MOBILE WORLD GROUP (HSX: MWG)

Tremendous growth potential despite the impact of Covid-19

Particular (VND bn)	Q1-FY20	Q4-FY19	+/- qoq	Q1-FY19	+/- yoy
Net revenue	29,353	25,411	16%	25,017	17%
PAT	1,132	860	32%	1,040	9%
EBIT	1,597	1,151	39%	1,355	18%
EBIT margin	5.4%	4.5%	+90bps	5.4%	0bps

Source: MWG, Rong Viet Securities

Q1/20 – Slower earning growth amid the pandemic

Revenue and NPAT reached VND 29,353 bn (+17% YoY) and VND 1,132bn (+9% YoY), respectively. Covid-19 began to affect MWG seriously from March. Revenue and NPAT were VND 8,810 bn (+15% YoY) and VND 286 bn (-8% YoY) in March, respectively.

Q1's revenue growth was driven by the impressive performance of BHX. Specifically, BHX's revenue rose to VND 4,491 bn (+176% YoY) and made up ¾ of total revenue growth. On the other hand, TGDD & DMX's revenue posted modest growth of 6% and stood at VND 24,862 bn, mostly thanks to strong sales during the TET holiday season.

Gross margin inched up to 21% (vs. 17.7% in Q1/2019) on the back of improvements from all three chains. G&A expenses stayed at 2.5% of revenue. However, increasing selling expenses as a percent of sales offset GM improvement, leading to a net margin of 3.9% (-0.3% YoY).

FY2020 and future prospects remain bright despite short-term difficulties at TGDD & DMX

We believe that TGDD & DMX are severely affected by Covid-19. The prolonged pandemic not only caused temporary store closure and dented retail traffic but also hampered disposable income, which in turn limited discretionary spending. On the other hand, BHX is seeing lots of opportunities both in-store sales and online sales.

In our base case scenario, we expect that Covid-19 will be well controlled before the end of Q2-2020. Thus, we project 2020's revenue and NPAT at VND 114,596 bn (+12% YoY) and VND 3,929 tn (+2% YoY), respectively. With huge headroom to expand and improve profitability, BHX is anticipated to reduce its loss to VND 849 bn in 2020 from VND 1,000 bn in 2019 (approx.). From 2H2021 onward, BHX will start contributing profit to the mother company.

Valuation and recommendation

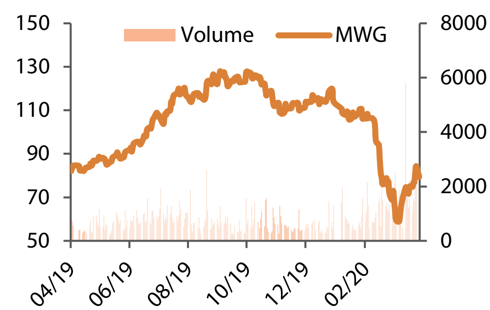
*MWG's solid fundamental and prudent management will help the company weather the storm in a less damaged way that others retailer can't. That said, TGDD & DMX's dominant position in Vietnam electronics retail will continue to strengthen afterward. BHX will also further cushion the company growing prospects. The company is trading at a 2020 PER forward of 9.4x. It is attractive considering forecasted EPS's CAGR of 20% in the next five years. We reiterate our **BUY** on MWG with a target price of **VND 131,000**, 21% lower than our previous TP in the 2020 strategy report. Coupled with a cash dividend of VND 1,500, the total upside is **63%** from the closing price of May 15th 2020.*

BUY	+63%
Target price (VND)	131,000
Current market price (VND)	82,100

Stock Info	
Sector	Retail
Market Cap (VND billion)	34,208
Current Shares O/S	422,328,000
Avg. Daily Volume (in 20 sessions)	1,960,198
Free float (%)	49
52 weeks High	128,000
52 weeks Low	58,900
Beta	1.29

	FY2019	Current
EPS	8,460	8,817
EPS Growth (%)	33	1.9
Diluted EPS	8,449	8,817
P/E	13.1	9.1
P/B	4.2	2.7
EV/EBITDA	7.21	6.49
Cash dividend yield (%)	1.2%	2%
ROE (%)	33.1	33.2

Price performance



Major Shareholders (%)	
Retail World Ltd	11.38
Tri Tam Ltd	8.53
Foreign ownership room (%)	0

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Exhibit 1: Q1/2020 Results

(VND Bn)	Q1-FY20	Q4-FY19	+/- (qoq)	Q1-FY19	+/- (yoy)
Net revenue	29,353	25,411	15.5%	25,017	17.3%
Gross profit	6,160	5,365	14.8%	4,434	38.9%
SG&A	4,563	4,214	8.3%	3,079	48.2%
Operating income	1,597	1,151	38.8%	1,355	17.9%
EBITDA	2,068	1,586	30.4%	1,666	24.1%
EBIT	1,597	1,151	38.8%	1,355	17.9%
Financial expenses	178	156	13.9%	133	33.7%
- Interest Expenses	178	156	14.0%	133	33.6%
Dep. and amortization	471	435	8.2%	311	51.2%
Non-recurring items (*)					
Extraordinary items (*)					
PBT	1,544	1,180	30.9%	1,341	15.1%
PAT	1,132	860	31.6%	1,040	8.8%
(*) Adjusted PAT	1,132	860	31.6%	1,040	8.8%

