MOBILE WORLD INVESTMENT CORPORATION (MWG – HSX)

Optimistic business outlook in 2015

*Solid growth in technical consumer goods (TCG) retail sector, especially mobile phone market has been a key factor for MWG's remarkable performance in the past years, recording a double CARG relatively to the industry in 2010-2014 period of 54%. **Thegioididong.com** brand has established itself as the leader in the mobile devices retail market. Additionally, the Company's venture into the consumer electronics sector with **Dien may Xanh** brand (named previously as dienmay.com) would help maintain sustainable long term growth in anticipation of mobile devices retailing business going saturated in the future. The company's right timing regarding business expansion plan where it added further 128 stores in 2014 to increase total nationwide store number to 420 when demand for mobile devices was really flourishing has been highly effective and contributed to the Company's growth in upcoming years. Besides, MWG's business bottom-line has been benefiting from economies of scale through efficient working capital and selling expense management. Therefore, profit margins and operation efficiency have improved gradually in accordance with an expansion of the Company.*

MWG's current business growth is expected to keep at high pace in the next 2 years. Thereafter, long-term growth would rely heavily on the success of the company's venture into consumer electronics market.

*As our estimate, 2015 and 2016 EPS would achieve expected annualized growth of 46% and 30% respectively. Using the combined discounted cash flow (DCF) and price multiples method (P/E), we think the MWG share is fairly priced at VND101.000 per share, approximately 30% higher than closing price of 25/05/2015. We recommend investors to **BUY** in **INTERMEDIATE-TERM**.*

Investment thesis

- Shifting trend to smartphone use and expanding middle-income population lead to higher market demand
- Newly opened retail stores help MWG maintain its pace of growth
- Widely recognized **thegioididong.com** brand online helps expand customer base
- Being financially stable is assisting MWG in business expansion plan

Risks

- The majority of MWG sales comes from mobile devices
- The **Dien may Xanh** business would probably face more challenges than cell phone business
- 3G smartphone market is approaching saturated point

Key financials

Y/E Dec (VND bn)	FY2013	FY2014	FY2015E	FY2016F
Net revenue	9,498.8	15,756.7	23,724.4	29,664.8
% chg	28.8%	65.9%	50.6%	25.0%
Net profit after tax	255.6	668.1	908.7	1,187.2
% chg	104.4%	161.4%	36.0%	30.6%
Net margin (%)	2.7%	4.2%	3.8%	4.0%
ROA (%)	13.4%	23.7%	21.0%	19.7%
ROE (%)	40.7%	58.7%	47.0%	41.7%
EPS (VND)	24,294	5,975	6,467	9,115
Adjusted EPS (VND)	1,832	4,779	6,991	9,115
Book value (VND)	73,041	13,174	17,006	23,438
P/E (x)		18.2	14.6	
P/BV (x)		8.3		

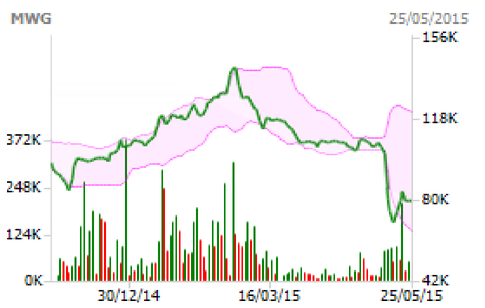
Source: MWG, RongViet Securities

BUY

Market price (VND)	77,500
Target price (VND)	101,000
Investment period	Intermediate-term

Stock Info

Sector	Retails
Market Cap (VND bn)	11,185
Current Shares O/S	139,812,672
Beta	0.83
Free float (%)	26.32%
52 weeks High	142,000
52 weeks Low	48,000
Avg. Daily Volume (in 20 sessions)	57,990



Performance (%)

	3M	1Y	3Y
MWG	-32	N/A	N/A
Retails	-7	N/A	N/A
VN 30 Index	-6	-2	N/A
VN Index	-5	4	19

Major Shareholders (%)

Retail World Investment Consultant Ltd., Co.	13.8
Mekong Enterprise Fund II	11.4
Tri Tam Ltd., Co.	10.3
CDH Electric Bee Limited	9.4
Mutual Fund Elite	6.8
Ntasian Discovery Master Fund	5.5
Foreigner investor ownership (%)	49.0

Tuan Huynh

(084) 08- 6299 2006 – Ext 326

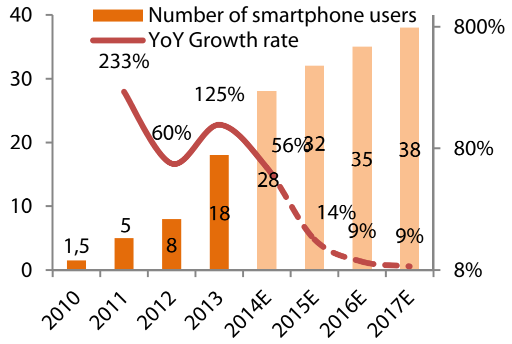
Tuan.hm@vdsc.com.vn

INVESTMENT THESIS

Shifting trend to smartphone use and expanding middle-income population lead to higher market demand

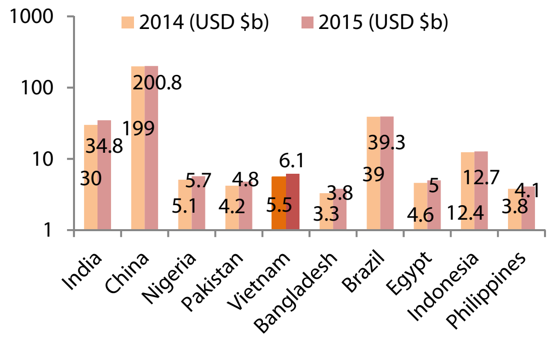
Mobile phone market demand is forecasted to keep its on-going optimistic growth in 2015 thanks to people's shifting trend to smartphone. According to Emarketer forecast, by the end of 2015, smartphone penetration rate in Vietnam could equate that of the region and the world.

Exhibit 1. Number of users and smartphone growth in Vietnam



Source: Emarketer

Exhibit 2. Top tech device growth markets in 2015 (Gfk forecast figures)



Source: Gfk

Exhibit 3. The smartphone penetration rate in Vietnam

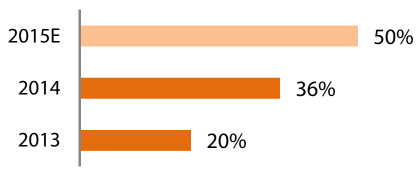
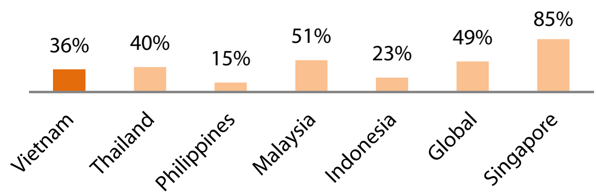


Exhibit 4. The smartphone penetration rates in many countries and in Vietnam in 2014



Source: TNS

In addition, rising middle income population, an extimated 2 million people is added to this group annually, results in changing behavior of Vietnamese consumers. Electronics devices retailers are to benefit as rising middle-income earners would facilitate more sales as customers' decision making is less complicated on these categories of purchases for. As though, MWG, a leading Vietnamese retailer by market share, would benefit greatly with a large pool of current customers who tend to make the next purchase at MWG retail stores. Therefore, sales from returning customers would play a considerable role in maintaining MWG's revenue as well as a competitive advantage.

