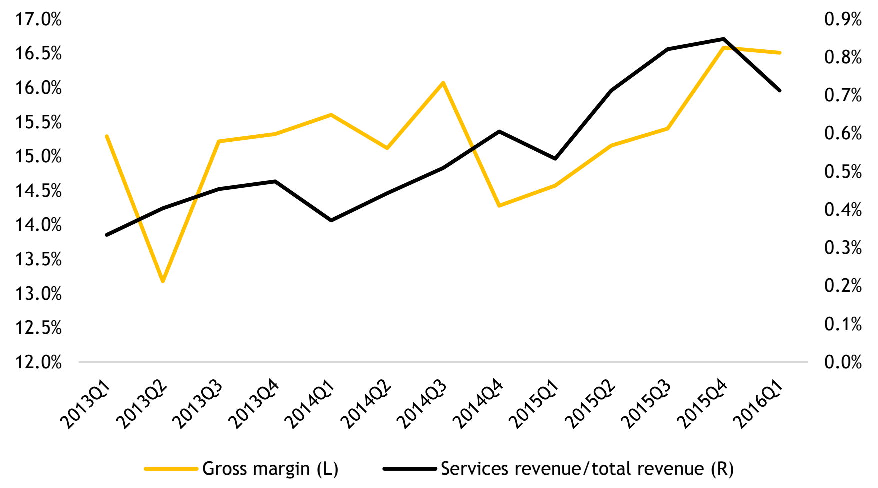
- The physical expansion of both *thegioididong.com* and ***DienmayXANH*** (i.e. consumer electronics and household appliances) can complement online retailing and help to shorten delivery time for online customers. By bringing their brand name closer to customers in remote areas, promising quick delivery and even free returns, market leaders such as MWG and FPTShop can change the Vietnamese mind-set towards online retailing.

- Last but not least, MWG – currently Vietnam's #1 online retailer – has already been on top of online retailing for years. Its *thegioididong.com* website currently has about 30m monthly visits, up from less than 20m a year earlier. The mobile apps for both *thegioididong.com* and *DienmayXanh* are fairly fast and intuitive, compared with apps from other retailers. This can create a powerful platform, once other formats such as grocery retailing can be launched online.

1.3 Economies of scale increase margins and productivity

We think MWG has reached a point where economies of scale are starting to result in higher margins and higher employee productivity.

Fig 1: Gross margin and services revenue



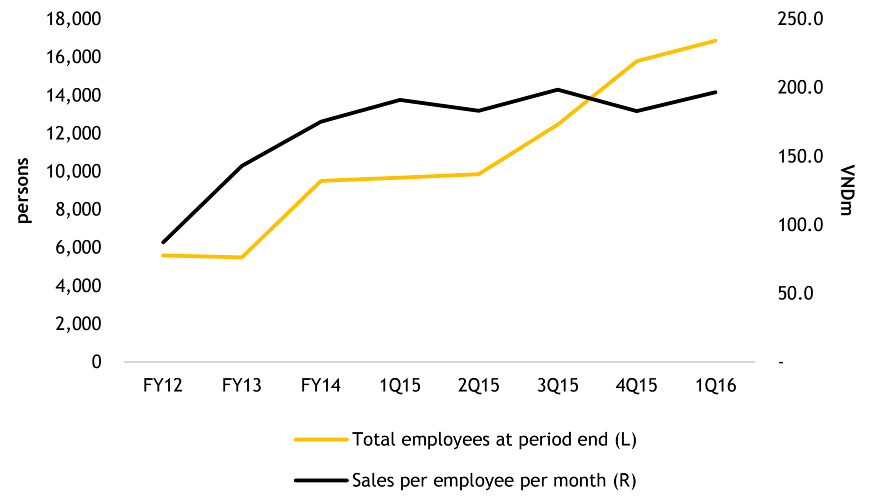
Note: before Circular 200 was applied in FY15, certain selling costs (such as freebies) were not included in COGS, which might have resulted in higher than normal gross margins.
Source: Company, MKE

Fig 1 above shows that gross margin has generally been on the rise since 2013, which we mainly attribute to economies of scale. Given its extensive product coverage and customer outreach, the company has been able to (1) adjust their merchandising to maximise profitability (such as replacing low-margin, space-consuming laptops with high-margin accessories), and (2) negotiate for steeper discounts from suppliers due to increased volumes. Hardworking staff on the ground and a customisable ERP system also allows for flexible pricing. This has surpassed our expectations.

Fig 1 also shows another benefit of the economies of scale that MWG enjoys, which comes from the high-margin services revenue. The main driver of this is the service fee earned when connecting customers with consumer credit companies for instalment arrangements. This involves insignificant costs for MWG and adds as much as 80bps to gross margins.