Source: MWG, Rong Viet Securities

Exhibit 2: Q1/2020 Performance Analysis

Particulars	Q1-FY20	Q4-FY19	+/- (qoq)	Q1-FY19	+/- (yoy)
Profitability Ratios (%)					
Gross Margin	21.0%	21.1%	-10bps	17.7%	+330bps
EBITDA Margin	7.0%	6.2%	+80bps	6.7%	+40bps
EBIT Margin	5.4%	4.5%	+90bps	5.4%	0bps
Net Margin	3.9%	3.4%	+50bps	4.2%	-30bps
Adjusted Net Margin	3.9%	3.4%	+50bps	4.2%	-30bps
Turnover *(x)					
-Inventories	4	4	0.2	5	-0.9
-Receivables	72.1	66.4	5.7	57.5	14.5
-Payables	7	6	0.7	7	-0.5
Leverage (%)					
Total Debt/ Equity	167.2%	234.2%	-6,700bps	191.8%	-2,460bps

Source: Rong Viet Securities

Exhibit 3: Q2/2020 Performance Forecast

Particulars (VND Bn)	Q2-FY20	+/- qoq	+/- yoy
Revenue	28,180	-4%	6%
Gross profit	5,512	-11%	16%
EBIT	1,317	-18%	-4%
NPAT	1,023	-10%	-5%

Source: Rong Viet Securities

Q2/2020 comment

- Revenue expected to increase slightly compared to last year mostly thanks BHX.
- However, NPAT will decline due to TGDD & DMX's poor performance amid widespread social-distancing from April 1st.

Update

TGDD & DMX: Covid-19 started to have an impact since March.

In Q1-2020, TGDD & DMX's revenue and gross margin reached VND 24,485 bn (+6% YoY) and 21% (+300 bps YoY), respectively (Figure 1). For March alone, TGDD & DMX's revenue declined by 2% YoY as Covid-19 began to disrupt store operations.

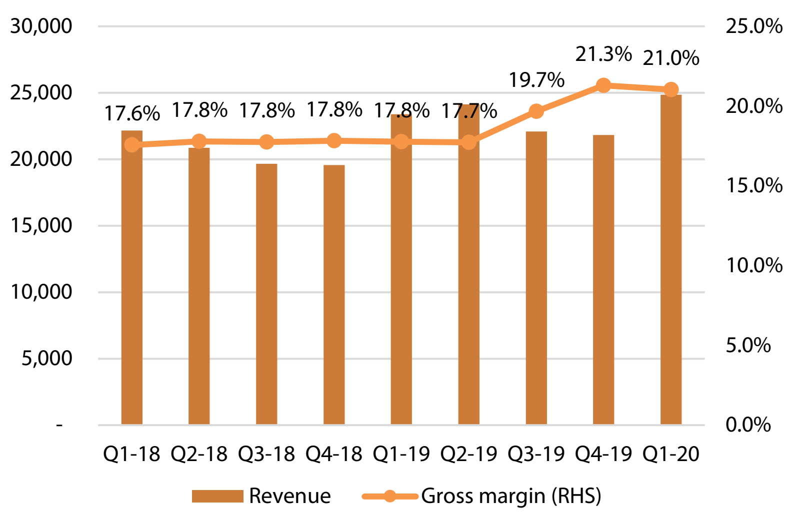
At the beginning of April, there have been over 600 TGDD & DMX stores that were temporarily closed to comply with Government instructions, mostly in Hanoi. Sales at these closed stores are around a third of that in normal conditions, all coming from online channels. In addition, opened store saw traffic drop as people are reluctant to go to public places to avoid infection. As of April 23rd, MWG has reopened most closed stores as the Government decided to ease some of social-distancing measures.

In order to cope with dropping sales, TGDD & DMX have been taking steps to mitigate the damage. The company began to renegotiate its rent up to 50% lower for the next 12 months and no payment during the closure. Moreover, MWG has cut down its labor costs by (1) lowering wages in accordance with sales and (2) limiting recruitment and rotating employees from TGDD & DMX to BHX. Other expenses including promotion, marketing campaign, utilities payment also saw cutbacks.

MWG's financial stance is getting better heading into an expectedly difficult Q2. Thanks to strong sales in 2M2020, MWG was able to clear up a significant part of inventory (Figure 3), lower short-term debt and strengthen cash position (Figure 2). Short-term debt decreases by 25% from Q4-2019's level to VND 10,494 bn, equivalent to 0.86 times of owner equity (vs. 1.16x in Q4-19)

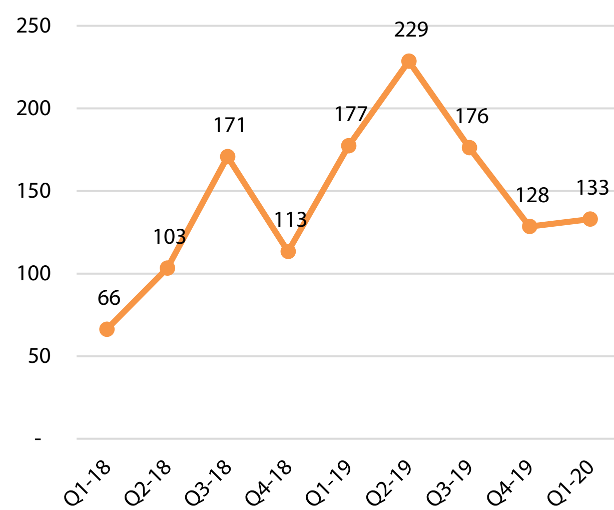
In addition, MWG took deeper actions to preserve financial stability, including (1) deferring new purchases and payments, (2) converting portion of short-term debt to mid-term debt and (3) postpone the expansion of TGDD & DMX.