Recently launched stores' sale would drive 2015's growth

In 2014, the company added nearly 120 stores in the last six month of the year. If running for a whole year, we estimated those new stores would contribute approximately VND6,137 billion in 2015 revenue, equivalent to 31.5% of **thegioididong.com** total chain's revenue.

Another growth driver for 2015 revenue would come from the sales of scheduled new stores opening in 2015 in order to capture remaining market shares from relatively small retail outlets and non-saturated areas. As the proposed expansion plan, MWG will add over 100 stores to its current arm of

thegioididong.com chain. Based on the sales result of those stores added in in 2014, this expansion plan is projected to increase MWG revenue by 12.5% or contributing approximately VND 1,623 billion in 2015.

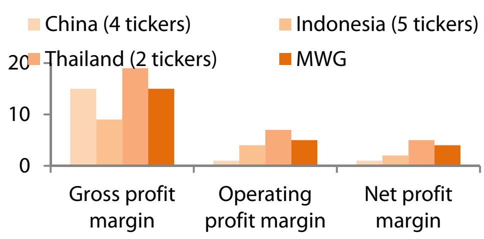
Widely recognized thegioididong.com brand online helps expand customer base

The result from undertaking a google search test to determine MWG's brand awareness online has shown the dominant position of **thegioididong.com** brand to the majority of electronics devices related keywords used (Appendix 1). Also, Website rating services provider-Alexa went on to rate MWG's website address to have the highest number of browsing compared to other industry competitors (Appendix 2). This means the company is having competitive advantage in winning potential customers given nowadays trend in using internet resources to support purchase decision making.

Financial stability is a foundation for MWG's expansion plan

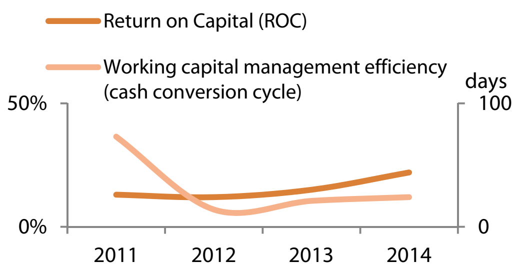
In spite of expanding the store chain nationwide, MWG's working capital management ratios such as days of inventory outstanding, receivables, payable and cash conversion cycle were all better than industry average. In addition, profit margins remained stable and higher than the industry average. In addition, MWG's return on capital improved with larger operating scale, especially after the 2014's expansion.

Exhibit 5. Profit margins of MWG against industry average



Source: Bloomberg, RongViet Research

Exhibit 6. Efficiency of capital investment and working capital management in 2011-2014



Source: MWG, RongViet Research

While short-term (2015-2016) growth could live up to expectation, we have several concerns on MWG's long term prospect:

MWG revenue relies significantly on sales of mobile devices

Sales of mobile devices accounted for nearly 90% of MWG's total revenue. Therefore, MWG's operation would be affected considerably in case room for mobile market growth diminishes in the future, especially in mid and long term horizon (above 3 years) when smartphone penetration rate in Vietnam reaching developed country rates.

The consumer electronics appliance business could face more challenges than mobile phone business, because:

- The consumer electronics appliances market currently consists of many players creating pretty fierce competition. Of which, many of them are having aggressive expansion plan such as Nguyen Kim – after forming strategic cooperation with Thai partner, Central Group, expectedly doubling consumer electronics stores by 2019 or VinPro, a subsidiary of Vingroup, also planned to open over 25 centers in 2015 and 100 VinPro+ stores.
- Consumer electronics' replacement cycles are longer than mobile product about 2 years.

- The online brand awareness of "**Dien may Xanh**" remains low. The similar Google keyword survey undertaken showed a relatively low presence and popularity of "**Dien may Xanh**" with the most appeared addressed being websites of Nguyen Kim, Dien may Cho Lon, Mediamart… This demonstrates the need for further sales and marketing expenditure to increase "**Dien may Xanh**" brand awareness.
- Capital expenditure for a consumer electronics store is usually 2-3 times higher than that of **thegioididong.com** stores but the profit margin is relatively lower.

Exhibit 7. Vietnam consumer electronics market

Product	Volume growth 2013-2018 (CAGR 2013-2018)	Value growth 2013-2018 (CAGR 2013-2018)	penetration rate (2013)	Replacement cycle
Refrigeration appliances	3%	2%	36%	10 years
air conditioners	4%		24%	12 years
Home laundry appliances	6%	9%		

Source: Euromonitor

Exhibit 8. Stores of companies in consumer electronics retailing industry

Store chain	Years of operation	2011	2012	2013	2014E	2015F
Nguyen Kim	19 years	10	16	21	23	40
Dien may Cho Lon	16 years		20		22	
VinPro	1 year					25
Dien may Xanh	5 year	7	12	12	20	32

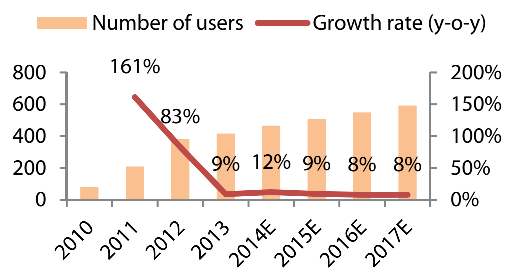
Source: RongViet Research

3G smartphone market is approaching the saturated level

Smartphone growth in Vietnam has surged since 2011, and maintained the CAGR of 78% per year. Simultaneously, smartphone penetration rate also increases by 15% per year, with the estimation of 2015 at 50%, equivalent to the average of the world. Besides, the development patterns in developed smartphone countries (South Korea, US, UK, China,…) show that smartphone users grew significantly within 5-6 years and come to saturation. For example, in China, the 3G smartphone demand also saw a boom in 2011-2013 due to affordable android operating system run smartphones. Currently, China market is expected to shift to 4G smartphones. However, demand for $G smartphone has not lived up to expectation of manufacturers as well as retailers in China.

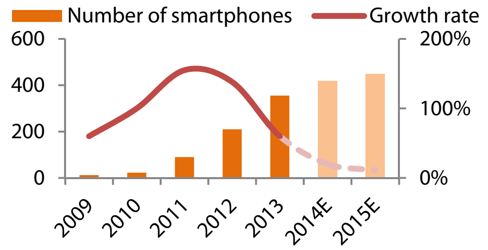
According to Digitimes Research, the Chinese smartphone market has saturated and any efforts of Chinese mobile network operator to foster 4G smartphones in 2014Q4 faced many hurdles. Furthermore, the research also indicated the aggressive discount program to foster 4G smartphone sales in China could slide demand for 3G mobile products. Therefore, the smartphone market in China generally would have to address many challenges to get back to 2011-2013 boom period.