Unlike regional peers, MWG has the benefit of not having to give out customer credits. Instead, consumer credit companies rely on MWG’s large customer base. This explains why MWG’s inventory turnover (about 6x) is in line with peers, but their asset turnover is vastly higher than peers (about 5x vs 2x), as receivables days are low (0.7 vs 11.5).

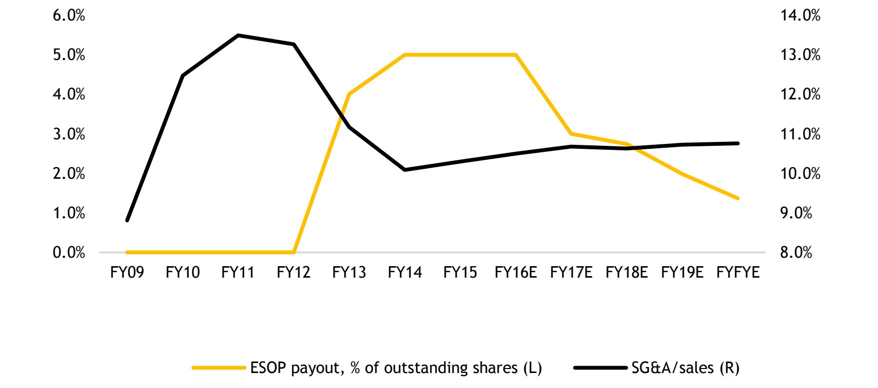
Fig 2: Employees and sales per employee



Source: Company, MKE

Despite the rapid footprint expansion, MWG's human capital and management system appear to be scalable. Sales per employee have steadily increased over the years, as can be seen from Fig 2.

Fig 3: ESOP and SG&A



Source: Company, MKE

Nevertheless, we note that the cost of having an increasingly productive workforce is higher compensation. Our understanding from the Chairman is that employees are of the second highest priority for the company, behind customers.

In FY14-FY16E, the ESOP payout has been generous at the maximum 5% allowed by law. In view of the debates amongst major shareholders, the company has capped FY16 ESOP (payable in FY17E) at a maximum of 3%, but we understand management expects SG&A to increase to compensate employees for the foregone ESOP via cash. We have modelled SG&A in the future accordingly, as seen in Fig 3.

2. Business model review and outlook

2.1 *thegioididong.com*: to gain share from mom-and-pops

Fig 4 displays our macro and industry estimates. Note that per our estimates, nationwide smartphone penetration (including rural and mountainous areas) stood at 40% in 2015, slightly higher than 3G penetration. This is lower than some other estimates available on the public domain, and indicates that the market is neither too far away from, nor nearing, saturation.

Fig 4: Macro and industry estimates

	2014	2015	2016e	2017e	2018e	2019e	2020e	3yr CAGR	5yr CAGR
Total population (m)	90.7	91.7	92.7	93.6	94.5	95.5	96.4	1.0%	1.0%
Total urban population (m)	30.0	31.5	32.6	33.7	34.9	36.1	37.4	3.5%	3.5%
# of 3G/4G mobile subscriptions (m)	25.1	33.0	38.0	43.1	48.3	53.6	59.0	13.5%	12.3%
Penetration (%)	28%	36%	41.1%	46.1%	51.1%	56.2%	61.2%		
Replacement cycle (years)	1.6	1.5	1.5	1.5	1.5	1.5	1.5		
# of people using smartphones (m)	24.5	36.7	41.7	46.8	52.0	57.3	62.7	12.3%	11.3%
Penetration (%)	27%	40%	45%	50%	55%	60%	65%		
# of mobile phones sold (m)	14	16	20	23	27	30	34	18.4%	16.1%
ASP (USD)	140	150	150	150	150	150	150	0.0%	0.0%
Market size (USDb)	1.9	2.4	3.0	3.4	4.0	4.5	5.1	18.4%	16.1%

Source: Company, General Statistics Office, Vietnam Telecommunications Authority, GfK, IDC, Euromonitor International (reproduced on public sources where applicable), MKE estimates

The following numbers might have led to confusion regarding smartphone penetration:

- In early 2015, over half of mobile phones sold in Vietnam were smartphones, as noted by MWG. This does not indicate penetration has already surpassed 50%, but only indicates that smartphones are replacing feature phones in annual sales volumes.
- Certain industry players and sources estimate the smartphone penetration rate to be as high as 50-60%. We believe these samples have been skewed towards the urban population, Internet users or adults.