Figure 1: TGDD & DMX's performance



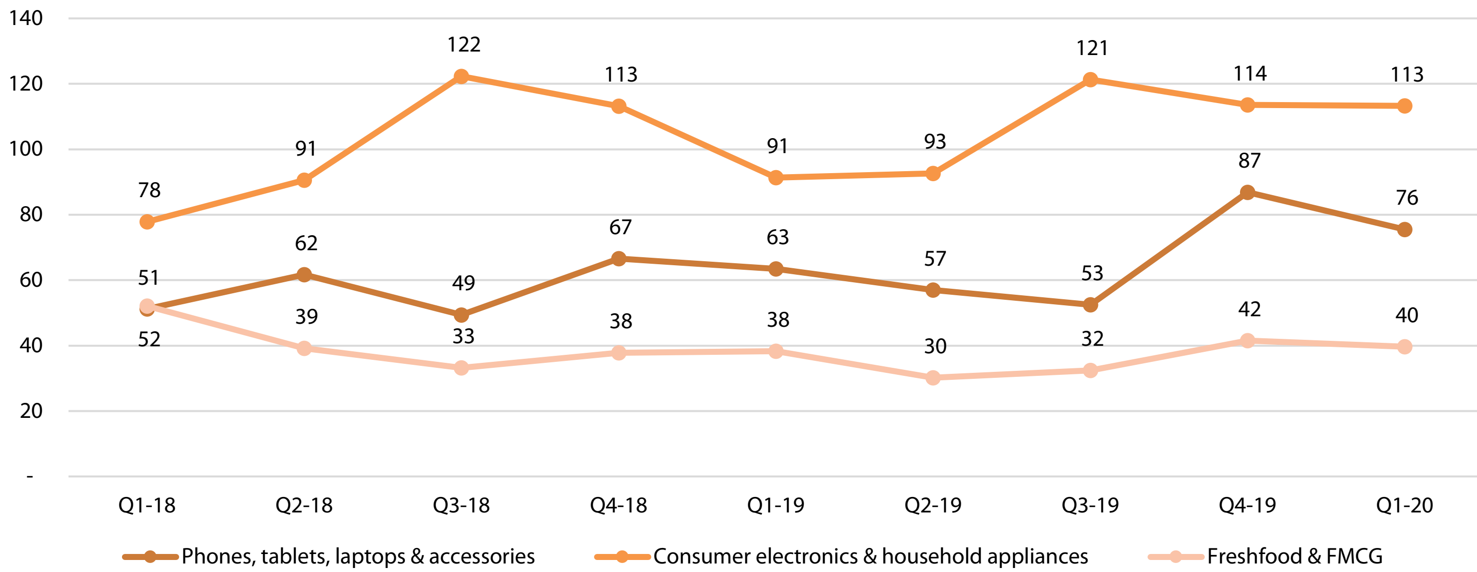
Sources: MWG, Rong Viet Securities

Figure 2: Days of cash on hand



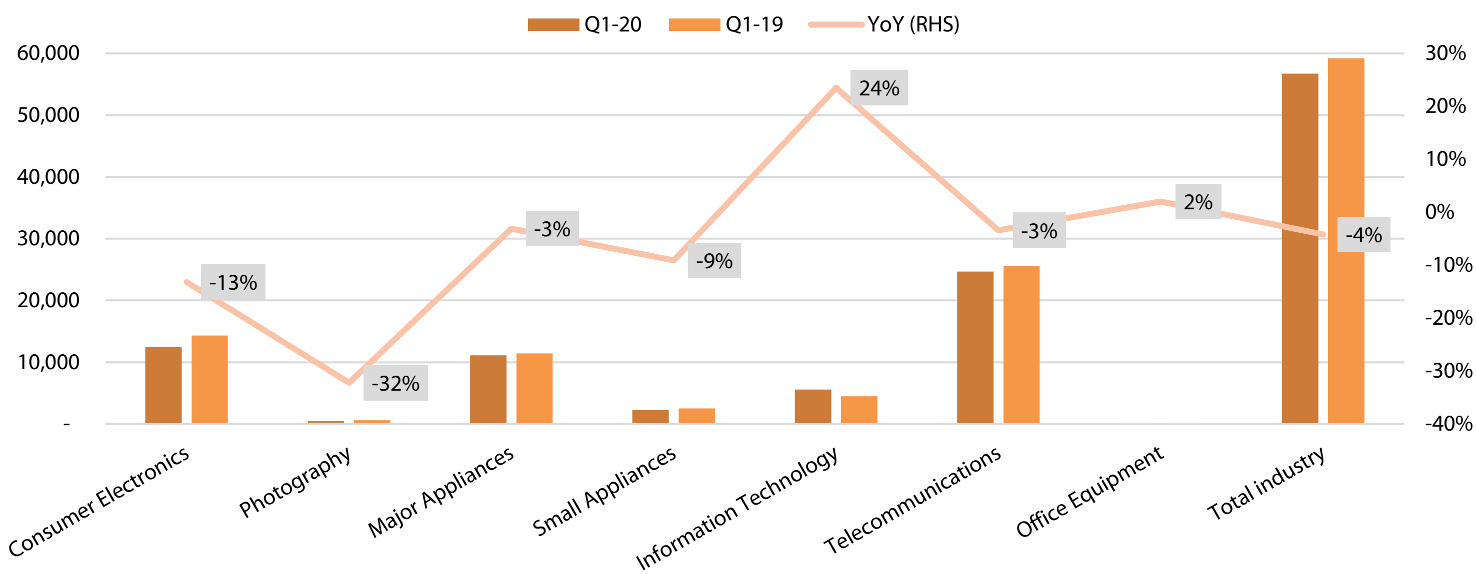
Sources: Rong Viet Securities

Figure 3: Days of inventory by categories (seasonally adjusted)



Sources: MWG, Rong Viet Securities

Figure 4: Technical consumer goods sales in Q1-2020 (VND bn)



Sources: GfK TEMAX

BHX: Revenue surged during the Covid-19 outbreak, speeding up store expansion and store upgrading to acquire more market shares

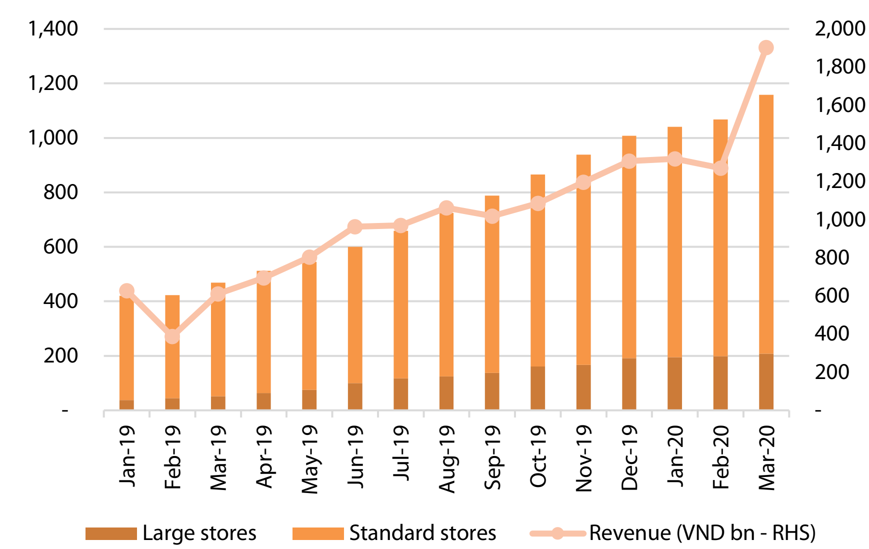
BHX revenue surged by 176% YoY with revenue-per-store of nearly VND 1.7 bn (+50% YoY) in March-2020, the highest level since its rolling out in 2015. It was due to (1) surging demand for essential goods amid the Covid-19 pandemic, (2) upgrading and opening more stores, and (3) the fact that shoppers are rapidly switching from traditional wet markets to minimarts like BHX.

Gross margin was 21% in Q1-20 (after waste), improving 350 bps YoY, thanks to relentless procurement improvement (better discount from FMCG supplier, cutting middle distributors for fresh foods) and product