

MOBILE WORLD JSC (HOSE: MWG)

Industry

Retail & FMCG

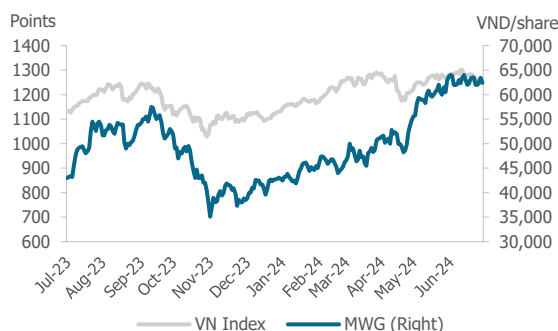
RECOMMENDATION

BUY

Target price (VND) – 12 mo	76,350
Current price (VND)	65,200
Upside	+17.10%
Date	July 10 th , 2024

Financials	2023	2024F
Unit: VND bn		
Revenue	118,280	131,131
Gross profit	22,521	27,729
Gross margin	19.0%	21.1%
Net profit	168	4,287
Net margin	0.1%	3.3%
EPS	115	2,873
EBITDA	3,788	8,320
P/E (x)	391.23x	30.47x
P/S (x)	0.56x	0.82x

Price chart



Shareholders

Retail World Co., Ltd	10.5%
Dragon Capital	6.9%
Arisag Asia Fund Limited	5.0%
Directors	5.3%
Others	72.3%

Company description

Mobile World Investment Corporation (MWG), Vietnam largest national retailer, comprising a vast network of modern retail chains ranging from Information Communication Technology (ICT) & Consumer Electronics (CE), grocery & FMCG to pharmacy and baby products. In recent years, MWG has been expanding its international fleet to Cambodia and Indonesia.

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SUCCESSFUL RESTRUCTURING OF BACH HOA XANH PAVE THE WAY FOR MWG'S NEXT CHAPTER OF GROWTH

- Bach Hoa Xanh is on pace to book its first-year profit of VND433 bn with the continuous effort to reduce net loss to VND105 bn in 1Q24.
- Robust operation and SKU optimization thanks to the aggressive business restructuring and closing of underperforming stores from 1Q22 to 4Q23.
- T12M P/E at 27.8x, with implied FY24 P/E of 30.47x; T12M EV/EBITDA at 18.97x, with implied FY24 EV/EBITDA of 18.85x.

MWG is well positioned to sustain top-line and bottom-line growth with a revenue and NPAT-MI FY24-FY28F CAGR of 3.87% and 10.79%, respectively with BHX as the main growth driver.

- We believe that MWG has established a solid foundation embarked on a comprehensive restructuring plan (1Q22-4Q23). For FY24F, MWG's gross margin is projected to rise 215 bps y/y, back to its 5-yr average of 21.15% and a reduction of 131 bps y/y for SG&A margin as 2023 was an unusual year due to macro uncertainties and the price war between domestic retailers.
- With its cash-generation capability, we believe MWG will reduce exposure to a high interest rate environment by downsizing net debt.

The Giori Di Dong (TGDD) & Dien May Xanh (DMX) growth slow-down, forecasted FY24 NPAT-MI of VND3,843 billion, net margin of 4.4%.

- Skepticism remains for long-term growth prospects due to demand for Information Communication Technology (ICT) & Consumer Electronics (CE) sectors have weakened considerably.
- MWG's management anticipates a recovery for ICT/CE sales in 2H24 and at the beginning of 2025, we project combined aggregate FY24F revenue for TGDD & DMX to stand at VND87,267 billion, an increase of 4.5% y/y.

Bach Hoa Xanh (BHX) is expected to post double-digit sales growth in the next 5 years, FY24-28F with a revenue CAGR of 9.16%.

- We project BHX to end FY24 with a revenue and NPAT-MI of VND39,959 billion and VND433 billion, respectively. BHX's FY24F net margin of 1.1% is driven by (1) maintaining a healthy gross margin of 24.8% despite uncertainties in the economy and (2) SG&A margin reduction to 23.35% after cost-effective measurements taken during the restructuring phase.
- BHX's same-store sales growth (SSSG) of 5.39%, with average monthly sales per store for FY24F reaching VND1.9 billion.

Valuation. We initiate coverage with a **BUY** rating, 12-mo based case target price of **76,350 VND/share** for MWG on a 5-year forecasted period (FY24-28F) based on the following factors: (1) BHX expects double-digit sales growth with FY24-28F CAGR of 9.16%, in which, BHX's FY24F SSSG of 5.39%, (2) MWG's better than expected costs and margins, (3) Shift in consumer shopping behavior & preferences and market share concentration, (4) CAGR 7.7% for retail market.

INVESTMENT CASE

KEY CATALYST

Expecting double-digit sales growth for BHX with revenue FY24-28F CAGR of 9.16%. For the first time since the grocery chain was founded in 2016, Bach Hoa Xanh (BHX) has surpassed Mobile World in terms of revenue, reaching VND31,581 billion with an average monthly sales per store of VND1.8 billion. Additionally, BHX has claimed the top spot among other competitors in the grocery/FMCG sector, leading in revenue with VND31,581 billion in 2023, comprising 32% of Vietnam minimarts and convenience stores segment.

BHX achieved its break-even point at the company level milestone by the end of 4Q23 and is expected to contribute 10.33% to MWG FY24 net profit for the first time. For FY24F, we forecast average sales per store of the grocery chain to reach VND1.9 billion, combined with a reduction in SG&A expenses will help push BHX toward profit territory as shown by management effort to reduce BHX's net loss to only VND105 billion in 1Q24. Abeit its conservative expansion plan for BHX, we project BHX's sales per store to growth at a CAGR of 4.6% for the forecasted period of FY24-28, reachiing VND2.37 billion by 2028.

MWG top-line remains weak but as margins improve due to restructuring efforts, helps secure a FY24-28F NPAT-MI CAGR of 10.79%. As the company continues consolidating its operations and closing underperformance stores, we project that GPM would increase by 215 bps to 21.15% and SG&A margin reduces by 131 bps to 17.36%.

Bach Hoa Xanh valuation at US\$1.7 billion after CDH Investment, paving the way for the ambition to IPO Bach Hoa Xanh. The Chinese private equity firm (AUM: US\$27 billion) purchased 5 percent stake in Mobile World Group's grocery business, BHX for US\$72.17 million, in which, MWG is aiming to deploy the capital for optimizing business operations and stores expansion. After its first successful exit in Mobile World venture in 2014, partnership with CDH this time marks an important milestone for MWG, strengthening investors confidence in the future of BHX grocery chain.

RISK

E-commerce reshaping Vietnam retail market. Rapid advancements in technology can pose a direct threat if MWG fails to stay ahead of the curve.

Saturation in ICT/CE market. Durable and longer replacement cycle for electronic products, price pressure and changing consumer spending habits and priorities lead to cutting back on discretionary purchases for consumer electronics and appliances.

Competition from domestic players and foreign retailers entering the market. Despite Saigon Co.opMart and Masan Winmart+ are speeding up on its physical expansion and e-commerce platform across the country, and considering major foreign retailers (Thailand, China, etc.) are also vying for market share, instead, MWG remains conservative toward its physical store expansion plan meanwhile focuses on intergrating e-commerce innovation, optimizing operation efficiency, improving customer serivces and products quality.

MWG (Unit: VND bn)	2023	2024F	% Change	5-yr average	Comments
Net Revenue	118,280	131,131	10.86%		<ul style="list-style-type: none"> FY24 consolidated revenue will increase 10.86% YoY due to the following assumptions: <ol style="list-style-type: none"> (1) BHX, the grocery chain offers competitive pricing and attractive promotion program on top of its wide range of fresh food and FMCG products that matches consumers preferences. (2) BHX's SSSG of 5.39% for FY24. (3) market share for minimarts only account for less than 6.0% of Vietnam grocery market, hence, ample of growth opportunity for BHX. (4) ICT to recover but remain below pre-Covid levels, with online sales expanding steadily.
<i>TGDD</i>	<i>28,269</i>	<i>31,678</i>	<i>12.06%</i>		<ul style="list-style-type: none"> TGDD will see a boost in revenue this year due to the average cellphone replacement cycle (3-4 years). The combined revenue of TGDD and DMX is expected to stabilize in the range of VND85,000-91,000 billion in the next 5 years
<i>DMX</i>	<i>55,237</i>	<i>55,589</i>	<i>0.64%</i>		
<i>BHX</i>	<i>31,581</i>	<i>39,959</i>	<i>26.53%</i>		<p>Our forecasted revenue FY24-FY28 CAGR for MWG 3 major chains, aligning with Euromonitor long-term growth prediction for ICT/CE and grocery/FMCG sectors:</p> <ul style="list-style-type: none"> TGDD+DMX: 0.89% BHX: 9.16%
<i>Other</i>	<i>3,194</i>	<i>3,904</i>	<i>22.25%</i>		
Gross Profit	22,521	27,729	23.13%		<ul style="list-style-type: none"> Expectation for GPM to rise back to its 5-year average GPM of 21.15% as FY23 was an unusual year due to the intense price war between major retailers (MWG, FPT Retail, Winmart+, etc.) to retain market share.
Gross Margin	19.0%	21.1%	11.06%	21.15%	
Financial Income	2,167	2,308	6.52%		<ul style="list-style-type: none"> Financial income recognized a sizable amount due to MWG management sold 5% BHX's stake to CDH Investment partner, a China private equity firm with AUM of US\$27 billion. Interest expense is projected to decrease due to the reduction in short-term borrowing.
Interest Expense	1,448	977	-32.53%		
Selling Expense	20,917	21,742	3.94%		<ul style="list-style-type: none"> MWG's operational efficiency strongly improved fueled by cost-effective reduction after the comprehensive restructuring period, with selling expense and G&A expense per sales are expected to decrease by 110 bps (17.7% in FY23 to 16.58% in FY24) and 21 bps (0.99% in FY23 to 0.78% in FY24), respectively.
<i>External services</i>	<i>9,785</i>	<i>10,245</i>	<i>4.71%</i>		
<i>Labor</i>	<i>7,202</i>	<i>7,298</i>	<i>1.34%</i>		
<i>D&A</i>	<i>3,278</i>	<i>3,333</i>	<i>1.70%</i>		
<i>Other</i>	<i>653</i>	<i>865</i>	<i>32.57%</i>		
G&A Expense	1,168	1,018	-12.81%		
EBITDA	3,788	6,490	71.35%	7,308	<ul style="list-style-type: none"> The intensive labor cost-cutting and removal of lost-making stores will help drive profit margin expansion in FY24F.
EBITDA Margin	3.2%	4.9%	54.56%	6.21%	
NPAT-MI	168	4,287	2454.49%	3,910	
Net Profit Margin	0.1%	3.3%	2204.15%	2.91%	

VALUATION AND METHODOLOGY

We apply sum-of-the-parts (SOTP) method, discounted cash flow (DCF) method and price per sales (P/S) to derive our target price for MWG.

- We use SOTP to derive MWG valuation.
- We use the income approach - DCF to assess the business' free cash flow generating capabilities.
- We use P/S multiples to assess the business' growth potential and to compare similar firms in the sector to reflect its revenue-generating capabilities.

Forecasting Model Assumptions

- BHX is targeted to book its first annual profit with FY24F SSSG of 5.39%; a GPM and SG&A margin of 24.80% and 22.61%, respectively.
- MWG continues to streamline its operation and businesses:
 - TGDD & DMX continue to consolidate its operation and get rid of underperformance stores.
 - BHX solidifies its physical footprints in the Southern and Central region of Vietnam, ample of room to expand to the Northern region.
 - We project MWG's GPM and SG&A margin of 21.15% and 17.36%, respectively.
- Shifting of consumer spending behavior and habits from traditional markets (wet markets, mom & pop stores) to a more convenient, higher quality experience modern market format, as minimart only constitutes less than 5% of Vietnam grocery market share.
- Bright economy outlook with Vietnam's retail market to growth at a CAGR of 7.7 percent, with the anticipation that the size of retail market to increase from US\$246.65 billion in 2023 to US\$385.45 billion by 2028.

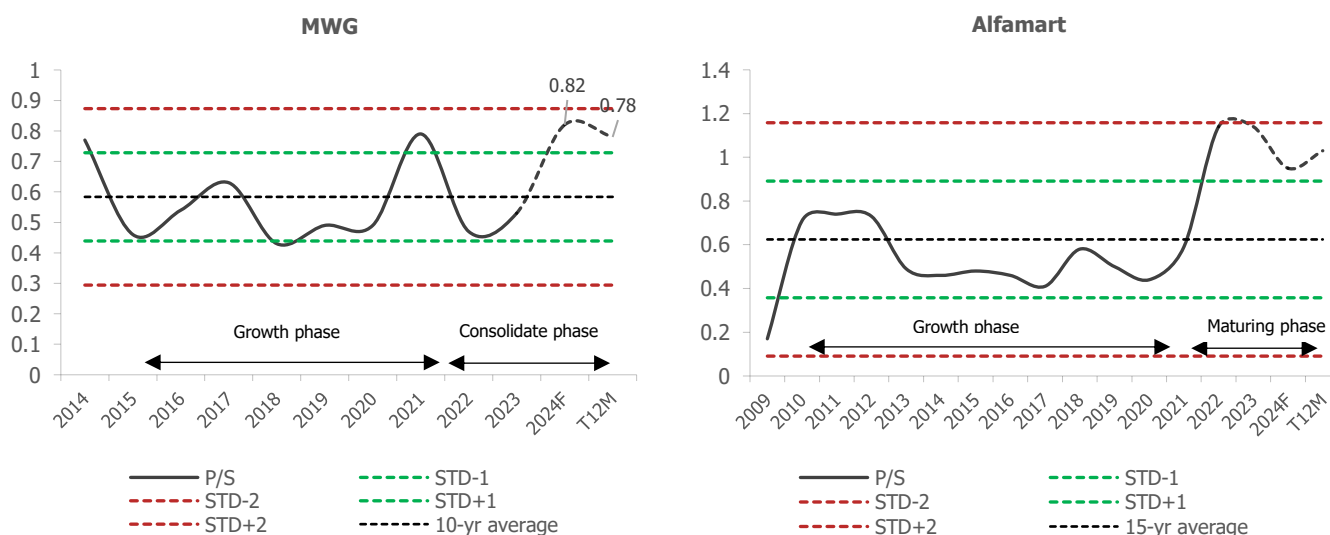
Valuation Model Assumptions

- Details of our price per sales (P/S) ratio assumptions are as follows:

Figure 1. P/S target for TGDD+DMX & BHX chains based on regional ICT/CE retailer peers

P/S Valuation	FY24 Revenue	Target P/S	Company Value	% Contribution to EV
TGDD + DMX	87,267	0.72	62,832	67.8%
BHX	39,959	0.86	34,365	32.2%
Total EV (VND bn)			97,197	
Outstanding Shares (mn)			1,492	
Price Target			65,161	

Figure 2. MWG & Alfamart P/S trend, IPO timeline.