Exhibit 7. Smartphone users in China



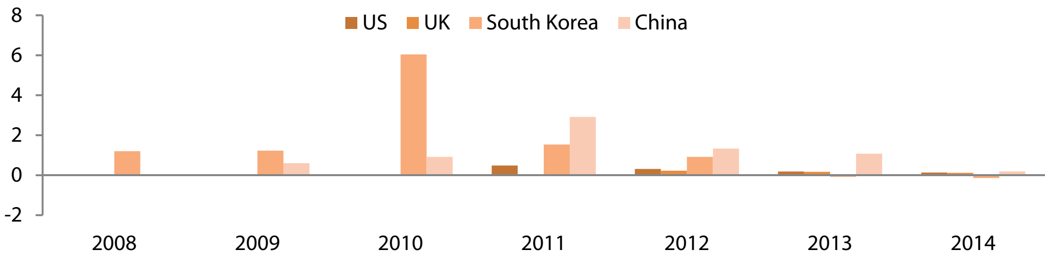
Source: Emarketer

Exhibit 8. Smartphone shipments in China



Source: IDC

Exhibit 9. Growth of smartphone users in developed smartphone markets



Source: *Statista, Strategy Analytics, Emarketer, RongViet Research*

Outlook and valuation

Solid growth in technical consumer goods (TCG) retail sector, especially mobile phone market has been a key factor for MWG's remarkable performance in the past years, recording a double CARG relatively to the industry in 2010-2014 period of 54%. **Thegioididong.com** brand has established itself as the leader in the mobile devices retail market. Additionally, the Company's venture into the consumer electronics sector with **Dien may Xanh** brand (named previously as dienmay.com) would help maintain sustainable long term growth in anticipation of mobile devices retailing business going saturated in the future. The company's right timing regarding business expansion plan where it added further 128 stores in 2014 to increase total nationwide store number to 420 when demand for mobile devices was really flourishing has been highly effective and contributed to the Company's growth in upcoming years. Besides, MWG's business bottom-line has been benefiting from economies of scale through efficient working capital and selling expense management. Therefore, profit margins and operation efficiency have improved gradually in accordance with an expansion of the Company.

MWG's current business growth is expected to keep at high pace in the next 2 years. Thereafter, long-term growth would rely heavily on the success of the company's venture into consumer electronics market.

As our estimate, 2015 and 2016 EPS would achieve expected annualized growth of 46% and 30% respectively. Using the combined discounted cash flow (DCF) and price multiples method (P/E), we think the MWG share is fairly priced at VND101.000 per share, approximately 30% higher than closing price of 25/05/2015. We recommend investors to **BUY** in **INTERMEDIATE-TERM**.

COMPANY OVERVIEW

Four main product lines in MWG's operation

MWG owns two store chains: **thegioididong.com** and **Dien may Xanh** which has just changed from dienmay.com since early of May 2015. Those chains have sold mobile products, accessories, consumer electronics and SIM.

Mobile products: The Company provided a wide range of products from high to low-end class. The largest proportion of revenue belonging to products below VND 5 million accounted for over 80% of revenue. There was only Apple products purchased via distribution agents (FPT and Viettel) while others were imported directly from manufacturers.

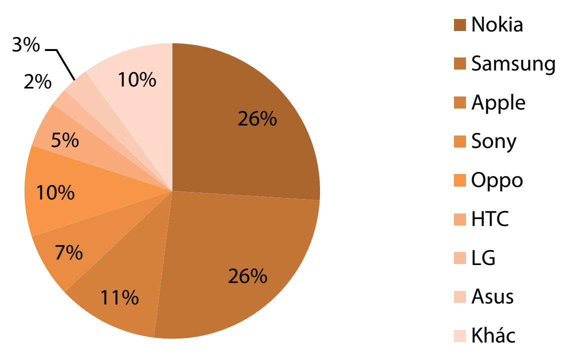
Accessories accounted for about 20-30% total revenue of **thegioididong.com**. According to the Company, BOD has not yet satisfied with the market share of this segment and realized that there was further capacity for growth in the future so they continued to widen their share in this large profit margin segment.

Consumer electronics: Dien may Xanh concentrated on the major domestic appliances (MDA) purchased by most of households such as: television, refrigerator ….Meanwhile, the main products were focused on the middle-end segment and the luxury was only for online sales to save showroom area at their stores.

SIM products: MWG provided SIM of the three main mobile communication operators in Vietnam: Mobiphone, Viettel, and Vinaphone. This product segment was shared by the Company to use for its customer promotion strategy. In the 2015 plan, MWG claimed that there would be more attractive SIM promotions with large debit accounts such as SIM with cash in account, SIM with free 3G data or free call … for their cell phone customers.

Also, MWG provided secondhand products and credit sales program by cooperating with credit organizations.

Exhibit 10. Revenue structure by brands



Source: MWG

Exhibit 11. Revenue structure by products in 2014

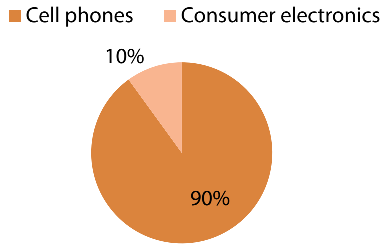
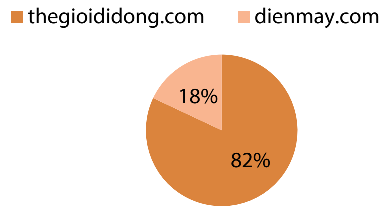


Exhibit 12. Revenue structure by chains in 2014



Source: MWG, RongViet Research

The foundations made comparative advantages over competitors: human resources, retailing coverage and management system on a modern IT basement

Human resources: over 5,000 sales staffs have been well trained to satisfy the homogeneous service culture with 2014 estimated sales productivity of 2 units per person per day. Moreover, there were over 100 IT employees to maintain the system which could support management and expansion requirements, especially the ERP software internally constructed.

The retailing system spreads nationwide. There were 327 stores of **thegioididong.com** (at date 31/12/2014) with a distribution of 30% in districts, 70% in cities including 30% in Hochiminh. **Dien may Xanh**'s price strategy was to target on middle to end class so its stores have just opened in provinces and environs districts such as: Binh Thanh, Cu Chi, and District 7… Among 13 stores not located in Hochiminh City, **Dien may Xanh** has 6 stores in the Eastern South provinces, 5 stores in Western South area and 2 stores in the Middle region.