optimization (higher proportion of fresh foods and private label products). At the end of 2019, fresh food accounted for 50% of total sales (vs. 40% in 2018) and MWG is targeting to lift the number to 65% in the long term.

BHX has been rapidly expanding, especially to other provinces. We estimate that over 60% of total stores were located outside HCM in Q1-20 compared to only 8% in Q1-19. Low store density in remote areas has pushed up DCs expense as percent of sales, lead to higher selling expenses/sales, especially in Q4-19. We believe the ratio will decrease in upcoming times given that new stores will be located within covered area in order to better utilize existing logistics and distribution infrastructure.

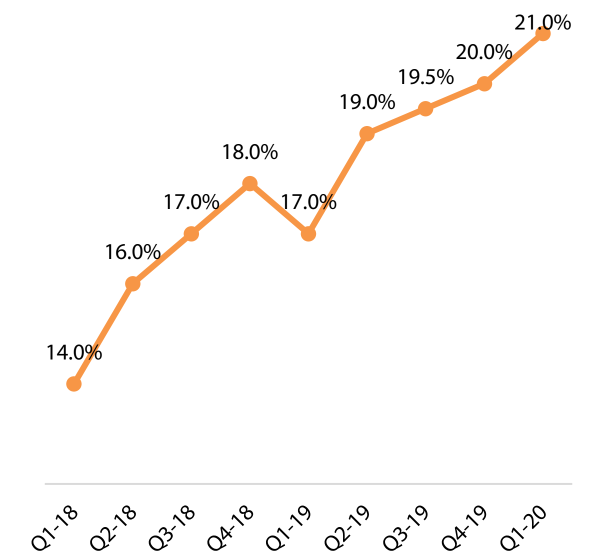
Upgrading outperformed standard store to large store to take more market share from traditional wet market and mom-and-pop stores. Per our estimation, store upgrading may result in a 20% surge in revenue. We note that BHX has increased large store counts from 59 to 208 in the last 12 months and account for 20% of total stores. By the end of 2020, we expect BHX to have over 400 large stores.