- Details of our method of valuation assumptions and calculations are as follows:

Figure 3. Free cash flow to firm calculation

Unit: VND bn	FY24F	FY25F	FY26F	FY27F	FY28F
Net Income	4,286	5,032	6,012	6,056	7,152
+ D&A + Amortization of Good will	1,521	1,789	2,122	2,502	2,897
+ Interest * (1-T)	733	876	937	1,014	664
- Financial income	2,308	2,624	3,066	3,175	3,429
FCF before WCInv and FCInv	4,231	5,074	6,005	6,397	7,283
- WCInv	(4,139)	4,543	2,067	(861)	(7,902)
+ Change in inventories	1,114	2,638	4,560	(3,239)	(1,817)
+ Change in receivables + other current assets	(1,040)	871	291	774	(33)
- Change in payables	4,214	(1,033)	2,784	(1,603)	6,052
- FCInv	1,416	1,513	1,665	1,806	1,897
CAPEX (FCF)	1,416	1,513	1,665	1,806	1,897
Free Cash Flow to Firm	6,954	(982)	2,272	5,452	13,288

Figure 4. CAPM-based WACC assumptions

	Value
Risk-free rate	2.50%
Equity risk premium	9.00%
Beta	1.38
Cost of equity	14.92%
Cost of debt	4.72%
Effective tax rate	25.00%
Cost of debt after tax	3.54%

Figure 5. Capital structure & WACC

	Value
Equity/Total Capital	58.12%
Debt/Total Capital	41.88%
WACC	10.16%

Figure 6. Present value of FCFF

Year	1	2	3	4	5
FCFF	6,954	(982)	2,272	5,452	13,288
WACC	10.16%				
Discount Period	1.0	2.0	3.0	4.0	5.0
Discount Factor	0.91	0.82	0.75	0.68	0.62
Present Value of FCFF	6,313	(809)	1,700	3,703	8,193

Figure 7. Enterprise value & implied share price calculation

Enterprise Value (VND bn)	
Cumulative Present Value of FCFF	19,100
Terminal Value (by EV/EBITDA)	
Terminal EBITDA	10,390
Exit Multiple (x) (*)	16.00
Terminal Value	166,243
Present Value of Terminal Value	102,498
Enterprise Value (**)	121,598

Implied Equity Value and Share Price	
Enterprise Value	121,598
Less: Total Debt	20,672
Plus: Cash and Cash Equivalents	29,727
Implied Equity Value	130,653
Number of shares (mil)	1,493
Price per Share (VND)	87,539

(*) MWG traded at an EV/EBITDA multiple of 17.60x for FY23 and is currently trading of 18.97x for Trailing 12-month (Bloomberg). An EV/EBITDA exit multiple of 16.00x yields a forward EV/EBITDA of 18.85x and a forward P/E of 30.47x for FY24F.

(**) BHX's Enterprise Value: 20,558 (FY24F EBITDA contribution of 16.9%; TGDD+DMX's Enterprise Value: 101,048.

Figure 8. Terminal growth rate

Implied Perpetuity Growth Rate	
FCFF Terminal Value	13,288
WACC	10.16%
Terminal Value	166,243
Terminal Growth Rate	2.00%

Figure 9. EV/EBITDA & WACC sensitivity analysis

		EV/EBITDA Exit Multiple				
	VND 87,539	14.00	15.00	16.00	17.00	18.00
WACC	8.16%	85,542	90,245	94,948	99,651	104,353
	9.16%	82,152	86,643	91,135	95,626	100,117
	10.16%	78,940	83,232	87,539	91,814	96,105
	11.16%	75,897	79,999	84,100	88,202	92,304
	12.16%	73,011	76,933	80,855	84,777	88,699

Figure 10. Valuation results

Sum-of-the-part Methodology	Weight	Price (VND)	Target Price (VND)
FCFF	50%	83,699	76,350
P/S	50%	65,161	
Current price			65,200
Upside/Downside			17.10%
Rating			BUY

Sensitivity Analysis

Figure 11. MWG's selling expenses – BHX's sales per store

		Sales/Store (+-5%)				
Selling Expense (+-5%)	VND 76,350	1.71	1.81	1.90	2.00	2.09
	(19,622)	73,911	75,226	76,617	78,015	79,489
	(20,655)	73,812	75,121	76,506	77,899	79,368
	(21,742)	73,713	75,015	76,350	77,781	79,244
	(22,829)	73,620	74,915	76,287	77,667	79,124
	(23,970)	73,529	74,815	76,179	77,552	79,003

Figure 12. MWG's cost of good solds – BHX's sales per store

		Sales/Store (+-5%)				
COGS (+-5%)	VND 76,350	1.71	1.81	1.90	2.00	2.09
	(93,320)	74,825	76,179	77,607	79,040	80,547
	(98,232)	74,252	75,583	76,991	78,404	79,893
	(103,402)	73,713	75,015	76,350	77,781	79,244
	(108,572)	73,270	74,530	75,870	77,221	78,650
	(114,001)	72,959	74,155	75,434	76,731	78,111

Figure 13. MWG's share price sensitivity regarding BHX total new store opening and BHX's average monthly sales per store in 5-year forecasted period (FY24 – FY28)

Sales/Store (+-10%)								
New Stores (+-25%)	VND 76,350	1.39	1.54	1.71	1.90	2.09	2.30	2.53
	231	67,011	69,122	71,501	74,180	76,887	79,894	83,228
	308	67,533	69,659	72,055	74,753	77,480	80,509	83,869
	411	68,229	70,375	72,794	75,517	78,271	81,330	84,723
	548	69,157	71,329	73,779	76,350	79,326	82,424	85,861
	685	70,084	72,283	74,763	77,556	80,380	83,518	86,999
	856	71,244	73,476	75,994	78,830	81,698	84,885	88,422
	1,070	72,694	74,968	77,533	80,422	83,346	86,595	90,201

Sales/Store (+-20%)								
New Stores (+-25%)	VND 76,350	0.97	1.22	1.52	1.90	2.28	2.74	3.28
	231	61,551	64,732	68,860	74,180	79,619	86,253	94,317
	308	62,036	65,238	69,395	74,753	80,233	86,916	95,041
	411	62,682	65,913	70,108	75,517	81,050	87,800	96,007
	548	63,544	66,813	71,059	76,350	82,141	88,979	97,295
	685	64,405	67,712	72,010	77,556	83,231	90,158	98,583
	856	65,482	68,837	73,199	78,830	84,595	91,632	100,193
	1,070	66,829	70,243	74,685	80,422	86,298	93,474	102,205

Sales/Store (+-10%)								
New Stores (+-50%)	VND 76,350	1.39	1.54	1.71	1.90	2.09	2.30	2.53
	69	65,909	67,989	70,332	72,969	75,635	78,594	81,877
	137	66,373	68,466	70,824	73,479	76,162	79,141	82,446
	274	67,301	69,420	71,809	74,498	77,217	80,235	83,584
	548	69,157	71,329	73,779	76,350	79,326	82,424	85,861
	822	71,012	73,238	75,748	78,575	81,435	84,612	88,138
	1,233	73,796	76,101	78,702	81,633	84,598	87,894	91,553
	1,850	77,971	80,396	83,133	86,219	89,344	92,818	96,676

Sales/Store (+-20%)								
New Stores (+-50%)	VND 76,350	0.97	1.22	1.52	1.90	2.28	2.74	3.28
	69	60,528	63,664	67,730	72,969	78,324	84,853	92,787
	137	60,959	64,114	68,206	73,479	78,870	85,443	93,431
	274	61,821	65,013	69,157	74,498	79,960	86,621	94,719
	548	63,544	66,813	71,059	76,350	82,141	88,979	97,295
	822	65,267	68,612	72,961	78,575	84,322	91,337	99,871
	1,233	67,852	71,311	75,814	81,633	87,593	94,874	103,735
	1,850	71,729	75,360	80,094	86,219	92,500	100,179	109,531

Domestic peers comparison

Company Name	Ticker	Market Cap (VND bn)	P/E (FY24)	P/S (FY24)	EV/EBITDA (FY24)
Phu Nhuan Jewelry	PNJ VN	31,916	15.36	0.84	10.75
FPT Digital Retail	FRT VN	24,782	28.53	0.63	36.49
Masan Consumer Holdings	MCH VN	154,264	20.41	4.88	15.36
Digiworld	DGW VN	10,908	22.05	0.91	19.32
Masan Group	MSN VN	115,739	62.51	1.29	14.02
Median			22.05	0.91	15.36
VN-Index	VN30		10.32	1.34	14.53
Mobile World	MWG VN	90,805	30.47	0.82	18.85

Figure 14. P/E of Vietnam major retailers

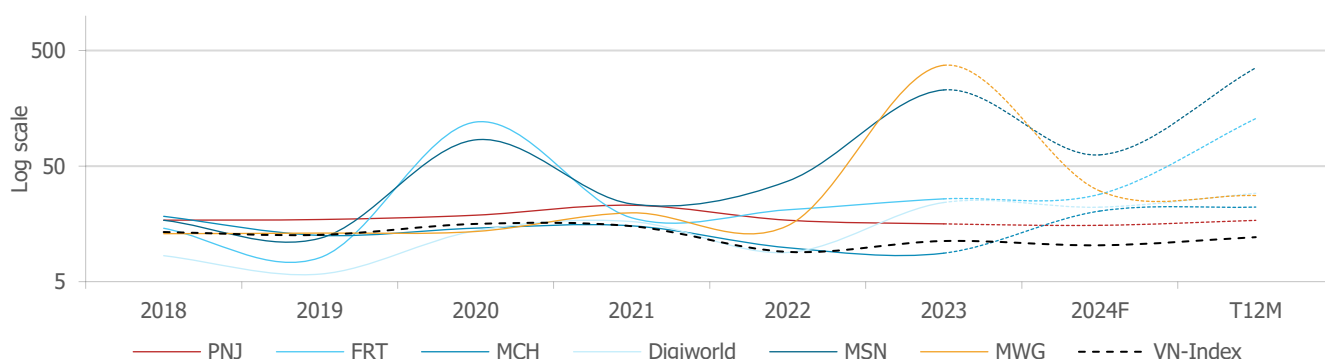


Figure 15. EV/EBITDA of Vietnam major retailers

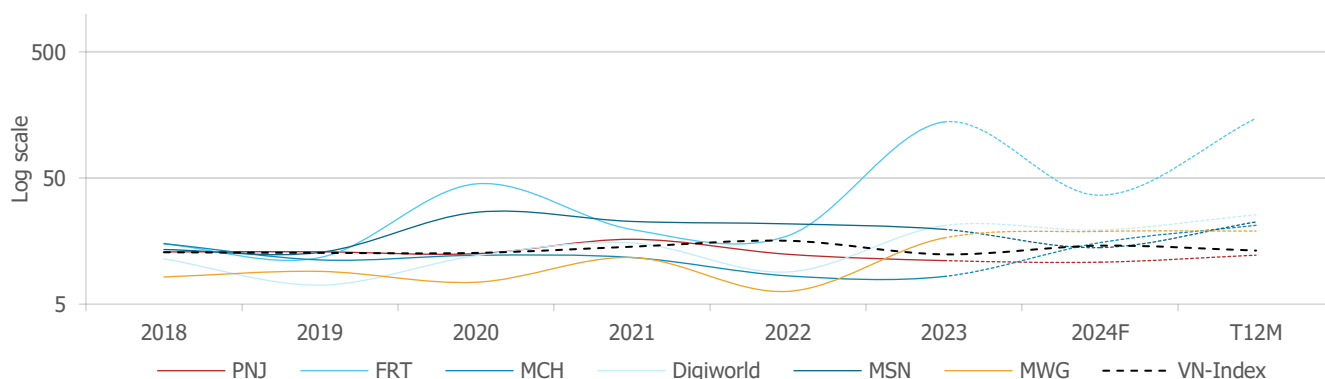
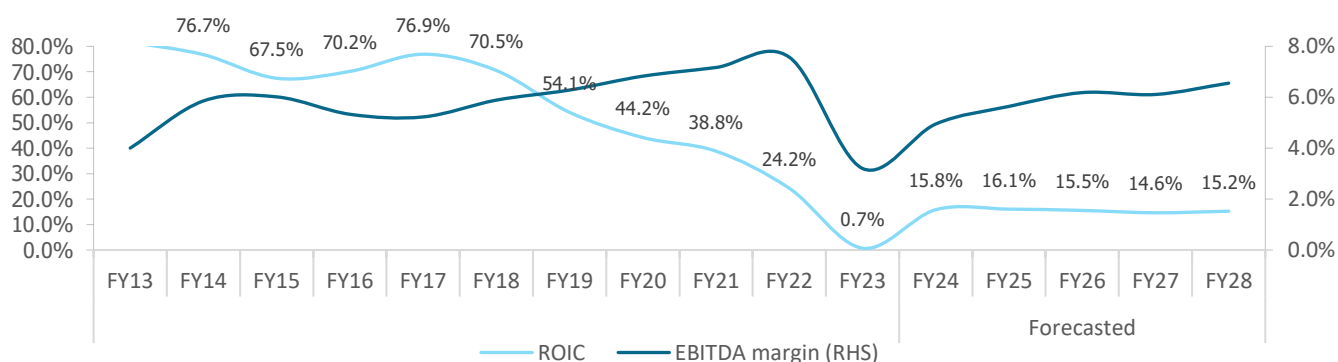