Exhibit 13. Number of store of thegioididong.com and Dien may Xanh by location

	Ho Chi Minh	Ha Noi	Other cities	Districts
Thegioididong.com	66	38	138	92
Proportion	19%	11%	42%	28%
Dien May xanh	7	0	13	

Source: MWG, RongViet Research

Exhibit 14. Number of stores and market share of thegioididong.com in 2014 (update to November 2014)

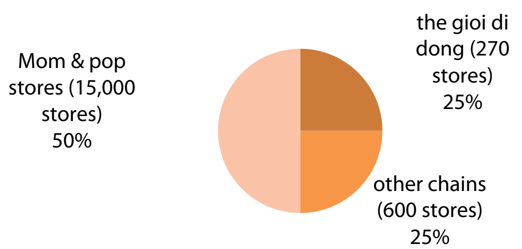
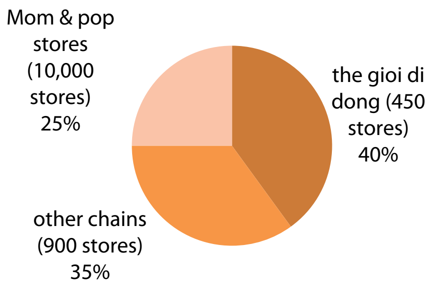


Exhibit 15. Estimated number of stores and market share of thegioididong.com in 2016



Source: MWG

Accelerating number of stores to take up new markets. Thegioididong.com, up to December, opened 120 new stores while **Dien may Xanh** opened 8 new stores. According to the Company's plan, there would be 120 additional stores to reach the 442 figure for **thegioididong.com** and 32 for **Dien may Xanh**.

Management system based on technology: Since foundation year 2004, managers of the Company have intended to build the ERP to well prepare for expansion in following years. Therefore, when expanding its operation scale in 2011, the Company has been equipped the modern technology for its management. That has supported MWG to mitigate fixed expense, increase in-distant management efficiency and make comparative advantage to other competitors in: purchasing, sales, and inventory management, which have made distributions between stores nationwide smoothly and controlling the sales staffs in order to optimize the labor cost. The BOD could also update the hourly operation without depending on distant.

Concreted shareholding structure with participation of many foreign institutional investors

Over 80% shares of MWG are currently held by internal and large investors. Therefore, the free-float rate (number of outstanding shares after adjusting shares of investors holding above 5%) is quite low. Besides, foreigner owning rate also reached the regulated ceiling of 49%. According to sharing of the Company, foreign investors at MWG are financial investors. Specifically, two foreign funds (Mekong Enterprise Fund II (holding about 11.4% shares of MWG), CDH Electric Bee Limited (9.4%)) have invested in MWG before its IPO. As our estimation, price (after adjusting dividend payout and new issues) of MWG increases by above 100% compared to the initial listed price. Therefore, action of realizing capital gains of them may cause significant price fluctuation in short term.

2015 business strategy: thegioididong.com would maintain the leading position while dienmay.com would speed up its expansion for higher market share.

thegioididong.com: the BOD informed that they would continue to open more stores and maintain the growth in order to reach the market share of 40%. Simultaneously, the Company would also implement more customer care campaign to raise customer loyalties, such as: building after-sales services; building promotions in price; cooperating with larger manufacturers and operators to bring specific benefits to customers like accessory exchange, promotion SIMs.

Dien may Xanh would pioneer to widen chain's coverage to new areas where other similar stores have not yet located. They would focus on popular products used by most of households in price range of middle-end.

Alternatively, at 2015 annual general meeting, BOD of the Company informed other orientations for maintain operation efficiency and sustainable growth. Regarding operation efficiency, the Company will improve current selling method to get higher productivity of their staffs. About sustainable long term growth, BOD of MWG intended to do some M&A in retailing sector through: (1) M&A and doing another retailing subsector; or, (2) M&A other companies in cell phones and consumer electronics in order to enlarger current business scale as well as expanding the depth of the company's value chain (by purchasing cell phone, consumer electronics store chains, customer service and repair center).

SWOT ANALYSIS

Strengths	Weaknesses
The leading enterprise in the Vietnam cell phone market with nationwide store chain: MWG currently owns over 30% market share of cell phone retailing market. Simultaneously, the Company has over 390 **thegioididong.com** stores and more than 22 **Dien may Xanh** stores (update to March 2015). Among them, approximately 30% of **thegioididong.com** stores are located in Ho Chi Minh City and Hanoi, and more than 40% in large cities. **Having sound business relationships with most major distributors and operators in the market:** MWG has directly imported most of products from mobile phone providers (distributors) (except for Apple products) and associated with the three largest carriers of Vietnam market. **Having effective enterprise resources planning (ERP) system:** MWG has built the ERP system internally since year of founding, 2004. The system supported the Company to control working capital efficiently and optimize their business operation.	**Possibility of decline in profit margin:** As consequence of fiercer competition between phone manufacturers, product prices are gradually decreasing so the profit margin for retailers may be affected. At the same time, more competitions in the industry would probably force the Company to reduce the margin to implement promotion for customers. **Risks of significant dependence on cell phone products:** Nearly 90% of revenues were from cell phone products so MWG operation could be negatively affected when the phone market turned saturation. **Dien may Xanh has not yet held a solid position in the industry:** Dien may Xanh brand has not developed as **thegioididong.com** brand. Meanwhile, consumer electronics business faced fierce rivals among peers.
Opportunities	**Threats**
The cell phone market continues the optimistic growth in the short term: in 2015, the Vietnam technology device, according to GfK, was forecasted to be in the top-ten in the world, with value of approximately USD 6.1 billion. In particular, the smart phone market in Vietnam would be the world's No. 9 on growth value. In addition, according to the market research firm-TNS, the penetration rate of Vietnam smartphone market would raise to 50% from the current 36%. **The retail market of consumer electronics in provinces still has potential for new participants.** Currently, coverage's large store chains such as Nguyen Kim, Dien may Cho Lon were still low in provinces' market. For example: Nguyen Kim just existed in Ho Chi Minh City, Hanoi and nine southern provinces (mainly East and South West); dienmaycholon.com were available in Ho Chi Minh and 10 southwest provinces and 2 provinces of the Central region.	**Fiercer intensity of rival in gaining market share:** store chain peers of MWG have been expanding their operations considerably such as FPTShop, Nguyen Kim... **The cell phone market growth is approaching saturation threshold**. In the medium and long term, the penetration rate of smartphones in Vietnam will take over the average level of other countries where smartphone was developed earlier. According to eMarketer, in the medium and long term, the smart phone market growth is likely to get only one-digit figure, approximately 8-10%. **Consumer electronics business had more risks than cell phone.** The consumer electronics lifecycle replacement rates were over 5 years, even over 10 years while this rate for cell phone was only 2 years. The 2013-018 CARG of this market was just 3-9% (depending on products). Profit margin of consumer electronics business was 2-4% lower than cell phone business.