Figure 5: BHX's store count per type and monthly revenue



Sources: MWG

Figure 6: BHX's gross margin



Sources: MWG

BHX is also determined to expand its online footprint. In term of profitability, we expect BHX to contribute profit to MWG from 2H2021 onward.

While the offline and fresh food channels are the preferred methods of expansion for FMCG, the online channel still has a lot of potential, especially in urban areas, where there are plenty of demand for home-delivery. We conducted a survey, focusing on several key criteria for FMCG & Foods online purchases.

Table 1: Online channel of BHX, Vinmart and Coop.Food

	Bach Hoa Xanh	Vinmart	Coop.Food (Coop.Mart)
Number of SKU	**6,000**	**460**	**4,700**
In which number of available fresh SKU	~80 (from red meat, chicken, seafood, vegetables and fruits)	~40 (no seafood and fruit).	~20 (only vegetables and eggs)
Pricing	Low, targeting mass segment	More expensive in both FMCG and fresh foods. Fresh foods consist of only branded products (MeatDeli, Vineco, CP) Targeting premium segment.	Low, targeting mass segment
Shipping fee	VND 15k to 45k depends on placing time and weight **VND 30k for the "shopping for you" program*	VND 29k for all orders	Free for order >VND 500k VND 10k for order <VND 500k
Delivery time	Optional time (intraday, from 2 hours or next morning for order after 16:00) **2 hours for the "shopping for you" program*	From 2-4 hours depends on location or next morning for order after 16:00	Intraday for order before 16:00 and or next morning for order after 16:00
Available in	HCMC and Bien Hoa city **Only HCMC for the "shopping for you" program*	Hanoi and HCMC	HCMC

Sources: Rong Viet Securities –survey taken in April 13th 2020

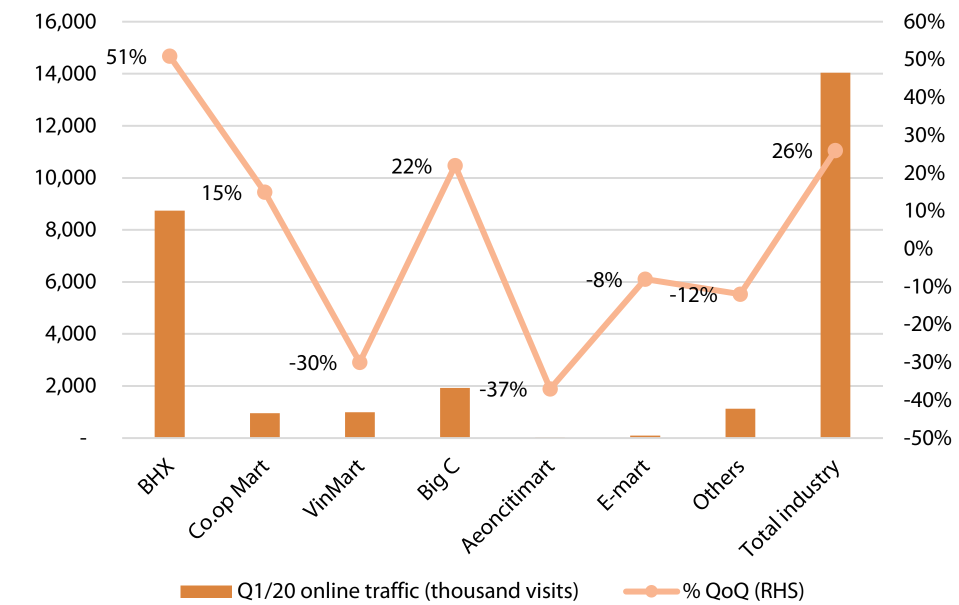
BHX is obviously showing determination in expanding its online footprint. By the end of Q1-2020, all of BHX's online orders are served by two DC online which are located in HCMC and Bien Hoa City, respectively. As demand surged from the beginning of March-2020, these two DC online are currently running overcapacity by twofold. Thus, BHX has opened two more in HCMC to catch up with rising demand in and is planning to open one more in May.

In addition, BHX officially launched the "Shopping for you" platform at the beginning of April-2020. Aiming to serve fresh food via online channel, "Shopping for you" allows customer to shop and receive products within two hours. As demand for "home-delivery" services surged amid Covid-19, we also see several roll-outs of similar *platforms (such as Vinmart+ Di cho ho, Grabmart, NowFresh, Be Di Cho, Lo mart, Chopp.vn, etc)*. We believe "Shopping for you" will outperform thanks to its unique strategies. That is, "Shopping for you" uses BHX's stores as collection points and MWG's staffs as shippers, thereby giving it two main competitive advantages over others platform:

1. **Last-mile delivery:** In-house delivery team is critical to ensure product quality and fastest delivery time. BHX's "Shopping for you" has a significant advantage over other competitors thanks to its widespread store network and professional staffs from both TGDD, DMX and BHX.