Figure 16. ROIC justifies longer period of high valuation for MWG with NOPAT compounded annual growth of 7.6% for the forecasted period



Regional peers comparison

Figure 17. Regional ICT/CE retailer peers

Company Name	Ticker	Country	Market Cap (VND bn)	P/E (FY24)	P/B (FY24)	P/S (FY24)	EV/EBITDA (FY24)
Harvey Norman	HVN AT		89,694	14.51	1.18	1.42	8.00
Best Denki	9831 JP	Japan	66,472	12.69	0.46	0.26	9.34
Com7 PCL	COM7 TB	Thailand	28,935	13.99	4.44	0.55	9.76
Electronics Mart	EMIL IN	India	28,091	40.07	5.38	1.17	19.70
FPT Digital Retail	FRT VN	Vietnam	24,238	124.70	13.96	0.62	34.79
Median			28,935	14.51	4.44	0.62	9.76
Mobile World	MWG	Vietnam	90,805	30.47	4.60	0.82	18.85

Figure 18. Regional grocery retailer peers

Company Name	Ticker	Country	Market Cap (VND bn)	P/E (FY24)	P/B (FY24)	P/S (FY24)	EV/EBITDA (FY24)
President Chain Store Corp	2912 TT	Taiwan	285,896	24.54	7.11	0.84	18.24
PT Sumber Alfaria	AMRT IJ	Indonesia	189,352	27.10	6.53	0.95	13.71
Lawson Inc	2651 JP	Japan	164,392	22.95	3.85	2.66	10.49
Philippine Seven Corp	SEVN PM	Philippine	99,545	26.27	7.55	1.22	10.32
Familymart	5903 TT	Taiwan	42,635	21.95	9.66	0.79	7.49
Midi Utama	MIDI IJ	Indonesia	20,933	21.47	3.25	0.69	9.17
Median			131,968	23.75	6.82	0.90	10.41
Mobile World	MWG	Vietnam	90,805	30.47	4.60	0.82	18.85

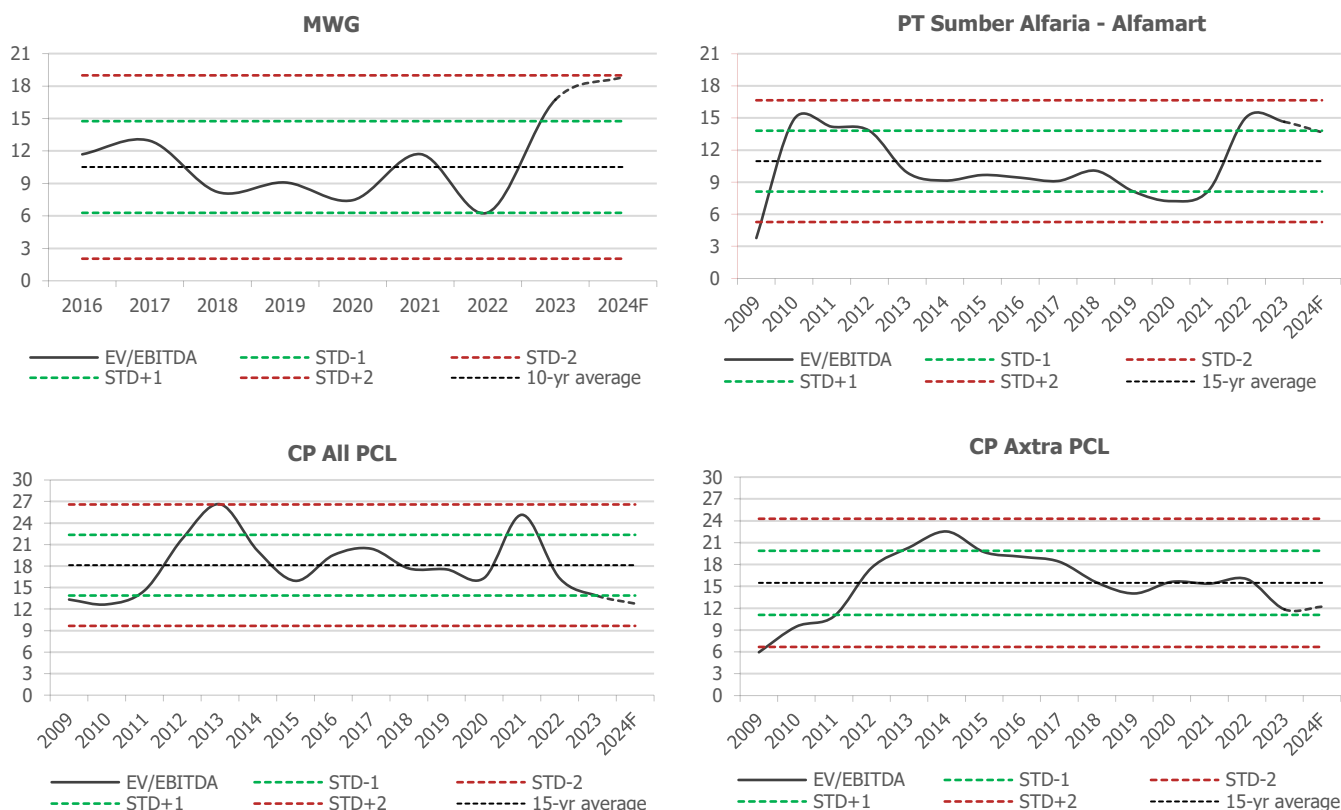
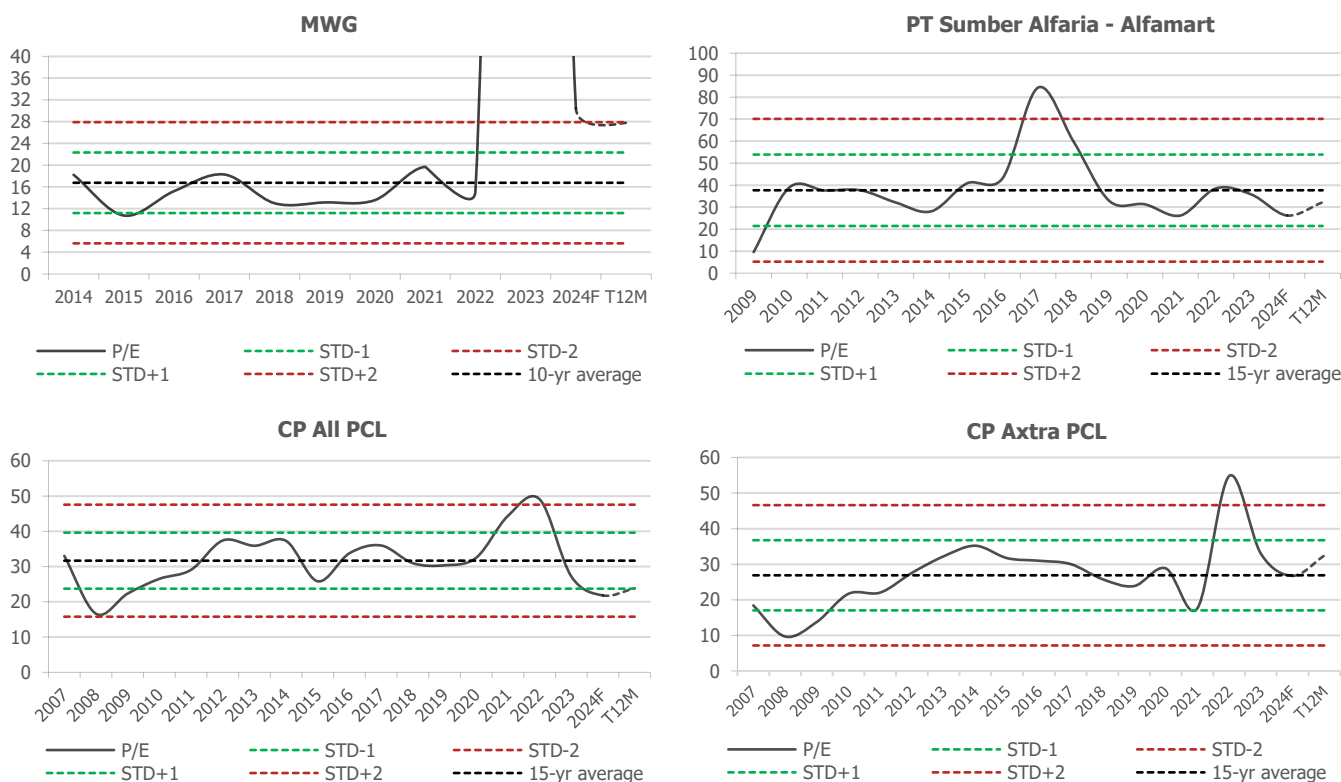
Figure 19. Regional peers' valuation, MWG

Company Name	Ticker	Country	Market Cap (VND bn)	P/E (FY24)	P/B (FY24)	P/S (FY24)	EV/EBITDA (FY24)
CP All PCL	CPALL TB	Thailand	346,732	22.11	4.07	0.55	12.76
CP Axtra PCL	CPAXT TB	Thailand	215,010	27.37	0.99	0.58	11.91
PT Sumber Alfaria	AMRT IJ	Indonesia	189,352	27.10	6.53	0.95	13.71
Central Retail Corp	CRC TB	Thailand	186,961	20.39	2.56	0.80	9.19
Philippine Seven Corp	SEVN PM	Philippine	99,545	26.27	7.55	1.22	10.32
Best Denki	9831 JP	Japan	66,472	12.69	0.46	0.26	9.34
Familymart	5903 TT	Taiwan	42,635	21.95	9.66	0.79	7.49
Com7 PCL	COM7 TB	Thailand	28,935	13.99	4.44	0.55	9.76
Median			143,253	22.03	4.26	0.69	10.04
Mobile World	MWG	Vietnam	90,805	30.47	4.60	0.82	18.85

RECOMMENDATION

Based on provided event catalysts, investment case, and valuation methodology, we recommend a **BUY** rating for MWG stock price with a 12-month based target price of **76,350 VND/share**, upside of 17.10% comparing to the current price of 65,200 VND/share as of closing on 10/07/2024.

(*) Reference our sensivity analysis for the impact of changes in BHX's average monthly sales per store, related selling expenses & COGS and total new store open during 5-year forecasted period of FY24-28 on MWG's share price.

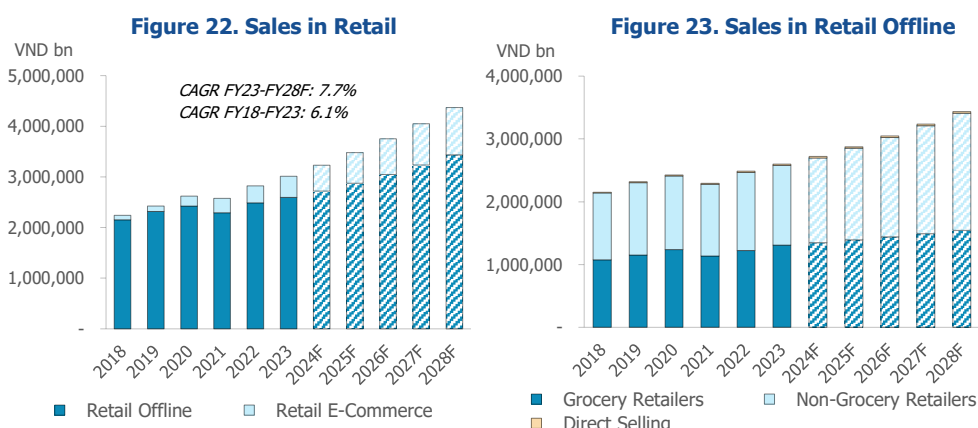
MWG fiscal year 2024 forecasted forward EV/EBITDA & P/E
MWG forward EV/EBITDA for FY24F: 18.85x (EV/EBITDA of FY25/26/27/28: 16.47x/15.79x/16.40x/15.83x)

Figure 20. Peers EV/EBITDA multiple
MWG forward P/E for FY24F: 30.47x (P/E of FY25/26/27/28: 26.75x/24.86x/27.82x/27.51x)