Growth trajectory: We expect smartphone penetration to hit 65% at saturation, unchanged from our initial assumption in the initiation report. This means the smartphone user population should continue to grow at a 5-year CAGR of about 11%. Given an assumed average replacement cycle of 1.5 years, industry-wide sales should grow at a 5-year CAGR of about 16% (or 11% from new users joining the population, and roughly 5% from incumbent users changing their phones).

Two important changes in our assumptions compared with our initiation report last year are:

(1) We expect ASP to be flat going forward, which is less negative than our previous assumption of a negative 5% CAGR due to economies of scale. The reason for this is that the observed ASP for Vietnam (about USD150) has seemingly overshot to the downside compared with regional averages for emerging markets, per IDC data, probably due to the proliferation of low-cost models from China and those locally produced by Samsung. This should limit room for future ASP declines.

(2) Given the lower than expected ASP, the assumed replacement cycle is lowered to 1.5 years, from 3.0 years.

MWG's growth outlook: MWG's strategy for *thegioididong.com* is to expand towards remote areas and take market share from mom-and-pop stores. This should lead to a growing market share, but lower average sales per store. Same-store sales growth (SSSG) will also likely decline, as cannibalisation has been seen to a moderate degree. Our review of the economics below explains why the benefit of a higher market share outweighs moderate cannibalisation risks.

We expect MWG to grow their *thegioididong.com* footprint at 1.5x the growth of the overall market. Historically, this ratio has typically been 2-3x. We also assume new stores to average VND1.5b in monthly sales, as guided by management, down from about VND4b historically. Our new SSSG assumption now stands at 5% annually, taking into account cannibalisation.

This should lead MWG's market share in smartphones to hover around 45-50% in FY20 from 35% currently. By that time, mom-and-pop market share should decline to about 20%, the saturation point for modern retail in this market, as guided by Mr. Tai.

Economics: While store expansion has been extremely rapid in this business segment, the cannibalisation risk is only moderate. Stores that are open near to each other may still individually have positive economic value-added, as long as (1) the immediate catchment area is sizeable enough, with heavy traffic, and (2) it is physically inconvenient for customers to go to the next nearest store outside of the cannibalised zone, as is the case in many areas with undeveloped transport infrastructure.

We believe undeveloped transport infrastructure has also resulted in single-digit SSSG for MWG for a while, which seems counter-intuitive given the secular growth story of smartphones. This is because many of the existing mature stores have already secured the most prime locations, yet can only manage to serve a limited catchment area, due to traffic congestions to and from these stores. This is why we think the benefit from increasing market share outweighs the cannibalisation risk.

Small-scale specialist electronics stores are also quite common in neighbouring ASEAN countries with heavy traffic and/or high population density, such as Indonesia (ERAA IJ, TRIO IJ), Thailand (SIM TB) or Singapore (CHLG SP and EPIC SP).

Besides, the investment outlay for each store is quite minimal: (1) a new store with VND1.5b in monthly sales should only require less than VND1b of capex, instead of VND1.5b for a VND4b-per-month store, (2) operating leases are signed for several years, but only a 3-month deposit is typically required, (3) the ERP system has proved efficient in managing staff and inventory at each store level.

It typically takes a year for a store to break even. Any store with more than three months of negative EBITDA would be red-flagged.

The company did have to close shops in the past, mostly in FY13. However, the losses from the closure of these have been minimal.

All in all, our forecast for the *thegioididong.com* business line is outlined in Fig 5.

Fig 5: Sales and store opening forecasts - thegioididong.com

thegioididong.com business line	FY16e	FY17e	FY18e	FY19e	FY20e	3yr CAGR	5yr CAGR
Revenue (VNDb)	30,357	38,139	44,465	51,575	59,406	28.9%	23.4%
SSSG - value (%)	5%	5%	5%	5%	5%	5.0%	5.0%
SSSG - volume (%)	5%	5%	5%	5%	5%	5.0%	5.0%
ASP growth (%)	0%	0%	0%	0%	0%	0.0%	0.0%
Store growth (%)	60%	24%	23%	20%	18%	34.9%	28.2%
Revenue growth (%)	46%	26%	17%	16%	15%	28.9%	23.4%
Existing stores (#)	564	904	1,124	1,384	1,654		
New stores, net (#)	340	220	260	270	300		
Year-end stores (#)	904	1,124	1,384	1,654	1,954	34.9%	28.2%

Source: MKE estimates

2.2 *DienmayXANH*: to modernise Vietnamese households

Compared with *thegioididong.com* which focuses on smartphones, *DienmayXANH* primarily sells non-portable "brown goods" (i.e. bulky consumer electronics such as TVs, speakers) and "white goods" (i.e. household appliances such as fridges, air-conditioners, washing machines, etc). Compared with smartphones, these have longer replacement cycles (>5 years) but lower penetration (20-40%) at present.