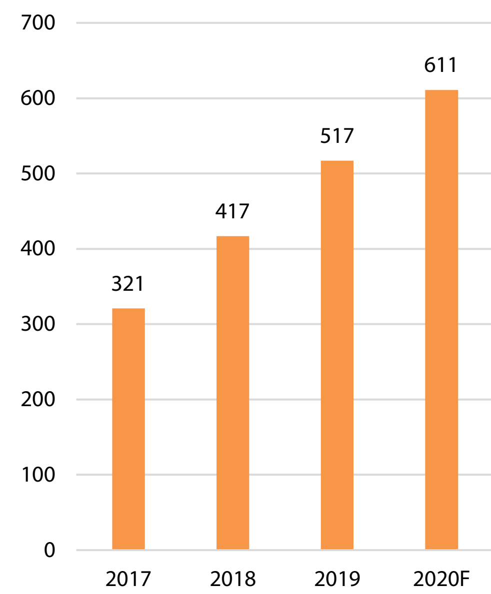
2. **Number of SKUs:** For fresh foods, due to the complexity of storing and shipping, each store has to be the distribution center itself. While BHX and Vinmart are having upper hand in number of stores over the rest, BHX's store model and target segment allow it to offer more numbers of fresh SKU compared to Vinmart, which focuses more on branded products and convenience rather than product variety.

Figure 7: Online traffic of grocery and fresh food retailers in Q1/2020



Sources: YouNet – Social Intelligence, Rong Viet Securities

Figure 8: VN grocery online sales (USD mn)



Sources: Statista

Table 2: BHX forecast

	2019E	2020F	2021F	2022F	2023F	2024F
Store count	**1,008**	**1,758**	**2,458**	**3,058**	**3,658**	**4,058**
Revenue	**10,770**	**26,137**	**43,656**	**60,589**	**76,623**	**89,504**
Cost of sales	(8,724)	(20,518)	(33,615)	(46,047)	(57,468)	(66,233)
Gross Profit	**2,046**	**5,619**	**10,041**	**14,541**	**19,156**	**23,271**
Gross margin	19.0%	21.5%	23.0%	24.0%	25.0%	26.0%
Selling expenses	(3,080)	(6,469)	(10,368)	(13,935)	(17,240)	(19,691)
G&A expenses*	(215)	(497)	(786)	(1,030)	(1,226)	(1,343)
Operating profit (EBIT)	**(1,034)**	**(849)**	**(327)**	**606**	**1,916**	**3,580**
Pretax profit	(1,034)	(849)	(327)	606	1,916	3,580
Taxes**			-	-	-	(620)
Net income	**(1,034)**	**(849)**	**(327)**	**606**	**1,916**	**2,960**
Net margin	-9.6%	-3.3%	-0.7%	1.0%	2.5%	3.3%

Sources: MWG, Rong Viet Securities

**BHX shares staff headcount with TGDD & DMX, therefore G&A expenses are not included in BHX's taxable income and net income.*

*** VND 3.000 bn carried-forward loss prior to 2022 (our estimation) will lower BHX's taxable income in 2022 and 2023, thus reducing tax payments.*

Covid-19 impact and our forecast

The impact of the Covid-19 pandemic are widely spread across the economy as well as our living, and are mostly negative. For MWG, below are several bad consequences from the event:

- Shortages of goods: We believe MWG may face difficulty in sourcing some electronics products (which are imported either partially or entirely) if the pandemic is not controlled by the end of Q2-2020 (i.e which is our bear case). However, we view this risk not as significant given the fact that (1) supplier are striving to maintain their operations (e.g. Samsung Vietnam closed only a minor production line amid one employee got Covid-19 infection) and (2) pandemic is likely controlled soon. On the other hand, grocery and fresh food will not be exposed to this shortages risk thanks to the government's prioritization in supplying essential goods.

- Disrupting store operations: We estimate that a single TGDD or DMX store may loss 70% of its normal revenue in the case of temporary shutdowns. For store that are still opened, limited traffic may curtail 35% of normal revenue.
- Hampering consumer spending, especially for discretionary goods, as a result of lower payroll and increase unemployment spreading across the economy. In addition, the postponement of several vital sporting events to 2021 will also hurt TV sales significantly.

However, we do see some positive effects for MWG from the event:

- Surging demand for essential goods: People has been rushing to stockpile goods in preparation for long-lasting pandemic, which are benefiting BHX's sales. However, we emphasized that abnormally high purchase will inevitably decrease in subsequent period as pandemic is under well control. Despite that, post-pandemic revenue growth of BHX is still looking solid thanks to (1) recent trend of preferring BHX to tradition wet market, (2) relentless store upgrading and (3) promoting fresh food and private label product.
- Speeding up market consolidation: We are seeing plenty of retailer with bleak financial and management capability have been wiped out by Covid-19 storm, whose market shares will be rewarded to one who can survive.
- Opportunity for rental renegotiation as demand for retail premises is dented heavily and will not likely recover anytime soon.

We have revised our 2020 forecast for MWG to take into account the effect of the unexpected Covid-19 pandemic. Specifically, we are anticipating the upcoming in two cases:

- **Base case**: Vietnam Government rolls back social-distancing measures in May-2020. Therefore, we expect the economy will recover from this point onward.
- **Bear case:** Vietnam Government rolls back social-distancing measures in May-2020, however, we do not exclude the probability that the pandemic may come back. Thus, Vietnam Government would reimpose social-lockdown directive for at least two months in Q3-2020.