Figure 21. Peers P/E multiple

SUMMARY OF FINANCIAL STATEMENTS

Income Statement (VND bn)				2023	2024F	2025F	Balance sheet (VND bn)				2023	2024F	2025F
Revenue	118,280	131,131	136,109	CURRENT ASSETS									
Cost of good solds	(95,759)	(103,402)	(106,491)	Cash & cash equivalents	5,366	8,535	6,852						
Gross profit	22,521	27,729	29,618	Short-term investment	18,937	21,192	24,978						
Selling expenses	(20,917)	(21,742)	(22,530)	Accounts receivable	5,159	4,014	4,761						
General & administration expenses	(1,168)	(1,018)	(1,200)	Inventories	21,824	22,939	25,577						
Financial income	2,167	2,308	2,624	Other current assets	665	770	894						
Financial expense	(1,556)	(1,260)	(1,384)	Total current assets	51,950	57,449	63,061						
Including: Interest expense	(1,448)	(977)	(1,169)	NON-CURRENT ASSETS									
Profit sharing from associates/JVs	0	(1)	(0)	Historical cost	20,139	21,278	22,884						
Net operating profit	1,047	6,016	7,127	Accumulated depreciation	(13,708)	(15,233)	(17,025)						
Net other income	(357)	(300)	(417)	Tangible fixed assets	6,500	6,097	5,897						
Net accounting profit before tax	690	5,716	6,710	Construction in progress	4	4	69						
Corporate income tax	(522)	(1,429)	(1,678)	Other assets & investments	1,199	1,174	1,107						
Net profit after tax	168	4,287	5,033	Total non-current assets	8,161	7,760	7,555						
Non-controlling interests	0	2	1	Total assets	60,111	65,209	70,616						
Owners of the parent Company	168	4,286	5,032	Current liabilities				30,765	30,271	31,844			
Shares outstanding (mil)	1,462	1,492	1,521	Accounts payable	7,927	10,578	8,965						
EPS (VND)	115	2,873	3,307	Short-term borrowings	19,129	14,417	17,024						
BVPS (VND)	15,970	19,219	21,655	Accrued expenses & other liabilities	2,689	4,085	4,584						
				Non-current liabilities				5,986	6,254	5,806			
Cash Flow (VND bn)				2023	2024F	2025F	Shareholders' equity				23,360	28,684	32,966
OPERATING CASH FLOW							Shareholders' capital				15,192	16,517	16,815
Net accounting profit before tax	690	5,716	6,710				Retained earnings				8,160	11,422	15,409
Depreciation and amortisation	3,351	1,521	1,789				Treasury shares				(10)	(11)	(11)
Provisions	(166)	206	(89)				Non-controlling interests				13	753	753
Interest expense	1,448	977	1,169				Total Capital				60,111	65,209	70,616
Unrealized foreign exchange gain/(loss)	84	269	0				Financial ratios				2023	2024F	2025F
Change in working capital	1,835	4,161	(4,519)				Current ratios						
Business tax paid	(860)	(1,429)	(1,678)				Current ratio				1.41	1.57	1.67
Adjustments and net investments	(2,945)	(3,890)	(4,993)				Quick ratio				0.98	1.14	1.18
Operating net cash flow	3,436	7,531	(1,611)				Operating ratios						
INVESTING CASH FLOW							Receivables turnover				28.99	28.59	31.02
Purchases of fixed assets	(523)	(1,416)	(1,513)				Inventories turnover				4.03	4.62	4.39
Proceeds disposals of fixed assets	31	52	28				Assets turnover				2.04	2.09	2.00
(Increase)/decrease in investments	(11,346)	(1,593)	(3,032)				Leverage ratios						
Interest, dividend and profit received	1,114	1,973	2,285				Total liabilities/Shareholder's equity				1.57	1.27	1.14
Investing net cash flow	(10,831)	(984)	(2,231)				Total liabilities/Total assets				0.61	0.56	0.53
FINANCING CASH FLOW							Profitability						
Proceeds from share issued	0	2,065	298				Gross margin				19.04%	21.15%	21.76%
Net borrowing/repayments	8,440	(4,711)	2,606				Net profit margin				0.14%	3.27%	3.70%
Dividends paid in cash	(731)	(732)	(746)				EBITDA margin				3.20%	4.95%	5.64%
Financing net cash flow	7,700	(3,378)	2,158				ROA				0.29%	6.84%	7.41%
Net cash flow	304	3,169	(1,683)				ROE				0.72%	14.95%	15.27%
Beginning Cash Balance	5,061	5,366	8,535										
Exchange rate	0	0	0										
Ending Cash Balance	5,366	8,535	6,852										
Free Cash Flow	722	6,954	(982)										

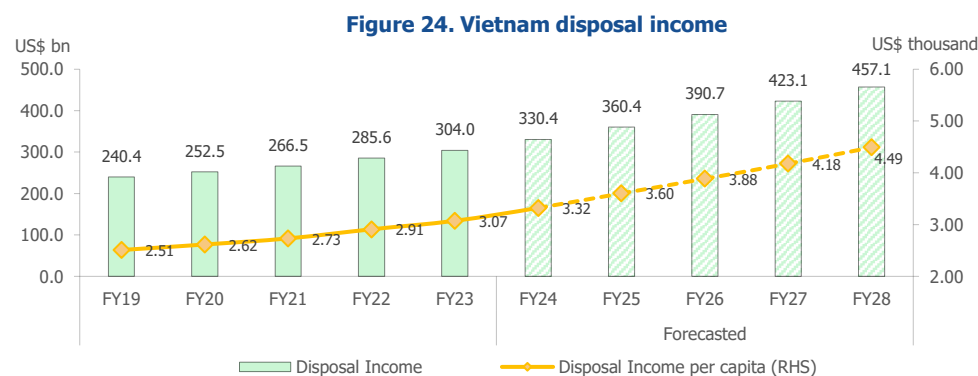
VIETNAM RETAIL INDUSTRY OUTLOOK

CAGR at a rate of 7.7% by 2028. Even though facing extreme pressures from inflation domestically, and weakening export due to slower than expected global economy recovery post COVID-19, Vietnam's retail sector is still expected to grow at a moderately fast pace at a CAGR of 7.7 percent, with the anticipation that the size of retail market to increase from US\$246.65 billion in 2023 to US\$385.45 billion by 2028. The increasing needs for higher-quality lifestyles and rising disposable incomes, plus rapid urbanization across the country and a fast-growing young population entering the working age with the continuous support from Vietnamese government (tax deferment program, lowered VAT tax rate, business loan relief, etc.) will contribute significant to the booming of retail industry.

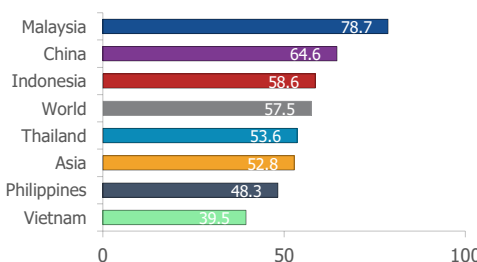


Source: World Bank, OECD

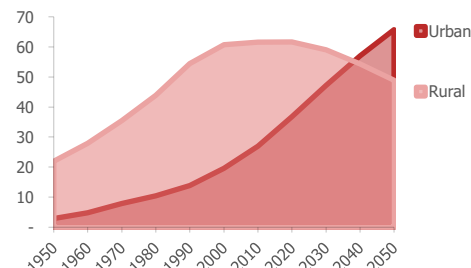
Rising urbanization and disposal income. With a population of more than 98 million people, in which, about 40% of Vietnamese now resides in urban areas, and a growing middle class accounted for 13% (projected to double in 2028), Vietnam is enjoying a booming market fueled by the growth of discretionary income. With urbanization at a CAGR of 3.1% and increasing disposal income reaching US\$4.5 thousand (1.46x compared to FY24) by 2028.



**Figure 25. Level of urbanization
% population in urban areas in 2023**



**Figure 26. Urban and rural population
in Vietnam (million)**



Source: UN-DESA-World Urbanization Prospects

Minimart & convenience stores account less than 5% of Vietnam grocery market.

For a long period of time, traditional wet markets and mom-and-pop stores have been dominating the Vietnamese grocery market due to its locally presence and easy-to-access characteristic, accounting for 80-90% market share. However, the gradual shift in consumer spending and behavior since Vietnam opened the economy and entered globalization phase, modern grocery market format (supermarkets, minimarts & convenience stores) has been increasingly becoming familiar to consumers, with two giants in the mini-mart segment, Bach Hoa Xanh (BHX) and Winmart+. Modern grocery retailers see ample opportunity and are catching up to the trend by continuing expanding their physical fleets to the countryside and new developing cities (tier 2, tier 3), with more players entering the market. Geographically, majority of BHX's grocery stores located in the Southern and Central region of Vietnam, while Winmart+ footprint is based in the Northern region of Vietnam.

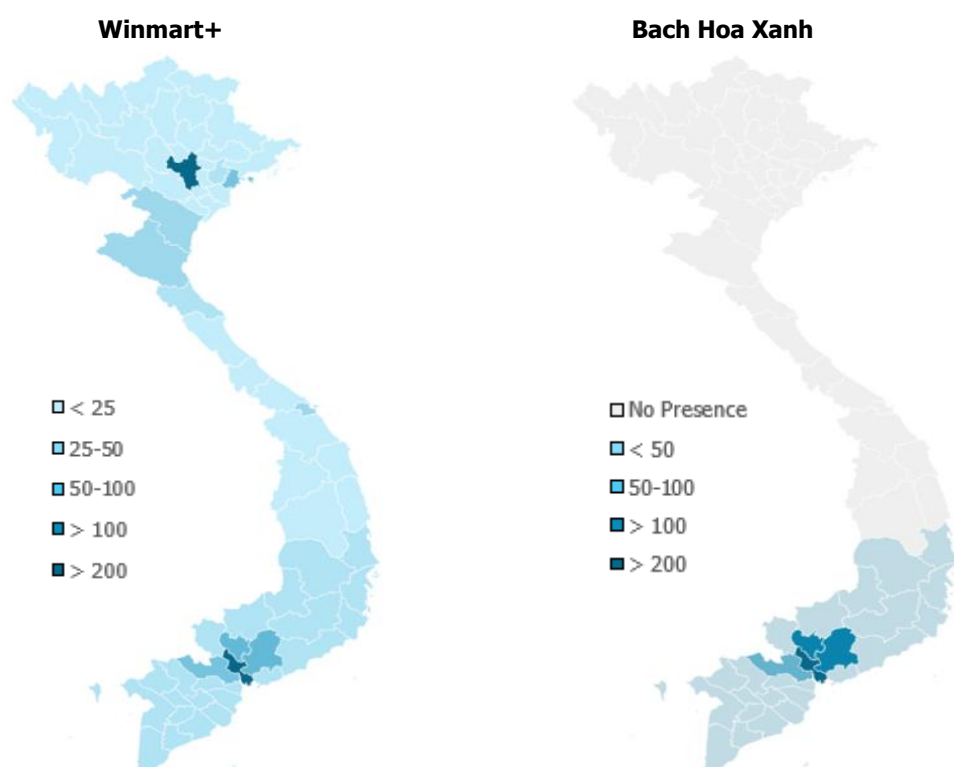
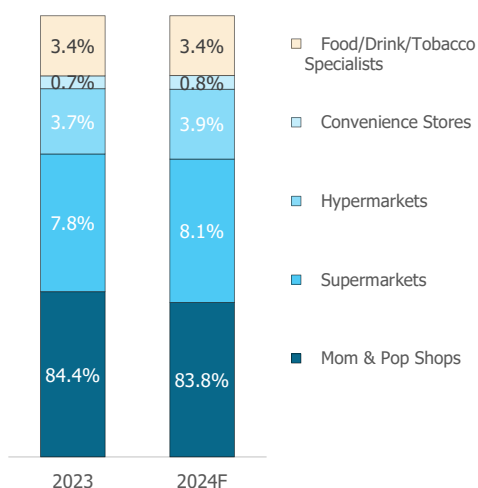
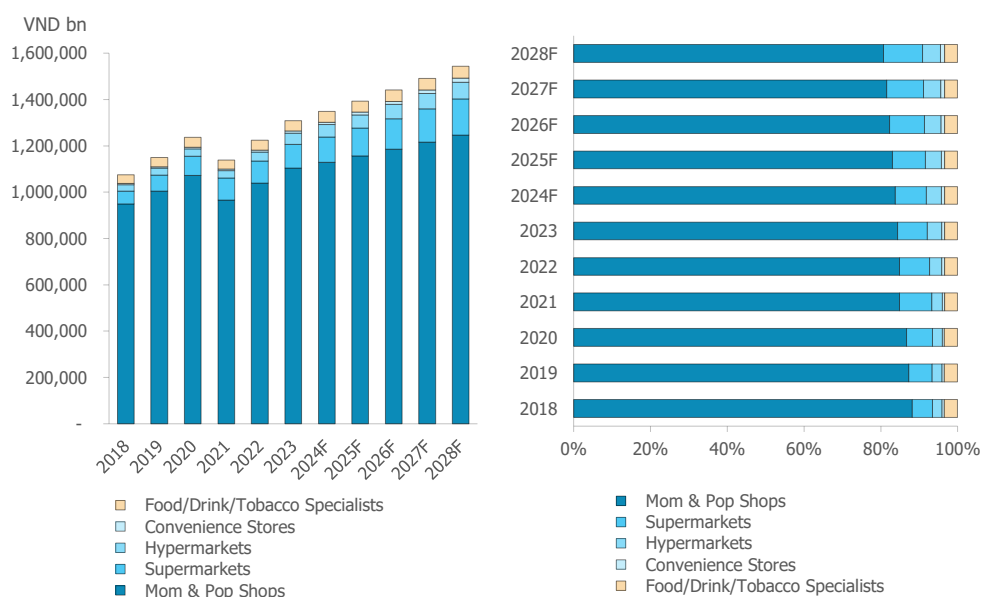
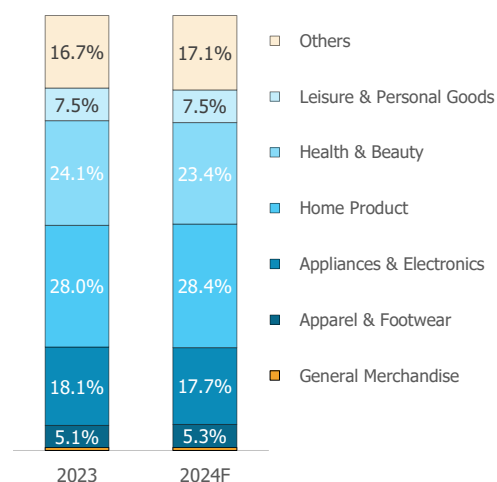
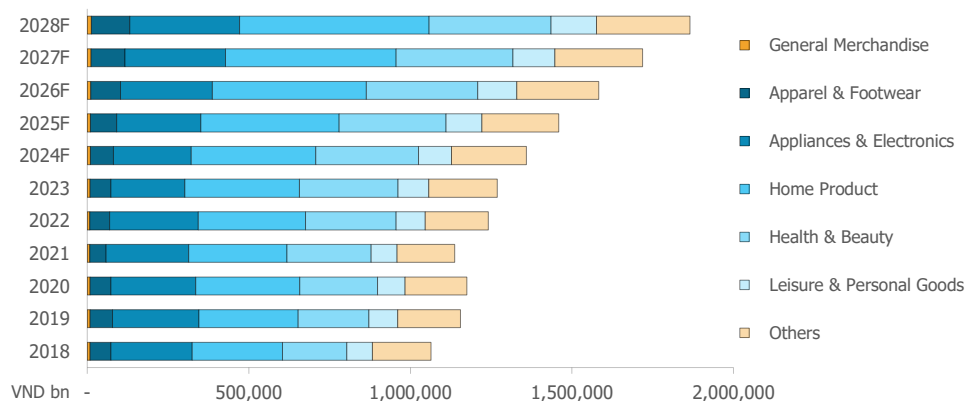


Figure 27. Physical store locations (Source: Google Map, Company Data)

In addition, there is an emerging dynamic in non-grocery and grocery retailers' characteristics and trends. Both categories display shifting trend towards a modern format shopping experience while integrating e-commerce platforms and adopting technology, offering a wide range of products and services to customers and constantly adjusting to consumers preferences and habits. Retailers are also focusing on innovating supply chain network to reduce costs and improve efficiency, including warehouse automation, cold chain logistics for perishable good and last-mile delivery solutions. Specifically for grocery retailers, their main priorities are offering healthier products and passing on savings to grocery shoppers by introducing comprehensive competitive pricing, promotion and discounts programs, private label brand, an efficient supply chain and store layout and day-to-day operation.