The economics of *DienmayXANH* lies in the bulky nature of the products. A *DienmayXANH* store (500-1,000sqm) usually has lower competition from chained stores in the neighbourhood than a *thegioididong.com* store, due to land scarcity. Bulky items are also less subject to hand-carried purchases from overseas, as is the case of portable consumer electronics.

We believe it is more difficult for new entrants to enter *DienmayXANH's* market segment, compared with that of *thegioididong.com*'s. We initially had reservations over how quickly MWG can expand this segment, in view of physical difficulties in finding sizeable locations.

The company has exceeded our expectation in FY16 so far. *DienmayXANH* has risen to be on par with previous market leader Nguyen Kim (now partly owned by Thailand's Central Group), with about 10% in market share, and has apparently taken market share from local provincial chains. We took a look at the locations of the new *DienmayXANH* stores and are convinced the company is top-notch at securing sizeable and prime locations.

When it comes to margins, economies of scale are, again, working in favour of the company. On the one hand, *DienmayXANH*'s rising market share should increase the company's bargaining power. On the other hand, the supply of non-portable consumer electronics and appliances should continue to increase at a healthy rate, in view of the presence of Samsung and LG in Vietnam, as well as regional trade agreements. This should give MWG plenty of room for effective merchandising.

Online retailing, again, can serve to help supplement the growth of this segment. To recall, our initiation report mentioned that we attempted to place an order from *DienmayXANH* for home delivery via their mobile app. Our experience with the purchase was very pleasant.

All in all, our forecasts for this segment are outlined in

Fig 6: Sales and store opening forecasts - DienmayXANH

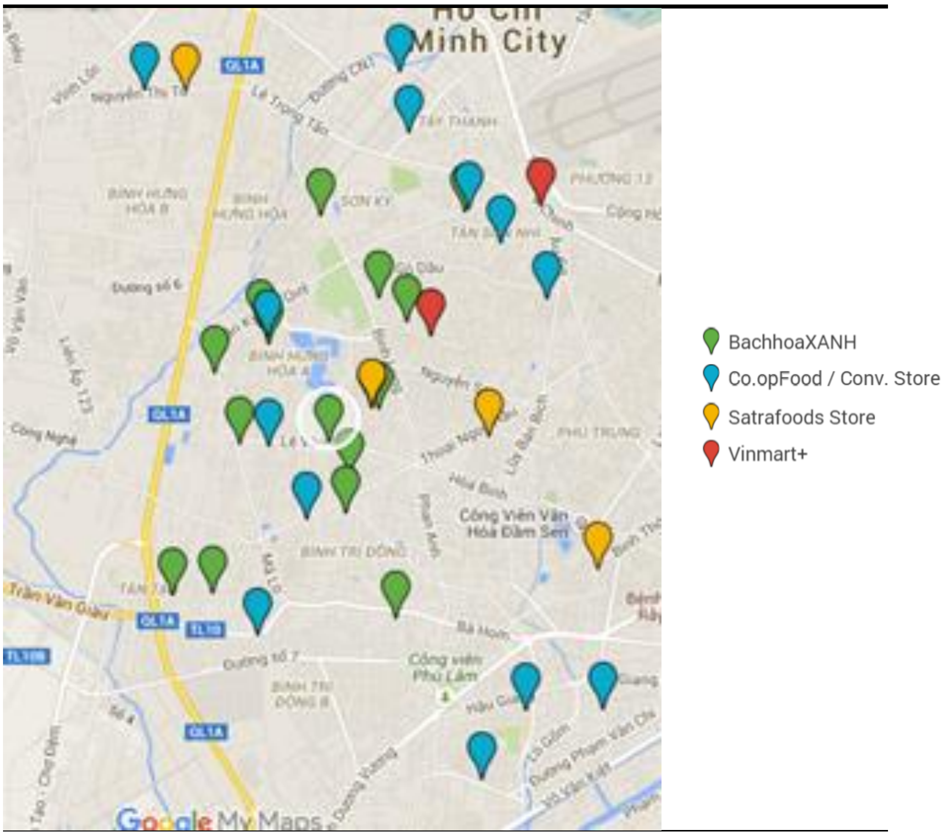
DienmayXANH business line	FY16e	FY17e	FY18e	FY19e	FY20e	3yr CAGR	5yr CAGR
Revenue (VNDb)	12,305	19,103	24,614	28,611	32,240	76.4%	48.4%
SSSG - value (%)	10%	10%	10%	10%	10%	10.0%	10.0%
SSSG - volume (%)	10%	10%	10%	10%	10%	10.0%	10.0%
ASP growth (%)	0%	0%	0%	0%	0%	0.0%	0.0%
Store growth (%)	87%	39%	11%	5%	2%	42.3%	25.4%
Revenue growth (%)	175%	55%	29%	16%	13%	76.4%	48.4%
Existing stores	69	129	179	199	209		
New stores (net)	60	50	20	10	5		
Year-end stores	129	179	199	209	214	107.6%	25.4%