BUSINESS OPERATION FORECAST

Exhibit 16. Some main assumptions

Assumptions	2015E	2016F	2017F	2018F	2019F
Number of thegioididong.com stores	429				
Number of Dien may Xanh stores	28	40			
Rate of stores assumed to be closed	3%	3%			
New thegioidong.com's average number of operating months (generating sales)	4.3				
New Dien may Xanh's average number of operating months (generating sales)	3.3	3.3			
Sales growth of thegioididong.com chain	47.5%	20.2%	9.5%	9.5%	9.5%
Sales growth of Dien may Xanh chain	64.7%	44.6%	30.0%	6.9%	6.9%
Gross profit margin	15.0%	14.8%	14.5%	14.3%	14.1%
EBIT/Sales	5.1%	5.3%	4.9%	4.7%	4.5%

Source: RongViet Research

Thegioididong.com's sales growth was forecasted to keep positive in 2015

Forecast of 2015 sales growth is based on these factors: (1) the greatest contribution to **thegioididong.com**'s sales growth in 2015 would be stores opened in 2014. Their average operating duration in in 2014 was around 4.3 months. Therefore, when operating a whole year in 2015, these stores would expect to generate over VND 6,138 billion, an average of VND4.2 billion in sales per store each month. (2) With the plan to open additional 100 stores in 2015 to further penetrate urban unsaturated markets and rural areas, we estimated revenue of the expected launched stores in 2015 would contribute approximately VND 1,623 billion. (3) Revenue of stores opened before 2014 is forecasted to increase slightly by merely 5%.

Dien may Xanh's sales growth in 2015 and 2016 are forecasted based on positive contribution from new stores in 2015

As the company's 2015 expansion plan, they intended to reach 50 new stores by 2016 or approximately 2.5 times compared to current number. Particularly, in 2015, they planned to open another 12 new stores to increase their total stores number to 32. With a cautious prospect of consumer electronics market, we predicted the actual stores in 2015 would be less than the guidance figure. However, **Dien may Xanh** was forecasted to achieve positive two-digit growth due to the contribution of those new stores. Sales growth of stores opened before 2013would likely remain the same as industry growth, approximately 5-6%.

The gross profit margin was forecasted to slightly decline

MWG's revenue has been increased significantly year by year (according to the Company's estimation, 2015 revenue would be nearly USD 1 billion) so the Company could receive higher discounts from manufacturers than previous years. However, since mobile devices manufacturers are facing fiercer competition from Chinese one, they would probably gradually reduce discount for retailers. Meanwhile, higher intensity of rivalry in the Vietnam retailing market would probably force MWG to follow competitive prices to attract customers. Therefore, gross profit margin is forecasted to decline slightly in up-coming years.

Exhibit 17. The business operation forecast. (*VND billion unit*)

KQ HĐKD	FY2013	FY2014	FY2015E	FY2016F
Net revenue	9,498.8	15,756.7	23,724.4	29,664.8
Cost of goods sold	8,091.5	13,360.6	20,165.7	25,274.4
Gross profit	**1,407.4**	**2,396.1**	**3,558.7**	**4,390.4**
Selling expense	935.8	1,349.3	2,040.3	2,373.2
Administrative expense	125.6	240.5	415.2	563.6
Financial revenue	29.5	71.3	94.9	118.7
Financial expense	26.8	21.3	38.0	56.1
Other profit	2.2	11.9	11.9	11.9
Profit before tax	**350.8**	**868.2**	**1,172.0**	**1,528.0**
Tax	92.3	194.5	257.8	336.2
Minority shareholder's profit	2.9	5.6	9.1	11.9
Profit after tax	**255.6**	**668.1**	**905.0**	**1,180.0**
EBIT	**377.3**	**889.5**	**1,210.0**	**1,584.1**
EBITDA	411.6	1,005.8	1,341.6	1,759.2

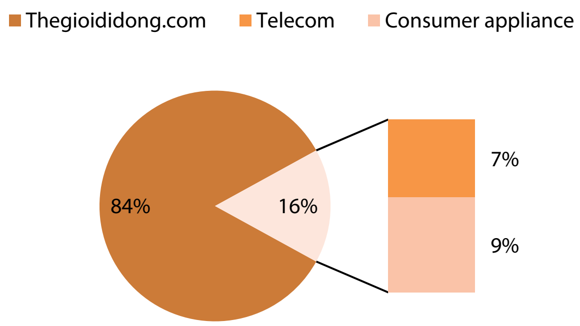
Source: MWG, RongViet Research

FINANCIAL ANALYSIS

Impressive revenue growth of over 40% (CAGR of 2010-2014) but concentrating mostly on telecommunication products

In recent 5-year period, MWG' revenue, in 2014, increased by over 5.5 times compared to 2010's figure, equivalent to the CAGR of the period of over 65%. Although consumer electronics chain has been launched since 2010, its contribution remained quite modest. In 2014 revenue proportion of the Company, **thegioididong.com**'s revenue accounted for over 86% and the remainder, 14% was belong to **Dien may Xanh** chain. **Thegioididong.com** chain's revenue structure was 60% from cell phone, 15% from laptop and tablet and the remaining 25% from accessories. Regarding **Dien may Xanh** chain, it still had high proportion of revenue from telecommunication products (which were also sold at **thegioididong.com** chain), with 55% of revenue from consumer electronics and 45% relating to telecommunication bussiness.

Exhibit 18. MWG's revenue structure in 2014



Source: MWG, RongViet Research

As a result of the specific analysis of Dien may Xanh, competitive advantage would be rooted in its low break-even sales

Consumer electronics business of MWG has concentrated on mid-end products and products consumed popularly by households. **Dien may Xanh** did not do business on a wide range of products as competitors like Nguyen Kim. Therefore, **Dien may Xanh**'s stores were designed at smaller area (approximate 1,000 m2) and initial capital expenditure lower than competitors. Therefore, monthly expenses such as rents (rents in the consumer electronics retailing business usually accounts for about 50% monthly costs), sales staff salary, power cost… would be much lower than peer stores. That would probably make break-even sales per store of **Dien may Xanh** lower than competitors. With gradually higher intensity of rivalry in consumer electronics market, low break-even sales of **Dien may Xanh** could probably make its operation more sustainable than competitors in case of sudden (deterioration) in market demand.