Table 3: Our 2020's assumptions

Assumption in our forecast for 2020	2019	2020 BASE case	2020 BEAR case	Rationales
Same store sales (%)				
TGDD	0%	-14.9%	-22.5%	Less store traffic couples with lower personal income may pose a drop in sales not only on smartphone but also on cross-selling product such as watches. We also account numbers of store closedown and closedown's duration into our estimation.
DMX	7%	-15.6%	-22.2%	Less store traffic couples with lower personal income would not only cause a drop in demand for unessential electronic product but also undermine store optimizations which were taken in 2019. We also account numbers of store closedown and closedown's duration into our estimation.
BHX	20%	15%	18%	Surging demand amid Covid-19 outbreak and high organic growth of the minimart channel. Promoting fresh foods sales in far province's stores and rolling out more private label goods. Upgrading outperformed standard store to large store: Per our estimation, store upgrading may result in 20% surge in revenue afterwards.
Gross margin (%)				
TGDD + DMX	19.1%	19.7%	19.2%	Gross margin is expected to improve from 2019's level thanks to higher revenue's contribution of watches and household appliances, which are carried lucrative

				profit. In bear case, prolonged pandemic may curtail sales of these product, thus lowering overall margin.
BHX	19%	21.5%	22%	Thanks to (1) better discount from FMCG's supplier given larger scale; (2) private label rolling out; (3) increase fresh food sales which have high margin and (4) reduce shipping charge by operating DC itself. In Bear case, prolonged pandemic may help increase fresh food sales, thus further underpinning gross margin
Store opening (stores)				
TGDD	-36	-120	-50	Transform to DMX mini.
DMX	268	200	80	Include store-conversion and new opening
BHX	603	900	750	In bear case, BHX would slow down its expansion progress in order to reduce loss to parent company.
Selling expense (VND bn – as percent of sales)				
BHX	3.080 - 28,6%	6.469 - 24,8%	6.014 - 24,3%	Selling expense/revenue to reduce from 28.6% in 2019 to 24.8% and 23.8% in 2020 and 2021, respectively, thanks to cost optimization (mostly those of DCs), economic of scale and revenue increase.
TGDD & DMX	9.375 - 10,24%	9.134 10,36%	8.426 - 10,49%	We believe TGDD & DMX has lots of rooms to optimize its expenses via renegotiating rent, enhancing productivity, cutting wages and rolling back promotion, etc. but still maintain normal operation. We note that the longer pandemic, the deeper actions MWG will take to curtail its expense.

Table 4: TGDD & DMX same store sales forecast

	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	2020 vs. 2019
BASE CASE										
Sales per store (YoY)										
DMX	-44%	-10%	-10%	-15%	-15%	-15%	-10%	-5%	-5%	**-15.6%**
TGDD	-47%	-10%	-10%	-15%	-15%	-15%	-10%	-5%	-5%	**-14.9%**
Store closures (stores)										
DMX	258									
TGDD	347									
BEAR CASE										
Sales per store (YoY)										
DMX	-44%	-10%	-10%	-44%	-44%	-28%	-5%	-15%	-15%	**-22.2%**
TGDD	-47%	-10%	-10%	-47%	-47%	-30%	-5%	-15%	-15%	**-22.5%**
Store closures (stores)										
DMX	258			258	258	258				
TGDD	347			347	347	347				

Table 5: TGDD & DMX revenue and gross margin projection by categories

	2019E	2020F - BEAR case	2020F - BASE case
Total revenue (VND bn)	**91,446**	**80,287**	**88,458**
CE	83,146	72,987	77,958
Watch	800	800	1,500
Household appliance	7,500	6,500	9,000
Overall gross margin (%)	**19.1%**	**19.2%**	**19.7%**
CE	17.5%	17.6%	17.6%
Watch	35.0%	35.0%	35.0%
Household appliance	35.0%	35.0%	35.0%

Table 6: TGDD & DMX selling expense estimation per store in 2020

Selling expense estimation per store (VND mn)	Average monthly expense of CLOSE store in 2020	Average monthly expense of OPEN store in 2020	2020 average monthly expense (weighted average of opens and closes)	2019 average monthly expense	2020 vs. 2019 (%)
BASE CASE					
Total	**352**	**368**	**364**	**409**	**-11%**
Labor	202	213	210	223	-6%
Depreciation	36	36	36	41	-12%
Rent, Utilities, Marketing, etc.	114	119	118	145	-19%
BEAR CASE					
Total	**323**	**355**	**335**	**409**	**-18%**
Labor	179	202	189	223	-15%
Depreciation	36	36	35	41	-15%
Rent, Utilities, Marketing, etc.	108	118	111	145	-23%

Table 7: Our forecast for the whole company

Income statement (VND bn)			BASE case		BEAR case	
	FY2018A	FY2019A	FY2020E	FY2021E	FY2020E	FY2021E
Revenue	**86,516**	**102,174**	**114,595**	**140,552**	**105,085**	**129,550**
COGS	71,224	82,686	91,580	111,326	84,353	102,592
Gross profit	**15,292**	**19,488**	**23,015**	**29,226**	**20,732**	**26,959**
Selling expenses	9,660	12,437	15,603	20,446	14,439	18,930
G&A expenses	1,762	2,074	2,266	2,724	2,077	2,509
Financial income	342	631	766	1,012	759	1,004
Financial expense	437	570	688	688	688	688
Other income/loss	12	19	30	30	30	30
Gain/(loss) from joint ventures	-2	-3	-3	-3	-3	-3
PBT	**3,786**	**5,053**	**5,250**	**6,407**	**4,314**	**5,862**
Tax expense	906	1,217	1,319	1,446	1,093	1,324
Minority interests	2	2	2	2	2	2
PAT	**2,879**	**3,834**	**3,929**	**4,959**	**3,218**	**4,537**
EBIT	3,871	4,977	5,146	6,057	4,216	5,520
EBITDA	5,094	6,420	7,138	8,357	6,058	7,711

Valuation

MWG's solid fundamentals and prudent management will help the company weather the storm in a less damaged way that others retailer can't. That said, TGDD & DMX's dominant position in Vietnam electronics retail will continue to strengthen afterward. That, coupled with a much more scale and effective BHX will further enhance the company's growing prospects. Our target price for MWG is **VND 131,000/share**.