Source: MKE estimates

2.3 *BachhoaXANH*: high potential but lots of work to do

We conducted our site visit around Binh Tan/Tan Phu District where the pilot BachhoaXANH stores are currently operating. Fig 7 below suggests that grocery retailing via specialist chained stores is hardly an untapped market in these densely populated districts.

Fig 7: Grocery specialist chained stores around Binh Tan/Tan Phu



Source: Company, MKE, Google Maps, Jul 2016

For Vinmart+, besides the two stores operational at the time of the survey on the above map, there are apparently dozens of other stores slated for opening, as can be seen from the Vinmart website.

Fig 8: VinMart+ existing & planned stores, Binh Tan/Tan Phu, HCMC

Source: vinmart.com

We compared a BachhoaXANH store in the area and a Satrafoods store 50m away. The two have roughly comparable traffic, product availability and pricing, except that the latter offers a limited amount of fresh meat.

The latter also has a slightly more high-end feel when it comes to lighting and layout. Note, however, that the target market for both stores is the mass-market consumers looking to move away from wet markets.

Fig 9: BachhoaXANH (left) vs Satrafoods (right)

Source: MKE

Challenges faced by Bach Hoa XANH at this early stage:

- Difficulties in recruiting and retaining staff, given the long working hours (6:00AM to 9:30PM) and the heavy workload. Turnover can be high at the beginning.
- Difficulties in competing with wet market prices. Usually a 50% discount on fresh vegetables (which we understand are sourced from Da Lat Province) has to be run for about a month upon the opening of a new store to encourage traffic.
- Merchandising is yet to be well-established. The offering of fresh meat and fish is still yet to be seen.

That said, we think it is commendable that revenue per store has steadily increased from less than USD10,000/month in Feb'16 to close to USD50,000/month in June'16. We cross-checked with comparable minimart chains and estimated that regional peers make over USD80,000/store/month on average, while local market leader Co.opFood makes between USD60,000-70,000/store/month.

Mr. Tai explains that revenue per store is an important metric, and has been encouraging given the short timeframe, but is not the deciding factor in rolling out this new concept. Revenue only forms the front-end of the company's retail model, and a decision to roll out a model can only be made once the back-end is fully planned out.

Another factor for consideration, according to Mr. Tai, is the treatment of leftover perishable inventory, which is not present in electronics/appliances retailing. Even if revenues hit targets, the grocery retailing format may not be rolled out if there is no systematic way to treat this issue.

All in all, we are neither bullish nor pessimistic on this segment at this stage. We like the idea, the market size (about USD60b per our understanding from management and industry sources), and the existing retail platform that the company has. We also view the increase in revenue per store in 1H16 to be encouraging.

However, we do not think there is good reason to be bullish as yet, given the short-term challenges. Overall, we think there is a 70% chance the grocery model will be rolled out in FY17.

2.4 DCF model

Risk Free Rate	7.0%
Equity Risk Premium	8.0%
Beta	1.0
Cost of Equity	15.0%
Cost of Debt (%) - before tax	3.0%
Cost of Debt (%) - after tax	2.3%
Debt/Equity	0.6x
WACC	10.3%
Terminal Growth	2.0%
Base Year	2016

FCFF (VNDb)	2012	2013	2014	2015	2016	2017	2018	2019	2020
Free cash flow to firm (FCFF)	**(8)**	**(12)**	**(146)**	**(1,191)**	**912**	**494**	**1,637**	**2,331**	**2,822**
5-yr Total PV of FCFF					5,445	5,509	4,436	2,560	2,560
Terminal value					**34,884**	**34,884**	**34,884**	**34,884**	**34,884**
PV of terminal value					23,609	26,029	28,698	31,640	34,884
Total PV of FCFF					**29,054**	**31,538**	**33,134**	**34,200**	**37,444**
Less: debt					5,483	7,362	8,819	10,114	11,492
Add: cash					1,921	3,007	4,844	7,131	9,843
Less: MI					3	4	5	7	9
Equity value					**25,490**	**27,180**	**29,154**	**31,211**	**35,785**
Outstanding shares (m) - enlarged					154.2	158.9	163.2	166.5	168.7
Fair value/share (VND)					**165,500**	**171,000**	**178,500**	**187,500**	**212,000**