Figure 28. Grocery Retailers Components

Figure 29. Non-grocery Retailers Components

Figure 30. Minimarts and convenience stores continue to gain market share

(Source: Euro Monitor)


Figure 31. Sales in non-grocery retailers (Source: Euro Monitor)

INVESTMENT ANALYSIS

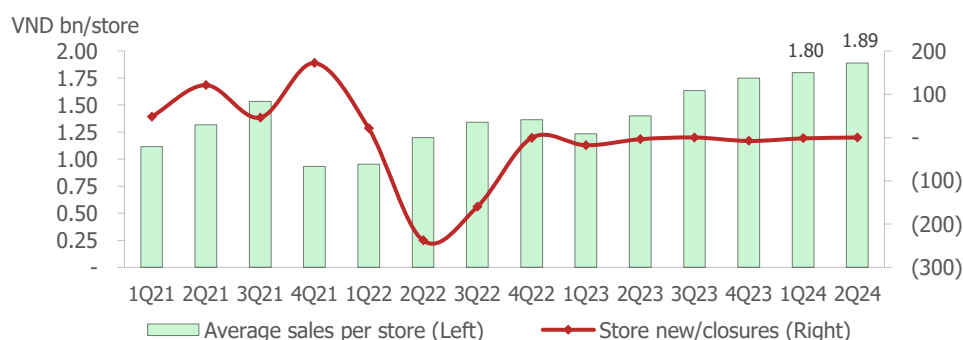
Bach Hoa Xanh Unit: VND bn	Actual FY23	Actual 1Q 24	FY24	FY25	Forecast FY26	FY27	FY28
Store amount	1,698	1,696	1,746	1,821	1,921	2,021	2,121
New/(Closed) stores	-	-	48	75	125	150	150
Revenue per stores	1.55	1.80	1.90	2.02	2.11	2.28	2.37
Sales at store	-	-	38,796	42,597	46,440	53,853	60,138
Online sales	900	135	1,164	1,278	1,393	1,616	1,804
Revenue	31,584	9,149	39,959	43,875	47,833	55,469	61,942
Growth y-o-y	-	-	26.5%	9.8%	9.0%	16.0%	11.7%
SG&A/revenue	27.99%	-	22.61%	22.10%	21.82%	20.97%	20.27%
Net Profit	(1,256)	(105)	443	537	659	1,173	1,610
Growth y-o-y	-	-	283.6%	21.3%	22.6%	78.0%	37.2%
Net Margin	-3.98%	-1.15%	1.11%	1.22%	1.38%	2.11%	2.60%

Figure 32. Bach Hoa Xanh growth projections, forecasted period FY24 - FY28

Bach Hoa Xanh on the path to become profitable in fiscal year 2024

Undergoing a comprehensive restructuring and store closures effort from 2Q22 till 3Q23, Bach Hoa Xanh (BHX) achieved break-even after costs in December 2023, reaching an average revenue of VND1.8 billion per store. Transitioning from a modern-market business model to mini-supermarket business model, with the focus on groceries - fresh food and fast-moving consumer goods (FMCGs), BHX aims to post a net profit for the first time in 2024. Average sales per store have been rising steadily at a rate of 7.3 percent since 1Q23, with the total operating store remaining at 1,698, demonstrating that the strategic operational restructuring has put the business back on track.

Figure 33. Average sales per store improved despite store closure



BHX expects sales growth of 26.5% for FY24F, with fresh & frozen food products accounting for 42% of BHX's total revenue. Ending the month of May 2024, the grocery chain has achieved VND2.0 bn sales per store, earlier than the initial target timeline by EOY 2024.

Figure 34. FY23 BHX's product category

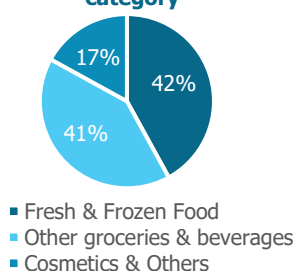
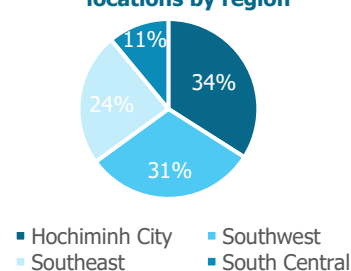


Figure 35. FY23 BHX store locations by region

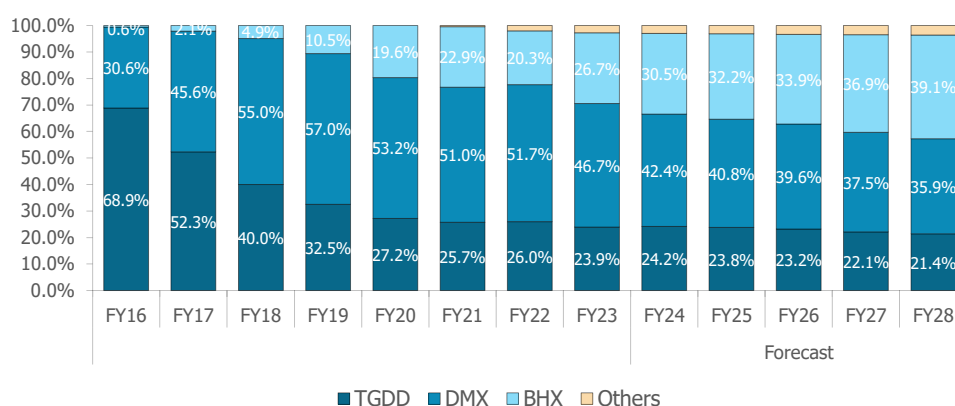


Revenue concentration shifting toward BHX

In recent years, BHX's revenue concentration has increased significantly, from just 0.6% in 2016 to 29.1% as of 1Q24, contributed VND9,149 billion to MWG's total revenue. According to MWG annual shareholder meetings, BHX expects sales to grow double digits in 2024, with fresh food products accounting for most of the growth and currently contributing more than 40% of total sales.

The company expects sales per store to reach VND2.0 billion by the end of 2024, up 18% from 1Q24 level of VND1.8 billion. However, we keep a conservative estimate of VND1.90 billion average sales per store for 2024 (+4.98% from 1Q24 level) due to the reasons that slower than expected economy recovery, fierce competition and MWG management continues to streamline its operation while remains extremely cautious on stores expansion.

Figure 36. MWG's Revenue Concentration



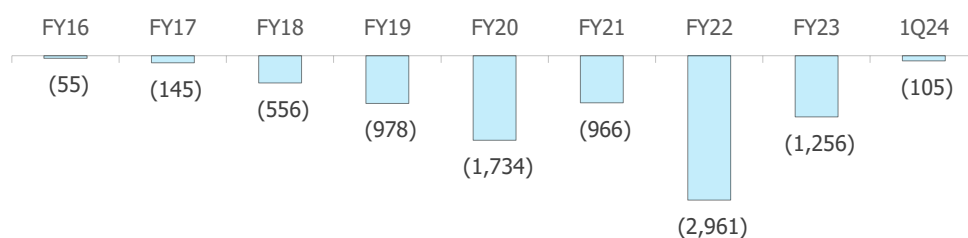
Modern store format/layout renovation and optimal inventory management

BHX plans to concentrate on stores with 150-200 square meters of floor space located in crowded residential areas. Majority of Vietnamese still possesses a habit of shopping in small quantities instead of bulk purchases as well as convenient location access, hence, BHX's aim to target the traditional market is viewed as the most effective.

Being one of the dominant FMCG retailers for its store scale and operations, BHX enjoys economic of scale and has the leveraging power to set the standards for suppliers and select a set of product mix that ultimately fits with its FMCG principals.

As stated by MWG's chairman, the company strategy is to streamline operations, reduce supply chain & logistics costs as well as closing inefficient and underperformance locations. We believe this strategy will make the operation more streamlined and efficient and help tighten the net loss gap before the transition to profit territory.

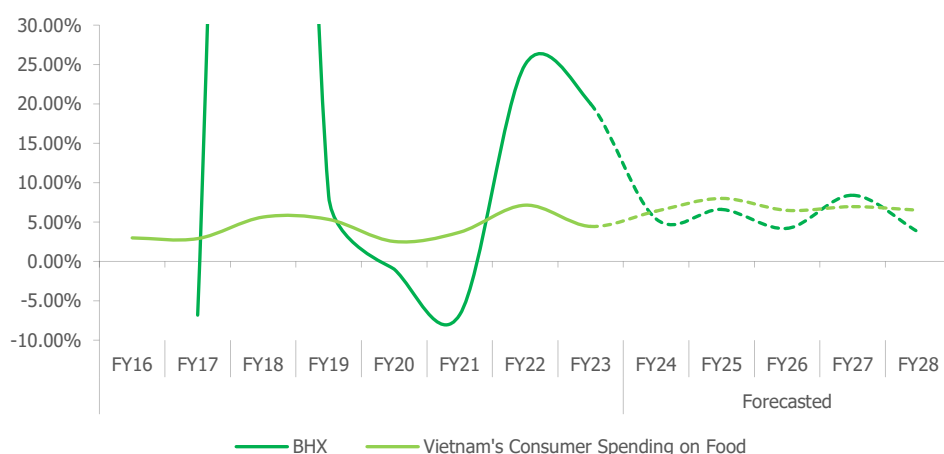
Figure 37. BHX's tax losses carried forward (Unit: VND bn)



Same Store Sale Growth correlation with Vietnam's consumer spending on food

Historically, BHX's same-store-sale growth (SSSG) performance has a positive correlation with Vietnam's food consumption expenditure apart from Covid-19 period where BHX's SSSG took a slump below -5.0 percent due to economic closure. Product pricing adjustments have widely been implemented in FY22 to 1H FY23 as the domestic companies started to absorb the effect of inflation. Looking into FY24F, Vietnam's food consumption expenditures will continue to grow steadily at a rate of 4.65%, and we anticipate that BHX's SSSG in FY24F will be driven less by price but organic growth (Fig.41). Another tailwind is Vietnam government has agreed to extend the VAT reduction of 8% till end of FY24.

Figure 38. BHX's SSSG vs Vietnam's consumer spending growth on food



Retail war from both domestic players and foreign retailers

Despite facing fierce competition from Winmart+ (more than 2100 stores nationwide as of Dec 2023) and two other smaller chains: Saigon Co.opMart (571 stores end of Dec 2023) and Satra Foods (223 stores), for the first time ever in 2023, BHX has surpassed competitors in terms of revenue, posted a revenue of VND31,581 billion.

Still, BHX faces extreme challenges from Thailand conglomerates as retailers like Central Retail Corporation (CRC), Central Group continue to pour billion of US dollar into Vietnam to penetrate retail market. Comparing to a more mature market like Indonesia and Thailand, Vietnam's minimarts segment still has ample room for growth.