Exhibit 19. Working capital management of peers in the technical consumer goods retail industry

Main segment	Name	Market cap (VND million)	Gross margin	Operating margin	Net margin	Inventory turnover	Receivable turnover	Payable turnover	Cash conversion cycle
	China median (4 tickers)	29,355,052	14.7	1.2	1.3	6	21	4	43
Telecom	SHANGHAI POTEVIO CO LTD-B	26,620,079	14.6	2.0	0.5	3	3	5	159
Telecom	NINGBO BIRD CO LTD-A	20,971,753	8.6	0.6	4.7	19	39	9	(13)
Telecom	SHENZHEN SUNWAY COMMUNICAT-A	32,090,025	17.8	(18.9)	(18.7)	7	2	3	100
CE	GOME ELECTRICAL APPLIANCES	74,718,316	14.9	1.8	2.1	5	235	4	(21)
	Indonesia median (5 tickers)	4,321,169	9.2	4.3	2.1	7	10	19	58
Telecom	TIPHONE MOBILE INDONESIA TBK	11,319,091	5.6	3.5	2.1	17	10	23	42
CE	ELECTRONIC CITY INDONESIA TB	2,932,367	19.2	4.4	5.8	4	330	10	61
CE	METRODATA ELECTRONIC PT	2,598,811	7.7	4.1	2.1	14	8	12	39
	Sri Lanka (1 ticker)	2,257,881	32.7	7.0	2.4	4	18	10	80
CE	SINGER SRI LANKA PLC	2,257,881	32.7	7.0	2.4	4	18	10	80
	Thailand median (2 tickers)	5,879,662	19.3	7.0	4.9	7	19	18	89
Telecom	SAMART I-MOBILE PCL	8,066,728	24.9	8.8	5.7	7	3	8	133
Telecom	JAYMART PCL	3,692,596	13.8	5.3	4.1	8	35	28	45
	MWG	**12,077,371**	**15.2**	**5.1**	**4.2**	**8**	**58**	**12**	**24**
	Industry median	12,077,371	14.6	4.1	2.1	7	18	10	45
	Telecommunication (Telecom) industry median	13,210,276	14.2	3.9	2.5	7	8	14	79
	Consumer electronics (CE) industry median	2,765,589	17.1	4.3	2.3	5	127	10	50

Source: Bloomberg, RongViet Research

With respect to working capital management – the essential financial management activity of retailing businesses, MWG has improved its efficiency year by year and currently maintained relatively positive as compared to regional companies.

In the period of 2011-2014, ratios relating to inventory and receivables management of the Company got better year by year. Particularly, days of inventory decreased from 109 days to just 51 days in 2013 and 48 days in 2014. Similarly, days of receivables also declined from 15 days in 2011 to 8 days in 2013 and 6 days in 2014. That was a result of flexibility and efficiency of the enterprise resources planning (ERP) system of MWG. However, due to changes in credit payment policy for manufacturers and suppliers, the Company had to shorten its payables period from 52 days from 2011 to 30 days in 2014. Therefore, its cash conversion cycle increased slightly by average of 5 days per year, from 14 days in 2012 to 21 days in 2013 and 24 days in 2014.

Currently, according to operation 2014 year-end data, inventory turnover and receivables turnover of MWG was approximately 7.7x and 57.9x, better than median of regional companies whose ratios were

7.1x and 18.4x, respectively. Regarding to payables account, the Company applied quicker payment policy for suppliers to take discounts. Therefore, payables turnover of MWG was higher than median of regional companies (12.2x compared to 9.8x). Totally, cash conversion cycle of MWG was 24 days compared to 45 days, the median of the region.

In business efficiency, MWG has gradually improved its profit margin and currently shown the optimistic compared to industry companies

Gross profit margin in 2014 was improved, increasing by 0.5% compared to the 2013's figure but still lower by 2.5% than the 2011's figure. However, operating profit margin of the Company was improved significantly. The ratio decreased sharply in 2012 (down from 4.2% in 2011 to 2.9% in 2012) but recovered in 2013 and 2014 to reach 5.1% in 2014. That means MWG had approached the scale of economy. Specifically, selling expenses to revenue was in downtrend as a consequence of revenue expansion. Besides, gross profit margin and operating profit margin was also better than industry average, with the two ratios at 15.21% and 5.12%, respectively compared to average of industry at 14.58% and 4.12%.

Profitability has increased accompanying to scale growth of the Company

In 2014, capital of the Company increased by 66% and efficiency of capital investment assessed by ROC also increased to 22% from 15% in 2013. That partially reflected a result of economics of scale in MWG's operation, which means that investment efficiency has improved following scale growth. Simultaneously, return on net working capital (ROWC) also increased to 76% compared to 57% in 2013. Therefore, better efficiency on capital investment is considered as a considerable highlight for financial ratios in the high growth company like MWG.

Exhibit 20. Evaluation of investment capital efficiency

	2010	2011	2012	2013	2014
Return on net working capital (ROWC)	144%	1506%	124%	57%	76%
Return on capital (ROC)		13%	12%	15%	22%
Net working capital growth		-84%	1%	245%	82%

Source: MWG, RongViet Research

However, concerns relating to the financial situation of the Company are risks of technology product inventory and negative FCFE

Inventory reserve to total inventory has increased gradually year by year, from 0% in 2011 to 1.2% and 2.6% in 2013 and 2014, respectively. The ratio may get more serious in future when market demand approaches saturated and manufacturers' development of new products becomes quicker. That would affect gross profit margin of MWG in the future.

Although FCFE of MWG got better in 2014, FCFE still remained negative at VND 20 billion. Since the Company is in expansion state of business cycle, the negative FCFE situation is considered to maintain in this year. That could affect cash dividend policy for investors though the Company has operated positively and got high profit.

VALUATION

Exhibit 21. Valuation result

Valuation method	*Value*	*Proportion*	*Average*
FCFF	98,443	40%	39,377
P/E	102,075	60%	61,245
Average value		**100%**	**100,622**

Source: RongVietResearch

Using discounted cash flow (FCFF) and price multiple (P/E) valuation method at the ratio of 40:60. Since MWG are in growth phase with uncertainly material business expansion, the discounted cash flow (FCFF) method's rate is set lower than the price muiltiple method.

The discount rate used in FCFF method is 11.3% in 2015-2019 and 11.7% from 2018 onward. The long term sustainable growth of FCFF is also predicted at approximately 5.8%.

For P/E valuation, P/E ratio is based on companies operating in the technical consumer goods (TCG) industry in emerging market. Trailing P/E of the industry was 21.1x. After adjusting country risk and industry growth, forward P/E in our model was 14.6x.

Combining both methods, the intrinsic value of MWG is recommended at approximately VND101,000 per share

Exhibit 22. P/E ratio of peers (based on closing prices on 29 April 2015)

Companies	**Country**	**Market capital (VND million)**	**Trailing P/E**
GOME ELECTRICAL APPLIANCES	China	42,228	26.3
JAYMART PCL	Thailand	5,769	14.3
SAMART I-MOBILE PCL	Thailand	11,792	16.6
SINGER SRI LANKA PLC	Sri Lanka	13,209	18.5
TRIKOMSEL OKE TBK PT	Indonesia	9,142,080	29.2
ERAJAYA SWASEMBADA TBK PT	Indonesia	2,421,500	11.4
ELECTRONIC CITY INDONESIA TB	Indonesia	1,654,572	12.8
METRODATA ELECTRONIC PT	Indonesia	1,718,190	9.6
TIPHONE MOBILE INDONESIA TBK	Indonesia	6,656,403	18.5
Average			**21.1**