FCFE (VNDb)	2012	2013	2014	2015	2016	2017	2018	2019	2020
Free cash flow to firm (FCFE)	**37**	**90**	**(56)**	**215**	**1,816**	**1,455**	**2,307**	**2,866**	**3,396**
5-yr Total PV of FCFE					6,836	6,406	5,060	2,953	2,953
Terminal value					**26,649**	**26,649**	**26,649**	**26,649**	**26,649**
PV of terminal value					15,237	17,522	20,150	23,173	26,649
Total PV of FCFE					**22,072**	**23,928**	**25,211**	**26,126**	**29,602**
Add: cash					1,921	3,007	4,844	7,131	9,843
Less: MI					109	150	186	221	253
Equity value					**23,885**	**26,786**	**29,869**	**33,036**	**39,191**
Outstanding shares (m) - enlarged					154.2	158.9	163.2	166.5	168.7
Fair value/share (VND)					**155,000**	**168,500**	**183,000**	**198,500**	**232,500**

Adopted 12m blended forward TP: VND160,000

Source: MKE

2.5 Peers

thegioididong.com peers

Company	Ticker	Country	PER	Fwd PER	Fwd P/B	P/S	EV/EBITDA
Erajaya Swasembada Tbk PT	ERAA IJ Equity	Indonesia	7.9	6.2	0.5	0.1	6.1
Trikomsel Oke Tbk PT	TRIO IJ Equity	Indonesia					
Challenger Technologies Ltd	CHLG SP Equity	Singapore	8.4			0.4	4.5
Epicentre Holdings Ltd	EPIC SP Equity	Singapore				0.1	
Samart I-Mobile PCL	SIM TB Equity	Thailand		145.2	1.8	0.8	35.6
Median			**8.2**	**75.7**	**1.2**	**0.3**	**6.1**

DienmayXANH peers

Company	Ticker	Country	PER	Fwd PER	Fwd P/B	P/S	EV/EBITDA
Sanlian Commercial Co Ltd	600898 CH Equity	China	152.6			3.8	
Suning Commerce Group Co Ltd	002024 CH Equity	China	89.6	188.1	2.1	0.6	
GOME Electrical Appliances Hol	493 HK Equity	China		11.4	0.8		
Electronic City Indonesia Tbk	ECII IJ Equity	Indonesia	86.6			0.4	4.5
Global Teleshop Tbk PT	GLOB IJ Equity	Indonesia				0.2	
Bic Camera Inc	3048 JP Equity	Japan	18.7	11.8	1.4	0.2	9.5
K's Holdings Corp	8282 JP Equity	Japan	12.3	11.3	1.0	0.3	9.4
Yamada Denki Co Ltd	9831 JP Equity	Japan	14.6	11.3	0.8	0.3	10.9
EDION Corp	2730 JP Equity	Japan	14.7	9.6		0.1	7.1
Best Denki Co Ltd	8175 JP Equity	Japan	10.6			0.1	9.1
LOTTE Himart Co Ltd	071840 KS Equity	S. Korea	10.7	8.9	0.6	0.3	8.2
Sunfar Computer Co Ltd	6154 TT Equity	Taiwan	13.3			0.2	4.7
Tsann Kuen Enterprise Co Ltd	2430 TT Equity	Taiwan	14.4			0.2	4.2
Dixons Carphone PLC	DC/ LN Equity	UK	19.5	9.6	1.1	0.4	7.9
Best Buy Co Inc	BBY US Equity	US	10.9	10.5	2.2	0.3	3.6
Tran Anh Digital World JSC	TAG VN Equity	Vietnam	94.1			0.5	41.1
Median			**14.7**	**11.3**	**1.1**	**0.3**	**8.1**

BachhoaXANH peers

Company	Ticker	Country	PER	Fwd PER	P/S	EV/EBITDA
Sumber Alfaria Trijaya Tbk PT	AMRT IJ Equity	Indonesia	35.3	38.6	0.5	9.5
UNY Group Holdings Co Ltd	8270 JP Equity	Japan			0.2	7.6
FamilyMart Co Ltd	8028 JP Equity	Japan	28.5	25.5	4.4	7.5
Lawson Inc	2651 JP Equity	Japan	25.8	21.1	3.6	7.5
BGF retail Co Ltd	027410 KS Equity	South Korea	33.2	28.8	1.2	14.9
Taiwan FamilyMart Co Ltd/Taiwa	5903 TT Equity	Taiwan	36.3	32.6	0.8	13.4
Poplar Co Ltd	7601 JP Equity	Japan	80.4		0.1	6.1
Median			**34.3**	**28.8**	**0.8**	**7.6**
MWG			**13.9**	**10.0**	**0.8**	**8.4**