Figure 39. Revenue from 3 major players in the mini-mart sector

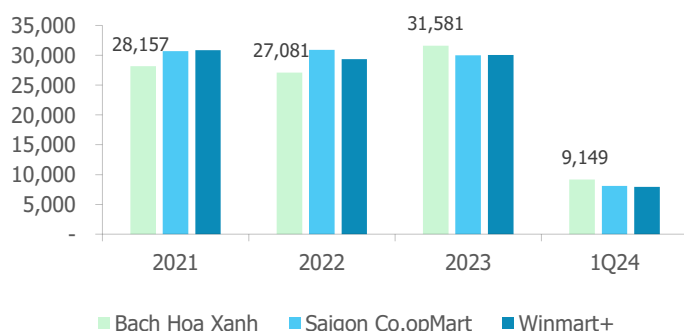
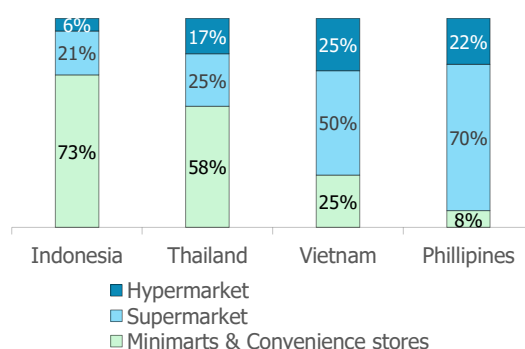


Figure 40. Modern format grocery retail market size in the region



(Source: Euromonitor, Company data)

BHX offers a solid mid-term and long-term growth outlook given that:

- (1) BHX has maintained a healthy GPM of approximately 25.0% for 9 consecutive quarters, combined with the restructuring effort to trim down unnecessary costs and to optimize operations.
- (2) Majority of BHX stores are in the Southern and Central provinces of Vietnam. Thus, it still has plenty of room to expand geographically to the Northern region. However, MWG's focus currently is to keep improving quality and efficiency rather than aggressively expanding horizontally.
- (3) Changes in consumer behaviors altered the retail environment in Vietnam in recent years as people are putting convenience and food safety as their top priorities. This trend is confirmed by the growing of small-format stores locally in Vietnam, mainly comprised of mini-marts model, mom & pops store. Data from Euromonitor demonstrates a positive trend for minimarts sales. Specifically, after COVID-19 pandemic, there is a substantial shift in consumer shopping habits, slowly moving away from traditional marketplaces (street shops, wet markets) to a more modern shopping experience.
- (4) The size of Vietnam's retail sector is anticipated to growth with a CAGR of 7.7% (Euro Monitor), increasing from US\$246.65 billion end of 2023 to US\$385.45 billion by 2028. This represents a huge opportunity for MWG.

(*) The ambition to IPO Bach Hoa Xanh and the Alfamart successful story

The successful story of Alfamart – PT Sumber Alfaria Trijaya Tbk Indonesia has inspired Mobile World Group to follow suit in finding the winning formula regarding its grocery chain business. Founded in 1999, Alfamart first went public in 2009. At the time, the Indonesian grocery chain operated a total of 3,373 minimart & convenience stores with average monthly sales per store of VND5.4 billion, a moderate EBITDA margin of 4.4% and became profitable for the first time in 2008, posted a net profit of VND227 billion prior to a net loss of VND397 billion in 2007. As of Q1 2024, the second-largest mini-market operator constitutes 41.1% of Indonesia minimarts & convenience stores market share, running more than 18,000 stores nationwide.

In comparison, according to MWG's board of directors, Bach Hoa Xanh had achieved its break-even point after expenses at the company level at the end of FY23 and is expected to book its first fiscal year profit in 2024, with a net profit estimation of VND443 billion, thanks to management effective cost control and operational efficiency optimization.

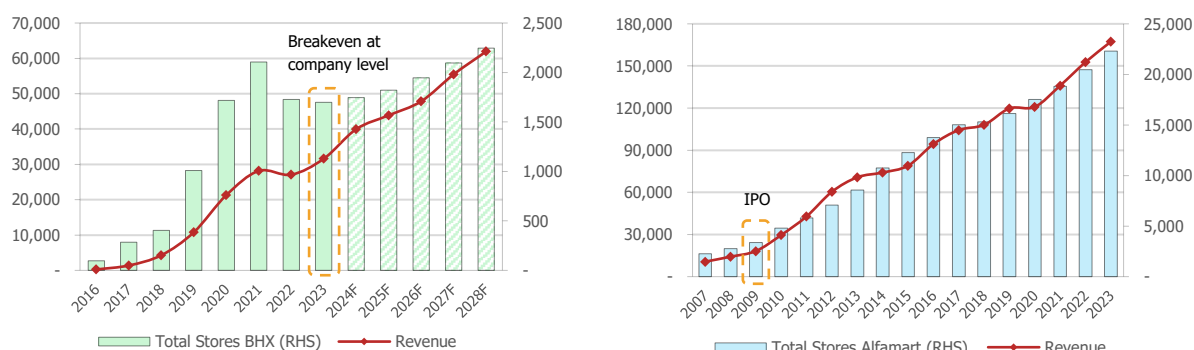


Figure 41. Bach Hoa Xanh (Left) & Alfamart (Right) total stores and revenue (unit: VND bn)

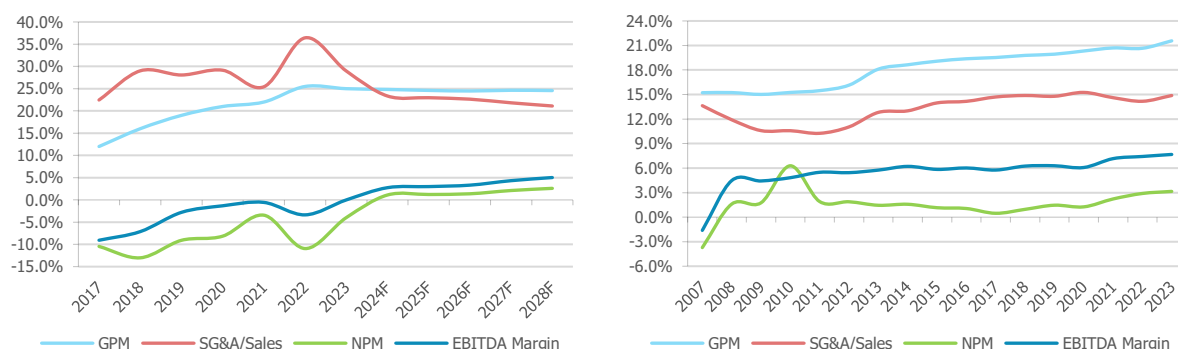


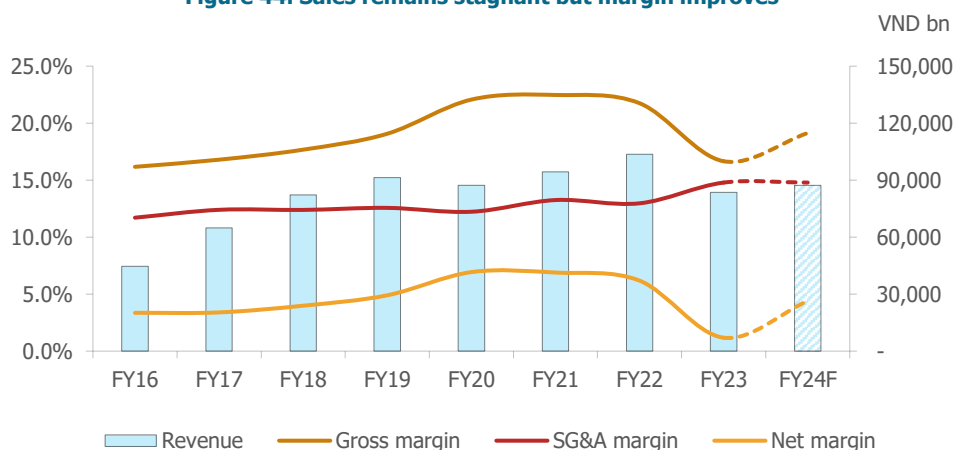
Figure 42. Bach Hoa Xanh (Left) & Alfamart (Right) margins trend

The Gioi Di Dong + Dien May Xanh <i>Unit: VND bn</i>	Actual FY23	Actual 1Q 24	FY24	FY25	Forecast FY26	FY27	FY28	CAGR
Total Stores	3,268	3,255	3,165	3,108	3,053	2,998	2,945	
New/(Closed) Stores	-	(13)	(90)	(57)	(56)	(55)	(53)	
Revenue	83,506	21,348	87,267	87,939	88,689	89,624	90,888	0.89%
<i>Growth</i>	-	-	4.5%	0.8%	0.9%	1.1%	1.4%	
Net Profit	1,424	1,007	3,875	4,509	5,347	4,868	5,544	
Net Margin	1.70%	4.72%	4.40%	5.05%	5.92%	5.27%	5.88%	

Figure 43. TGDD & DMX forecasted revenue and net profit, forecasted period FY24 – FY28

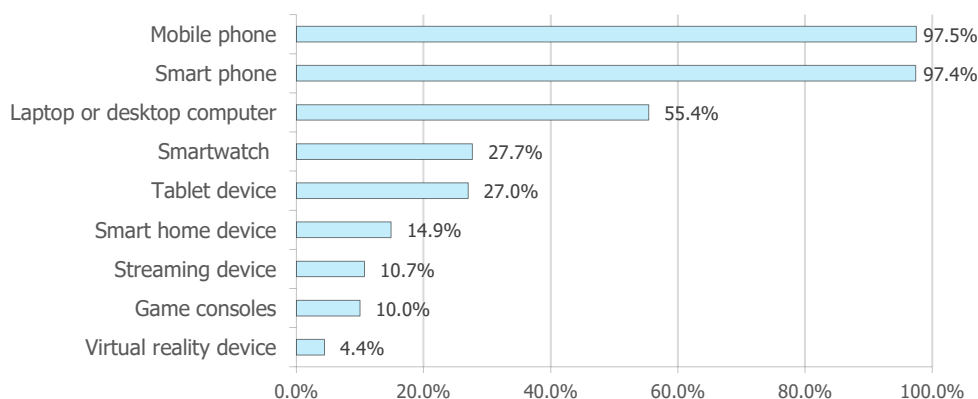
The Gioi Di Dong & Dien May Xanh revenue remain stagnant as the market has matured, still, margins improve due to effective cost-cutting measurement and lost-making store closures.

Figure 44. Sales remains stagnant but margin improves



High penetration rate. Majority of Vietnamese household now own a smart phone and basic essential home appliances (air condition, refrigerator, washer etc.). Last year, only air conditioning products displayed strong growth, while top-line products like refrigerators, washer/dry and other electronic products saw a decline in growth of 10-20%. The average replacement cycle for smartphone is 2-3 years, and 6-7 years for consumer electronics due to its longer usage lifespan.

Figure 45. Vietnam's share of internet users (data as of 3Q23)



Remaining the dominant player in the ICT/CE market, next in line is FRT.

Figure 46. Consumer electronic market share 2023
(Source: Euromonitor)

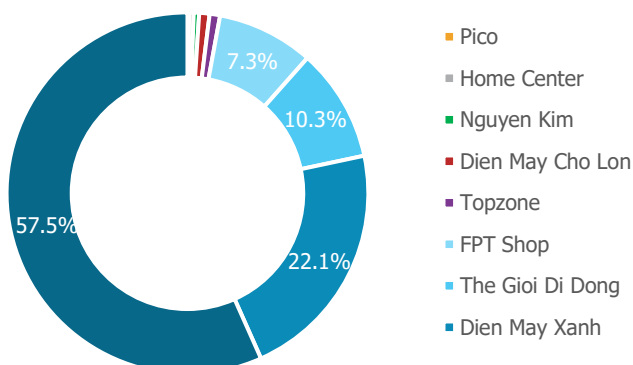
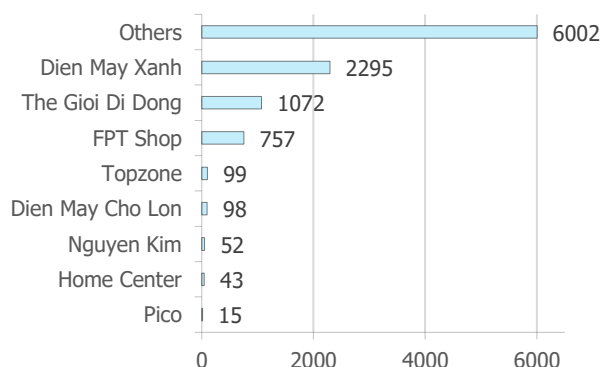


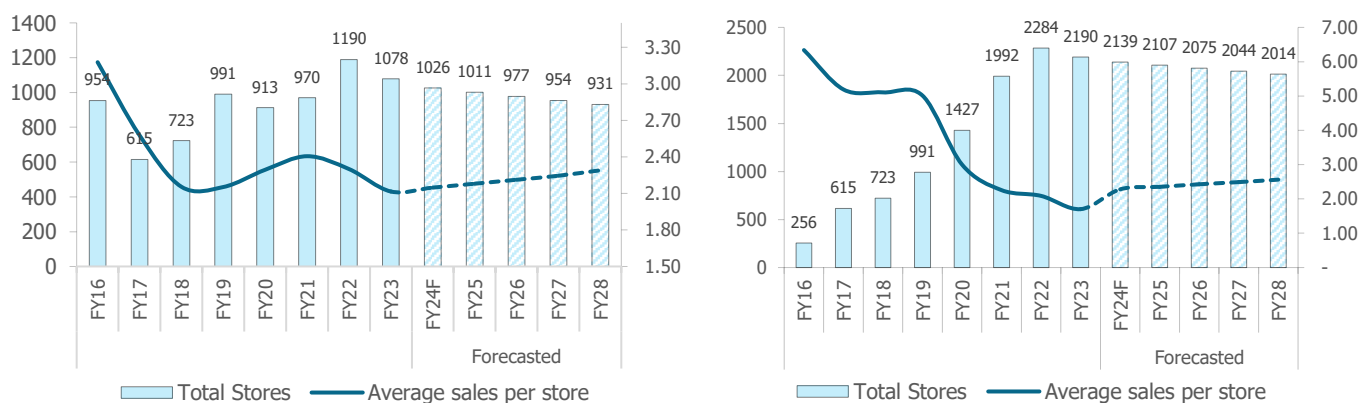
Figure 47. Total outlets in 2023
(Source: Euromonitor)



We expect MWG management will continue to filter out underperforming stores in the next 5 years, with sales per store of both chains increasing slightly.

- TGDD's sales per store (FY24-28F): VND2.15 – 2.29 billion.
- DMX's sales per store (FY24-28F): VND2.28 – 2.56 billion.