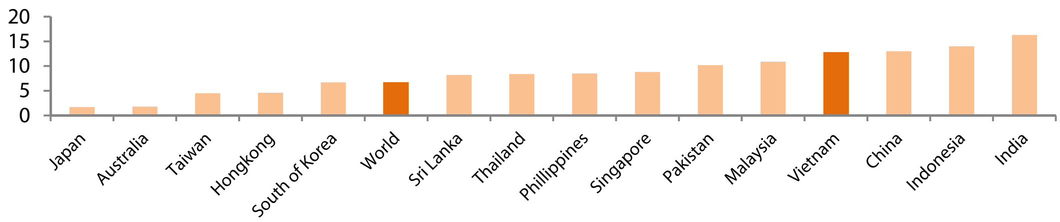
Source: Bloomberg, RongViet Research

INDUSTRY OUTLOOK

Vietnam's retail sector is expected to grow by about 13% (CAGR) over the period 2013-2018

As reported by The Economist Intelligence Unit, the retail market of Vietnam, as well as some other countries in the Asia will be more potential in the coming years. Two key drivers of the retail market in Vietnam are growth of middle class population and the degree of urbanization. Vietnam and some other countries in the region have middle class growing highly at unprecedented rates in history of the world (according to the report made by ANZ and Roy Morgan, a market research company in early 2014, the middle class growth of Vietnam was the highest in Asia Pacific, with an additional over 2 million joining this class each year).

Exhibit 23. Retail market's growth in some countries in 2013-2018



Source: The Economist Intelligence Unit

Technical consumer goods (TCG) market, in 2014 continued growing at a double-digit figure

In 2014, TCG sales reached VND 116.03 trillion, up 22.7% over 2013's figure, equivalent to 2013's growth. Telecommunication products remained the highest proportion of the TCG sector and high growth at 29.8% (y-o-y) due to cell phone sales. Meanwhile, the consumer electronics group kept double-digit growth, with the major domestic appliances increased by 13.5% and the small domestic appliances (SDA) increased by 18.8%. Particularly, the consumer electronics (CE) also grew by 18.4%, which mainly came from TV panel sales.

Exhibit 24. Value and growth of Vietnam technical consumer goods market

Year	2011	2012	2013	2014
TCG Revenue (VND trillion)	75.44	76.21	94.60	116.03
Growth rate		1.0%	24.1%	22.7%

Source: Gfk

Vietnam phone market has benefited from the trend of smartphone penetration

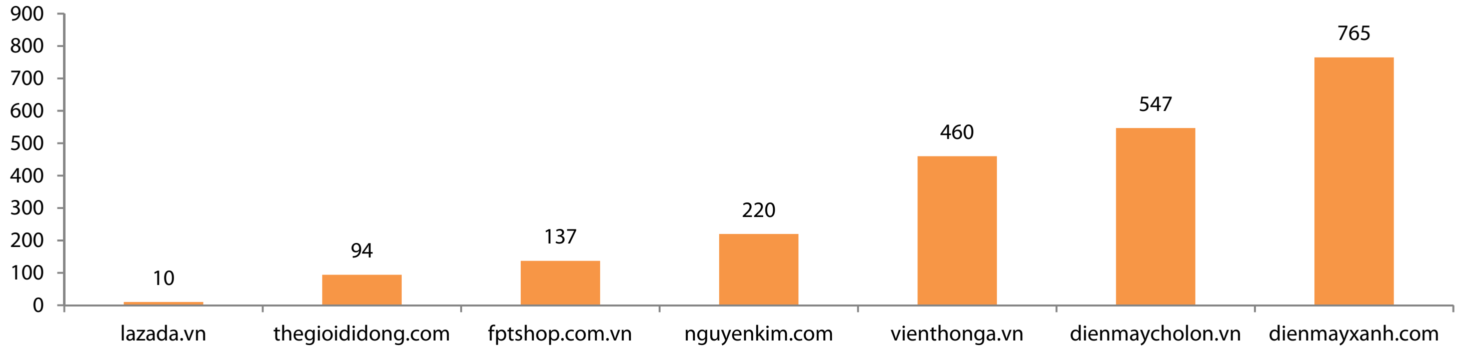
According to 2014 Global Connected Consumer Study report of the market research firm TNS, in total of nearly 93 million people in Vietnam, there was up to 33 million people owning smart phones, which implied that the instant penetration of smartphones was 36% compared with 20% in 2013. The further expansion was expected to happen in 2014, the report predicted the rate in 2015 would continue to rise to 50%, equivalent to 45 million smartphone owners. According to the report, the highest growth was between the ages of 16-24. This user group was only about 27% of smart phone users in previous year, but in 2014 this figure increased to 58%. (TNS survey was performed on 1,000 people aged over 16 in the second quarter of 2014 conducted in 56 countries).

Appendix 1. Google key word survey result (Unit: position of displaying. Conducted at 15/01/2015)

Keywords used in the survey / Websites in the survey	thegioididong.com	lazada.vn	Nguyenkim.com	Fptshop.com.vn	Vienthonga.vn	Hnammoble.com	Trananh.vn	Nhatcuong.com	Hoangnammoble.vn	Phongvu.vn	Dienamy.com	Dienmaycholon.vn	Mediamart.vn	Dienmaythienhoa.vn
Selling mobile	1&2			3	10				4					
Selling Samsung mobile	1&2		7		3		5							
Selling Iphone mobile	2&3		9	10	6	8								
Selling Nokia Lumia mobile	2&3		6	8	4									
Selling Sony mobile	1		10	6	2		5	7						
Selling Oppo mobile	1&2			8	3	7			6					
Selling Lenovo mobile	1		6	3	4	5	8		2				9	
Selling Tablet	1&2			3										
Selling Tablet	1&2	4		5			8							
Selling Laptop	1&2			5						3				
Selling laptop dell	2		10		6					1				
Selling laptop hp	3		2	10	7					1				
Selling cheap laptop	2&3									7				
Selling laptop acer	1		3		2					7&8				
Selling laptop	1		10	2			6&7&8			3				
Selling television		4	10				9				5		1	
Selling Led television			10				3				5	4	1	
Seling refrigerator		5	1				6				9	3	2	
Selling air-conditioner		10	2									9		
Selling washing machine			1				9				8	3	4	
Selling electric cooker		3	2										7	
Selling gas cooker			3								5	7	1	
Selling oven		4	1									7	3	
Selling microwave		4	1				6				9	5	2	
Selling blender		3	4				9				7	6	1	
Selling juicer		2	1									3	6	7
Selling iron		5&6&7	1								4	2		8
Selling hairdryer			5				4				7	3	1	
Selling rice cooker		5	2				9				7	6	1	
Selling water heaters			1								5	2		4
Selling vacuum cleaners		7	1				5					4	2	
Selling electric fans		3	1									6	4&5	