Source: Bloomberg, MKE estimates

FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Metrics					
P/E (reported) (x)	26.6	17.3	10.0	8.3	7.1
Core P/E (x)	26.6	17.3	10.0	8.3	7.1
P/BV (x)	12.5	7.8	4.8	3.3	2.4
P/NTA (x)	12.9	7.9	4.8	3.3	2.4
Net dividend yield (%)	0.0	1.1	1.9	2.3	2.7
FCF yield (%)	nm	nm	4.6	2.4	7.6
EV/EBITDA (x)	13.2	8.4	8.0	6.4	4.9
EV/EBIT (x)	15.1	9.6	8.9	7.3	5.9
INCOME STATEMENT (VND b)					
Revenue	15,756.7	25,252.7	42,788.1	57,464.7	69,496.6
Gross profit	2,396.1	3,922.4	6,854.7	9,158.5	11,028.8
EBITDA	922.7	1,519.1	2,610.9	3,455.9	4,351.0
Depreciation	(115.5)	(196.2)	(248.1)	(430.2)	(707.6)
Amortisation	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
EBIT	806.3	1,322.0	2,361.9	3,024.9	3,642.6
Net interest income /(exp)	(4.4)	(38.0)	(25.6)	(16.3)	(15.5)
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	66.3	101.7	150.0	160.0	170.0
Pretax profit	868.2	1,385.8	2,486.3	3,168.6	3,797.1
Income tax	(194.5)	(310.0)	(497.3)	(633.7)	(759.4)
Minorities	(5.6)	(3.9)	(1.0)	(1.3)	(1.5)
Reported net profit	668.1	1,071.9	1,988.0	2,533.6	3,036.2
Core net profit	668.1	1,071.9	1,988.0	2,533.6	3,036.2
BALANCE SHEET (VND b)					
Cash & Short Term Investments	212.9	343.9	1,921.4	3,007.4	4,844.2
Accounts receivable	44.5	76.9	108.6	149.7	185.7
Inventory	2,195.3	4,932.7	5,965.1	7,993.0	9,642.8
Property, Plant & Equip (net)	388.3	826.9	1,433.8	2,358.7	2,901.1
Intangible assets	45.6	34.7	33.9	33.0	32.2
Other assets	520.6	1,050.6	1,602.5	1,978.4	2,347.3
Total assets	**3,407.2**	**7,265.8**	**11,065.3**	**15,520.2**	**19,953.3**
ST interest bearing debt	618.7	2,052.9	3,006.0	4,038.8	4,805.5
Accounts payable	981.8	1,971.3	2,476.9	3,322.7	4,013.2
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	323.0	758.0	1,333.0	1,771.0	2,199.0
Total Liabilities	**1,923.2**	**4,782.2**	**6,816.0**	**9,133.0**	**11,018.1**
Shareholders Equity	1,475.0	2,481.9	4,246.7	6,383.2	8,929.7
Minority Interest	9.1	1.6	2.6	3.9	5.4
Total shareholder equity	**1,484.0**	**2,483.6**	**4,249.4**	**6,387.1**	**8,935.1**
Total liabilities and equity	**3,407.2**	**7,265.8**	**11,065.3**	**15,520.2**	**19,953.3**
CASH FLOW (VND b)					
Pretax profit	868.2	1,385.8	2,486.3	3,168.6	3,797.1
Depreciation & amortisation	116.4	197.1	248.9	431.0	708.5
Adj net interest (income)/exp	21.3	38.9	87.2	106.5	136.6
Change in working capital	(672.8)	(2,060.9)	(558.5)	(1,223.1)	(995.4)
Cash taxes paid	(221.6)	(196.0)	(497.3)	(633.7)	(759.4)
Other operating cash flow	45.4	31.2	0.0	0.0	0.0
Cash flow from operations	120.8	(604.0)	1,766.7	1,849.2	2,887.4
Capex	(266.4)	(586.5)	(855.0)	(1,355.0)	(1,250.0)
Free cash flow	(145.6)	(1,190.5)	911.7	494.2	1,637.4
Dividends paid	(2.6)	(1.8)	(225.7)	(397.2)	(489.7)
Equity raised / (purchased)	11.6	(2.2)	0.0	46.3	43.6
Change in Debt	105.5	1,434.3	953.1	1,032.8	766.7
Other invest/financing cash flow	(60.7)	(108.8)	(61.6)	(90.2)	(121.2)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(91.8)	131.0	1,577.5	1,086.0	1,836.9

FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Ratios					
Growth ratios (%)					
Revenue growth	65.9	60.3	69.4	34.3	20.9
EBITDA growth	142.7	64.6	71.9	32.4	25.9
EBIT growth	133.1	64.0	78.7	28.1	20.4
Pretax growth	147.5	59.6	79.4	27.4	19.8
Reported net profit growth	161.4	60.4	85.5	27.4	19.8
Core net profit growth	161.4	60.4	85.5	27.4	19.8
Profitability ratios (%)					
EBITDA margin	5.9	6.0	6.1	6.0	6.3
EBIT margin	5.1	5.2	5.5	5.3	5.2
Pretax profit margin	5.5	5.5	5.8	5.5	5.5
Payout ratio	0.0	19.6	18.9	18.8	18.8
DuPont analysis					
Net profit margin (%)	4.2	4.2	4.6	4.4	4.4
Revenue/Assets (x)	nm	nm	nm	nm	nm
Assets/Equity (x)	2.3	2.9	2.6	2.4	2.2
ROAE (%)	58.7	54.2	59.1	47.7	39.7
ROAA (%)	23.7	20.1	21.7	19.1	17.1
Liquidity & Efficiency					
Cash conversion cycle	25.4	36.1	33.1	31.2	32.6
Days receivable outstanding	1.1	0.9	0.8	0.8	0.9
Days inventory outstanding	46.9	60.2	54.6	52.0	54.3
Days payables outstanding	22.6	24.9	22.3	21.6	22.6
Dividend cover (x)	nm	5.1	5.3	5.3	5.3
Current ratio (x)	1.5	1.3	1.4	1.4	1.5
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	1.5	1.6	1.7	1.8
Net debt/equity (%)	27.5	68.9	25.5	16.2	net cash
Net interest cover (x)	nm	34.8	92.1	nm	nm
Debt/EBITDA (x)	0.7	1.4	1.2	1.2	1.1
Capex/revenue (%)	1.7	2.3	2.0	2.4	1.8
Net debt/ (net cash)	405.8	1,709.1	1,084.6	1,031.5	(38.7)

Source: Company; Maybank

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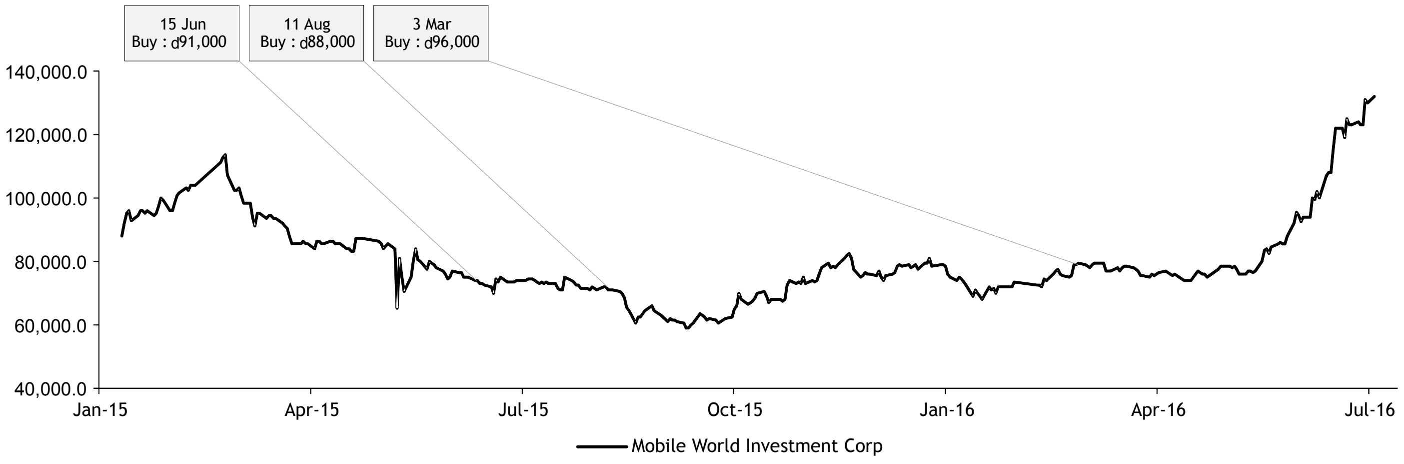
Historical recommendations and target price: Mobile World Investment Corp (MWG VN)



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