Figure 48. TGDD+DMX stores decline with sales per stores stays stagnant (Unit: VND bn)



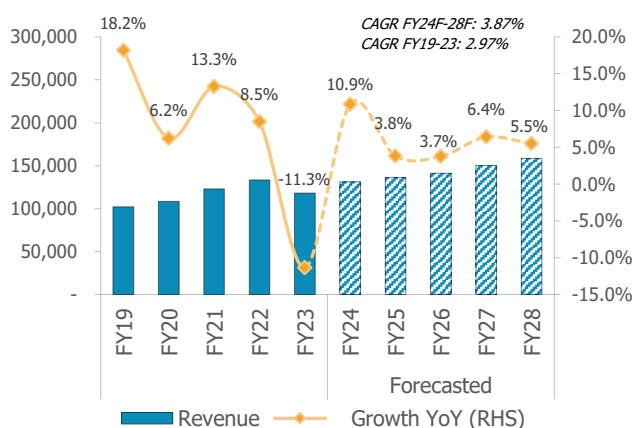
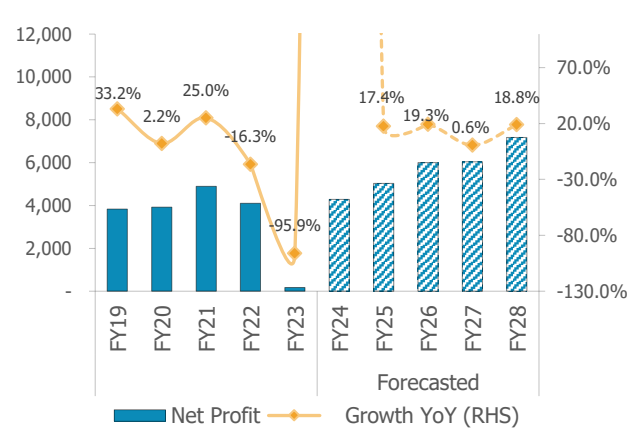
As a result, we project combined revenue of TGDD & DMX for FY24 to grow 4.5% to VND87,267 billion, with a net profit of VND3,875 billion. Despite the already high penetration rate of electronic devices and home appliances, NPAT-MI of both chains would rise steadily at a compounded annual rate of 7.3% due to the restructuring effort. Still, we expect revenue to remain stagnant in the range of VND85,000 – 91,000 billion for the next 5 years, likely not surpassing the prime time in 2022.

Mobile World Investment Corporation (HOSE: MWG)

MWG	Actual FY23	Actual 1Q 24	FY24	FY25	Forecast FY26	FY27	FY28	CAGR (FY24-FY28)
Unit: VND bn								
Revenue	118,283	31,473	131,131	136,109	141,247	150,289	158,546	3.87%
Growth			10.86%	3.80%	3.78%	6.40%	5.49%	
Net Profit	168	902	4,283	5,032	6,012	6,056	7,152	
Net Margin	0.14%	2.87%	3.27%	3.70%	4.26%	4.03%	4.51%	

Figure 49. MWG forecasted revenue and net profit, forecasted period FY24 – FY28

MWG is expected to grow its top line/bottom line by +10.86%/2,456% YoY in FY24F. Sales growth is based on the assumption that the company will operate 5,698 opening stores (TGDD: 1,026; DMX: 2,139; BHX: 1,746; An Khang & other chains: 787) throughout FY24, as its continue to close down underperformance stores in both chains TGDD & DMX, while expanding BHX at a conservative pace with the aim to open 100 new stores end of FY24.

Figure 50. MWG's net sales trend (VND bn)

Figure 51. MWG's net profit trend (VND bn)

Revenue growth at CAGR 3.87% for the forecasted period of FY24-FY28.

MWG's top line is expected to grow 10.86% YoY in FY24F to reach VND131,131 billion. Sales growth would be driven mainly by the growing need for medium-to-high quality grocery products at a reasonable price tag, as well as the recovery in consumer demand for ICT/CE products considering the life cycle replacement for mobile phones, appliances & electronics.

The bounce back from Q4 2023 demonstrated a promising year ahead for MWG as all three major chains were able to retain and boost its average monthly sales per store after closing 614 underperforming stores since 2022. The restructuring period is considered successful for BHX, per se. At its peak with 2,106 stores in 2021, BHX average monthly sales per store only reached VND1.25 billion but has displayed to rise steadily at an annual rate of 7.3% and approach VND2.0 billion monthly sales per store in 1Q 2024 with 1,698 stores.

As for TGDD & DMX, even though the ICT/CE market growth is predicted to slow down for the period of 24'-28', at a CAGR of 1.41% and 2.48%, respectively. Average monthly sales per store in Q1 2024 for DMX rose to VND2.22 billion from VND1.70 billion in Q4 2023, marking a faster than expected return of demand, while average monthly sales per store for TGDD is likely to remain stable, stood at VND2.15-2.3 billion. The combined revenue of TGDD and DMX in the next 5 years will fluctuate in the range of VND85,000 - 91,000 billion.

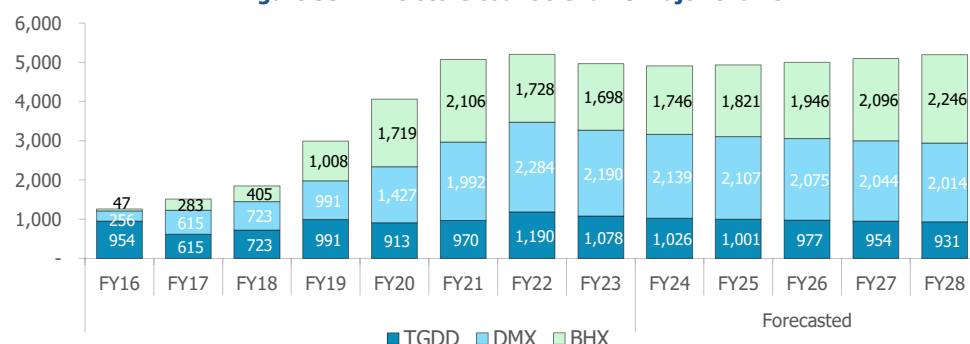
FY24	Sales/Store (VND bn)	Sales/Store CAGR	Total Stores	Revenue CAGR: 24'-28'	Gross Profit Margin	SG&A Margin	Net Profit Margin
BHX	1.90	4.55%	1,746	9.16%	24.8%	22.6%	1.1%
TGDD	2.15	1.29%	1,026	1.38%	19.1%	14.8%	4.4%
DMX	2.28	2.35%	2,139	0.49%	19.1%	14.8%	4.4%
MWG			4,911	3.87%	21.1%	17.4%	3.3%

Figure 52. MWG's major chains (excluding An Khang & other chains) performance metrics

BHX as the main growth driver for MWG. The business consolidation (store renovation, closing underperforming stores, product mix redesign and downsizing SKU portfolio) has come to fruition with reported increasing foot traffic, SSSG improvement QoQ started in 1Q23. Based on our assumption profit & loss (P&L) model for BHX, with an average sales per store of VND1.9 billion and 48 new stores open by end of 2024, BHX will record its first stream of profit with a GPM of 24.8% (industry average GPM of 25-26%) and a SG&A margin less than 24.09%.

On the other hand, after last year significant loss in profit for ICT/CE retailers due to the intense price war to retain market share rather than a business cyclical downtrend, the head-to-head competition had led to major losses for retailers (MWG, FRT, Cellphone S, Nguyen Kim etc.) as companies pushed store closures, implemented cost-cutting measures and even sacrificed service quality. We believe that TGDD and DMX have reached the saturation point amid high penetration rate of electronic devices and home appliances.

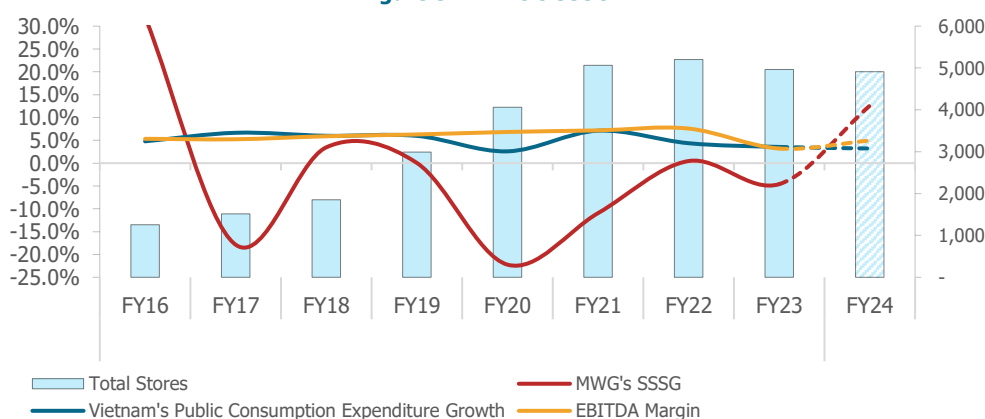
Figure 53. MWG store count trend - 3 Major Chains



MWG's Same Store Sale Growth (SSSG) trend improved

Historically, MWG's SSSG (combined 3 major chains) performance fluctuated strongly during the period of FY17-FY21 where MWG aggressively expanded its physical stores fleet, while EBITDA margin aligns with Vietnam's public consumption expenditure growth trend.

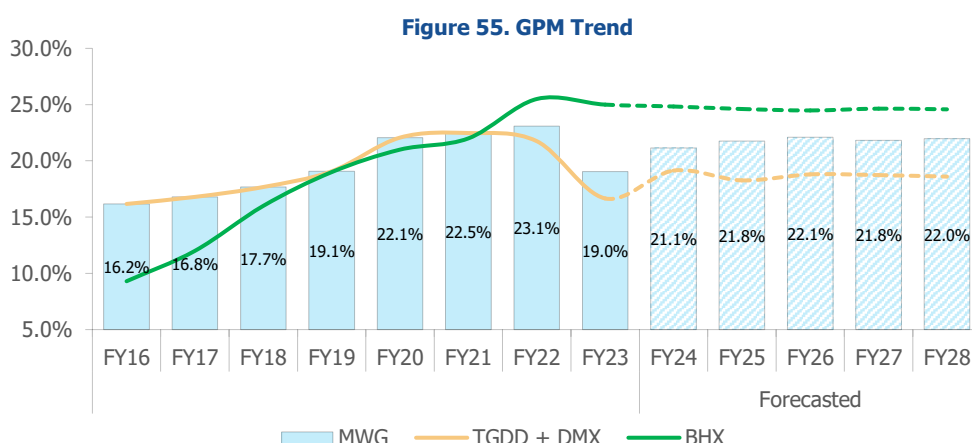
Figure 54. MWG's SSSG



Gross profit margin stabilizing thanks to its bargaining power

We expect MWG to book a gross profit of VND27,729 billion, with the assumption of a moderately improving gross margin of 210 bps YoY in FY24F. The margin expansion is in-line with management's guidance and is a result of the company continuous restructuring efforts, SKU portfolio & product mix optimization, enabled by MWG's strong relationships with various suppliers and manufacturers, utilizing its bargaining and leveraging power and physical footprints given its position as the largest national retailer in Vietnam.

Historically, MWG's GPM has shown a consistent improvement trend, with an annual increment of about 60 bps. The industry 5-yr median GPM for regional ICT/CE retailer and grocery/FMCG retailer are 21.50 and 29.59, respectively.



Operating expenses (OPEX) under control with intensive labor cost cutting

We expect MWG's total OPEX/sales ratio to decrease from FY23's 18.6% to 16.8% in FY24F, primarily due to intensive labor and marketing cost cutting from management and logistic cost reduction. MWG's largest OPEX item lies in salary and marketing, which account for a total of 15.2% of sales in FY23, and as the company continues its consolidating process, the labor head count reduction and other cost-cutting measures will contribute to the decline in SG&A expenses for FY24F, a 131 bps reduction YoY. Since 2021, management has effectively saved a cumulative of VND2,872 billion in salary and wages.

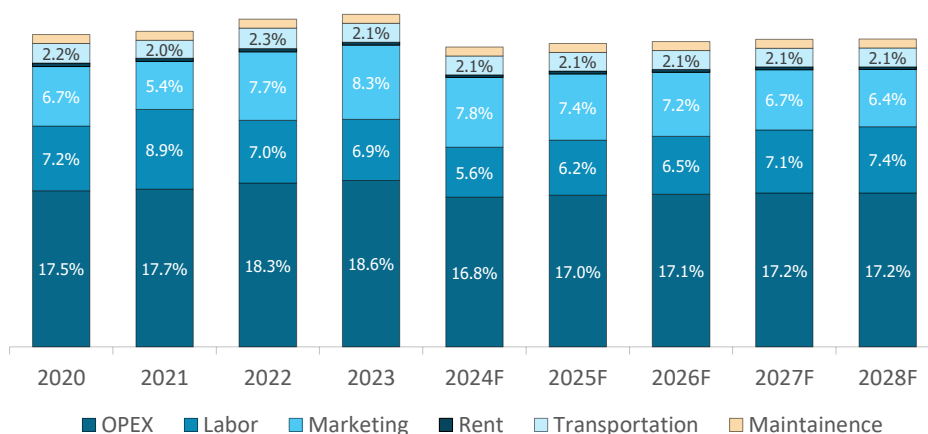


Figure 56. MWG's OPEX/sales with labor & marketing as the biggest OPEX component

Net profit margin expansion

Looking into FY24F, we expect NPM to rise back to 3.3% as GPM expansion of 210 bps combined with SG&A per sales reduction of 131 bps. It is also worth noting that with current MWG robust and efficient operations, the company has been net cash since FY11 apart from FY19 and FY21 where MWG management purchased sizeable amount of short-term debt instruments. The Interest coverage ratio took a dump from FY21-FY23 due to the huge amount of borrowings as the company took advantage of the low interest environment during Covid-19 period.