Source: RongViet Research

Appendix 2. Ranking websites by Alexa at 19/05/2015



Source: Alexa, RongViet Research

Unit: VND Billion

INCOME STATEMENT	FY2013	FY2014	FY2015E	FY2016F
Revenue	9,498.8	15,954.0	22,133.9	26,188.4
COGS	8,091.5	13,481.1	18,703.1	22,260.2
Gross profit	**1,407.4**	**2,472.9**	**3,430.7**	**3,928.3**
Selling Expense	935.8	1,372.0	1,992.0	2,357.0
G&A Expense	125.6	271.2	442.7	523.8
Finance Income	29.5	79.8	110.7	130.9
Finance Expense	26.8	28.4	34.9	35.0
Other profits	2.2	10.5	11.9	11.7
PBT	**350.8**	**891.5**	**1,083.6**	**1,155.1**
Prov. of Tax	92.3	196.1	238.4	231.0
Minority's Interest	2.9	7.0	8.5	9.2
PAT to Equity Shareholder	**255.6**	**688.4**	**836.8**	**914.8**
EBIT	**377.3**	**918.0**	**1,116.2**	**1,187.8**
EBITDA	411.6	1,032,8	1,281.0	1,383.9

Unit: %

FINANCIAL RATIO	FY2013	FY2014	FY2015E	FY2016F
Growth				
Revenue	28.8%	68.0%	38.7%	18.3%
Operating Income	59.8%	139.8%	20.1%	5.2%
EBITDA	64.9%	150.9%	24.0%	8.0%
EBIT	69.9%	143.3%	21.6%	6.4%
PAT	104.4%	169.3%	21.6%	9.3%
Total Assets	39.9%	68.0%	41.0%	12.2%
Equity	75.5%	88.9%	55.4%	15.1%
Internal growth rate	40.7%	59.6%	43.4%	14.1%
Profitability				
Gross profit/Revenue	14.8%	15.5%	15.5%	15.0%
Operating profit/ Revenue	3.6%	5.2%	4.5%	4.0%
EBITDA/ Revenue	4.3%	6.5%	5.8%	5.3%
EBITDA/ Revenue	4.0%	5.8%	5.0%	4.5%
Net margin	2.7%	4.3%	3.8%	3.5%
ROAA	13.4%	23.0%	18.5%	16.3%
ROIC or RONA	58.8%	78.3%	57.6%	46.8%
ROAE	40.7%	59.6%	43.4%	36.2%
Efficiency (x)				
Receivable Turnover	46.7	44.0	38.7	36.1
Inventory Turnover	7.2	7.8	7.3	6.8
Payable Turnover	9.9	10.8	9.7	9.0
Liquidity				
Current	1.4	1.4	1.6	1.7
Quick	0.4	0.4	0.6	0.6
Solvency				
Total Debt/Equity	175.8%	147.5%	124.7%	118.9%
Current Debt/Equity	64.1%	42.2%	28.3%	19.4%
Long-term Debt/ Equity	0.0%	0.0%	0.0%	0.0%

Unit: VND Billion

BALANCE SHEET	FY2013	FY2014	FY2015E	FY2016F
Cash and equivalents	305	326	685	688
Short-term investment	0	0	0	0
Receivables	247	479	664	786
Inventories	1,289	2,157	2,992	3,562
Other current assets	68	191	266	314
Total Current Asset	**1,909**	**3,153**	**4,607**	**5,349**
Tangible Fixed Assets	259	378	476	419
Intangible Fixed Assets	5	6	5	6
Construction in Progress	11	81	14	14
Investment Property	0	0	0	0
Long-term Investment	0	0	0	0
Other long-term assets	47	131	185	144
Goodwill	1	-21	-30	-30
Long term assets	**323**	**596**	**680**	**582**
Total Asset	**2,232**	**3,749**	**5,288**	**5,931**
Payables	695	1,281	1,777	2,115
Other current liabilities	199	311	487	576
Current Debt	513	638	664	524
Long-term Debt	0	0	0	0
Other long-term liabilities	0	0	0	0
Total Liability	**1,407**	**2,230**	**2,928**	**3,215**
Owner's Equity	**800**	**1,511**	**2,348**	**2,703**
Capital	110	1,120	1,120	1,120
Retained Earnings	538	354	1,191	1,546
Funds & Reverses	1	1	1	1
Others	**0**	**0**	**0**	**0**
Total Equity	**800**	**1,511**	**2,348**	**2,703**
Minority's Interest	24	8	12	14

CASH FLOW STATEMENT	FY2013	FY2014	FY2015E	FY2016F
Profit before tax	350,8	891,5	1,083.6	1,155.1
-Depreciation	34.3	114.8	164.8	196.1
-Adjustments	*29.5*	*72.0*	*78.2*	*82.1*
+/- Working capital	-310.6	-805.1	-715.4	-502.0
Net Operating CFs	**103.9**	**273.3**	**611.3**	**931.4**
+/- Fixed Asset	-137.6	-303.8	-192.2	-136.4
+/- Deposit. equity investment	20.0	0.0	0.0	0.0
Interest. Dividend. cash profit received	3.0	2.3	4.8	4.8
Net Investing CFs	**-114.7**	**-301.5**	**-187.4**	**-131.6**
+/- Capital	88.8	886.0	0.0	0.0
+/- Debt	121.8	151.9	159.5	167.5
Dividend paid & other	0.0	-979.9	-223.9	-964.9
Net Financing CFs	**210.6**	**58.0**	**-64.4**	**-797.4**
+/- cash & equivalents	199.9	29.8	359.4	2.4
Beginning cash & equivalents	**104.8**	**304.7**	**325.7**	**685.1**
Impact of exchange rate	0.0	0.0	0.0	0.0
Ending cash & equivalents	**304.7**	**325.7**	**685.1**	**687.6**

INITIAL REPORT

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings / Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to10%	-15% to- 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

ABOUT US

RongViet Securities Corporation (RongViet) was established in 2007, licensed to perform the complete range of securities services including: brokerage, financial investment, underwriting, financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders, also our strategic partners, are reputable institutions, i.e Eximbank, Viet Dragon Fund Management, etc... Along with a team of the professional and dynamic staffs, RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially, RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews.

Network

Headquarter

Address: Floor 1-2-3-4, Viet Dragon Tower, 141 Nguyen Du, Ben Thanh Ward, Dist.1, Tp.HCM

Phone: 84.8 6299 2006   Fax: 84.8 6291 7986

Website: www.vdsc.com.vn

Ha Noi Branch

2C Thai Phien – Hai Ba Trung District – Ha Noi

Nha Trang Branch

50Bis Yersin - Nha Trang

Can Tho Branch

08 Phan Dinh Phung –Cần Thơ

DISCLAIMERS

This report is prepared in order to provide information and analysis to Rong Viet's clients only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase of subscribe for any investment. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. The readers should be aware that Rong Viet may have a conflict of interest with investors when does this research. Investors are advised make their own financial decisions based on their independent financial advisors as they believe necessary and based on their particular financial situation and investment objectives. Rong Viet will not take any responsibility for any loss/damages occurred as a result of using the information herein.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

The information herein is believed by Rong Viet to be reliable and is based on public sources believed to be reliable. We do not warrant its accuracy or completeness. Opinions, estimations and projection expressed in this report represent the current views of the author as of the original publication date appearing on this report only and the information, including the opinions contained herein, are subject to change without notice.