	BASE CASE	BEAR CASE
PV of 5Y FCFF	21,378	19,866
Terminal value in year 5	84,396	73,065
Perpetuity growth rate	2.5%	2.5%
WACC	11.6%	12.1%
TP	**131,000**	**111,000**

VND Billion

INCOME STATEMENT	FY2018	FY2019	FY2020E	FY2021E
Revenue	86,516	102,174	114,595	140,552
COGS	71,224	82,686	91,580	111,326
Gross profit	15,292	19,488	23,015	29,226
Selling Expense	9,660	12,437	15,603	20,446
G&A Expense	1,762	2,074	2,266	2,724
Finance Income	342	631	766	1,012
Finance Expense	437	570	688	688
Other profits	12	19	30	30
PBT	-2	-3	-3	-3
Prov. of Tax	3,786	5,053	5,250	6,407
Minority's Interest	906	1,217	1,319	1,446
PAT to Equity S/H	2	2	2	2
EBIT	2,879	3,834	3,929	4,959
EBITDA	3,871	4,977	5,146	6,057

%

FINANCIAL RATIO	FY2018	FY2019	FY2020E	FY2021E
Growth (%)				
Revenue	30.4%	18.1%	12.2%	22.7%
Operating Income	46.9%	26.0%	11.2%	17.1%
EBITDA	39.3%	28.6%	3.4%	17.7%
PAT	30.5%	33.2%	2.5%	26.2%
Total Assets	23.3%	48.2%	2.7%	16.9%
Equity	43.5%	37.4%	29.1%	28.7%
Profitability (%)				
Gross margin	17.7%	19.1%	20.1%	20.8%
EBITDA margin	5.9%	6.3%	6.2%	5.9%
EBIT margin	4.5%	4.9%	4.5%	4.3%
Net margin	3.3%	3.8%	3.4%	3.5%
ROA	10.2%	9.2%	9.2%	9.9%
ROE	37.8%	37.5%	32.0%	29.7%
Efficiency				
Receivable Turnover	55.5	56.3	37.6	39.5
Inventory Turnover	4.1	3.2	4.8	4.8
Payable Turnover	5.9	5.4	6.7	6.7
Liquidity				
Current	1.3	1.2	1.3	1.4
Quick	0.3	0.3	0.6	0.6
Finance Structure (%)				
Total Debt/Equity	83.6%	122.2%	94.7%	73.6%
Current Debt/Equity	68.8%	112.5%	87.2%	67.7%
Long-term Debt/Equity	14.8%	9.7%	7.5%	5.8%

VND Billion

BALANCE SHEET	FY2018	FY2019	FY2020	FY2021
Cash and cash equivalents	3,750	3,177	6,474	9,232
Short-term investments	51	3,075	5,000	5,000
Accounts receivable	1,560	1,815	3,046	3,562
Inventories	17,446	25,745	18,916	23,249
Other current assets	583	1,199	1,259	1,322
Property, plant & equipment	3,549	5,463	6,271	5,822
Acquired intangible assets	581	520	1,078	1,078
Long-term investments	60	56	114	111
Other non-current assets	560	657	690	725
Total assets	**28,140**	**41,708**	**42,849**	**50,100**
Accounts payable	12,105	15,411	13,737	16,699
Short-term borrowings	5,797	13,031	13,031	13,031
Long-term borrowings	1,248	1,122	1,122	1,122
Other non-current liabilities	2	0	0	0
Bonus and Welfare fund	5	0	0	0
Technology-science, dev. fund	0	0	0	0
Total liabilities	**19,157**	**29,565**	**27,890**	**30,852**
Common stock and APIC	4,435	4,435	4,542	4,553
Treasury stock (enter as -)	-1	-6	-6	-6
Retained earnings	3,990	7,150	10,413	14,691
Other comprehensive income	2	1	1	1
Inv. and Dev. Fund	0	0	0	0
Total equity	**8,425**	**11,581**	**14,951**	**19,240**
Minority Interest	**6**	**8**	**8**	**8**

VALUATION RATIO (*)	FY2018	FY2019	FY2020	FY2021
EPS (dong)	6,496	8,460	8,460	10,652
P/E (x)	13.0	13.1	8.9	7.1
BV (dong)	19,011	25,519	32,190	41,325
P/B (x)	4.3	4.2	2.3	1.8
DPS (dong/cp)	1,500	1,500	1,500	1,500
Dividend yield (%)	2%	1.2%	2%	2%

VALUATION MODEL	Price	Weight	Average
FCFF	131,000	100%	131,000
Target price (VND)			**130,000**

VALUATION HISTORY	Price*	Recommendation	Period
2019/12/31	171,000	Buy	Long term
2018/10/01	115,000	Buy	Long term

* Adjusted for current shares outstanding

RESULT UPDATE

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 that 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	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

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