Figure 57. Interest rate to cool down by 2028

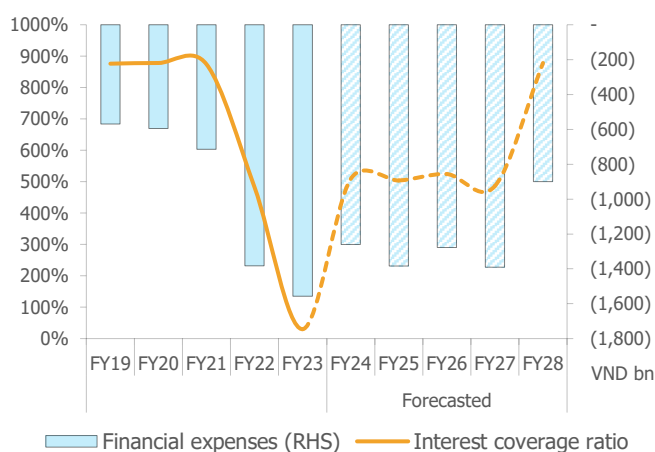
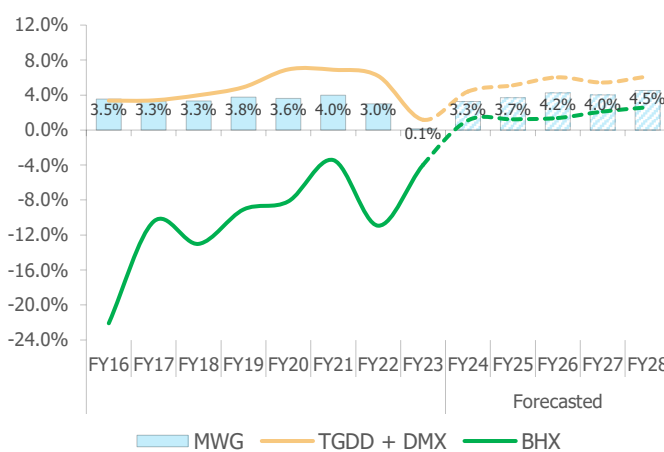


Figure 58. NPM Trend



Strong balance sheet with ample cash on hand

Given MWG strong cash flow generation, with cash & cash equivalents and short-term investments constitute almost 50% of MWG's total assets, the company has sufficient capital in funding future expansion plan for BHX.

Figure 59. MWG's Assets

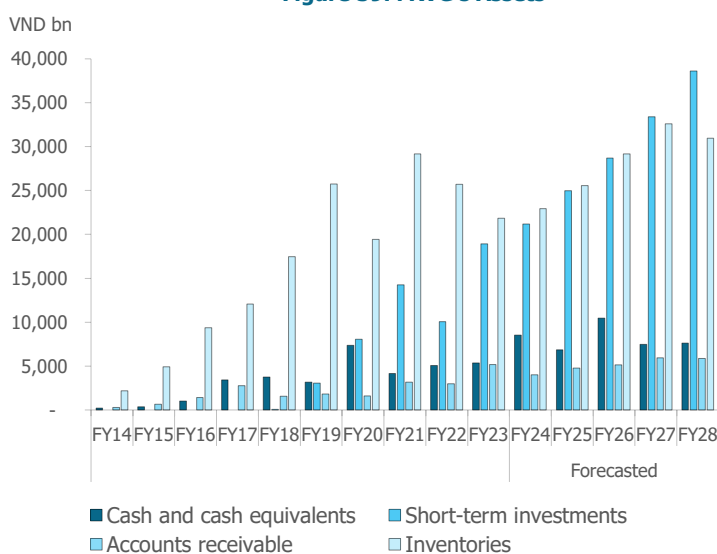
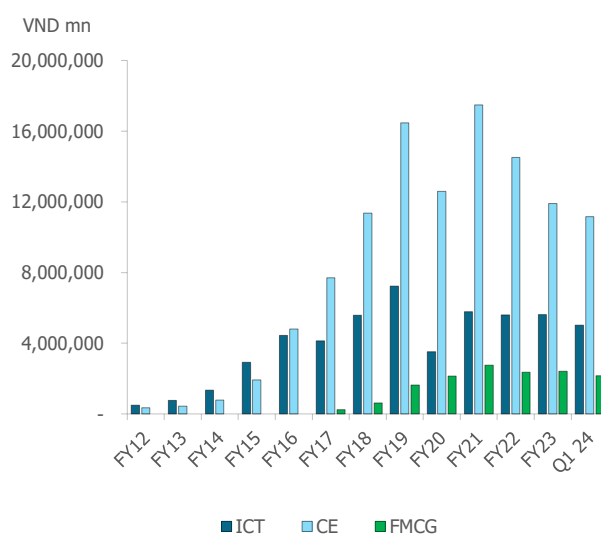


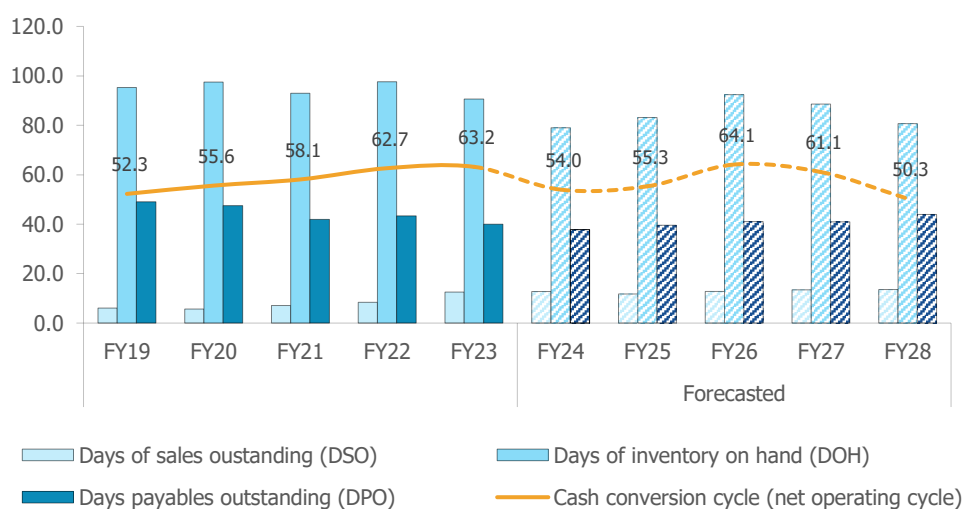
Figure 60. Inventory levels



Cash conversion cycle at a healthy level comparing to industry average

In terms of working capital management, MWG cash conversion cycle stood at 52.3/55.6/58.1/62.7/63.2 days as of FY19/20/21/22/23 with a 5-year average of 57. As MWG revenue concentration moves towards Bach Hoa Xanh in the next 5-year, net operating cycle will continue to steadily decline as the company's operation and inventory management become more efficient with the focus on FMCG products.

Figure 61. MWG's cash conversion cycle



FIRST QUARTER 2024 BUSINESS RESULTS

Unit: VND bn	1Q23	1Q24	y/y	2023	2024F	y/y
Revenue	27,106	31,486	16.2%	118,280	131,131	10.9%
COGS	21,892	24,773	13.2%	(95,759)	(103,402)	9.6%
Gross Profit	5,214	6,713	28.7%	22,521	27,729	26.4%
SG&A Expenses	(5,109)	(5,590)	9.4%	(22,084)	(22,760)	7.2%
Net Income	21	903	4200.0%	168	4,319	2305.7%
EBITDA	3,788	11,341	199.4%	3,788	8,320	115.0%
SG&A/Sales	18.8%	17.8%	-1.1%	18.7%	17.4%	-0.9%
Gross Profit Margin	19.2%	21.3%	2.1%	19.0%	21.1%	2.3%
Net Profit Margin	0.1%	2.9%	2.8%	0.1%	3.3%	2.9%
EBITDA Margin	14.0%	36.0%	22.0%	3.2%	6.3%	2.9%

Figure 62. Key financial performance metrics

First Quarter 2024 results demonstrate incremental business performance.

- First quarter revenue increased by a notable 16.2% year-on-year to VND31,441 billion, thanks to BHX amazing growth of 43% YoY, contributed VND9,149 billion to MWG 1Q's aggregate revenue.
- First quarter net income attributable to the company of VND903 billion, after the intense price war in 2023, the company is on track to return to pre-2023 level.
- Financial income will contribute significantly to MWG 2024 net income after successfully raising VND1,770 billion from selling 5% of Bach Hoa Xanh stake to CDH Investment.
- Margins 1Q 24 boosted overalls year-on-year due to the bright economic outlook, changing consumers spending behavior towards quality products at reasonable prices.

Company outlook summary

As the company continues to streamline its operation and optimize SKU, SG&A/sales are expected to be trimmed – 0.9% YoY, approximately VND22,760 billion. We expect labor costs (account for 37% of MWG FY23 operating cost) to decline in 1H 24 as MWG continues its mass layoff going into 2Q 24. The aggressive workforce reduction has helped MWG reduce approximately VND580 billion in FY22 and VND650 billion in FY23. We expect a similar trend as the company carries on consolidating operating costs.

As the largest national retailer, MWG has established strong relationships with various suppliers and manufacturers, utilizing its leveraging power and footprints to have a favorable negotiation term by buying items in bulk, setting the standard for suppliers' at large scale.

We expect that the company will continue to consolidate its ICT/CE retail businesses by getting rid of underperforming TGDD & DMX stores, meanwhile, average sales per store will increase towards the end of 2024. Despite uncertainties in the market, TGDD and DMX still recorded positive growth in 1Q24, posted revenue of VND6,791 billion (+1.8% YoY) and 14,526 billion VND (+8.7% YoY), respectively.

Regarding Bach Hoa Xanh, the chain remains the key growth driver for MWG in the next 5 years as the company management continues to allocate capital and resources to push BHX to profit territory with the aim of initial public offering (IPO) soon as stated by MWG BOD during annual shareholders meeting.

COMPANY BACKGROUND

Mobile World Investment Corporation (MWG), Vietnam largest national retailer in terms of revenue and profit, comprising a vast network of modern retail chains ranging from ICT & CE, groceries & FMCG, to pharmacy as well as mom & baby items. In recent years, MWG has been seeking potential markets by expanding its operational fleet overseas to Cambodia and Indonesia.

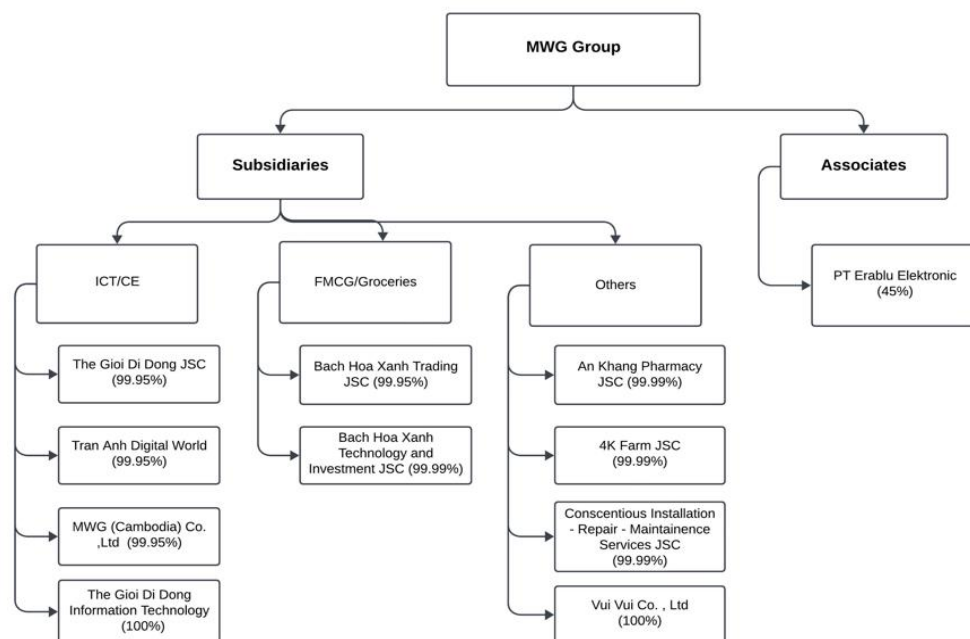
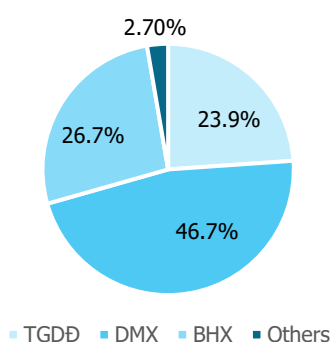


Figure 63. MWG Ecosystem (Source: MWG annual report)

Shareholder structure. Major shareholders hold 17.4% of MWG's outstanding shares as of Jan 10, 2024. As illustrated in Fig.2, Retail World Co., Ltd owns 10.5%, followed by Dragon Capital-related funds that hold 6.9% in aggregate and a 5.0% stake held by Arisaig Asia. In addition, MWG's management and directors hold a total of 5.3% of the company's shares.

Dividend policy. In July 2024, MWG paid a VND 500 per share cash dividend on FY2023 earnings, implying an 18% payout ratio. The company has not disclosed dividend plans for FY2024, but MWG has persistently paid a cash dividend of VND 500-1,500 per share.

MWG 2023 Chain's Revenue



MWG 2023 Segment's Revenue

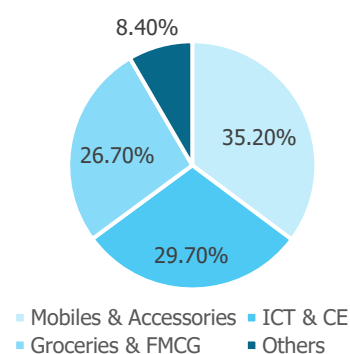


Figure 64. MWG Revenue & Product Line Concentration (Source: MWG annual report)

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